Creditors and Purchase Policy

# Document Control:

| **Document Control Information** | **Details** |
| --- | --- |
| Policy Name | Creditors and Purchase Policy |
| Policy Number | MSEICB007 |
| Version | 1.0 |
| Status | Approved final version |
| Author / Lead | Interim Manager ICB Transition |
| Responsible Executive Director | Director of Resources |
| Responsible Committee | Audit Committee |
| Date Ratified by Responsible Committee | 20 June 2022 |
| Date Approved by Board/Effective Date | 1 July 2022 |
| Next Review Date | 1 July 2024 |
| Target Audience | * MSE ICB staff (including temporary/ bank/agency staff)
* Contractors engaged by the MSE ICB

Staff from other MSE ICS Partnership organisations working on behalf of the ICB |
| Stakeholders Engaged in Development of Policy (internal and external) | MSE CCG Deputy Chief Finance OfficersMSE CCG Head of Accounting/Financial ControllersMSE NHS Alliance Finance Director & Director of Financial Planning & ReportingMSE CCG Audit Committees in common |
| Impact Assessments Undertaken | Equality & Health Inequalities Impact Assessment |

# Version History

| **Version** | **Date** | **Author (Name and Title)** | **Summary of amendments made** |
| --- | --- | --- | --- |
| 0.1 | 26.04.22 | Ruth Blake, Interim Manager – ICB Transition | Draft ICB Policy |
| 0.2 | 10.05.22 | Ruth Blake, Interim Manager – ICB Transition | RB updates to Policy following discussion with transition group and further completion of definitions, compliance and reference sections. Incorporates comments from initial review by Colin Larby, Internal Audit |
| 0.3 | 18.05.22 | Ruth Blake, Interim Manager – ICB Transition | RB updates to Policy following input from various finance team members and remove track changes for Audit Committee review |
| 0.4 | 17.06.22 | Ashley King, Finance Director – Primary Care & Strategic Programmes | Single change to format of contents table post audit committee comment |
| 1.0 | 06.07.22 | David Triggs, Governance Lead | Final checks |
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## Introduction

The Director of Resources takes a lead role for the ICB to ensure there are appropriate and effective financial, contracting, monitoring and performance arrangements in place to ensure the delivery of effective health services (ICB Standing Financial Instructions 7.1.1).

## Purpose / Policy Statement

This policy is a key element of the ICB’s internal control environment and describes how to ensure that the creditor and purchasing responsibilities placed on the Chief Executive and Director of Resources are discharged and implemented. Key responsibilities are set out to make staff aware of their responsibilities.

All revenue and non-pay expenditure must be approved in accordance with the ICB Business Case process prior to an agreement being made with a third party that enters a commitment to future expenditure (ICB Standing Financial Instructions 7.1.5).

## 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

* **Better Practice Payment Code** (BPPC) - Code NHS organisations are required to sign up to that encourages good supplier payment practices – notably that at least 95% of valid, undisputed invoices will be paid within 30 days of receipt.
* **Business Case** – a document that provides justification for undertaking a project or programme which evaluates benefits, cost and risks of alternative options and provides a rationale for the preferred solution.
* **CDEL** – capital departmental expenditure limit – capital resource total allocated to each system by NHSE.
* **Creditor** - an organisation or individual who is owed money for goods or services provided.
* **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.
* **IFRS16** – International Financial Reporting Standard 16 – sets out accounting requirements related to lease accounting.
* **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.
* **Invoice Payment Files (IPF)**- spreadsheet forms used to submit details of bulk payments to NHS providers via ISFE.
* **NHS SBS** – NHS Shared Business Services - NHSE mandated provider of ledger system and transactional financial services provider.
* **Purchase Order** - document used to authorise expenditure that is raised in ISFE.
* **Purchase Requisition** – document completed to request that a purchase order is raised in ISFE.
* **Remittance Advice** – document sent to suppliers to confirm an invoice(s) has been paid that helps suppliers to match payments with invoices.
* **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.
* **Senior Financial Services Officer** – either the Head of Financial Services or the Deputy Direction of Financial Services.
* **Tradeshift** – NHS SBS e-invoicing network.

## Roles and Responsibilities

### Finance and Investment Committee

* + 1. The Finance and Investment Committee is responsible for assuring the ICB Board that investment proposals and procurement routes follow the principles set out in the ICB [Procurement and Contracting Policy](https://www.midandsouthessex.ics.nhs.uk/publications/?publications_category=icb-policies) and contained within this policy. The ICB Procurement and Contracting Policy principles are in accordance with the Public Contracts Regulations 2015 (as amended 2020) and associated statutory requirements which aim to secure value for money and sustainability (ICB Standing Financial Instructions 7.1.2).
		2. The Government is expected to publish the Provider Selection Regime in late 2022 and from the date of implementation the ICB Board will have greater freedom to decide whether to follow a competitive tender process for healthcare provision with the aims of improving collaboration and integration of care as well as reducing unnecessary time and costs. Alongside this are explicit transparency requirements which will need to be factored in.

### Director of Resources

* + 1. The Director of Resources is responsible for the design and implementation of the purchasing strategy and ensuring that relevant financial controls are in place and operating effectively.
		2. The ICB will increase the volume of purchase orders that are raised as it moves towards a ‘no purchase order no payment’ policy.

### Financial Services Team

* + 1. The financial services team is responsible for ensuring that internal control is maintained in accordance with all relevant policies, the Standing Financial Instructions, and the schedule of detailed delegated financial limits.
		2. The financial services team is responsible for ensuring that the key control of segregation of duties is followed in all transactions especially ensuring that requisitioner and authoriser of goods and services are different staff members.
		3. The financial services team is responsible for ensuring that all payments for goods and services are made accurately and that the requirements of the Better Payments Practice Code, to pay suppliers within 30 days of a valid invoice, are followed wherever possible.
		4. The financial services team will work to implement processes to keep the number of urgent and manual payments to a minimum and to identify and work with the contracts team to consolidate payments wherever appropriate to reduce the overall number of transactions.
		5. The financial services team will play a key role in increasing the volume of purchase orders that are raised as the ICB moves towards a ‘no purchase order no payment’ policy.
		6. The financial services team is responsible for leading the process of proactively managing aged creditors and providing updates for monthly Finance Reports as required.

### Finance Business Partners

* + 1. Finance business partners and their teams are responsible for liaising with budget holders to signpost them to the requirements of the schedule of detailed delegated financial limits and the ICB’s Procurement and Contracting Policy and obtain appropriate advice from the ICB’s procurement advisors when considering entering contractual relationships with suppliers.
		2. Finance business partners play a key liaison role between the financial services team and budget holders to ensure training needs are identified and training is delivered including raising purchase requisitions and purchase orders, ensuring appropriate financial codes and budgets are identified before expenditure is committed, assisting budget holders to code and clear invoices and process goods and services receipts and identifying opportunities to consolidate invoicing.
		3. Finance business partners will work with budget holders to reduce the need for urgent and manual payments and are the key contact to identify changes to budget holder responsibilities that need to be reflected in Delegation of Authority forms.

### Budget Holders

* + 1. Budget holders are responsible for seeking competitive quotes and/or entering into full tendering processes as required by the schedule of detailed delegated financial limits and the ICB Procurement and Contracting Policy. Budget Holders are also required to follow the ICB’s Conflicts of Interest and Standards of Business Conduct Policies.
		2. Budget holders should note the limited and exceptional circumstances under which tender waivers can be used as set out in the Procurement and Contracting Policy.
		3. Budget holders are required to obtain advice from the contracts team and if appropriate the ICB’s procurement advisors, to establish the appropriate procurement pathway depending on the type and value of the proposed purchase.
		4. Budget holders are responsible for updating the contracts team with details of quotes, contract details and updates as appropriate.
		5. Budget holders are not authorised to enter into a lease agreement before discussing with a senior financial services officer to establish if the agreement is likely to have an impact on the system’s Capital Departmental Expenditure Limit (CDEL) under IFRS16. If an impact is anticipated the expenditure cannot be committed unless the System Investment Group (SIG) agrees to include the expenditure in the relevant year’s capital plans.
		6. Budget holders are responsible for ensuring that adequate budget is available and identified before committing expenditure.
		7. Budget holders are required to engage with the programme to increase the volume of purchase orders raised before expenditure is committed. Budget holders are required to receipt goods and services as soon as practical and ensure that non-purchase order invoices are coded and authorised for payment promptly to adhere to the Better Payments Practice Code requirement to pay all valid invoices within 30 days of receipt. The ISFE system auto-matches invoices to purchase orders but where the details are different the budget holder will need to liaise with the financial services team to clear the invoices for payment.
		8. ISFE has an in-built hierarchy for escalating invoices or other documents that are not dealt with in the prescribed timescale. These timescales are communicated to budget holders in reminder emails that are auto generated, and each Oracle user has a superior in the system defined in the Delegation of Authority form.
		9. Budget holders are also required to assist the financial accounts team to move towards 100% e-invoicing by encouraging their suppliers to invoice electronically.

### NHS SBS Payments/Invoices Team

* + 1. The SBS payments team are responsible for setting up and amending supplier account details based on information and evidence forwarded by the financial services team. The financial services team obtain a copy of the organisation’s invoice or letter headed paper that includes the bank details and SBS carry out all security checks in line with the national NHSE contract.
		2. The SBS payments team will deal with any system related issues with the process of purchase orders and invoices notifying the financial services team where their action or input is required.
		3. The SBS payments team make physical payments to suppliers based on payment runs which are authorised by the ICB financial services team. (See [Banking and Cashflow Policy](https://www.midandsouthessex.ics.nhs.uk/publications/?publications_category=icb-policies) – section 6.2.3).
		4. The SBS invoice team in Wakefield process all invoices received via Tradeshift, email and through the post addressed to the ICB and add them to the ISFE finance ledger system routing them through to the named budget holder for coding and authorisation.

## Policy Detail

### NHS Healthcare Payment Arrangements

* + 1. Payment for healthcare services provided by NHS organisations continues to be made through the Aligned Payments and Incentives (API) scheme which was introduced by NHSE in 2021/22.
		2. Contract amounts are agreed during the annual planning process and the ICB will make a single monthly payment to NHS providers normally equal to 1/12 of the Expected Annual Contract Value (EACV) to cover fixed and variable elements. Adjustments through the year can be made as agreed by commissioner and provider but should be kept to a minimum and paid at year end following reconciliation unless values are significant.
		3. NHS providers should not raise invoices to ICBs as payment is made via Invoice Payment Files (IPF) on the 15th of the month to which they relate. IPFs are authorised in accordance with the ICB’s schedule of detailed delegated financial limits and must not be authorised by the person compiling the IPF.
		4. NHS contracts should have standard numbering in the format CPQH8NNN where CP indicates that it is a contractual payment, QH8 is the ICB’s 3-digit organisation code and NNN is the contractual sequential numbering determined by the contracts team and shared with the NHS provider.
		5. The invoice number recorded on the IPF is CPQH8NNNMMYY where 01 represents January and YY represents the last 2 digits of the relevant year.
		6. The transaction description can be up to 200 characters long, but it is recommended to limit to the 40 characters that form the remittance advice. Transaction descriptions should be shown as CPQH8NNNDescMMYY where Desc is a brief description of the supplier and contract.
		7. Low volume activity payments are made to NHS providers by IPF where annual estimates of amounts due are less than £500,000 and are made once in the year in line with national NHSE deadlines using the transaction description ORGLVAYYYYYY where the relevant financial year is shown in the format 202223 for 22/23.
		8. NHS organisations will only raise invoices to other NHS organisations for non-healthcare items such as seconded staff and the provision of other non-healthcare goods and services.
		9. Transactions between NHS organisations within the same ICS should be based on estimates and the number of transactions kept to a minimum.

### Non-NHS Suppliers

* + 1. The principles of reducing the number of transactions also applies to non-NHS suppliers although IPFs must not be used for paying non-NHS suppliers. The ICB will work with suppliers to establish good financial operational practice through using contracts where appropriate and proportionate, by always pre-approving expenditure to an agreed level either by a contract or a use of a purchase order and by efficient receipting and processing of payments.
		2. The ICB will work to reduce the number of financial transactions by working with suppliers who send multiple low value invoices by either agreeing estimated activity levels and reconciling at appropriate intervals (no more frequently than quarterly) or by requesting consolidated monthly invoices with agreed supporting information. Where appropriate, consolidated invoices can be paid promptly if within expected levels and coded to a control code and reviewed, recoded and where necessary queried as part of month end processes.

### Use of Purchase Orders

* + 1. The ICB’s policy is to move towards a position where the use of non-purchase order invoicing is the exception. This is in line with the requirement in the ICB’s Standing Financial Instructions to approve all non-pay expenditure before a commitment is made.
		2. Purchase Orders define the description, quantity and price of goods and services, the source of funding and provide legal protection where a contract is not in place. They reduce the risk of overpayment, improve financial control and anti-fraud measures, and reduce administration.
		3. The ICB will work to increase the volume of purchase orders raised for goods and services. It is important that budget holders employ segregation of duties and ensure that the same person does not raise and authorise the purchase requisition.
		4. Purchase Orders should be used for all purchases except for the following:
* Purchase of goods and services where there is a signed contract in place that supports the value of goods being purchased.
* Collaborative Fees.
* Nursing Home packages.
* Payments to agencies for domiciliary care.
* Franking machine top ups.
* Professional fees.

### E-Invoicing

* + 1. To increase efficiency and to reduce the ICB’s carbon footprint the use of e-invoicing is strongly encouraged. The expectation is that all suppliers will register and invoice via Tradeshift or, as a minimum, email invoices directly to SBS in Wakefield by the anniversary of the formation of the ICB (by 30 June 2023). This process will be accelerated by making it a requirement of all new contracts that invoicing is via Tradeshift and budget holders will liaise with suppliers to ensure that manual invoices are not accepted.
		2. Invoices are to be addressed as follows:

XX initial surname

Mid and South Essex ICB

Payables xxx

Phoenix House

Topcliffe Lane

Tingley

Wakefield WF3 1WE

Where initial and surname are the authorizing budget holder (if the budget holder’s name is Tim Smith the first line would read XXTSMITH).

### Purchasing Card

* + 1. The ICB holds a purchasing card account to enable payments to be made for expenditure which does not, at the point of payment, have invoices issued. The cards should be used on an exceptional basis only and invoices should be obtained and paid in the usual way via BACS where possible. This type of expenditure includes, but is not exclusive to, deposits for room hire, accommodation for staff attending courses and internet orders including payment for social media.
		2. The ICB purchasing card account should not be used as an alternative to the normal procurement systems but may be used in exceptional circumstances if authorised by the Director of Finance – Operations.
		3. To comply with the requirement in the ICB’s Standing Financial Instructions that all expenditure must have prior approval before a commitment to expenditure is made (Section 7.1.5) an appropriately authorised purchasing card request form must be completed and submitted to the card holder prior to any payments being made. A copy of this form must be emailed to the financial services team within 24 hours of the transaction. The form must be authorised by an officer with the relevant delegated authority other than the card holder prior to the payment being made.
		4. The purchase card account is with Barclaycard Commercial and any changes to card holders and limits are to be authorised by the Director of Finance - Operations. The number of card holders and financial limits are to be determined by the Director of Finance - Operations. The list of cardholders will usually comprise of appropriate senior finance and corporate team officers as well as the Chief Executive’s Executive Assistant although it may be appropriate to extend card holders to specific project leads for a limited time. Any requests to be included as a card holder should be made to a senior financial services officer in the first instance.
		5. Purchase cards should be locked away and only used by the named card holder on completion of authorised purchasing card request form. **Cards should not be passed to anyone other than the named card holder in any circumstances and any inappropriate use should be reported to the Director of Finance - Operations.**
		6. The purchase card must only be used for ICB business use and should never be used for personal use. The purchase card must not be used to reimburse staff for expenses that should be claimed via the electronic payroll expense system.
		7. Card usage can be limited by Barclaycard Commercial on card issue or at any time thereafter. All cards should restrict card holders so that they are unable to withdraw cash or use the card for types of retailers that are not required.
		8. Each month, collection of the outstanding balance is taken via direct debit. A senior financial services officer will review the monthly statement to ensure that all expenditure is appropriate and supported by appropriately authorised purchase card request forms and will arrange for a member of the team to recode the expenditure from the control code to the nominated account code supplied on the form.
		9. A VAT invoice should be requested from the supplier by the budget holder if the supply is vatable and forwarded to the financial services team to enable the correct treatment of the VAT.
		10. A senior financial services officer will review usage on a periodic basis (as a minimum quarterly) to ensure that all cards held are still required and all limits still valid. Cards held by leavers must be returned to a senior financial services officer prior to departure.

### Fraud Awareness

* + 1. If a staff member or officer believes or suspects that a fraudulent transaction has been processed, they should consult the ICB [Counter Fraud, Bribery and Corruption Policy](https://www.midandsouthessex.ics.nhs.uk/publications/?publications_category=icb-policies) and contact the Local Counter Fraud Specialist Eleni Gill, eleni.gill@wmas.nhs.uk. The ICB Counter Fraud, Bribery and Corruption Policy provides more guidance on what to do if fraud is suspected and offers alternative contacts for reporting concerns.

## Monitoring Compliance

NHS SBS produce monitoring metrics which include the number of credit notes which is an indication of the efficiency and accuracy of the ICBs processes in relation to raising purchase invoices. These metrics are reported to each meeting of the Finance and Investment Committee.

Aged creditor reports are summarised for inclusion in the ICB’s finance report to each meeting of the Finance and Investment Committee and Board.

## Staff Training

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

The Director of Resources is responsible for ensuring that appropriate training is given to finance staff and budget holders 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 Integrated Care 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 Integrated Care Board.

## Associated Policies, Guidance And Documents

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

* ICB Procurement & Contracting Policy
* ICB Banking and Cash Management Policy
* ICB Standards of Business Conduct Policy
* ICB Conflicts of Interest Policy

## References

* NHSEI/NHS Shared Business Services – “Business Process Best Practice in the ISFE Environment” – Version 2.0 (March 2022)
* 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: Ruth Blake

#### Assessor’s Job Title: Interim Manager – ICB Transition

#### Date: 11 April 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 purchase requisitioning and payments, that the processes are efficient and unnecessary transactions are avoided.

#### 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, CCG Head of Accounting/Financial Controllers, NHS Alliance Finance Director and Director of Financial Planning and Reporting as well as Internal Audit.

#### 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.

| ProtectedGroup | Positiveoutcome | Negativeoutcome | Neutraloutcome | 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