APPENDIX 2

FINANCIAL MEMORANDUM

BETWEEN

THE DEPARTMENT OF HEALTH FOR NORTHERN IRELAND

AND

SOUTH EASTERN HEALTH & SOCIAL CARE TRUST

November 2017

Department of Health
An Roinn Sláinte
Männystrie O Poustie
www.health-ni.gov.uk

HSC South Eastern Health and Social Care Trust

Agreement of Terms

This Financial Memorandum sets out the strategic control framework within which South Eastern Health & Social Care Trust (SEHSCT) is required to operate, including the conditions under which government funds are provided as detailed in Managing Public Money Northern Ireland (MPMNI). It aims to achieve prudent and effective management of resources by SEHSCT, combined with a reasonable degree of day-to-day freedom for SEHSCT to manage its operations.

The Memorandum has been drawn up by the Department of Health as the sponsor Department, in consultation with the SEHSCT, which agrees to conduct its finances within the conditions contained herein. The contents of the Memorandum have been approved by the Department of Finance. It will remain in force and binding on the SEHSCT until such time as it is reviewed and/or revised by the sponsor Department.

SIGNED ON BEHALF OF THE DEPARTMENT OF HEALTH

PERMANENT SECRETARY

DATE: 6/11/17

SIGNED ON BEHALF OF SEHSCT

CHIEF EXECUTIVE

DATE: 8/11/17

FINANCIAL MEMORANDUM

BETWEEN

THE DEPARTMENT OF HEALTH (DOH)
AND
SEHSCT

1. INTRODUCTION

1.1. This Financial Memorandum sets out certain aspects of the financial framework within which the SEHSCT is required to operate.

1.2. The terms and conditions set out in the combined Management Statement and Financial Memorandum (MS/FM) may be supplemented by guidelines or directions issued by the sponsor Department/Minister in respect of the exercise of any individual functions, powers or duties of the SEHSCT.

1.3. The Trust should follow the standards, rules, guidance and advice in MPMNI and satisfy the conditions and requirements set out in the combined MS/FM document, together with such other conditions as the sponsor Department/Minister may from time to time impose.

2. INCOME AND EXPENDITURE- GENERAL

2.1. The Departmental Expenditure Limit (DEL)

2.1.1. SEHSCT's current and capital expenditure form part of the sponsor Department's Resource DEL and Capital DEL respectively.

2.2. Expenditure not proposed in the budget/Delegated Limits

2.2.1. SEHSCT must not enter into any commitments or incur expenditure above pre-defined limits as set out in the delegated arrangements or which incur expenditure which is not provided for in the annual budget as approved by the sponsor Department. This reflects the general principles set out in MPMNI relating to the authority for expenditure, regularity, propriety and value for money which apply to all public expenditure.

2.2.2. SEHSCT shall not, without prior sponsor Department approval, enter into any undertaking to incur any expenditure outside its remit or which may be likely to bring either SEHSCT or the sponsor Department into disrepute

2.3. Novel, Contentious or Repercussive Proposals

2.3.1. SEHSCT must obtain the approval of the sponsor Department and Department of Finance (DoF) for any transactions which set precedents, are novel, potentially contentious or could cause repercussions elsewhere

in the public sector. Sponsor Department and DoF approval must be obtained even where such transactions are within SEHSCT's delegated limits which appear to offer value for money. Examples include:

- incurring expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications;

- making any significant changes in the operation or funding of initiatives or particular schemes previously approved by the sponsor Department;

- unusual financing transactions, especially those with lasting commitments;

- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of the resources required. (The sponsor Department will advise on what constitutes 'significant' in this context).

2.3.2. SEHSCT must identify any factors that might set precedents or make expenditure novel, contentious or repercussive to DoH when submitting such proposals for approval, whether capital, IT, Direct Award Contract (DAC), consultancy, gifting etc. and irrespective of any existing delegations.

2.4. Procurement

2.4.1. SEHSCT's procurement policies shall reflect the public procurement policy adopted by the Northern Ireland Executive in May 2002 (refreshed May 2009); Procurement Guidance Notes and any other guidelines or guidance issued by DoH, Central Procurement Directorate (CPD) and the Procurement Board. SEHSCT shall also ensure that it complies with any relevant UK and EU or other international procurement rules.

2.4.2. In particular, SEHSCT shall reflect in its policies DoH and DoF guidance on procurement which addresses the appropriate market testing and evidence retention that should take place for all levels of purchase, irrespective of value, as small expenditures may not require Centre of Procurement Expertise (CoPE) involvement, but nonetheless require a form of market testing.

2.4.3. Periodically and wherever practicable, SEHSCT's procurement policies shall be benchmarked against best practice elsewhere.

2.4.4. SEHSCT's procurement activity should be carried out by means of a Service Level Agreement (SLA) with a recognised and approved CoPE. The relevant CoPEs are: the Business Services Organisation – Procurement and Logistics Service (BSO PaLS) for Goods and Services and Central Procurement Directorate – Health Projects (CPD HP) for Construction Works/Services. If another CoPE or equivalent is to be used

for a specific project, this should be consented to in advance by either BSO PaLS or CPD HP depending on the subject matter.

2.4.5. The Accounting Officer may decide on the level of internal delegation required for approval of purchases subject to delegated limits set by departmental or DoF guidance, and subject to any additional SLA requirements regarding, or formal guidance on, lowest acceptable delegations given by the relevant CoPE.

2.4.6. Delegations for the approval of purchases should be formally recorded within the organisation's scheme of delegation.

2.5. Competition

2.5.1. Competition promotes economy, efficiency and effectiveness in public expenditure. Works, goods and services should be acquired through public competition unless there are convincing reasons to the contrary, and where appropriate should comply with EU and domestic advertising rules and policy. The form of competition chosen should be appropriate to the value and complexity of the goods or services to be acquired.

2.5.2. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.

2.5.3. Where a contract is awarded to an economic operator (i.e. supplier, contractor) without competition, this is referred to as a Direct Award Contract (DAC). In light of their exceptional nature, all DACs should be dealt with in accordance with the advice, requirements and delegations set out in DoH and DoF guidance and in accordance with the SLA or any formal general guidance on direct awards given by the relevant CoPE (in addition to complying with any other applicable delegations not arising as a result of DAC status e.g. capital or IT delegations)

2.5.4. SEHSCT shall send to the sponsor Department on a bi-annual basis (or on such other basis as shall be required by DoH) a report of contracts above the current de minimis limit for procurement expenditure in which competitive tendering was not employed.

2.6. Best Value for money

2.6.1. Procurement of work, supplies and services by SEHSCT shall be based on best value for money. This is defined as the most advantageous combination of costs, quality and sustainability to meet customer and SEHSCT requirements. In this context, cost means consideration of the whole life cost; quality means meeting a specification which is fit for purpose and sufficient to meet the customer's requirements; and sustainability means economic, social and environmental benefits. It is not about minimising up front prices. Whether in conventional procurement, market testing, private finance or some other form of public private

partnership, finding value for money involves an appropriate allocation of risk.

2.6.2. In accordance with MPMNI /NIGEAE, where appropriate a full options appraisal should be carried out before procurement decisions are taken.

Expenditure and Payments

2.7. Timeliness in paying bills

2.7.1. SEHSCT shall collect receipts and pay all matured and properly authorised invoices in accordance with applicable terms, MPMNI and any guidance issued by the sponsor Department/ DoF.

2.8. Payments in advance / Deferred payments

2.8.1. SEHSCT should control its commitments and expenditure to provide value for money. Payments made in advance of the delivery of a service are not value for money and should only be made in exceptional circumstances and require the approval of DoF. There are occasions where advance payments are acceptable and examples are listed in MPMNI.

2.8.2. Any proposal for deferred payments is considered novel and contentious and must have DoF approval.

2.9. Risk Management

2.9.1. SEHSCT shall ensure that it has systems in place for identifying and managing risk and that the risks it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Treasury guidance *The Management of Risk: Principles and Concepts (the Orange Book)* and *MPMNI*.

2.9.2. SEHSCT shall take proportionate and appropriate steps to assess the financial and economic standing of any organisation or other body with which it intends to enter into a contract or to which it intends to give grant or Grant in Aid (GIA).

2.10. Fraud

2.10.1 SEHSCT shall adopt and implement policies and practices to safeguard itself against fraud, and ensure it has adequate controls to detect and deter fraud in accordance with MPMNI and Departmental and DoF guidance which includes DoF's guide *Managing the Risk of Fraud*. In line with this the SEHSCT should develop a fraud policy statement and fraud response plan which should be updated every 5 years and sent to Counter Fraud and Probity Services at BSO for review. SEHSCT shall notify the sponsor Department of any subsequent changes to the policy or response plan.

2.10.2 SEHSCT should identify and assess how it might be vulnerable to fraud (including bribery), and evaluate the possible impact and likelihood of each fraud risk. Fraud should be always considered as a risk in the risk register.

2.10.3 All cases of attempted, suspected or proven fraud shall be reported to the BSO who shall report it to DoF and the C&AG (see section 4.8 in the Management Statement) as soon as they are discovered, irrespective of the amount involved.

2.11. Wider markets

2.11.1. In line with MPMNI, SEHSCT shall seek to maximise receipts and seek out and implement wider market opportunities, provided that this is consistent with (a) SEHSCT's main functions and core objectives; and (b) its corporate plan as agreed with the sponsor Department. All such proposals must be supported by a business case and subject to Departmental approval and DoF approval where appropriate.

2.11.2. SEHSCT must ensure that services are priced fairly and competition law and the rules on state aid are considered. SEHSCT must not however acquire assets just for the purpose of engaging in, or extending, commercial activity. If the wider markets activity demands further investment to keep it viable, SEHSCT must ensure the activity is reappraised.

2.12. State Aid

2.12.1. Any funding favouring a particular company or sector or seen to distort competition could be subject to the European Union (EU) rules and, in certain circumstances, require notification to the European Commission. Article 107(1) of the EU Treaty prohibits in principle any form of preferential government assistance – state aid - to commercial undertakings. The purpose is to prevent distortion of competition within the EU. When designing policies, SEHSCT should consider early whether state aids rules apply and seek advice from the sponsor Department.

2.13. Fees and Charges

2.13.1. Fees or charges for any services supplied by SEHSCT, including services provided between bodies, shall be determined in accordance with MPMNI and should be based on a full cost recovery basis. Where it is decided to charge less than full costs, this will require DoH Ministerial and DoF approval and there should be an agreed plan to achieve full cost recovery within a reasonable period. If the subsidy is intended to last the decision should be documented and periodically reviewed.

2.13.2. All fees and charges should be disclosed in the annual accounts in line with MPMNI / FReM.

2.14. Commercial services

2.14.1. Charges for commercial services should be set at a commercial rate in line with market practice and reflect fair competition with private sector providers. The requirements of competition law and State Aid must be considered. Decisions to set rates at below market practice must have Ministerial and DoF approval.

2.15. Shared services

2.15.1. Active engagement should be undertaken with the BSO to continue improving, enhancing and extracting value from existing and new services with consideration to consolidating services through shared service provisioning.

2.15.2. SEHSCT should always use BSO in the first instance where it can provide the relevant service. Where it is not possible to avail of BSO services then Enterprise Shared Services (ESS) should always be considered as a viable alternative and must be appraised in the business case.

2.15.3. All charges should be at cost in accordance with fees and charges guidance in MPMNI.

3. SEHSCT INCOME

3.1 Grant-in-Aid (GIA)

3.1.1 GIA will be paid to SEHSCT in regular instalments as agreed on the basis of a written application from SEHSCT showing evidence of need. The application shall certify that the conditions applying to the use of grant-in-aid have been observed to date and that further GIA is now required for purposes appropriate to SEHSCT's functions. The forecast GIA provided by SEHSCT and included in the sponsor Department's spring supplementary estimates cannot be exceeded.

3.1.2 Where GIA is drawn by a service provider party on behalf of SEHSCT, the Trust should seek assurances throughout the period about monies drawn on its behalf.

3.1.3 SEHSCT should have regard to the general guidance and principles enshrined in MPMNI that it should seek GIA according to need. GIA should not be drawn down in advance of need.

3.1.4 Cash balances during the year shall be held at the minimum consistent with the efficient operation of the functions of SEHSCT. GIA not drawn down by the end of the year shall lapse. However, where draw-down of GIA is delayed to avoid excess cash balances at year-end, the sponsor Department will make available in the next financial year (subject to

approval of the relevant Estimates provision by the Assembly) any such GIA required to meet any liabilities at year end, such as creditors.

3.2 Fines and Taxes as Receipts

3.2.1 Most fines and taxes (including levies and some licences) do not provide additional DEL spending power and should be surrendered to the sponsor Department.

3.3 Receipts from sale of goods or services

3.3.1 Receipts from the sale of goods and services (including certain licences), rent of land and dividends normally provide additional spending power. If SEHSCT wishes to retain a receipt or utilise an increase in the level of receipts, it must gain the prior approval of the sponsor Department.

3.3.2 If there is any doubt about the correct classification of a receipt, SEHSCT shall consult the sponsor Department, which may consult DoF as necessary.

3.4 Interest earned

3.4.1 Interest earned on cash balances cannot necessarily be retained by SEHSCT without sponsor Department approval. Depending on the budgeting treatment of this receipt, and its impact on the SEHSCT's cash requirement, it may lead to commensurate reduction of GIA or be required to be surrendered to the NI Consolidated Fund via the sponsor Department.

3.5 Unforecast changes in in-year income

3.5.1 If the negative DEL income realised or expected to be realised in-year is less than estimated, SEHSCT shall, unless otherwise agreed with the sponsor Department, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. (**NOTE**: For example, if SEHSCT is allocated £100 resource DEL provision by the sponsor Department and expects to receive £10 of negative DEL income, it may plan to spend a total of £110. If income (on an accruals basis) turns out to be only £5, SEHSCT will need to reduce its expenditure to £105 to avoid breaching its budget. If the Trust still spends £110, the sponsor Department will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.)

3.5.2 If the negative DEL income realised, or expected to be realised, in the year is more than estimated, SEHSCT may apply to the sponsor Department to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to GIA. The sponsor Department shall consider such applications, taking account of competing demands for resources, and will consult with DoF in relation to any significant amounts. If an application is refused, any GIA shall be

commensurately reduced or the excess receipts shall be required to be surrendered to the NI Consolidated Fund via the Department.

3.6 Build-up and draw-down of deposits

3.6.1 SEHSCT shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL. SEHSCT shall maintain and manage cash balances as working balances only. These shall be held at a minimum level throughout the year. Any interest earned on overnight deposits must be returned to the sponsor Department.

3.7 Proceeds from Disposal of Assets

3.7.1 Disposals of land and buildings are dealt with in Section 6 below.

3.8 Gifts and Bequests received

3.8.1 SEHSCT is free to retain any gifts, bequests or similar donations subject to paragraph 3.8.2. These shall be capitalised at fair value on receipt and must be notified to the sponsor Department.

3.8.2 Before accepting a gift, bequest or similar donation, SEHSCT shall consider if there are any costs associated in doing so or any conflicts of interest arising. The Trust shall not accept a gift, bequest or similar donation if there are conditions attached to its acceptance that would be inconsistent with its function.

3.8.3 SEHSCT must keep a register detailing gifts received, their estimated value and what happened to them (whether they were retained, disposed of, etc). The Trust should liaise with sponsor Department as to whether the gifts received need to be noted in annual report and accounts.

3.8.4 Donations, sponsorship or contributions, e.g. from developers should also be treated as gifts and should be treated in line with guidance in Managing Public Money NI on Gifts and accounted for in accordance with FReM requirements.

3.9 Other Receipts

3.9.1 SEHSCT should ensure that effective control is maintained, and records kept, of receipts from other sources (e.g. provision of fire certificates, reports etc).

3.10 Borrowing

3.10.1 *Normally* ALBs are not permitted to borrow funds. However if doing so, under exceptional circumstances, the ALB must observe the principles in MPMNI, seeking the approval of the Department and, where appropriate

DoF, to ensure it has the necessary authority and budget cover for borrowing or the expenditure to be financed for such borrowing.

4 EXPENDITURE ON STAFF

4.1 Staff Costs

4.1.1 Subject to its delegated limits of authority, SEHSCT will ensure that the creation of any new/additional posts does not incur future commitments which will exceed its ability to pay for them.

4.2 Pay and Conditions of Service

4.2.1 Employees of SEHSCT, whether on permanent or temporary contract, will be subject to levels of remuneration, and terms and conditions of service (including Superannuation) as agreed by DoH and DoF.

4.2.2 Annual pay increases of SEHSCT staff must be in accordance with the annual Finance Director letter on Pay Remit Approval Process and Guidance issued by DoF. All proposed pay awards must have prior approval of the Ministers of both the sponsor Department and the DoF before implementation.

4.2.3 Payments shall be made to Board non-executive members in respect of travelling expenses, fees or other allowances in accordance with the relevant (Payment of Allowances to Members) Determination and Direction (Northern Ireland), which the sponsor Department may from time to time amend. SEHSCT shall ensure that a comprehensive set of guidelines on all expenditure on travel and subsistence is in place.

4.2.4 Recruitment exercises to fill vacant or new senior positions in SEHSCT should proceed only where there are exceptional circumstances which have been agreed by the Permanent Secretary of the sponsor Department in advance.

4.2.5 Any change to the remuneration of Senior Executives must have prior approval of the Permanent Secretary of the sponsor Department and the DoF Minister.

4.3 Pension Costs

4.3.1 SEHSCT staff shall be eligible to join the Health and Social Care (HSC) Pension Scheme.

4.3.2 Staff may opt out of the HSC Pension Scheme provided by the Trust. However, the employer's contribution to any personal pension

arrangement, including a stakeholder pension, shall be limited to the national insurance rebate level.

4.3.3 Any proposal by the Trust to move from the existing pension arrangements, or to pay any redundancy, or compensation for loss of office, requires the approval of the sponsor Department and DoF. Proposals on severance payments must comply with MPMNI and any related DoF/ Departmental guidance.

5 NON-STAFF EXPENDITURE

5.1 Economic Appraisal

5.1.1 SEHSCT is required to apply the principles of economic appraisal, with appropriate and proportionate effort, to all decisions and proposals concerning spending or saving public money, including EU funds, and any other decisions or proposals that involve changes in the use of public resources. For example, appraisal must be applied irrespective of whether the relevant public expenditure or resources:

- involve capital or current spending, or both;
- are large or small;
- are above or below delegated limits.

5.1.2 All business cases must be approved internally in line with the scheme of delegation. Those business cases above the delegated limits must be submitted for sponsor Departmental approval prior to any expenditure being committed. Business cases submitted to the sponsor Department for approval must be approved by SEHSCT's Board and signed off by its Accounting Officer.

5.1.3 All business cases for external consultancy, including those below delegated limits, must be submitted to the sponsor Department in advance of any expenditure. All business cases for DACs should be advised on by the CoPE and appropriately approved in advance of expenditure.

5.1.4 Delegations do not remove the need for appraisal or evaluation. All expenditure, including that below delegation limits, must be appraised and evaluated with effort that is proportionate to the resources involved, with due regard to the specific nature of the case. NIGEAE provides more detailed guidance on the application of appropriate and proportionate effort.

5.1.5 Business cases and appraisals should be prepared in accordance with the following guidance, using the pro forma templates or full business case as required:

- The Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE);

- The HM Treasury Guide, The Green Book: Appraisal and Evaluation in Central Government; and

- Sponsor Department circulars.

5.1.6 Business cases below delegated limits will be subject to an annual test drilling exercise by the Department and DoF.

5.2 Capital Expenditure

5.2.1 Subject to being above an agreed capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis in accordance with relevant accounting standards.

5.2.2 Proposals for large scale capital projects or acquisitions will normally be considered within SEHSCT's corporate and business planning process. Applications for approval within the Corporate/ Trust Delivery Plan by the sponsor Department, and DoF if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly authorised by SEHSCT's Board. Regular reports on the progress of projects shall be submitted to the sponsor Department in accordance with current instructions.

5.2.3 Approval of the corporate/Trust Delivery Plan does not obviate SEHSCT's responsibility to abide by the economic appraisal process.

5.3 Capital Projects

5.3.1 The SEHSCT Accounting Officer or appropriate officer as notified to the sponsor Department may authorise capital or IT expenditure on discreet capital projects of up to the agreed delegated limits. Capital or IT projects over this amount require the approval of the sponsor Department and where necessary DoF.

5.3.2 The principles of appraisal, evaluation and management apply equally to proposals supported by Information Communication Technology (ICT) as to all other areas of public expenditure. The appraisal of ICT projects should include the staffing and other resource implications.

5.3.3 Any novel and/or potentially contentious projects, regardless of the amount of expenditure, require the approvals of the sponsor Department and DoF.

5.3.4 Transfers of assets between government departments should generally be at full current market value; assets transferred under a transfer of functions order to implement a machinery of government change are generally made at no charge.

5.4 Transfer of Funds within Budgets

5.4.1 Unless financial provision is subject to specific sponsor Department or DoF controls (e.g. where provision is ring-fenced for specific purposes such as contractually committed projects) or delegated limits, transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need sponsor Department approval. The one exception to this is that, due to HM Treasury controls, any movement into, or out of, depreciation and impairments within the resource budget will require sponsor Department and DoF approval.

5.4.2 Virement of funding from capital to resource budgets shall not be permitted without prior approval from the sponsor Department, DoF and the Executive.

5.5 Lending, Guarantees, Indemnities; Contingent Liabilities; Letters of Comfort

5.5.1 SEHSCT shall not, without the prior written consent of the sponsor Department (and, where necessary, DoF), lend money, charge any asset or security, give any guarantees or indemnities or letters of comfort, or incur any other contingent liability (as defined in MPMNI), whether or not in a legally binding form.

5.6 Grants or loans by SEHSCT

5.6.1 Unless covered by a delegated authority, all proposals to make a loan to a third party, whether one-off or under a scheme, together with the terms and conditions under which such a loan is made, shall be subject to prior approval by the sponsor Department and, where necessary, DoF. If loans are to be made under a continuing scheme, statutory authority is likely to be required.

5.6.2 The terms and conditions of such grants or loans shall include the requirement on the recipient organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by SEHSCT, the sponsor Department and the C&AG.

5.7 Gifts Made

5.7.1 DoH and DoF approval is needed for all gifts above delegated limits and those exceeding £250,000 (or subsequent updated limits) also require Estimate cover and notification to the Assembly. Gifts include transfers of assets or leases at below market value. Public money must not be used to provide for gifts to members of staff. This shall also apply to members of the SEHSCT Board. Gifts by management to staff are subject to the requirements of DAO (DoF) 05/03.

5.7.2 Gifts should be noted in the annual report and accounts in line with MPMNI and the latest FReM requirements.

5.8 Write–offs, Losses and Other Special Payments

5.8.1 Proposals for write offs, losses or other special payments, including ex gratia and compensation payments outside the delegated limits, must have the prior approval of the sponsor Department and where necessary DoF. Furthermore it is important to consult with the sponsor Department if, irrespective of delegations, such proposals:

- involve important questions of principle;
- raise doubts about the effectiveness of existing systems;
- contain lessons which might be of wider interest;
- might create a precedent for other departments; or
- arise because of obscure or ambiguous instructions issued centrally.

5.8.2 Losses shall not be written off until all reasonable attempts to make a recovery have been made and have proved unsuccessful and there is no feasible alternative.

5.8.3 SEHSCT should always pursue recovery of overpayments, irrespective of how they came to be made.

5.8.4 Special payments should only be authorised after careful appraisal of the facts and when satisfied that the best course has been identified.

5.8.5 SEHSCT should ensure that full justification for write-off, special payments or loss is provided together with the necessary legal advice where appropriate and lessons learned clearly identified.

5.8.6 Details of all losses and special payments should be recorded in a Losses and Special Payments Register, which will be available to auditors. The Register should be kept up-to-date and should show evidence of the approval by the appropriate officer as notified to the sponsor Department, for amounts below the delegated limit, and the sponsor Department, where appropriate.

5.8.7 Losses and special payments should be reported in the annual accounts in accordance with MPMNI and the latest FReM requirements.

5.9 Remedy

5.9.1 SEHSCT should operate a clear accessible complaints process which should respond promptly and consistently and consider whether a remedy is appropriate in line with MPMNI

5.10 Leasing

5.10.1 Prior sponsor Department and DoF approval is required for all property and finance leases as delegated authority has been removed. SEHSCT must have DEL provision for finance leases and other transactions that are, in substance, a form of borrowing.

5.10.2 Before acquiring a new lease or continuing with an existing lease term, SEHSCT must, at expiry or break option dates, submit to the sponsor Department a proportionate business case at least 12 months before either the lease expiry date or landlord /tenant notice date, whichever is earlier. The Trust must ensure that the lease demonstrates value for money and that this is appropriately demonstrated in the business case through analysis of options including leasing of alternative property assets and purchase.

5.10.3 Business cases must be submitted for sponsor Department approval in the first instance. The sponsor Department will then seek approval from DoF before expenditure is committed.

5.11 Public Private Partnerships

5.11.1 SEHSCT should seek opportunities to enter into public/private partnerships where this would be more affordable and offer better value for money than conventional procurement.

5.11.2 All such proposals require DoH / DoF approval. SEHSCT must consult with the sponsor Department when considering any proposal to enter into such arrangements. Procurement by private finance is only considered suitable for capital projects of £50million and above, because less capital intensive projects seldom justify the relatively high procurement and management costs involved. For instance, Private Finance Initiative (PFI) solutions are not usually considered appropriate for ICT projects. Private finance should only be used after the rigorous scrutiny of all alternative procurement options, where:

- the use of private finance offers better value for money for the public sector compared with other forms of procurement; and
- the public sector partner is able to predict the nature and level of its long term service requirements with a reasonable degree of certainty.

5.11.3 SEHSCT should ensure adherence to DoF guidance on value for money assessments of alternative procurement options.

5.11.4 SEHSCT should consult with the Department over the accounting and budgeting treatment for any PFI arrangement. Where judgement over the level of control is difficult, the sponsor Department will consult DoF (which may need to consult with the Office of National Statistics over national accounts treatment).

5.12 Subsidiary Companies and Joint Ventures

5.12.1 SEHSCT shall not establish subsidiary companies or joint ventures without the express approval of the sponsor Department and DoF. In judging such proposals, the sponsor Department will have regard to its own wider strategic aims, objectives and those of the Government.

5.12.2 For public expenditure accounts purposes, any subsidiary company or joint venture controlled or owned by SEHSCT shall be consolidated with it in accordance with guidance in the Financial Reporting Manual (FReM), subject to any particular treatment required by the FReM. Where the judgement over the level of control is difficult, the sponsor Department will consult DoF (which may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the sponsor Department and DoF, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this MS/FM and to the further provisions set out in supporting documentation.

5.13 Financial Investments

5.13.1 SEHSCT shall not make any financial investment without the prior written approval of the sponsor Department and, where appropriate, DoF, nor should it build up cash balances or net assets in excess of what is required for operational purposes. Funds held in bank accounts or as financial investments may be a factor for consideration when GIA is determined. Equity shares in ventures which further the objectives of SEHSCT shall equally be subject to DoH and DoF approval unless covered by a specific delegation.

5.14 Unconventional Financing

5.14.1 SEHSCT shall not enter into any unconventional financing arrangement without the approval of the sponsor Department and DoF. If the Trust is using a new or non-standard technique, it should ensure that it has the competence to manage, control and track its use and any resulting financial exposures, which may vary with time. In particular, SEHSCT should consult the sponsor Department before using derivatives for the first time. SEHSCT must evaluate any such financing techniques carefully, especially to assess value for money and any proposal must be assessed in line with MPMNI chapter on funding.

5.15 Commercial Insurance

5.15.1 SEHSCT shall not take out any insurance without the prior approval of the sponsor Department and DoF, other than third party insurance required by the Road Traffic (NI) Order 1981 (as amended) and any other insurance which is a statutory obligation or which is permitted in MPMNI. Decisions on whether to buy insurance should be based on objective cost-benefit analysis, using guidance in the *Northern Ireland Guide to Expenditure Appraisal and Evaluation (*NIGEAE) (supported by additional DoF guidance).

5.15.2 In the case of a major loss or third-party claim, the sponsor Department shall liaise with SEHSCT about the circumstances in which an appropriate addition to budget out of the sponsor Department's funds and/or adjustment to the Trust's targets shall be considered. The sponsor Department will liaise with DoF Supply where required in such cases.

5.16 Employers Liability

5.16.1 SEHSCT is listed in Exemption Regulations made by the Department of Enterprise, Trade and Investment (now the Department for the Economy), namely the Employer's Liability (Compulsory Insurance) Regulations (Northern Ireland) 1999, and therefore is not required to insure against liability for personal injury suffered by its employees.

5.17 Payment/Credit Cards

5.17.1 SEHSCT, in consultation with the sponsor Department, shall ensure that procedures on the issue of payment cards (including credit cards) are in place. No payment/credit cards should be issued without the prior written approval of the Trust's Accounting Officer.

5.18 Hospitality

5.18.1 SEHSCT shall ensure that a comprehensive set of guidelines on the provision of hospitality is in place. Reference should be made to sponsor Department guidance.

5.19 Use of consultants

5.19.1 SEHSCT must notify the sponsor Department of any occasion when it intends to use consultants, for what purpose, and submit a consultancy business case in advance of any expenditure being committed. Prior DoH/ DoF approval must be sought in line with current delegated limits. SEHSCT

shall also comply with current DoH and DoF guidance on the Use of Consultants.

5.19.2 SEHSCT will provide the sponsor Department with a quarterly statement on the status of all consultancies completed and/or started in each financial year.

5.19.3 Care should be taken to avoid actual, potential, or perceived conflicts of interest when employing consultants.

6 Management and Disposal of Fixed Assets

6.1 Asset Management Strategy

6.1.1 SEHSCT should develop and operate an asset management strategy, underpinned by a reliable and up to date asset register, which should be reviewed annually by the SEHSCT Accounting Officer as part of the corporate planning process.

6.1.2 SEHSCT must ensure effective use, maintenance, acquisition and disposal of the public sector assets under its control.

6.1.3 SEHSCT should keep an asset register of all the capital assets it owns and uses.

6.2 Asset transfer between public bodies

6.2.1 Public sector organisations may transfer property among themselves without placing the asset on the open market, provided they do so at market prices and in appropriate circumstances and this is accounted for in compliance with MPMNI and FReM.

6.3 Machinery of Government changes

6.3.1 Some assets transfer due to machinery of government changes. The relevant legislation (a Transfer Order) should prescribe the terms of any such transfer.

6.3.2 SEHSCT should maintain information asset registers as part of their asset management strategy.

6.4 Register of Assets

6.4.1 SEHSCT shall maintain an accurate and up to date register of fixed assets.

6.5 Disposal of Assets

6.5.1 SEHSCT shall dispose of those assets that are surplus to its requirements in compliance with current policy. Assets should be sold for best price, as advised by Land & Property Services. Assets shall be sold by auction or competitive tender as advised by Land & Property Services (unless otherwise agreed by the sponsor Department) and in accordance with the principles of MPMNI provided SEHSCT is satisfied that the articles are spent, redundant or surplus to requirements.

6.5.2 Other than at a public auction, no article shall pass into the possession of any member of staff of SEHSCT or member of its Board without approval of the Department.

6.5.3 All receipts derived from the sale of assets (including grant financed assets, see 6.6 below) must be declared to the sponsor Department, which will consult with DoF on the appropriate treatment.

6.6 Recovery of Grant – Financed Assets

6.6.1 Where SEHSCT has financed expenditure on capital assets by third parties, it shall set conditions and make appropriate arrangements to ensure that assets are not disposed of without the Trust's prior consent.

6.6.2 SEHSCT shall ensure that any grants to third parties for the acquisition of assets should normally include a claw back condition under which the Trust can recoup the proceeds if the recipient of the grant later sells the asset.

6.6.3 SEHSCT shall ensure that, if the assets created by grants made by the Board cease to be used by the recipient of the grant for the intended purpose, a proper proportion of the value of the asset shall be repaid to the Trust for surrender to the sponsor Department. The amount recoverable shall be calculated by reference to the best possible value of the asset and in proportion to the NI Consolidated Fund's original investment(s) in the asset.

7 BUDGETING PROCEDURES

7.1 Setting the Annual Budget

7.1.1 Each year, in the light of decisions by the sponsor Department on the SEHSCT's updated draft corporate plan, the sponsor Department will send to the Trust:

- a formal statement of the annual budgetary provision allocated by the sponsor Department through the HSCB in the light of competing priorities across the Department and of any forecast income approved by the Department; and

- a statement of any planned change in policies affecting the Trust.

7.1.2 The SEHSCT approved annual Trust Delivery Plan (TDP) will take account both of its approved funding provision and any forecast receipts, and will include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any HSCB / Departmental funding and/or other income over the year. These elements will form part of the approved TDP for the year in question (Section 4.2 of the Management Statement).

7.1.3 Any GIA provided by the sponsor Department for the year in question will be voted in the sponsor Department's Estimate and will be subject to Assembly control.

7.2 General Conditions for the Authority to Spend

7.2.1 Once the budget has been allocated by the HSCB (and subject to any restrictions imposed by Statute/the Minister/this MS/FM or any other circulars, directives, and best practice guidance that may issue from, or by way of, the Department),) to SEHSCT, the Trust shall have authority to incur expenditure approved in the budget without further reference to the HSCB or the sponsor Department, on the following conditions:

- The Trust shall comply with the delegations issued by the sponsor Department in HSC(F) 52-2016 (Appendix 1) or subsequent revisions. These delegations shall not be altered without the prior agreement of the sponsor Department and DoF;

- The Trust shall comply with the conditions set out in paragraph 2.3 above regarding novel, contentious or repercussive proposals;

- inclusion of any planned and approved expenditure in the SEHSCT's budget shall not remove the need to seek formal DoH (and, where

necessary, DoF) approval where such proposed expenditure is above the delegated limits, or is for new schemes not previously agreed;

- The Trust shall provide HSCB and the sponsor Department with such information about its operations, performance, individual projects or other expenditure as may reasonably be required (see paragraph 7.3 below); and

- The Trust shall comply with NI Procurement Policy and carry out procurement via a recognised and approved CoPE.

7.3 Providing Monitoring Information to the Sponsor Department

7.3.1 The SEHSCT shall provide the sponsor Department with information on a regular basis which will enable the satisfactory monitoring by the Department of:

- the Trust's cash management;
- its draw-down of any GIA;
- the expenditure for that month;
- forecast outturn by resource headings; and
- other data required for the DoF Outturn and Forecast Outturn Return.

8 BANKING

8.1 Banking Arrangements

8.1.1 The SEHSCT Accounting Officer is responsible for ensuring that the Trust's banking arrangements are in accordance with the requirements of Chapter 5 of *MPMNI*. In particular, the Accounting Officer shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness. This responsibility remains even with the current banking pool arrangements. Accounting Officers are responsible for the credit risk to which public funds are exposed when held in commercial banks. It is important that they manage this risk actively, so that it is kept to a minimum. This means using the most efficient and cost effective money transmission methods and securing the best terms possible from banks. The Trust should seek the advice of the sponsor Department before opening new bank accounts.

8.1.2 The SEHSCT Accounting Officer shall therefore ensure that:

- these arrangements are suitably structured and represent value-for-money, and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years;

- sufficient information about banking arrangements is supplied to the sponsor Department's Accounting Officer to enable the latter to satisfy his/her own responsibilities;

- the Trust's banking arrangements shall be kept separate and distinct from those of any other person or organisation; and

- adequate records are maintained of payments and receipts and adequate facilities are available for the secure storage of cash.

9 COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

9.1 Relevant Documents

9.1.1 SEHSCT shall comply with the following general guidance documents:

- This document (both the *Financial Memorandum* and the *Management Statement*);

- *Managing Public Money Northern Ireland (MPMNI);*

- *Public Bodies - a Guide for NI Departments* issued by DoF;

- *Government Internal Audit Standards*, issued by DoF;

- *Managing the Risk of Fraud* issued by DoF;

- *The Government Financial Reporting Manual (FReM)* (Treasury document) issued by DOF;

- Relevant DoF Dear Accounting Officer and Finance Director letters;

- Relevant Dear Consolidation Officer and Dear Consolidation Manager letters issued by DoF;

- *Regularity, Propriety and Value for Money*, issued by Treasury;

- The Consolidation Officer Letter of Appointment, issued by DoF;

- *PFI - Working Together in Financing our Future: Policy Framework for Public Private Partnerships in Northern Ireland" available at* http://webarchive.proni.gov.uk/20141007005953/http://www.ofmdfmni.gov.uk/maindoc.pdf

- Other relevant instructions and guidance issued by the central Departments (D0F/The Executive Office) including Procurement Board and CPD guidance.

- Specific instructions and guidance issued by the sponsor Department;

- Recommendations made by the Public Accounts Committee, or by another Assembly/Parliamentary authority, which have been accepted by the Government and which are relevant to SEHSCT.

10 REVIEW OF FINANCIAL MEMORANDUM

10.1 This Financial Memorandum will normally be formally reviewed every five years, or following a review of SEHSCT's functions as provided for in the Management Statement.

10.2 DoF will be consulted on any significant variation proposed to the Management Statement and Financial Memorandum.

APPENDIX 1

HSC(F) 52-2016 Revised HSC & NIFRS Delegated Limits and requirements for Departmental / DoF approval

1. DoF has updated some of the delegated limits per (DAO (DPF) 06/12) providing guidance on the revised arrangements for Departmental delegations, following the restructuring of the new nine Departments, and the associated requirements for DoF approval. The revised DAO can be found at: https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/daodfp0612_revised%20280716_0.pdf . The principles of DAO (DFP) 06/12 still remain and reminds organisations of the guidance contained in MPMNI relating to the authority for expenditure, regularity, propriety and value for money and the requirement to ensure that the principles of appraisals are applied when expending resources. The relevant extracts are included at **Annex A**.

2. This circular sets out the delegations between DoH and Health and Social Care bodies and NIFRS and conveys delegated authority to commit and incur expenditure subject to the restrictions set out at table A below and per **Annex B and Annex C.**

3. The main changes to delegated limits are:

   - Capital Projects
     - DoH delegated limit excluding hospital schemes has increased from £1m to £2m
     - Trusts delegated limit, excluding hospital schemes, has increased from £500k to £1.5m
     - New delegated limit introduced for PHA lead Research and development of £1.5m
     - Trusts delegated limit for hospital schemes has also increased from £500k to £1.5m
   - Gifts has increased from £100 to £250 for all bodies;
   - Ex-Gratia Financial Remedy Payments (i.e..those made to complainants through an organisation's internal complaints procedures/processes increased from £250 to £500;

- Overpayments - Foregoing the recoupment of overpayments of pay, pensions and allowances ; Pensions from £500 to £1,000;
- Clinical negligence – delegated limit increased from £500k to £1m;
- Delegated limit for all leases for Office / warehouse / storage accommodation is nil for all bodies;
- DoH Delegated limit for EU Peace IV and In VA Programmes has increased from £2m to £5m. Delegated limits for all bodies remains NIL.

4. The table below summarises the main financial delegated limits where the Department has given delegated authority to HSC and NIFRS to spend within those limits. This must be read in conjunction with **Annex B** and **Annex C which contains a full list of delegations for which HSC bodies and NIFRS have NO delegated authority other than those listed below.**

5. All proposed expenditure which is set to exceed the HSC/NIFRS delegated limit must receive the appropriate prior approval before commitment to spend.

TABLE A

Area of Delegation	**HSC/NIFRS Delegated Limit**	**DoH Delegated Limit**
Use of External Consultants	HSC Bodies - £10,000 NIFRS - £10,000	£75,000
Capital Expenditure (excluding hospital schemes)	HSC Board &Trusts - £1,500,000 BSO £250,000 PHA - £50,000 PHA R&D - £1,500,000 NIBTS - £200,000 Other HSC Bodies - £10,000 NIFRS - £250,000	£2,000,000
Hospital Schemes – New Build, Extension, Refurbishment and Equipment involving capital expenditure	HSC Board &Trusts - £1,500,000 BSO - £250,000 PHA - £50,000 NIBTS - £200,000 Other HSC Bodies -	£5,000,000

Area of Delegation	HSC/NIFRS Delegated Limit	DoH Delegated Limit
	£10,000	
IT Projects	HSC Board; Trusts; BSO; PHA; £250,000 NIBTS - £200,000 NIMDTA - £20,000 Other HSC Bodies - £10,000 NIFRS - £250,000	£1,000,000
Gifts	£250	£250
Losses – write off of cash losses and cash equivalents, bookkeeping losses, exchange rate fluctuations, fruitless payments and constructive losses, property in stores or in use due to any deliberate act	HSC Bodies £10,000 NIFRS - £1,000	n/a*
Losses -. The write off of losses relating to pay, allowances, superannuation benefits, social security benefits, grants, subsidies and the failure to make adequate charges for use of public property or services and loans - as per guidance in MPMNI	All HSC Bodies and NIFRS - Nil**	Nil**
Losses - Waived of Abandoned claims	HSC Bodies £10,000 NIFRS - £1,000	£100,000
Special payments / Ex-Gratia Payments	All HSC Bodies - £10,000 NIFRS - £1,000	£100,000
Overpayments - Foregoing the recoupment of overpayments of pay, pensions and allowances	All HSC Bodies and NIFRS - £1,000 (pay & allowances) £1,000 (pensions)	£20,000
Overpayments - Foregoing the recoupment of overpayments of grants	All HSC Bodies and NIFRS - Nil**	Nil**
Special severance payments	All HSC Bodies and NIFRS - Nil**	Nil**
Ex-Gratia Financial Remedy Payments (i.e..those made to complainants through an organisation's internal complaints procedures/processes)	All HSC Bodies and NIFRS - £500	£500
Ex-Gratia Payments to be made as a result of a recommendation from the NI Public Services Ombudsman	All HSC Bodies - £10,000 NIFRS - £1,000	£50,000
Compensation payments for Clinical Negligence (to include interim payments if overall settlement is expected to exceed delegated limits) To include agreement of Periodic Payment Orders (PPOs)	HSC Bodies £1,000,000 NIFRS n/a	£2,000,000
Compensation payments following legal advice (This would include all personal	HSC Bodies - £25,000 NIFRS - £1,000	£100,000

Area of Delegation	HSC/NIFRS Delegated Limit	DoH Delegated Limit
injury and public liability claims)		
Compensation payments without legal advice	All HSC Bodies and NIFRS - Nil	£10,000
Extra-Statutory and Extra-Regulatory payments	All HSC Bodies and NIFRS - Nil	£100,000
Confidentiality Agreements	Nil	Nil
Grants: Revenue Capital	All HSC Bodies and NIFRS £500k per annum £200k in total	 £500k per annum £200k in total
Leases for office accommodation/ warehousing / storage	- All HSC Bodies and NIFRS Nil	Nil
Pay remits	All HSC Bodies and NIFRS Nil	Nil
Revenue Business cases	NIFRS - £250,000 All other HSC Bodies – fully delegated	Nil

* DoH has full delegated authority

* Prior DoH and DoF approval required in all cases

6. It is mandatory for HSC bodies and NIFRS to obtain prior Departmental approval for expenditure above those limits outlined above and per Annex B & C attached. Failure to obtain the required DoF approvals will result in regularity and propriety issues. Any expenditure which falls outside a Department's delegated authority and which has not been approved by DoF is deemed irregular and could result in qualified accounts and investigation by PAC.

7. Where expenditure proposals exceed the Department's delegated limits, DoF Supply will act as the approving authority.

8. All expenditure which is novel, contentious, repercussive or which could set a potentially expensive precedent, irrespective of size, even if it appears to offer value for money taken in isolation **must** have Departmental and DoF approval before expenditure is committed.

Further Guidance

9. For further details on these categories of expenditure, including approvals procedures, HSC Bodies and NIFRS should refer to Managing Public Money Northern Ireland[1] and NIGEAE[2], as well as current Departmental finance guidance on:
    - The use of professional services (including consultants)
    - Losses and special payments
    - Claims handling (including clinical negligence and personal injury litigation)
    - Fraud
    - Capital

Process for approval of expenditure

10. Any payments / expenditure that require Departmental approval must be submitted through Financial Policy and Accountability Unit, who will act as a single point of contact through whom all liaison with DoF on significant financial matters, including approvals, should be conducted. This is to ensure that appropriate Departmental approvals have been obtained and that regularity, propriety and VFM have been adhered to.

11. It has been agreed that the Infrastructure Investment Director will be the contact point for all such submissions concerning capital.

Should you have any queries please contact the following.

Paula Shearer 02890 765689
Sharon Allen (Capital) 02890 523169

Action Required

12. HSC Bodies and NIFRS to note the requirements to obtain prior Departmental approval before committing expenditure outside the delegations conveyed by this letter. This circular should therefore be circulated as appropriate throughout your organisation, and schemes of delegation revised and updated accordingly.

1 https://www.finance-ni.gov.uk/articles/managing-public-money-ni-mpmni
2 https://www.finance-ni.gov.uk/topics/finance/northern-ireland-guide-expenditure-appraisal-and-evaluation-nigeae

Yours sincerely

PAULA SHEARER

Financial Policy, Accountability and Counter Fraud Unit

Annex A

Extract from revised DAO (DFP) 06/2012

Expenditure Appraisal and Evaluation

1. FD(DFP) 20/09 draws departments' attention to the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE), which contains DoF's core guidance on the appraisal, evaluation, approval and management of policies, programmes and projects. The principles of appraisal should be applied, with proportionate effort, to every proposal for spending or saving public money, or proportionate changes in the use of public sector resources. For example, appraisal must be applied irrespective of whether the relevant public expenditure or resources:

   - involve capital or current spending, or both;
   - are large or small;
   - are above or below delegated limits.

2. Appraisal is a systematic process for examining alternative uses of resources. It is designed to assist in defining problems and finding the solutions which offer the best value for money. It is a way of thinking expenditure proposals through, right from the emergence of the need for a project through its implementation, to post-project evaluation. It is the established vehicle for planning and approving projects and other expenditures. Good appraisal leads to better decisions and use of resources. It facilitates good project management and project evaluation. Appraisal is not optional; it is an essential part of good financial management, which is vital to decision-making and crucial to accountability. But it must also be proportionate.

3. It is important to begin applying appraisal early in the gestation of any proposal which has expenditure or resource implications. The justification for incurring any expenditure at all should be considered. Appraisal should be applied from the emergence of a need right through to the recommendation of the most

cost-effective course of action. It should not be regarded merely as the means to refine the details of a predetermined option.

4. It should be noted that delegations do not remove the need for appraisal or evaluation. All expenditure, including that below delegation limits, must be appraised and evaluated with effort that is proportionate to the resources involved, with due regard to the specific nature of the case. NIGEAE provides more detailed guidance on the application of appropriate and proportionate effort.

Implementation of delegated authority

5. This DAO restates a number of working arrangements which are intended to facilitate the efficient implementation of delegated authority and the achievement of accountability and value for money. They are part of the internal controls of a department and should facilitate an Accounting Officer in signing the Governance Statement.

Management Arrangements

i. Departments should nominate a senior official, preferably the Departmental Finance Director, to assist in the discharge of all aspects of the delegation arrangements within the department. This official should act as a single point of contact through whom all liaison with DoF on significant financial matters, including approvals, should be conducted, unless alternative arrangements are agreed with DoF. Departments should inform DoF of the name and job title of this point of contact and notify DoF of any subsequent change.

ii. Expenditure above delegated limits generally requires specific DoF approval. The normal procedure for seeking DoF approval is to submit a suitable business case to the appropriate DoF Supply Division in accordance with the guidance in NIGEAE.

iii. All cases presented to DoF for approval must confirm that the department is content with the regularity, propriety and value for money of the project and the project has the necessary approvals

within the departmental Accounting Officer's delegated arrangements. Where it is clear to DoF that a case has been submitted without proper departmental approval procedures being followed, the case will be returned without consideration.

iv. It should be noted that where DoF approval is required, expenditure should not be committed until DoF approval has been granted. Where DoF's approval has not been sought, DoF will not generally grant retrospective approval where the relevant expenditure has already been committed or the works have commenced.

v. The practice of consulting DoF informally during the course of development of a project is strongly encouraged, particularly where the project is deemed to be complicated, novel or contentious. However, such informed consultation does not remove the need for a department to formally submit the project for DoF approval if that is required. DoF will not confirm its formal view of any proposal unless the department has provided confirmation of its Accounting Officer's view (under the responsibility of the Accounting Officer) on the regularity, propriety and value for money of the relevant proposed expenditure.

Appraisals and Post Project Evaluations

vi. All departments should ensure that their operating procedures and guidance on conducting economic appraisals comply with NIGEAE, are recorded in a Finance Manual, that this Manual is kept updated regularly, and that those who are involved in the economic appraisal process have access to it.

vii. The Departmental Finance Director should ensure that commensurate Post Project Evaluations (PPEs) are completed in accordance with the principles set out in NIGEAE that lessons learnt are shared within the department (and, where appropriate, with other departments). A copy of the PPE should be forwarded to DoF Supply if it formed a condition of the approval. Departmental Finance

Manuals should ensure that appropriate procedures are established for PPEs.

Review of Processes

viii. Each department should carry out an annual review (independent of the spending areas) of the processes in relation to the appraisal of cases and PPEs that fall within its delegated limits, to ensure that the proper processes are being followed and the delegation limits set out in this DAO adhered to. If a department has evidence-based confidence in its internal controls, it may decide to implement a cycle of reviews, taking a different part of the department each year.

Review of Economic Appraisals/PPEs

ix. In addition to the annual review of processes described at (viii) above, departments should conduct ad hoc 'test drilling' of economic appraisals and PPEs that fall (a) within their delegated limits and (b) within the delegated limits given to their sponsored bodies, to ensure that the appropriate appraisal standards have been applied in accordance with NIGEAE guidance and that decisions have been taken on a proper basis. The review should be undertaken independent of the spending area. A department may undertake a cycle of reviews concentrating on the higher risk areas. A report of the findings of the examination of individual cases should be provided by departments to the Departmental Accounting Officer and to DoF Supply on an annual basis, by 30 June each year. This should provide further assurance to the Departmental Accounting Officer in signing off the Annual Governance Statement.

x. Departments should submit to DoF Supply a list of all appraisals above the level agreed with their Supply Officer. Supply may request a sample of those cases for review, to confirm the effectiveness of departments' control systems (in line with the criteria in MPMNI A.2.3.8). Any

necessary corrective action identified should be implemented within an agreed timescale.

ANNEX B

AREAS REQUIRING DoF APPROVAL FOR ALL DEPARTMENTS

	Details	Reference
Where DoF approval (in writing) is required:		
Use of Resources		
1	Public statements which might imply a willingness on the part of the Executive to commit resources or incur expenditure beyond agreed levels	MPMNI Box A.2.3.A
2	Guarantees, indemnities or general statements/ letters of comfort which could create a contingent liability	MPMNI Box A.2.3.A
3	All expenditure which is novel, contentious, repercussive or which could set a potentially expensive precedent, irrespective of size, even if it appears to offer value for money taken in isolation	MPMNI Box A.2.3.A Box 2.3
4	Expenditure that could create pressures which could lead to a breach of: 1. Departmental Expenditure Limits (DELs); 2. resource limits or capital limits; or 3. Estimates provision.	MPMNI Box A.2.3.B
5	Expenditure that would entail contractual commitments to significant levels of spending in future years for which plans have not been set	MPMNI Box A.2.3.B
6	Legislation with financial implications as per guidance in MPMNI	MPMNI A.2.2.1
7	New services under the sole authority of the Budget Act	MPMNI A.2.5.15
8	Loans – on borrowing from the Northern Ireland Consolidated Fund for Contingencies	MPMNI A.2.5.9 MPMNI A.2.5.11
Accounting Officers		
9	Appointment of the permanent head of each central government department to be its Accounting Officer	MPMNI 3.2.1
10	Appointment of an Accounting Officer for a Trading Fund (TF)	Financial Provisions NI Order 1993 and MPMNI 3.2.2
Internal Management		
11	Gifts – Giving any individual gift in excess of £250. **Refer to Table A for HSC and NIFRS Delegation**	MPMNI A.4.12.3
12	Insurance – Decision to purchase commercial insurance.	MPMNI 4.4.1 – 4.4.2

	Details	Reference
13	Losses – The write off of losses relating to pay, allowances, superannuation benefits, social security benefits, grants, subsidies and the failure to make adequate charges for use of public property or services and loans - as per guidance in MPMNI - **Refer to Table A for HSC and NIFRS Delegation**	MPMNI Annex A.4
14	Losses - Waived or Abandoned claims above £100,000 and Special payments e.g. ex gratia over £100,000. To include the foregoing the recoupment of overpayments of pay, pensions and allowances over £20,000 and the recoupment of overpayments of grants. **Refer to Table A for HSC and NIFRS Delegation**	MPMNI A.4.10.2 & Box A.4.10.A MPMNI A.4.11
15	Payments – Advance payments excluding those allowed under the guidance in MPMNI	MPMNI A.4.6.5
16	Payments – Deferred payments excluding those allowed under the guidance in MPMNI	MPMNI A.4.6.9
17	Payments - Special severance payments - **Refer to Table A for HSC and NIFRS Delegation**	MPMNI A.4.13.9
18	Payments – Financial Remedy Payments over £500 (ie payments made to complainants through an organisations internal complaints procedures/processes) and payments over £50,000 to be made as a result of a recommendation from the Northern Ireland Public Services Ombudsman	MPMNI A.4.14.8
Funding		
19	Banking – Proposals to open an account outside the pool or any proposed changes to Banking Pool arrangements	MPMNI 5.8.2 MPMNI A.5.7.3 MPMNI Box A.5.7.B
20	Banking – Requests for indemnities that commercial banks may seek to replace their normal arrangements	MPMNI Box A.5.7B
21	Borrowing from the Private Sector for all Arms Length Bodies (ALBs)	MPMNI 5.7.1
22	Borrowing on terms more costly than those usually available to government	MPMNI A.5.6.11
23	Borrowing – foreign borrowing	MPMNI A.5.6.12
24	Foreign Currency - Any proposals to negotiate contracts in foreign currencies other than the euro, yen or US dollar	MPMNI A.5.7.13
25	Income - Use of income and cash by departments to meet expenditure needs if there is no specific legislation	MPMNI A.5.3.1 MPMNI A.5.3.5
26	Income & Receipts - Increases to the amount that can be treated as an accruing resource	MPMNI A.5.3.8 MPMNI A.5.3.9

	Details	Reference
	during a financial year in order to finance a comparable increase in expenditure as per in-year monitoring/budgeting guidance	
27	Liabilities – Departments seeking statutory authority to accept liabilities	MPMNI A.5.5.5
28	Liabilities – Assuming statutory liabilities including the liabilities of any sponsored bodies in excess of £1 million for any single transaction	MPMNI A.5.5.14
29	Liabilities – Reporting non-statutory, where required, to the Assembly	MPMNI A.5.5.23
30	Liabilities – Reporting a contingent liability in confidence by writing to the Chair of the PAC	MPMNI A.5.5.28
31	Liabilities – Departments should consult DoF about reporting a liability during recess and outside Assembly sessions during a dissolution	MPMNI A.5.5.30 MPMNI A.5.5.34
32	Loans – proposals to make voted loans and premature repayment	MPMNI 5.6.1 MPMNI A.5.6.2
Fees, Charges and Levies		
33	Charges - Primary legislation to empower charging	MPMNI 6.2.1
34	Charges - Restructuring charges using the Fees and Charges (NI) Order 1988 No. 929 (N.I.8) in line with guidance in MPMNI	MPMNI Box 6.2
35	Charges - Public sector supplier moving away from full cost charging	MPMNI A.6.4.8
36	Interdepartmental Transactions – where the transaction may require legislative procedures or where DoF agreement is required under statute	MPMNI A.6.6.3
Working with Others		
37	Agency framework documents and the methods of financing an agency	MPMNI 7.4.2 & Box 7.2
38	All Management Statements and Financial Memorandums (MSFM) or other relationship documents	MPMNI 7.7.6
39	The establishment or termination of an NDPB	Public Bodies: A Guide for NI Departments
40	The establishment and operation of a Trading Fund including sources of capital	Financial Provisions NI Order 1993 and MPMNI A.6.6.3, MPMNI 7.5.2, 7.5.4 & Box 7.3
41	Provision of funding by way of an Endowment Fund	A.5.1.10
42	Grants to Councils under the Local Government (Finance) Act (NI) 2011	Local Government (Finance) Act (NI) 2011
Other Delegations		
43	Wider market projects where the full annual cost or aggregated annual income from such	MPMNI A.7.6.6

	Details	Reference
	services exceeds, or is expected to exceed thresholds agreed by DoF	
44	Assets - Transfer or disposal of assets at less than market value.	
45	Assets – to appropriate any sums realised as a result of selling an asset above the deminimis level in the DoF Budget/In-year Monitoring Guidance	
46	Assets – to allow an organisation to retain receipts arising from the sale of assets funded by grant or grant-in-aid above the deminimis level in the DoF Budget/In-year Monitoring Guidance	
47	Compensation payments without legal advice - Individual compensation claims settled out of court over £10,000. - **Refer to Table A for HSC and NIFRS Delegation**	
48	Compensation payments following legal advice - Individual compensation claims settled out of court over £100,000 where the legal advice is that the department will not win the case if contested in court. - **Refer to Table A for HSC and NIFRS Delegation**	
49	Consultants – Expenditure on external consultancy projects over £75,000 Expenditure on external consultancy assignments co-funded by the Strategic Investment Board over £150k – **Refer to Table A for HSC and NIFRS Delegation**	FD(DOF)07/12 Minute to Principal Finance Officers dated 19 April 2004
50	Estimates – form and content of Main and Supplementary Estimates.	Supply Estimates in Northern Ireland – A Guidance Manual
51	Virement	Supply Estimates in Northern Ireland – A Guidance Manual
52	Fraud – any departure from immediate reporting (not including National Fraud Initiative (NFI) for which separate arrangements have been agreed	FD(DFP) 02/13
53	IT projects over £1 million **Refer to Table A for HSC and NIFRS Delegation**	CONSIDER AGAINST AGILE
54	Capital Projects - All other expenditure on Capital Projects involving over £2million of Central Government expenditure unless other delegations specifically allow - **Refer to Table A for HSC and NIFRS Delegation**	
55	Projects - All PFI + 3PD projects at key stages as stipulated in NIGEAE	NI Guide to Expenditure Appraisal and Evaluation MPMNI A.7.5.4 FD(DFP) 20/09 FD(DFP) 17/11

	Details	Reference
56	Receipts – repayment of CFERs from the Northern Ireland Consolidated Fund	
57	Redundancy – All staff redundancy schemes not covered by existing regulations or which are more generous than existing NICS scheme.	
58	EU - All expenditure over £5 million under the EU Programmes for which the Special EU Programmes Body is responsible rather than with a threshold of £2 million.	Letter to Finance Directors & EUSG Members 2 March 2011
59	Pay Remits - **Refer to Table A for HSC and NIFRS Delegation**	FD Letter - Pay Remit Approval Process and Guidance
60	All leases for Office Accommodation (including supporting storage or warehousing) – both new and existing extension or renewal beyond break points. Excluding offices outside Ireland - **Refer to Table A for HSC and NIFRS Delegation**	Letter to Accounting Officers 28 July 2014

Annex C

Specific DEPARTMENT OF HEALTH delegations

Ref number	Details	Reference
Where DoF approval (in writing) is required:		
1	Hospital Schemes – New Build, Extension, Refurbishment and Equipment involving capital expenditure over £5m. **Refer to Table A for HSC and NIFRS Delegation**	
2	Third Party Development schemes for health and social care/ service provision.	
3	All grants/awards to the Voluntary and Community Sector: Revenue Grants £500,000 per annum Capital Grants £200,000 - **Refer to Table A for HSC and NIFRS Delegation**	
4	Medical/Clinical Negligence settlements over £2m. - **Refer to Table A for HSC and NIFRS Delegation**	
5	Staff redundancy schemes.	
6	Provisions concerning appointment of officers.	Fire Services (NI) Order 1984
7	Doctors Qualifications.	HPSS Order 1972 Article 107(6)
8	Doctors Rights/Working Conditions.	HPSS Order 1972 Article 107(6)
9	Requirement to maintain list of Doctors/Dentists by Boards / Departments.	HPSS Order 1972 Article 107(6)
10	Terms of Service for Medical Professionals.	HPSS Order 1972 Article 107(6)
11	Prescription Charges.	HPSS Order 1972 Article 98 (2) Schedule 15
12	Optical Charges.	HPSS Order 1972 Article 98 (2) Schedule 15
13	Dental Charges.	HPSS Order 1972 Article 98 (2) Schedule 15