

Financial Memorandum for the Public Health Agency

May 2013

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I. INTRODUCTION

- 1 This *Financial Memorandum* sets out certain aspects of the financial framework within which the Public Health Agency (PHA) is required to operate
- 2 The terms and conditions set out in the combined *Management Statement* and *Financial Memorandum* may be supplemented by guidelines or directions issued by the DHSSPS/Minister in respect of the exercise of any individual functions, powers and duties of the PHA.
- 3 The PHA shall satisfy the conditions and requirements set out in the combined document, together with such other conditions as the DHSSPS/Minister may from time to time impose.

II. THE PHA'S INCOME AND EXPENDITURE - GENERAL

The Departmental Expenditure Limit (DEL)

- 4 The PHA's current and capital expenditure form part of the sponsoring Department's Resource DEL and Capital DEL respectively.

Expenditure not proposed in the budget

- 5 The PHA shall not, without prior written Departmental approval, enter into any undertaking to incur any expenditure which falls outside the PHA's delegations or which is not provided for in the PHA's annual budget as approved by the DHSSPS.

Procurement

- 6 The PHA'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 Central Procurement Directorate (CPD) and the Procurement Board. The PHA shall also ensure that it complies with any relevant EU or other international procurement rules.
- 7 Regional Supply Service (RSS), within the Business Services Organisation (BSO), shall carry out procurement activity on behalf of the PHA, governed by a documented Service Legal Agreement. Periodic reviews of the Agency's procurement activity should be undertaken. The results of such review will be shared with DHSSPS.

Competition

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

Single tender action is the process where a contract is awarded to an economic operator (i.e. supplier, contractor) without competition. In light of their exceptional nature, all single tender actions should be subject to PHA Accounting Officer approval. It is advisable that the PHA seek an assurance from BSO, or their legal adviser, to provide assurance for the Accounting Officer that the use of single tender action is legitimate in a particular case. Further information is published in

Procurement Guidance Note 02/10 on the 'Award of Contracts without a Competition'.
www.cpdni.gov.uk/index/guidance-for-purchasers/guidance-notes.htm]

9. The PHA shall send to the DHSSPS after each financial year a report for that year explaining any contracts above £5,000 in which competitive tendering was not employed.

Best Value for money

- 10 Procurement by the PHA of works, supplies and services shall be based on best value for money, ie the optimum combination of whole life cost and quality (or fitness for purpose) to meet the PHA's requirements. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

- 11 The PHA shall collect receipts and pay all matured and properly authorised invoices in accordance with Annex 4.5 and Annex 4.6 of *Managing Public Money Northern Ireland* and any guidance issued by DFP or the sponsor Department.

Novel, contentious or repercussive proposals

- 12 The PHA shall obtain the approval of the DHSSPS, and DFP, before:
 - incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
 - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the DHSSPS;
 - making any change of policy or practice which has wider financial implications (eg because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required. (The DHSSPS will advise on what constitutes "significant" in this context).

Risk management/Fraud

- 13 The PHA shall ensure 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 *Management of Risk: A Strategic Overview (The "Orange Book")*.
- 14 The PHA 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.
- 15 The PHA shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with DFP's guide *Managing the Risk of Fraud*.

- 16 All cases of attempted, suspected or proven fraud shall be reported to the DHSSPS who shall report it to DFP and the NIAO as soon as they are discovered, irrespective of the amount involved.

Wider markets

- 17 In accordance with the wider markets policy, the PHA shall seek to maximise receipts from non-Consolidated Fund sources, provided that this is consistent with (a) the PHA's main functions (b) its corporate plan as agreed with the DHSSPS. DHSSPS will confirm with the DFP Supply Officer that such proposed activity is appropriate.

Fees and charges

- 18 Fees or charges for any services supplied by the PHA shall be determined in accordance with Chapter 6 of MPMNI.

III. THE PHA'S INCOME

Grant-in-aid

- 19 Grant-in-aid will be paid to the PHA in monthly instalments, on the basis of need. The PHA shall submit a monthly written application to the DHSSPS forecasting its cash requirements and shall certify that the conditions applying to the use of revenue fund have been observed to date and that further grant-in-aid is now required for purposes appropriate to the PHA's functions.
- 20 The PHA should have regard to the guidance in DAO(DFP)04/03 and to the general principle enshrined in Annex 5.1 of *Managing Public Money Northern Ireland* that it should seek grant-in-aid according to need.
- 21 Cash balances accumulated during the course of the year shall be kept at the minimum level consistent with the efficient operation of the PHA. Grant-in-aid not drawn down by the end of the year shall lapse. However, where draw-down of grant-in-aid is delayed to avoid excess cash balances at year-end, the DHSSPS will make available in the next financial year (subject to approval by the Assembly of the relevant Estimates provision) any such grant-in-aid required to meet any liabilities at year end, such as creditors.

Fines and taxes as receipts

- 22 Most fines and taxes (including levies and some licences) do not provide additional DEL spending power and should be surrendered to the DHSSPS.

Receipts from sale of goods or services

- 23 Receipts from the sale of goods and services (including certain licences), rent of land, and dividends normally provide additional DEL spending power. If a body wishes to retain a receipt or utilise an increase in the level of receipts, it must gain the prior approval of DHSSPS.
- 24 If there is any doubt about the correct classification of a receipt, the PHA shall consult the DHSSPS, which may consult DFP as necessary.

Interest earned

25 Interest earned on cash balances cannot necessarily be retained by the PHA. Depending on the budgeting treatment of this receipt, and its impact on the PHA's cash requirement, it may lead to commensurate reduction of grant-in-aid or be required to be surrendered to the NI Consolidated Fund via DHSSPS. If the receipts are used to finance additional expenditure by the PHA, DHSSPS will need to ensure it has the necessary budget cover.

Unforecast changes in in-year income

26 If the negative DEL income realised or expected to be realised in-year is less than estimated, the PHA shall, unless otherwise agreed with the DHSSPS, ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded. [NOTE: For example, if the PHA is allocated £100 resource DEL provision by its DHSSPS 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 the PHA will need to reduce its expenditure to £105 to avoid breaching its budget. If the PHA still spends £110 the DHSSPS will need to find £5 of savings from elsewhere within its total DEL to offset this overspend.]

27 If the negative DEL income realised or expected to be realised in the year is more than estimated, the PHA may apply to the DHSSPS to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant-in-aid. The DHSSPS shall consider such applications, taking account of competing demands for resources, and will consult with DFP in relation to any significant amounts. If an application is refused, any grant-in-aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the NI Consolidated Fund via the DHSSPS.

Build-up and draw-down of deposits

28 The PHA shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL. The PHA 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 DHSSPS.

29 The PHA shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

Proceeds from disposal of assets

30 Disposals of land and buildings are dealt with in Section VI below.

Gifts and bequests received

31 The PHA is free to retain any gifts, bequests or similar donations, subject to paragraph 34. These shall be treated as receipts and must be notified to the DHSSPS. [NOTE: Donated assets do not attract a cost of capital charge, and a release from the donated assets reserve should offset depreciation in the operating cost statement.] The latest FReM requirements should be applied]

32 Before accepting a gift, bequest, or similar donation, the PHA shall consider if there are any associated costs in doing so or any conflicts of interests arising. The PHA shall keep a written record

of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Borrowing

33 Normally the PHA will not be allowed to borrow but when doing so shall observe the principles set out in Chapter 5 and the associated annexes of MPMNI when undertaking borrowing of any kind. The PHA shall seek the approval of the DHSSPS and, where appropriate, DFP, to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium or long term private sector or foreign borrowing is subject to the value for money test in *Section 5.7 of MPMNI*.

34 Any expenditure by the PHA financed by borrowing counts in DEL

IV. EXPENDITURE ON STAFF

Staff costs

35 Subject to its delegated levels of authority the PHA shall ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.

Pay and conditions of service

36 The staff of the PHA, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) as approved by the DHSSPS and DFP. The PHA has no delegated power to amend these terms and conditions.

37 Current terms and conditions for staff of the PHA are those set out in its Employee Handbook. The PHA shall provide the DHSSPS and DFP with a copy of the Handbook and subsequent amendments.

38 Annual pay increases of PHA staff must be in accordance with the annual FD letter on Pay Remit Approval Process and Guidance issued by DFP. Therefore, all proposed pay awards must have prior approval of DHSSPS and the Minister for Finance before implementation.

39 The travel expenses of Board Members shall be tied to the rates allowed to senior staff of the PHA. Reasonable actual costs shall be reimbursed.

40 The PHA shall operate a performance-related pay scheme which shall form part of the general pay structure approved by the DHSSPS and DFP.

41 The PHA shall comply with the EU directive on contract workers [Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)].

Pensions; redundancy/compensation

42 The PHA's staff shall be eligible for a pension provided by:

- Either the Health and Social Care Superannuation Scheme or the Health and Social Care Pension Scheme.

- 43 Staff may opt out of the occupational pension scheme provided by the PHA. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall be limited to the national insurance rebate level.
- 44 Any proposal by the PHA to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the DHSSPS and DFP. Proposals on severance payments must comply with Annex A.4.13.9 of *Managing Public Money Northern Ireland*.

V. NON-STAFF EXPENDITURE

Economic appraisal

- 45 The PHA 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 European Union (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:
- a. involve capital or current spending, or both;
 - b. are large or small;
 - c. are above or below delegated limits(see Appendix A).
- 46 Appraisal itself uses up resources. The effort that should go into appraisal and the detail to be considered is a matter for case-by-case judgement, but the general principle is that the resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives and resource consequences in question. Judgement of the appropriate effort should take into consideration the totality of the resources involved in a proposal.

General guidance on economic appraisal that applies to the PHA can be found in:

- Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) – see <http://www.dfpni.gov.uk/eag>
- The HM Treasury Guide, *The Green Book: Appraisal and Evaluation in Central Government*; and
- The Capital Investment Manual.

Capital expenditure

- 47 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. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.
- 48 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the PHA's corporate and business planning process. Subject to paragraph 52, applications for approval within the corporate/business plan by the DHSSPS and, DFP if necessary, shall be supported by formal notification that the proposed project or purchase has been examined and duly

authorised by the Board. Regular reports on the progress of projects shall be submitted to the DHSSPS.

49 Approval of the corporate/business plan does not obviate the PHA's responsibility to abide by the economic appraisal process.

50 Within its approved overall resources limit the PHA shall, as indicated in the attached Appendix on delegations, have delegated authority to spend up to £50,000 on any individual capital project or acquisition. Beyond that delegated limit, the DHSSPS' and where necessary, DFP's prior authority must be obtained before expenditure on an individual project or acquisition is incurred.

Transfer of funds within budgets

51 Unless financial provision is subject to specific Departmental or DFP controls (eg, where provision is ring-fenced for specific purposes) or delegated limits, transfers between budgets within the total capital budget, or between budgets within the total revenue budget, do not need Departmental 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 departmental and possibly DFP approval. [NOTE: Under resource budgeting rules, transfers from capital to resource budgets are not allowed.]

Lending, guarantees, indemnities; contingent liabilities; letters of comfort

52 The PHA shall not, without the DHSSPS' and where necessary, DFP's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in Annex 5.5 of MPMNI), whether or not in a legally binding form.

Grant or loan schemes

53 Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, together with the terms and conditions under which such grant or loan is made shall be subject to prior approval by the DHSSPS, and where necessary DFP. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required. Within its approved overall resource limit the PHA shall have delegated authority to make a grant to a third party.

54 The terms and conditions of a grant or loan to a third party shall include a requirement on the receiving 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 the PHA, the DHSSPS and the C&AG.

55 See also below under the heading *Recovery of grant-financed assets* (paragraphs 79-81).

Gifts made, write-offs, losses and other special payments

56 Proposals for making gifts or other special payments (including issuing write-offs) outside the delegated limits set out in the **Appendix A** of this document must have the prior approval of the DHSSPS and where necessary DFP.

57 Losses shall not be written off until all reasonable attempts to make a recovery have been made and proved unsuccessful.

58 Gifts by management to staff are subject to the requirements of HSC(F)50/2012 or the latest Departmental guidance.

Leasing

59 Prior Departmental approval must be secured for all property and finance leases. The PHA must have capital DEL provision for finance leases and other transactions which are, in substance, borrowing (paragraphs 35-36 above).

60 Before entering into any lease (including an operating lease) the PHA shall demonstrate that the lease offers better value for money than purchase.

Public/Private Partnerships

61 The PHA shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated spending authority being breached, the PHA shall consult the DHSSPS. PHA should also ensure that it has the necessary budget cover.

62 Any partnership controlled by the PHA shall be treated as part of the PHA in accordance with guidance in the FReM and consolidated with it [subject to any particular treatment required by the FReM]. Where the judgment over the level of control is difficult the DHSSPS will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

63 The PHA shall not establish subsidiary companies or joint ventures without the express approval of the DHSSPS and DFP. In judging such proposals the DHSSPS will have regard to the Department's wider strategic aim[s] objective and current Public Service Agreement.

64 For public expenditure accounts purposes any subsidiary company or joint venture controlled or owned by the PHA shall be consolidated with it in accordance with guidance in the FReM subject to any particular treatment required by the FReM. Where the judgment over the level of control is difficult, the DHSSPS will consult DFP (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the DHSSPS and DFP, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this *Management Statement* and *Financial Memorandum*, and to the further provisions set out in supporting documentation.

Financial investments

65 The PHA shall not make any investments in traded financial instruments without the prior written approval of the DHSSPS, and, where appropriate, DFP, nor shall it aim to 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 grant-in-aid is determined. Equity shares in ventures which further the objectives of the PHA shall equally be subject to Departmental and DFP approval unless covered by a specific delegation.

Unconventional financing

66 The PHA shall not enter into any unconventional financing arrangement without the approval of the DHSSPS and DFP.

Commercial insurance

67 The PHA shall not take out any insurance without the prior approval of the DHSSPS and DFP, 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 under Annex 4.5 of MPMNI.

68 In the case of a major loss or third-party claim, DHSSPS shall liaise with the PHA about the circumstances in which, in the case of a major loss or third-party claim, an appropriate addition to budget out of the DHSSPS' funds and/or adjustment to the PHA's targets shall be considered. DHSSPS will liaise with DFP Supply where required in such cases.

Payment/Credit Cards

69 The PHA, in consultation with the DHSSPS, shall ensure that a comprehensive set of guidelines on the use of payment cards (including credit cards) is in place. Reference should be made to HSS(F)11/2003.

Hospitality

70 The PHA, in consultation with the DHSSPS, shall ensure that a comprehensive set of guidelines on the provision of hospitality is in place. Reference should be made to DAO(DFP) 10/06 (revised).

Use of Consultants

71 The PHA shall adhere to the guidance issued by DFP, as well as any produced by the DHSSPS in relation to the use of consultants. Please see the delegated limits set out in **Appendix A**.

72 PHA will provide DHSSPS with an annual statement on the status of all consultancies completed and/or started in each financial year.

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

VI. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

74 The PHA shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

75 The PHA shall dispose of assets which are surplus to its requirements. Assets shall be sold for best price, taking into account any costs of sale. Generally assets shall be sold by auction or competitive tender [unless otherwise agreed by the DHSSPS], and in accordance with the principles in MPMNI.

76 All receipts derived from the sale of assets (including grant financed assets, see below) must be declared to the DHSSPS, which will consult with DFP, if necessary, on the appropriate treatment.

Recovery of grant-financed assets

77 Where the PHA has financed expenditure on capital assets by a third party, the PHA shall set conditions and make appropriate arrangements to ensure that any such assets individually above a value of £500 are not disposed of by the third party without the PHA's prior consent.

78 The PHA shall therefore ensure that such conditions and arrangements are sufficient to secure the repayment of the NI Consolidated Fund's due share of the proceeds of the sale, in order that funds may be surrendered to the DHSSPS.

79 The PHA shall ensure that if the assets created by grants made by the PHA 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 PHA for surrender to the DHSSPS. The amounts recoverable under the procedures in paragraphs 77-78 above 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.

VII. BUDGETING PROCEDURES

Setting the annual budget

80 Each year, in the light of decisions by the DHSSPS on the PHA's updated draft corporate plan, the DHSSPS will send to the PHA:

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

and

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

81 The PHA's approved annual commissioning plan will take account both of its approved funding provision and of 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 DHSSPS funding and/or other income over the year. These elements will form part of the approved business plan for the year in question.

82 Any grant-in-aid provided by the DHSSPS for the year in question will be voted in the DHSSPS' Estimate and will be subject to Assembly control.

General conditions for authority to spend

83 Once the PHA's budget has been approved by the DHSSPS [and subject to any restrictions imposed by Statute/the Minister /this MSFM], the PHA shall have authority to incur expenditure approved in the budget without further reference to the DHSSPS, (delegated limits are subject to the requirements of HSC(F)67/2012 or the latest Departmental guidance) on the following conditions:

- the PHA shall comply with the delegations set out in **Appendix A** of this document. These delegations shall not be altered without the prior agreement of the DHSSPS and DFP;
- the PHA shall comply with the conditions set out in paragraph 12 above regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the PHA's budget shall not remove the need to seek formal Departmental [and where necessary, DFP] approval where such proposed expenditure is above the delegated limits set out in **Appendix A** or is for new schemes not previously agreed; and
- the PHA shall provide the DHSSPS with such information about its operations, performance individual projects or other expenditure as the DHSSPS may reasonably require (see paragraph 87 below).

Providing monitoring information to the DHSSPS

84 The PHA, or the HSC Board and BSO on behalf of the PHA, shall provide the DHSSPS with, as a minimum, information on a monthly basis which will enable the satisfactory monitoring by the DHSSPS of:

- the PHA's cash management;
- its draw-down of any grant-in-aid;
- the expenditure for that month;
- forecast outturn by resource headings; and
- other data required for the DFP Outturn and Forecast Outturn Return.

VIII. BANKING

Banking arrangements

85 The PHA is a member of the HSC 'pool' of bank accounts. The PHA's Accounting Officer is responsible for ensuring that the PHA's banking arrangements are in accordance with the requirements of Annex 5.7 of *MPMNI*. This responsibility remains even within the current banking pool arrangements. In particular, he/she shall ensure that the arrangements safeguard public funds and that their implementation ensures efficiency, economy and effectiveness.

86 He/she shall therefore ensure that:

- these arrangements are suitably structured and represent value-for-money. The HSC pool of accounts will be comprehensively reviewed at least every three to five years;
- sufficient information about banking arrangements is supplied to the DHSSPS' Accounting Officer to enable the latter to satisfy his/her own responsibilities;
- the PHA'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.

IX. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

Relevant documents

87 The PHA 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 DFP;
- *Government Internal Audit Standards*, issued by DFP
- The document *Managing the Risk of Fraud* issued by DFP;
- The Treasury document *The Government Financial Reporting Manual (FReM)* issued by DFP;
- Relevant Dear Consolidation Officer and Dear Consolidation Manager letters issued by DFP;
- *Regularity Propriety and Value for Money* issued by Treasury;
- The Consolidation Officer Letter of Appointment, issued by DFP;
- Other relevant guidance and instructions issued by DFP in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by the central Departments (DFP/OFMDFM) including Procurement Board and CPD guidance;
- Specific instructions and guidance issued by the DHSSPS;
- Recommendations made by the Public Accounts Committee, or by other Assembly/Parliamentary authority, which have been accepted by the Government and which are relevant to the PHA.

X. REVIEW OF FINANCIAL MEMORANDUM

88 The *Management Statement* and *Financial Memorandum* will normally be reviewed at least every five years.

89 DFP Supply will be consulted on any significant variation proposed to the *Management Statement* and *Financial Memorandum*.

Signed: JP Rooney Date: 20/6/13

On behalf of the PHA

Signed: AM. Gull Date: 1/8/13

On behalf of the Department

APPENDIX A

DELEGATED EXPENDITURE LIMITS

GENERAL

These delegated expenditure limits have been agreed by the Department and the Department of Finance and Personnel and are subject to the requirements of HSC(F)67/2012 or the latest Departmental guidance.

1. PURCHASING ALL GOODS AND SERVICES

Table 1 Delegated Authority for the Purchase of Goods and Services
(All costs exclude VAT)

THRESHOLDS	NUMBER/TYPE OF TENDER REQUIRED	AUTHORISATION
Up to £5,000	Price check may be required (see DFP document PGN 04/12)	The Chief Executive/The appropriate officer as notified to the DHSSPS
>£5,000 - £30,000	4 Selected Tenders	The Chief Executive/The appropriate officer as notified to the DHSSPS
> £30,000 – EU Thresholds	Publicly advertised tender competition	The Chief Executive/The appropriate officer as notified to the DHSSPS

Economic Appraisal

The principles of economic appraisal should be applied in all cases where expenditure is proposed, whether the proposal involves capital or current expenditure, or both. The effort put into economic appraisal should be commensurate with the size or importance of the needs or resources under consideration. However, the PHA should undertake a comprehensive business case of all projects involving expenditure of £250,000 and over.

Where the minimum number of quotation/tenders is not obtained

For any purchase where the minimum number of quotations/tenders is not obtained the purchase may proceed if the accounting officer is satisfied that every attempt has been made to obtain competitive offers and that value for money will be achieved. In these cases the accounting officer should complete a report, and records of all correspondence should be retained on file, including any justification given and/or approvals obtained.

2. CAPITAL PROJECTS

The Chief Executive or appropriate officer as notified to the DHSSPS, may authorise capital expenditure on discreet capital projects of up to £50,000. Capital projects over this amount require the approval of the DHSSPS, and may be subject to quality assurance by the Department of Finance and Personnel if requested.

Any novel and/or potentially contentious projects, regardless of the amount of expenditure, require the approvals of the DHSSPS and DFP.

3. DISPOSAL OF SURPLUS EQUIPMENT

See paragraphs 78 - 79

4. LEASE AND RENTAL AGREEMENTS

See paragraphs 64-65

5. APPROVAL OF INFORMATION TECHNOLOGY PROJECTS

The appraisal of Information Technology (IT) projects should include the staffing and other resource implications.

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. ICT-enabled projects should be appraised and evaluated according to the general guidance in the Northern Ireland Guide to Expenditure Appraisal and Evaluation (*NIGEAE*) and managed using the new *Successful Delivery (NI)* guidance which was issued in June 2009.

The purchase of IT equipment and systems should be in line with the guidance Procedures and Principles for Application of Best Practice in Programme/Project Management (PPM), (available at www.dfpni.gov.uk/successful-delivery) and be subject to competitive tendering unless there are convincing reasons to the contrary. The form of competition should be appropriate to the value and complexity of the project, and in line with the Procurement Control Limits in Table 1. Delegated authority for each IT project is set out in Table 2.

**Table 2 Delegation Arrangements for Information Technology
Projects, Systems and Equipment (as per HSC(F)67/2012)
(All costs exclude VAT)**

THRESHOLDS	AUTHORISATION
Up to £50,000 capital cost <u>and</u> up to £250,000 total costs	The Chief Executive/The appropriate officer as notified to the DHSSPS
Projects over £250,000	The Chief Executive with prior approval from the DHSSPS

6. ENGAGEMENT OF CONSULTANTS

General

The PHA has authority to appoint consultants for a **single contract** without recourse to the DHSSPS up to a **total** cost of £10,000, and subject to any guidance as may be issued by DFP or the DHSSPS. While Departmental approval is not required for consultancy assignments below £10,000, the PHA must notify the Department in advance of any proposal to engage external consultants. Where the PHA intends to appoint consultants via a Direct Award Contract the approval of the Departmental Accounting Officer must be secured in advance, regardless of cost.

The PHA will provide the DHSSPS with a quarterly statement on the status of all consultancies completed and/or started in each financial year.

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

Economic appraisal

A full but proportionate business case should be prepared for all consultancy assignments, regardless of cost.

7. LOSSES AND SPECIAL PAYMENTS

Losses and special payments limits have been agreed by the Department and the Department of Finance and Personnel and are subject to the requirements of HSC(F)50/2012 or the latest Departmental guidance.

A summary note of the losses in any financial year should be included in the PHA's accounts.

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 DHSSPS for amounts below the delegated limits, and the DHSSPS, where appropriate.