

Gateway ref: 18561

17 December 2012

To: LAT Directors as PCT Accountable Officers - North
LAT Directors as PCT Accountable Officers - Midlands & East
LAT Directors as PCT Accountable Officers - South
PCT cluster Chief Executives - London

Dear Colleague

Accountable Officer and Director of Finance roles for the financial closedown of PCTs

I am writing to confirm the accountability arrangements for the 2012/13 financial accounts and the resulting balance transfers.

In Sir David Nicholson's letter to LAT Directors on 26 October 2012 he explained that, as accountable officers for PCTs within their area, the accountability would be retained until 1 April 2013. However, he also stated that from 1 April 2013 when PCTs are abolished, LAT Directors would continue to discharge the responsibilities associated with the closedown, until completion. The accounts for 2012/13 clearly fall into this post 1 April period, and supported by LAT Directors of Finance (DoFs) this will include:

- preparation and sign off of PCT accounts for 2012/13;
- support for the completion of the Department's resource account;
- transfer of closing balances to residual organisations;
- management of local discharge of balances transferred to the Department;
- management of payroll queries and other related payroll issues; and
- handover of residual balances managed on behalf of the Department.

London PCTs do not have local area teams. Therefore, the current PCT cluster chief executives will retain their responsibility with the support of the current London PCT cluster finance directors.

The timetable for local production and audit of accounts, along with the need to support the audit of the Department's resource accounts and local management of balances on the Department's behalf means that capacity is needed within teams until the end of July 2013.

2012/13 Accounts

Despite the abolition of SHAs and PCTs, the Department needs to ensure robust arrangements are maintained for the preparation and audit of all NHS accounts. This includes an appropriate mechanism for scrutiny and sign off.

For PCTs this means sufficient resource must be secured locally, to set up delivery teams to secure an effective accounts preparation and audit process. These accounts delivery teams will be set up by LAT DoFs (in London PCT DoFs). They will need to have the appropriate skills and knowledge to undertake financial closedown and accounts preparation. It is likely that the composition of teams will vary locally and staff will also need to be drawn from organisations within the new system which may include:

- Clinical Commissioning Groups (CCGs);
- Health Education England (HEE);
- NHS Commissioning Board (NHS CB) Commissioning Support Units (CSUs);
- NHS Property Services Limited (NHS PS);
- NHS Trust Development Authority (NHS TDA); and
- Public Health England (PHE).

Where staff have secured employment in new roles, the LAT/PCT DoFs will need to engage with the organisations early to ensure that individuals are available to form part of the accounts delivery teams.

DoFs may also need to fill any skill or knowledge gaps by using interim appointments and through current staff, secured under Retention and Exit Terms Schemes (RETS). The Department is currently liaising with SHA HR Transition leads for the final round of RETS, and PCTs should ensure finance staff needs are reflected in requirements.

Individuals appointed on an interim basis or through the use of RETS will be hosted by the NHS Business Services Authority (BSA). BSA will facilitate payments to these individuals. These posts will be centrally funded from 1 April 2013.

SHAs will be able to form their own delivery teams using the same approach. In addition, SHA cluster DoFs have agreed to maintain their performance management role for PCTs and NHS trusts in respect of the accounts and governance statement reviews. The SHA cluster DoFs will need to be supported by an appropriate team to do this and we expect they will take steps, using the process outlined above to establish these performance management teams.

2012/13 sign off and scrutiny arrangements

In line with previous years, LAT Directors, as PCT accountable officers (PCT Chief Executives in London) and LAT DoFs (PCT DoFs in London) will have responsibility for signing accounts and the supporting statements.

However, when PCTs cease to be statutory bodies on 1 April 2013, the statutory status of the essential scrutiny and governance function provided by audit committees will be lost. To maintain rigour in the process, we will facilitate establishment of audit committees to support the final accounts process. The approach is designed to draw on the expertise of current audit committee members to form sub committees of the Department's own Audit and Risk Committee. This arrangement will provide a mechanism with the appropriate status to discharge the function.

The non-executive directors (NEDs) that will form the committees will need to be identified locally and should be sourced from the existing 50 PCT cluster audit committees. You should plan to nominate a minimum of 3 members for each PCT cluster (two will be quorate) with at least one with knowledge of the cluster, either as an existing member of its audit committee or the existing chair of the PCT cluster. They will be appointed by the Department's Permanent Secretary following local nomination. We will write early in the New Year to explain the appointment process and provide guidance including revised terms of reference to reflect the significantly narrower scope under which the committees will operate. This narrower scope and the nature of the appointment (in being a member of a sub-committee of the Department) will mean (with the possible exception of persons appointed as lay members of CCGs) that there will be no legal barrier to NEDs who have accepted appointments in other NHS organisations being able to accept positions in these sub committees.

Action should be taken locally now to identify and secure current audit committee members or current PCT cluster chairs, for these roles. Their appointments will be hosted by BSA, who will also facilitate payment. These posts will be centrally funded from 1 April 2013.

Balance transfer arrangements

Unlike most previous NHS reorganisations, there is no direct successor to take responsibility for the closing balances of PCTs and SHAs. Balances will transfer to a variety of receiving organisations, primarily residing where the associated function transfers.

We will issue guidance, this month, to support PCTs and SHAs in identifying the receiver organisations for assets and liabilities for the completion of their transfer schemes. Local arrangements should be established to ensure, closing balances are appropriately disaggregated and analysed across receiving organisations, with supporting documentation in a state to be transferred completely and accurately. Effective engagement with receiving organisations will be necessary to achieve this.

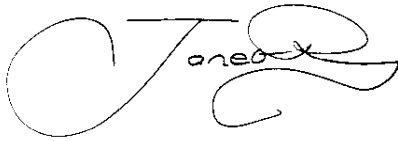
LAT DoFs (PCT DoFs in London) and SHA cluster DoFs will have responsibility for securing local teams to manage the discharge of balances that will be transferred to the Department by SHAs and PCTs and to manage the process of handover of the balances to receiver organisations. This responsibility will last from 1 April to 31 July 2013. SHA and PCT bank balances will transfer to DH on 1 April 2013. We will write to explain this process early in 2013. Local arrangements should be established to oversee the transfer of authorised bank

signatories to appropriate individuals within delivery teams and identification of these individuals should begin now.

The changing resource requirements at each stage of the accounts and closure process may mean that the level of resource needed can be tapered. However, this should be a decision made locally.

Over the coming months we will continue to provide guidance on financial closedown matters. However, should you require any further detail or clarification at present please contact either myself or Alistair Morgan (alistair.morgan@dh.gsi.gov.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Janet Perry', with a large, stylized initial 'J'.

Janet Perry
NHS Chief Financial Controller

Cc: David Flory, Deputy NHS Chief Executive – Department of Health
Richard Douglas, Director General, Strategy, Finance and NHS –
Department of Health
Paul Baumann, Chief Financial Officer - NHS Commissioning Board
SHA Cluster Chief Executives
SHA Cluster Directors of Finance
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