

**POLICY CONTROL DOCUMENT - 1**

<b>POLICY TITLE</b>	<b>Standing Financial Instructions</b>
<b>POLICY CODE</b>	<b>Corp 02</b>
<b>REPLACES POLICY CODE (IF APPLICABLE)</b>	
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<b>TRUST BOARD SUB-COMMITTEE WHICH APPROVED ORIGINAL VERSION</b>	
<b>(Name of Committee)</b> <b>Trust Board</b>	<b>(Date of approval)</b> <b>27 February 2008</b>
<b>DATE OF NEXT REVIEW</b>	<b>Q3 FY17</b>

**REVIEW HISTORY**

<b>COMMITTEE WHICH APPROVED REVISED VERSION</b>	
Trust Board	<b>DATE 31 March 2010</b>
Trust Board	<b>DATE 29 February 2012</b>
Audit Committee	<b>DATE TO BE INSERTED</b>
Trust Board	<b>29 July 2015</b>

<b>CURRENT VERSION PLACED ON INTRANET</b>	<b>DATE</b>
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**CHAIR(S) OF APPROVING COMMITTEE**

**SIGNATURE(S)**.....

**TITLE(S)**.....

**DATE**.....

<b>NUMBER OF PAGES (EXCLUDING APPENDICES)</b>	
<b>SUMMARY OF REVISIONS:</b>	
<p>The SFIs have been reviewed, with the following key amendments made:</p> <ul style="list-style-type: none"> <li>• References to the Prudential Borrowing Code and Working Capital Facilities removed as these are no longer a requirement for the Trust.</li> <li>• Clarification of the Trust's updated tendering process, including removal of requirement for Chief Executive and Director of Finance to be present for the opening of tenders over £500k. Threshold for a Non-Executive Director to be involved in tendering for in-house services increased from £500k to £1m.</li> <li>• Inclusion of references to Bribery Act</li> <li>• Inclusion of 3<sup>rd</sup> party data protection information requirements</li> <li>• Requirements for the engagement of external audit on non-audit consultancy included</li> <li>• Delegated limits for signing income contracts introduced</li> <li>• References to statutory and other external guidance documents updated</li> <li>• References to Trust committees and specific posts updated</li> <li>• A number of other minor amendments to narrative have also been made to improve clarity, including for CIP accountability</li> <li>• Inclusion of Financial Limits and Approval Matrix at Appendix 1 (previously only included in Procurement Policy)</li> </ul>	

<b>Approval Checklist</b>	✓
<b>Consultation process undertaken</b> Consultation has been undertaken with the following: Finance, Human Resources, Informatics, Estates, Information Governance, Chief Operating Officer, Trust Secretariat	✓
<b>Equality Impact Assessment completed</b>	✓
<b>Has the potential for an impact on a person's human rights been considered</b>	✓
<b>Training implications assessed and agreed where relevant with Learning Advisory Committee</b>	✓
<b>Monitoring/audit arrangements included</b>	✓

All policies are copy controlled. When a revision is issued previous versions will be withdrawn. Uncontrolled copies are available but will not be updated on issue of a revision. An electronic copy will be posted on the Trust Intranet for information.

## FOREWORD

1. Each Foundation Trust Board operates within a statutory framework within which it is required to adopt Standing Orders. The "Directions on Financial Management in England" issued under HSG(96)12 in 1996 states that each Board must adopt Standing Financial Instructions (SFIs) setting out the responsibilities of individuals.
2. The Code of Conduct: Code of Accountability for NHS Boards (Department of Health, 3<sup>rd</sup> revision, April 2013) requires boards to draw up standing orders, a schedule of decisions reserved to the board and standing financial instructions. The code also requires Boards ensure that there are management arrangements in place to enable responsibility to be clearly delegated to senior executives. Additionally, Boards will have drawn up locally generated rules and instructions, including financial procedural notes, for use within their organisation. Collectively these must comprehensively cover all aspects of (financial) management and control. In effect, they set the business rules which directors and employees (including employees of third parties contracted to the Trust) must follow when taking action on behalf of the Board.
3. Once SFIs have been adopted by the Board they become mandatory on all directors and employees of the organisation.

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### **Appendix 1 Financial Limits and Approval Matrix**

Policy applicable to - **All areas** ✓

**Name of policy: Standing Financial Instructions**

**1 Aim of Policy**

These Standing Financial Instructions (SFIs) detail the financial responsibilities, policies and procedures to be adopted by the Trust. They are designed to ensure that its financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board and the Scheme of Delegation adopted by the Trust.

**2 Legal and policy framework**

Oxford Health NHS Foundation Trust (the "Trust") is a public benefit corporation which was established under the National Health Service Act 2006 (the "2006 Act") as amended by the Health and Social Care Act 2012 (the "2012 Act"). The Trust is governed by the 2006 Act, the 2012 Act, its Constitution and Authorisation granted by Monitor (together these form the Regulatory Framework). The functions of the Trust are conferred by the Regulatory Framework. The Regulatory Framework and in particular paragraph 7.3 of Annex 7 of the Constitution requires the Board of Directors of the Trust to adopt Standing Orders for the regulation of its proceedings and business, and the Trust incorporates these Standing Financial Instructions as part of the Standing Orders.

**3 Policy**

**1 INTRODUCTON**

**1.1 General**

1.1.1 These SFIs detail the financial responsibilities, policies and procedures to be adopted by the Trust. They are designed to ensure that its financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board and the Scheme of Delegation adopted by the Trust.

1.1.2 These SFIs identify the financial responsibilities, which apply to everyone

working for the Trust and its constituent organisations including any Trading Units. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes. The Director of Finance must approve all financial procedures.

- 1.1.3 The failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter that could result in the application of the Trust's disciplinary procedures, which may include dismissal and, if it is considered that bribery and/or corruption may be involved, referred to the Local Counter Fraud Specialist for investigation.
- 1.1.4 Overriding Standing Financial Instructions: if for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit Committee for referring action or ratification. All members of the Board of Directors and staff have a duty to disclose any non-compliance with these SFIs to the Director of Finance as soon as possible.
- 1.1.5 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance must be sought before acting. The user of these SFIs should also be familiar with and comply with the provisions of the Trust's Standing Orders (SOs).

## **1.2 Terminology**

- 1.2.1 Any expression to which a meaning is given in Health Service Acts, or in the Financial Directions made under the Acts, shall have the same meaning in these instructions; and
- a) "Board of Directors" or "Board" means the Chair, Non-Executive Directors and the Executive Directors of the Trust collectively as a body,
  - b) "Budget" means the forecast resource, expressed in financial terms, proposed by the Trust for the purpose of carrying out any or all functions of the Trust, for a specific period,
  - c) "Budget Holder" means any employee with delegated responsibility for a budget, including the Chief Executive, Executive Directors, Directorate Leads, and Directorate Managers as defined in the Budgetary Control Policy,
  - d) "Chief Executive" means the chief officer of the Trust and NHS Foundation Trust Accounting Officer,
  - e) "Director of Finance" means the chief financial officer of the Trust,
  - f) "Funds held on trust" shall mean those funds which the Trust holds at its date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived through the NHS & Community Care Act. Such funds may or may not be charitable,
  - g) "Legal Adviser" means the properly qualified person or persons appointed by the Trust to provide legal advice,
  - h) "Trust" means the Oxford Health NHS Foundation Trust;
- 1.2.2 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include such other

director or employees who have been duly authorised to represent them.

1.2.3 Wherever the term "officer" is used and where the context permits, it shall be deemed to include officers of third parties contracted to the Trust when acting on behalf of the Trust.

### **1.3 Responsibilities and delegation**

1.3.1 The Board is responsible for submitting an annual plan detailing the major risks to compliance with its terms of authorisation. The Board will consider and approve actions to manage risk.

1.3.2 The Board exercises financial supervision and control by:

- a) formulating the financial strategy;
- b) requiring the submission and approval of resource budgets within overall income;
- c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money, efficiency, productivity and effectiveness);
- d) defining specific responsibilities placed on directors and employees as indicated in the Standing Financial Instructions, and Scheme of Delegation;
- e) the monitoring of risks assessed as high;
- f) reviewing monthly the performance of the Trust against plan;

1.3.3 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the 'Scheme of Delegation' document. All other powers have been delegated to such other committees as the Trust has established.

1.3.4 The Board will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Trust.

1.3.5 Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities, is responsible to the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.

1.3.6 The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities but they remain accountable for their own defined areas of financial control.

1.3.7 It is a duty of the Chief Executive to ensure that Members of the Board, employees and all new appointees are notified of and understand their responsibilities within these SFIs.

1.3.8 The Director of Finance is responsible for:

- a) Leading the development of financial strategy with the Board of Directors;
- b) Establishing financial policies to strengthen the financial governance of the Trust that supports the delivery of the Trust's objectives and key performance indicators;

- c) Implementing the Trust's financial policies, establishing systems for monitoring compliance and for co-ordinating any corrective action necessary to further these policies;
- d) Maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented, maintained and promulgated to supplement these instructions;
- e) Ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Trust at any time;
- f) Developing the Trust's policies on fraud and corruption; developing work plans; developing and promulgating an anti fraud culture

and, without prejudice to any other functions of directors and employees to the Trust, the duties of the Director of Finance include:

- g) the provision of financial advice to the Trust and its directors and employees, and to the Joint Management Groups established under Section 75 Health Act Flexibilities;
- h) the design, implementation and supervision of systems of internal financial control; and
- i) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties.

1.3.9 All directors and employees, severally and collectively, are responsible for:

- a) the security of the property of the Trust;
- b) avoiding loss;
- c) exercising economy and efficiency in the use of resources; and
- d) conforming with the requirements of Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Delegation.

1.3.10 Any contractor or employee of a contractor who is empowered by the Trust to commit the Trust to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.

1.3.11 For any and all directors and employees who carry out a financial function, the form in which financial records are kept and the manner in which directors and employees discharge their duties must be to the satisfaction of the Director of Finance.

## **2 AUDIT, FRAUD & CORRUPTION, SECURITY MANAGEMENT**

### **2.1 Audit Committee**

2.1.1 In accordance with Standing Orders, the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following



guidance from the NHS Audit Committee Handbook (2014), which will provide an independent and objective view of internal control by:

- a) overseeing Internal and External Audit services;
- b) reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
- c) reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives;
- d) monitoring compliance with Standing Orders and Standing Financial Instructions;
- e) reviewing schedules of losses and compensations and making recommendations to the Board;
- f) Reviewing the arrangements in place to support the assurance framework process prepared on behalf of the Board and advising the Board accordingly.

2.1.2 Where the Audit Committee feel there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the committee wish to raise, the chairman of the Audit Committee should raise the matter at a full meeting of the Board. The Counter Fraud guidance on reporting procedure must be followed (see Counter Fraud Policy).

2.1.3 It is the responsibility of the Director of Finance to ensure an adequate internal audit service is provided and the Audit Committee shall be involved in the selection process when an internal audit service provider is changed or retained.

2.1.4 The Trust will comply with the Audit Code for NHS Foundation Trusts.

## **2.2 Director of Finance**

2.2.1 The Director of Finance is responsible for:

- a) Ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;
- b) Monitoring the performance of internal audit, ensuring that internal audit has the necessary staff, balance of skills and meets the NHS mandatory audit standards;
- c) deciding at what stage to involve the police in cases of misappropriation, and other irregularities;
- d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee and the Board.

2.2.2 The Director of Finance or designated auditors are entitled, without necessarily giving prior notice, to require and receive:

- a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- b) access at all reasonable times to any land, premises or members

- c) of the Board or officer of the Trust;
- c) the production of any cash, stores or other property of the Trust under an officer's control; and
- d) explanations concerning any matter under investigation.

## **2.3 Role of Internal Audit**

- 2.3.1 Internal Audit will review, appraise and report upon:
  - a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
  - b) the adequacy and application of financial and other related management controls;
  - c) the suitability of financial and other related management data;
  - d) the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
    - i. fraud and other offences,
    - ii. waste, extravagance, inefficient administration,
    - iii. poor value for money or other causes.
- 2.3.2 Internal Audit shall also independently verify that the Trust complies with its assurance framework.
- 2.3.3 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.
- 2.3.4 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chair and Chief Executive of the Trust.
- 2.3.5 The Head of Internal Audit shall be accountable to the Director of Finance for day-to-day operational issues, but is otherwise accountable to the Audit Committee, including for audit strategy and planning, and for the timeliness and quality of its work. The reporting system for internal audit shall be agreed between the Director of Finance, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed annually.

## **2.4 External Audit**

- 2.4.1 External Auditors will be appointed in accordance with the National Health Service Act 2006 and Monitor's Audit Code for NHS Foundation Trusts. The Audit Committee must ensure a cost-effective service in compliance with the NHS Foundation Trust Code of Governance.
- 2.4.2 The Audit Sub-group of the Council of Governors should take the lead in agreeing with the Chair of the Audit Committee and the Director of Finance the criteria for appointing, reappointing and removing Auditors.
- 2.4.3 The Audit Sub-group of the Council of Governors in consultation with the Chair of the Audit Committee and the Director of Finance should make

recommendations to the Council of Governors in relation to the appointment, re-appointment and removal of the External Auditors and the approval of the remuneration and terms of engagement of the External Auditor.

- 2.4.4 When the Council of Governors ends an External Auditor's appointment in disputed circumstances, the Chair should write to Monitor informing it of the reasons behind the decision.
- 2.4.5 External auditors are required to comply with International Standards on Auditing and have regard to any relevant Practice Notes and other guidance and advice issued by the Auditing Practices Board.
- 2.4.6 The auditor's primary responsibility will be to the Trust's Council of Governors. Auditors may also be responsible to the Independent Regulator for the exercise of some functions as set out in the Audit Code.
- 2.4.7 Where the current provider of external audit services seeks to be considered for the provision of non-audit services they will be required to obtain the approval of the Audit Committee. They will be required to submit a letter from their Ethics partner detailing how auditor independence would not be compromised by the work and stating that the work would be compliant with the ethical standards of the Audit Code.

## **2.5 Fraud and Corruption**

- 2.5.1 In line with their responsibilities as directed by the Secretary of State for Health and as reflected in the NHS Standard Contract and the Trust's authorisation from Monitor, the Trust Chief Executive and Director of Finance shall monitor and ensure appropriate arrangements for the avoidance and management of fraud and corruption.
- 2.5.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) as specified by the NHS Counter Fraud and Corruption Manual. The Director of Finance must prepare a 'Counter Fraud Policy' that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.
- 2.5.3 The Local Counter Fraud Specialist shall liaise with the Director of Finance and shall work with NHS Protect and the Anti-Fraud Specialist (AAFS) in accordance with the NHS 'Counter Fraud and Corruption Manual.'
- 2.5.4 The Local Counter Fraud Specialist will provide the Audit Committee with a written quarterly report on counter fraud work within the Trust.

## **2.6 Security Management**

- 2.6.1 In line with their responsibilities, the Chief Executive will monitor and ensure compliance with Directions issued by the Secretary of State for Health and the NHS Standard Contract on NHS security management.
- 2.6.2 The Chief Executive shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary of State for Health guidance and the NHS Standard Contract on security management.

- 2.6.3 The Trust shall nominate a Non-executive Director, who should be a member of the Quality Committee, to be responsible to the Board for NHS security management. The Chief Executive shall nominate an Executive Director to act as Security Management Director.
- 2.6.4 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS).
- 2.6.5 The Trust shall prepare a 'Security Policy' that sets out measures to protect patients, staff, visitors, premises and assets.

### **3 BUSINESS PLANNING, BUDGETS, AND BUDGETARY CONTROL**

#### **3.1 Preparation and approval of business plans and budgets**

- 3.1.1 The Chief Executive will, on an annual basis, compile and submit to the Board an annual plan which takes into account financial targets and that meets the Independent Regulator's compliance framework. The annual plan will contain:
- a) Strategic overview – past and future
  - b) Review of past performance against plan
  - c) Changes to forecast and plans for service developments, operating resources required, investment and disposals, capital expenditure (CapEx)
  - d) Compliance with core healthcare targets and standards
  - e) Risk and performance management
  - f) Board of Directors' role, structure and capacity
  - g) Membership report
  - h) Compliance with the authorisation
  - i) Financial projections
- 3.1.2 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, submit financial projections and an annual budget for approval by the Board. The financial projections will cover a 3-5 year period and include:
- a) Income & expenditure
  - b) Activity
  - c) The Statement of Financial Position
  - d) Key Performance Indicators
  - e) Cash flow
  - f) Information on pooled budgets under Section 75 of the Health Act flexibilities
  - g) Risk Assessment and mitigation plans; and
  - h) Any additional information required by the Independent Regulator
- 3.1.3 The Director of Finance shall monitor financial performance against the financial plan and budget on a monthly basis and report to the Board.
- 3.1.4 All budget holders and managers will sign off their allocated budgets, in accordance with the Trust's Budgetary Control policy.
- 3.1.5 The Director of Finance has a responsibility to promote the highest level of

financial governance and ensure that adequate training is delivered on an ongoing basis to budget holders and managers to help them manage successfully.

### 3.2 **Investment**

3.2.1 The Board will agree a policy setting out the governance process for all major investments undertaken by the Trust, the Investment Policy, in accordance with best practice guidance issued by the Independent Regulator. The Director of Finance will develop the policy for approval by the Finance and Investment Committee. As reflected in the scheme of delegation and its terms of reference, the Finance and Investment Committee will have delegated authority to:

- a) Recommend investment and borrowing strategy and supporting policies
- b) Approve investment and performance benchmarks
- c) Review performance of investments with an annual report to the Board
- d) Ensure proper safeguards are in place for the security of the Trust's funds
- e) Monitor compliance with investment policy and procedures
- f) Approve external funding arrangements within delegated authority

### 3.3 **Budgetary delegation**

3.3.1 The Chief Executive will delegate the management of a budget to permit the performance of a defined range of activities, ensuring alignment of financial and managerial responsibilities. Arrangements for this will be set out in the Budgetary Control Policy.

3.3.2 The Chief Executive shall specifically delegate the management of pooled budgets arising from any Section 75 agreement to the Chief Operating Officer. This delegated authority shall include the Chief Operating Officer:

- a) Confirming and agreeing the NHS contribution to any pooled budget
- b) Authorising commitments which exceed or are reasonably likely to lead to exceeding the NHS contribution to the aggregate contributions of the Partners to the Pooled Fund in accordance with the budgetary control policy.

3.3.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement.

3.3.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive, as advised by the Director of Finance.

### 3.4 **Budgetary control and reporting**

3.4.1 The Director of Finance will devise and maintain systems of budgetary control. These arrangements will be set out in the Budgetary Control Policy, the purpose of which will be to assist the Board, budget holders and budget managers in understanding how the process of budgetary control operates

within the Trust and their individual role within that process. The policy will set out the Trust's budgetary control framework, making explicit links to Standing Orders, Standing Financial Instructions, and the budget preparation and control procedure, which will provide details on the preparation of the budget. The Budgetary Control Policy is to have the effect as if incorporated in the Trust's Standing Orders.

- 3.4.2 The systems of budgetary control will include:
- a) monthly financial reports to the Board in a form approved by the Board containing:
    - i. income and expenditure to date showing trends and forecast year-end position;
    - ii. movements in working capital;
    - iii. movements in cash and capital;
    - iv. capital project spend and forecast outturn against plan;
    - v. explanations of any material variances from plan;
    - vi. details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;
    - vii. details of all budget virements in excess of limits set within the Budgetary Control Policy;
  - b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
  - c) investigation and reporting of variances from financial, workload and staffing budgets;
  - d) monitoring of management action to correct variances; and
  - e) arrangements for the authorisation of budget transfers.
- 3.4.3 Each Budget Holder is responsible for ensuring that:
- a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;
  - b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement;
  - c) no permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and staffing establishment as approved by the Board.
- 3.4.4 The Chief Executive is responsible to the Board for the Cost Improvement Programme which supports the financial viability and sustainability of the Trust, and can demonstrate that the Trust operates as an efficient provider of health services. Responsibility for the establishment and delivery of the Cost Improvement Programme is delegated to the Chief Operating Officer, with accountability for individual schemes devolved to nominated project leads.
- 3.5 **Capital expenditure**
- 3.5.1 The general rules applying to delegation and reporting shall also apply to capital expenditure.

### 3.6 **Monitoring returns**

- 3.6.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation within designated timescales.

## 4 **ANNUAL ACCOUNTS AND REPORTS**

4.1 The Director of Finance, on behalf of the Trust, will:

- a) Keep accounts in such a form as the Independent Regulator may, with the approval of HM Treasury, direct;
- b) Prepare in respect of each financial year annual accounts in such form as the Independent Regulator may with the approval of HM Treasury direct;
- c) Comply with any directions given by the Independent Regulator with the approval of HM Treasury as to:
  - i. The methods and principles according to which the accounts are to be prepared
  - ii. The information to be given in the accounts

4.2 The Trust's annual accounts must be subject to independent external audit. The Trust's audited annual report and accounts must be formally approved by the Board. The Trust is required to lay its annual report and accounts before Parliament in accordance with guidance and a timetable for submission set out by the Independent Regulator.

4.3 The annual report and accounts and auditor's report on the accounts must be presented to the Council of Governors after the end of the financial year but not before the annual report and accounts have been laid before Parliament.

4.4 The annual report and accounts will include:

- a) Directors' report
- b) Remuneration report
- c) Accounting Officer's statement of responsibilities
- d) Auditor's opinion and certificate
- e) Annual Governance Statement
- f) Foreword to the accounts
- g) Primary financial statements
- h) Notes to the accounts

## 5 **TREASURY MANAGEMENT**

### 5.1 **General**

5.1.1 The Board of Directors will approve a Treasury Management Policy and Scheme of Delegation. The Board will delegate to the Finance and Investment Committee approval of the Trust's treasury management and investment policy, procedures, processes and controls in accordance with policy.

5.1.2 The Director of Finance is responsible for:

- a) Proper operation of accounting systems including cash flow projections,
- b) Reviewing treasury reports and preparation of reports for the Board and Finance and Investment Committee,
- c) Managing the Trust's day to day banking arrangements,
- d) Advising on the provision of banking services and operation of accounts, and the investment of surplus cash.

5.1.3 The Trust will maintain a risk averse stance to investing cash surplus balances. The Board of Directors shall approve the banking arrangements.

## 5.2 **Banking Arrangements**

5.2.1 The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts. This advice will take into account guidance/ directions issued from time to time by Monitor as well as Treasury requirements. The Board shall approve the banking arrangements.

5.2.2 The Director of Finance is responsible for:

- a) bank accounts;
- b) ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made; and
- c) reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn.
- d) monitoring compliance with policy, procedures and the Independent Regulator's guidance.

## 5.3 **Banking procedures**

5.3.1 The Director of Finance will prepare detailed instructions on the operation of bank accounts, which must include:

- a) the conditions under which each bank account is to be operated;
- b) the limit to be applied to any overdraft; and
- c) those authorised to sign cheques or other orders drawn on the Trust's accounts.

5.3.2 The Director of Finance must advise the Trust's bankers in writing of the conditions under which each account will be operated.

## 5.4 **Review**

5.4.1 The Director of Finance will review the commercial banking arrangements of the Trust at regular intervals to ensure they reflect best practice and represent best value for money.

# 6 **INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

## 6.1 **Income systems**

6.1.1 The Director of Finance is responsible for designing, maintaining and



ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.

6.1.2 The Director of Finance is also responsible for the prompt banking of all monies received.

## 6.2 **Fees and charges**

6.2.1 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the guidance in the DH's Commercial Sponsorship: Ethical Standards in the NHS shall be followed.

6.2.2 All officers must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

## 6.3 **Debt recovery**

6.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.

6.3.2 Income not received should be dealt with in accordance with losses procedures.

6.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated as soon as possible and within a month of detection.

## 6.4 **Security of cash, cheques and other negotiable instruments**

6.4.1 The Director of Finance is responsible for:

- a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- b) ordering and securely controlling any such stationery;
- c) ensuring adequate facilities and systems are in place for employees whose duties include collecting and holding cash, including ensuring they obtain safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
- d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.

6.4.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.

6.4.3 All cheques, postal orders, cash etc, shall be banked intact within a week. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.

6.4.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes. Patient monies and Charitable donations are deemed to be

official funds and must be managed in accordance with procedures approved by the Director of Finance.

## **7 TENDERING AND CONTRACTING PROCEDURE**

### **7.1 Duty to comply with Standing Orders and Standing Financial Instructions**

7.1.1 The procedure for making or entering into all contracts by or on behalf of the Trust shall comply with the Standing Orders and Standing Financial Instructions (except where Standing Order No. 3.13 Suspension of Standing Orders is applied).

7.1.2 These Instructions shall not only apply to expenditure from Exchequer funds but also to works, services and goods purchased from the Trust's charitable trust funds and private resources.

7.1.3 All those involved in the tendering and contracting process should be aware that the Bribery Act 2010 replaced the fragmented and complex offences at common law and the Prevention of Corruption Acts 1889-1916. This is broadly defined in the sections below:

- a) two general offences of bribery: (i) offering or giving a bribe to induce someone to behave, or to reward someone for behaving, improperly and (ii) requesting or accepting a bribe either in exchange for acting improperly, or where the request or acceptance is itself improper;
- b) the new corporate offence of negligently failing by a company or limited liability partnership to prevent bribery being given or offered by an employee or agent on behalf of the organisation;
- c) bribing a foreign official.

7.1.4 All personnel involved in tendering and contracting activities must be aware of the Bribery Act 2010 and must ensure that all dealings with other organisations and their staff do not bring them into breach of the Act.

7.1.5 It is the responsibility of the Director of Finance to publish and maintain rules and procedures for tendering and contracting in the Trust's Procurement Policy. The Procurement Policy is to have the effect as if incorporated in the Trust's Standing Orders.

### **7.2 EU Directives Governing Public Procurement**

7.2.1 Directives by the Council of the European Union promulgated by the Department of Health (DH) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Orders and Standing Financial Instructions.

### **7.3 Reverse eAuctions**

7.3.1 The Trust's procurement advisors will have policies and procedures in place for the control of all tendering activity carried out through Reverse eAuctions. The Director of Finance shall obtain assurance that these policies and procedures are in place and adhered to.

### **7.4 Capital Investment Manual and other Department of Health Guidance**

7.4.1 The Trust shall comply as far as is practicable with the requirements of the Department of Health "Capital Investment Manual" and "Estate code" in respect of capital investment and estate and property transactions. In the case of management consultancy contracts the Trust shall comply with Department of Health and Monitor requirements on the procurement of management consultants.

## 7.5 **Formal Competitive Tendering**

7.5.1 **General Applicability** - The Trust shall ensure that competitive tenders are invited for:

- a) the supply of goods, materials and manufactured articles;
- b) the rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the DH);
- c) the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens);
- d) disposals.

7.5.2 From 18 April 2016 the Trust is required to comply with the Public Contract Regulations 2015, in respect of contracts that fall within the National Health Service (Procurement, Patient Choice and Competition) (No 2) Regulations 2013 (SI 2013/500). That is, contracts for health care services, as defined in section 64 of the Health and Social Care Act 2012. Contracts which fall outside those regulations will be subject to the PCR 2015, for example, contracts for goods and works, and for services which are not "health care services" where they exceed the specific threshold.

In the interim and in respect of health care services, the Trust should continue to comply with the NHS Procurement Regulations 2013, and the PCR 2006 in respect of health care services.

**Health Care Services** - Where the Trust elects to invite tenders for the supply of healthcare services these Standing Orders and Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure and need to be read in conjunction with Standing Financial Instruction No. 8.

7.5.3 The waiving of competitive tendering procedures should not be used to avoid competition or for administrative convenience or to award further work to a consultant originally appointed through a competitive procedure.

7.5.4 Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded in an appropriate Trust record and reported to the Audit Committee at each meeting.

7.5.5 Exceptions and instances where formal tendering need not be applied are set out below.

- a) Formal tendering procedures **need not be applied**:
  - i. Where the estimated expenditure or income does not, or is not reasonably expected to, exceed the limits set out in the Financial Limits Approval Matrix at Appendix 1;

- ii. where the supply is proposed under special arrangements negotiated by the DH in which event the said special arrangements must be complied with;
  - iii. regarding disposals as set out in Standing Financial Instructions No. 7.14;
- b) Formal tendering procedures **may be waived** in the following circumstances:
- i. in very exceptional circumstances where the Chief Executive decides that formal tendering procedures would not be practical or the estimated expenditure or income would not warrant formal tendering procedures, and the circumstances are detailed in an appropriate Trust record;
  - ii. where the requirement is covered by an existing contract; (but see 7.5.3)
  - iii. where NHS Supply Chain agreements are in place and have been approved by the Board;
  - iv. where a consortium arrangement is in place and a lead organisation has been appointed to carry out tendering activity on behalf of the consortium members;
  - v. where the timescale genuinely precludes competitive tendering. Note that failure to plan the work properly would not be regarded as a justification for a single tender;
  - vi. where specialist expertise is required and is available from only one source;
  - vii. when the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate;
  - viii. when there is a clear benefit to the Trust to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;
  - ix. where allowed and provided for in the Capital Investment Manual.

7.5.6 **Fair and Adequate Competition** – Except where the exceptions set out in SFI Nos. 7.1 and 7.5.3 apply, the Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, in accordance with the Trust's Procurement Policy.

7.5.7 **List of Approved Firms** - The Trust shall ensure that, where approved supplier lists have been established through a legally compliant process, the firms/individuals invited to tender (and where appropriate, quote) are among those on the appropriate approved supplier lists. Where the Trust decides to deviate from those established lists, the normal procurement policies and procedures must apply.

7.5.8 **Items which subsequently breach thresholds after original approval** - Items estimated to be below the limits set in this Standing Financial Instruction for which formal tendering procedures are not used which

subsequently prove to have a value above such limits shall be reported to the Chief Executive, and be recorded in an appropriate Trust record and reported to the Audit Committee.

## 7.6 **Contracting/Tendering Procedure**

### 7.6.1 **Invitation to tender**

- a) All invitations to tender must be issued through the Trust's e-tendering system and follow processes which are compliant with the Trust's Procurement Policy and with The Public Contract Regulations as appropriate.
- b) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.
- c) Every tender for building or engineering works (except for maintenance work, when Estmancode guidance shall be followed) shall embody or be in the terms of the current edition of one of the Joint Contracts Tribunal Standard Forms of Building Contract, the New Engineering Contracts (NEC) or Department of the Environment (GC/Wks) Standard forms of contract; or, when the content of the work is primarily engineering, the General Conditions of Contract recommended by the Institution of Mechanical and Electrical Engineers and the Association of Consulting Engineers (Form A), or (in the case of civil engineering work) the General Conditions of Contract recommended by the Institute of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors. These documents shall be modified and/or amplified to accord with Department of Health guidance and, in minor respects, to cover special features of individual projects.

7.6.2 **Receipt and safe custody of tenders** - The Chief Executive or his/her nominated representative will be responsible for the receipt, endorsement and safe custody of tenders received until the time appointed for their opening.

### 7.6.3 **Opening tenders and Register of tenders**

- a) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, they shall be opened by two senior officers/managers designated by the Chief Executive and not from the originating department.
- b) Two Directors will be required to be present for the opening of tenders estimated above £500k.
- c) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender.
- d) The involvement of Finance Directorate staff in the preparation of a tender proposal will not preclude the Director of Finance or any approved Senior Manager from the Finance Directorate from serving as one of the two senior managers to open tenders.
- e) All Executive Directors will be authorised to open tenders regardless of whether they are from the originating department provided that the other authorised person opening the tenders with them is not from the originating department.

- f The Trust's Company Secretary will count as a Director for the purposes of opening tenders.
- g A register shall be maintained by the Chief Executive, or a person authorised by him, to show for each set of competitive tender invitations despatched:
  - i. the name of all firms or individuals invited;
  - ii. the names of firms or individuals from which tenders have been received;
  - iii. the date the tenders were opened;
  - iv. the tender award criteria and scoring matrix for each tender
- h Incomplete tenders, i.e. those from which information necessary for the adjudication of the tender is missing, and amended tenders i.e., those amended by the tenderer upon his own initiative either orally or in writing after the due time for receipt, but prior to the opening of other tenders, should be dealt with in the same way as late tenders. (SFI No. 7.6.5 below).

#### 7.6.4 **Admissibility**

- a If for any reason the designated officers are of the opinion that the tenders received are not strictly competitive (for example, because their numbers are insufficient or any are amended, incomplete or qualified) no contract shall be awarded without the approval of the Chief Executive.
- b Where only one tender is sought and/or received, the Chief Executive and Director of Finance shall, as far practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the Trust.

#### 7.6.5 **Late tenders**

- a Tenders received after the due time and date, but prior to the opening of the other tenders, may be considered only if the Chief Executive or his/her nominated officer decides that there are exceptional circumstances i.e. despatched in good time but delayed through no fault of the tenderer.
- b While decisions as to the admissibility of late, incomplete or amended tenders are under consideration, the tender documents shall be kept strictly confidential, recorded, and held in safe custody by the Chief Executive or his/her nominated officer.

#### 7.6.6 **Acceptance of formal tenders (See overlap with SFI No. 7.7)**

- a Any discussions with a tenderer which are deemed necessary to clarify technical aspects of his tender before the award of a contract will not disqualify the tender.
- b The lowest tender, if payment is to be made by the Trust, or the highest, if payment is to be received by the Trust, should normally be accepted unless there are good and sufficient reasons to the contrary. Such reasons shall be set out in either the contract file, or other appropriate record.

It is accepted that the lowest price does not always represent the

best value for money. Other factors affecting the success of a project include:

- i. experience and qualifications of team members;
- ii. understanding of Trust's needs;
- iii. feasibility and credibility of proposed approach;
- iv. ability to complete the project on time.

Where other factors are taken into account in selecting a tenderer, these must be clearly recorded and documented in the contract file, and the reason(s) for not accepting the lowest tender clearly stated.

- c No tender shall be accepted which will commit expenditure in excess of that which has been allocated by the Trust and which is not in accordance with these Instructions except with the authorisation of the Chief Executive.
- d The use of these procedures must demonstrate that the award of the contract was:
  - i. not in excess of the going market rate / price current at the time the contract was awarded;
  - ii. that best value for money was achieved.
- e All tenders should be treated as confidential and should be retained for inspection.

7.6.7 **Tender reports to the Board of Directors** - Reports to the Board of Directors will be made on an exceptional circumstance basis only and for all tenders over £2,000,000.

## 7.7 **Quotations**

7.7.1 Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed, a minimum level set out in the Financial Limits Approval Matrix at Appendix 1..

### 7.7.2 **Competitive Quotations**

- a Quotations should be obtained from at least the number of firms/individuals as set out in the Procurement Policy, based on specifications or terms of reference prepared by, or on behalf of, the Trust.
- b Quotations should be in writing unless the Chief Executive or his/her nominated officer determines that it is impractical to do so in which case quotations may be obtained by telephone. Confirmation of telephone quotations should be obtained as soon as possible and the reasons why the telephone quotation was obtained should be set out in a permanent record.
- c All quotations should be treated as confidential and should be retained for inspection.
- d The Chief Executive or his/her nominated officer should evaluate the quotation and select the quote which gives the best value for money. If this is not the lowest quotation if payment is to be made by the Trust, or the highest if payment is to be received by the Trust, then the choice made and the reasons why should be recorded in a permanent record.

7.7.3 Non-competitive quotations in writing may be obtained in the following circumstances:

- a the supply of proprietary or other goods of a special character and the rendering of services of a special character, for which it is not, in the opinion of the responsible officer, possible or desirable to obtain competitive quotations;
- b the supply of goods or manufactured articles of any kind which are required quickly and are not obtainable under existing contracts;
- c miscellaneous services, supplies and disposals;
- d where the goods or services are for building and engineering maintenance the responsible works manager must certify that the first two conditions of this SFI (i.e.: a and b of this SFI) apply.

**7.8 Authorisation of Tenders and Competitive Quotations**

7.8.1 Providing all the conditions and circumstances set out in these Standing Financial Instructions have been fully complied with, formal authorisation for the award of the contract will be made in accordance with the financial limits and thresholds set out in the Financial Limits Approval Matrix at Appendix 1. These levels of authorisation may be varied or changed and need to be read in conjunction with the Board of Director's Scheme of Delegation.

7.8.2 Formal authorisation must be put in writing. In the case of authorisation by the Board of Directors this shall be recorded in their minutes.

**7.9 Instances where formal competitive tendering or competitive quotation is not required**

7.9.1 Where competitive tendering or a competitive quotation is not required the Trust should adopt one of the following alternatives:

- a the Trust shall use NHS Supply Chain for procurement of all goods and services unless the Chief Executive or nominated officers deem it inappropriate. The decision to use alternative sources must be documented.

If the Trust does not use NHS Supply Chain - where tenders or quotations are not required, because expenditure is below the minimum set out in the procurement policy, the Trust shall procure goods and services in accordance with procurement procedures approved by the Director of Finance.

**7.10 Private Finance for capital procurement (see overlap with SFI No. 12)**

7.10.1 The Trust should normally consider PFI (Private Finance Initiative funding) when considering a capital procurement. When the Board proposes, or is required, to use finance provided by the private sector the following should apply:

- a The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- b Any investment that meets the Independent Regulator's criteria as set out in the investment policy will be reported to the Independent Regulator.
- c The proposal must be specifically agreed by the Board of Directors.
- d The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.



- 7.11 **Compliance requirements for all contracts**
- 7.11.1 The Board may only enter into contracts on behalf of the Trust within the statutory powers delegated to it by the Secretary of State and shall comply with:
- a The Trust's Standing Orders and Standing Financial Instructions;
  - b EU Directives and other statutory provisions;
  - c any relevant directions including the Capital Investment Manual, Estatecode and guidance on the Procurement and Management of Consultants;
  - d such of the NHS Standard Contract Conditions as are applicable.
- 7.11.2 Contracts with Foundation Trusts must be in a form compliant with appropriate NHS guidance.
- 7.11.3 Contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited.
- 7.11.4 In all contracts made by the Trust, the Board shall endeavour to obtain best value for money by use of all systems in place. The Chief Executive shall nominate an officer who shall oversee and manage each contract on behalf of the Trust.
- 7.11.5 The Trust is required to comply with the Data Protection Act. Where procurement or acquisition of a service or system which requires the use of personal information, of staff, patients, or other identifiable people, is initiated the Trust must ensure that the person or organisation providing the system or service is subject to the obligations imposed on the Trust as data controller by the Data Protection Act. The provider of the system or service will be required to provide assurance about their responsibilities as a data processor, and this will include committing themselves to the obligations of the Trust by signing a data processor agreement.
- 7.12 **Personnel and Agency or Temporary Staff Contracts**
- 7.12.1 The Chief Executive shall nominate appropriately qualified officers with delegated authority to enter into contracts of employment, regarding staff, agency staff or temporary staff service contracts.
- 7.12.2 The use of agency staff shall be in accordance with detailed procedures approved by the Director responsible for Human Resources, and in accordance with guidance issued by the independent regulator.
- 7.13 **Healthcare Services Agreements (see overlap with SFI No. 8)**
- 7.13.1 Where the Trust is providing Healthcare Services:
- a) The Chief Executive, or nominated officer (as defined at appendix 1 to these SFIs) is responsible for ensuring the Trust enters into suitable service contracts with service commissioners for the provision of NHS services. Service contracts must be signed in accordance with the approval matrix at appendix 1 to these SFIs;
  - b) Service agreements with NHS commissioners for the supply of healthcare services shall be drawn up as a legally binding contract based on templates (as they exist) agreed by Monitor and the

- Department of Health;
- c) The Chief Executive, as Accounting Officer, will need to ensure that regular reports are provided to the Board detailing actual and forecast income from the service contracts.

7.13.2 Where the Trust is commissioning Healthcare Services:

- a) Contracts or service agreements with NHS providers for the supply of healthcare services shall be drawn up as a legally binding contract;
- b) The Chief Executive shall nominate officers to commission service agreements with providers of healthcare in line with a commissioning plan approved by the Board.

7.14 **Disposals (See overlap with SFI No. 14)**

7.14.1 Competitive Tendering or Quotation procedures shall not apply to the disposal of:

- a) any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his/her nominated officer;
- b) obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust;
- c) items to be disposed of with an estimated sale value of less than £250, this figure to be reviewed at each review of the SFIs;
- d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- e) land or buildings concerning which DH guidance has been issued but subject to compliance with such guidance.

7.15 **In-house Services**

7.15.1 The Chief Executive shall be responsible for ensuring that best value for money can be demonstrated for all services provided on an in-house basis. The Trust may also determine from time to time that in-house services should be market tested by competitive tendering.

7.15.2 In all cases where the Board determines that in-house services should be subject to competitive tendering the following groups shall be set up:

- a) Specification group, comprising the Chief Executive or nominated officer/s and specialist.
- b) In-house tender group, comprising a nominee of the Chief Executive and technical support.
- c) Evaluation team, comprising normally a specialist officer, a procurement officer and a Director of Finance representative. For services having a likely annual expenditure exceeding £1,000,000, a Non-Executive Director should be a member of the evaluation team.

7.15.3 All groups should work independently of each other and individual officers may be a member of more than one group but no member of the in-house tender group may participate in the evaluation of tenders.

7.15.4 The evaluation team shall make recommendations to the Board.

- 7.15.5 The Chief Executive shall nominate an officer to oversee and manage the contract on behalf of the Trust.

## **8 CONTRACTING FOR PROVISION OF SERVICES**

### **8.1 Service Contracts**

- 8.1.1 The Chief Executive, or nominated officer (as defined at appendix 1 to these SFIs) is responsible for ensuring the Trust enters into suitable Service Contracts with service commissioners for the provision of NHS services. Service Contracts must be signed in accordance with the delegated approval matrix at appendix 1 to these SFIs.

- 8.1.2 All Service Contracts should aim to implement the agreed priorities contained within the Trust's Integrated Business Plan (IBP) and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive should take into account:

- a the standards of service quality expected;
- b the relevant national service framework (if any);
- c the provision of reliable information on cost and volume of services;
- d the NHS National Performance Assessment Framework;
- e that contracts build, where appropriate, on existing Joint Investment Plans;
- f that contracts are based on integrated care pathways.

- 8.2 **Partnership arrangements and jointly managing risk** - The Chief Executive will ensure that the Trust works with all partner agencies involved in both the delivery and the commissioning of the service required. Where a formal partnership arrangement exists, this will be reflected in the appropriate legal documentation and where the Trust is the Lead Provider any sub-contracts will align quality and activity requirements with the head contract and apportion responsibility for handling a particular risk to the party or parties in the best position to influence the event and financial arrangements should reflect this. In this way the Trust can jointly manage risk with all interested parties.

- 8.3 **Reports to Board on Contracts** - The Chief Executive, as the Accounting Officer, will need to ensure that regular reports are provided to the Board detailing actual and forecast income from the contracts. This will include information on costing arrangements. All parties should agree a common currency for application across the range of contracts.

## **9 TERMS OF SERVICE AND PAYMENT OF DIRECTORS AND EMPLOYEES**

### **9.1 Remuneration and terms of service**

- 9.1.1 In accordance with Standing Orders 5.7.1.2 the Board shall establish a Remuneration Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition,

and the arrangements for reporting.

9.1.2 The Committee will:

- a determine appropriate remuneration and terms of service for the Chief Executive and other executive directors (and other senior officers), including:
  - i. all aspects of salary (including any performance-related elements/bonuses);
  - ii. provisions for other benefits, including pensions and cars;
  - iii. arrangements for termination of employment and other contractual terms;
- b determine the remuneration and terms of service of executive directors (and other senior officers) to ensure they are fairly rewarded for their individual contribution to the Trust having proper regard to the Trust's circumstances and performance and to the provisions of any national arrangements for such staff where appropriate;
- c determine and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

9.1.3 The Board will need to consider and approve proposals presented by the Chief Executive for setting of remuneration and conditions of service for those officers not covered by the Committee.

9.1.4 The Trust will remunerate the Chairman and Non-executive Directors in accordance with resolution of the Council of Governors.

## 9.2 **Funded establishment**

9.2.1 The Workforce Plan incorporated within the annual budget will form the funded establishment.

9.2.2 The funded establishment of any department may only be varied within the virement rules, see Budgetary Control Policy.

## 9.3 **Staff appointments**

9.3.1 No director or officer may engage, re-engage, or re-grade staff, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration unless:

- a authorised to do so by the Chief Executive;
- b within the limit of his/her approved budget and funded establishment;
- c it is in accordance with Trust policies and procedures as approved by the Director responsible for Human Resources, in particular with respect to pre-employment checks.

9.3.2 The Board will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for officers.

9.3.3 The Chief Executive has delegated responsibility to the Chief Operating Officer to agree arrangements for the appointment of new staff under any Section 75 agreement.

#### 9.4 **Processing of payroll**

9.4.1 The Director responsible for Human Resources is responsible for:

- a specifying timetables for submission of properly authorised time records and other notifications;
- b the final determination of pay;
- c making payment on agreed dates;
- d agreeing method of payment.
- e verification and documentation of data;
- f the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- g maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- h security and confidentiality of payroll information;
- i checks to be applied to completed payroll before and after payment;
- j authority to release payroll data under the provisions of the Data Protection Act;
- k pay advances and their recovery;
- l separation of duties of preparing records and handling cash; and
- m recovery of overpayments.

9.4.2 The Director of Finance is responsible for:

- a procedures for payment by cheque, bank credit, or cash to officers;
- b procedures for the recall of cheques and bank credits
- c maintenance of regular and independent reconciliation of pay control accounts; and
- d a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.

9.4.3 Appropriately nominated managers have delegated responsibility for:

- a submitting time records, and other notifications in accordance with agreed timetables;
- b completing time records and other notifications in accordance with the Director responsible for Human Resources instructions and in the form prescribed by the Director responsible for Human Resources; and
- c submitting termination forms in the prescribed form within 2 working days upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the Director responsible for Human Resources must be informed within 2 working days.

9.4.4 Regardless of the arrangements for providing the payroll service, the Director responsible for Human Resources shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

## 9.5 **Contracts of Employment**

- 9.5.1 The Board shall delegate responsibility to a manager for:
- a ensuring that all employees are issued with a Contract of Employment in a form approved by the Board and which complies with employment legislation; and
  - b dealing with variations to, or termination of, contracts of employment.

## 10 **NON-PAY EXPENDITURE**

### 10.1 **Delegation of Authority**

10.1.1 The Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to budget managers.

- 10.1.2 The Chief Executive will set out:
- a the list of managers who are authorised to place requisitions for the supply of goods and services;
  - b the maximum level of each requisition and the system for authorisation above that level.

10.1.3 The Chief Executive shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

### 10.2 **Requisitioning**

10.2.1 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Trust. An assessment of value for money must take into account, cost, quality and whole life costs. In addition to value for money the requisitioner must also ensure that appropriate internal financial control is maintained throughout the procurement process. In so doing, the advice of the Trust's procurement lead shall be sought. Where this advice is not acceptable to the requisitioner, the Director of Finance shall be consulted.

### 10.3 **System of Payment and Payment Verification**

10.3.1 The Director of Finance shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

- 10.3.2 The Director of Finance will:
- a. advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in Standing Orders and Standing Financial Instructions and the Procurement Policy and be reviewed at each review of the SFIs;
  - b. prepare procedural instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services

- incorporating the thresholds;
- c. be responsible for the prompt payment of all properly authorised accounts and claims;
- d. be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
  - i. Segregation of duties.
  - ii. A list of Trust employees authorised to certify invoices.
  - iii. Certification that:
    - goods have been duly received, examined and are in accordance with specification and the prices are correct;
    - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
    - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
    - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
    - the account is arithmetically correct;
    - the account is in order for payment.
  - iv. A timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.
  - v. Instructions to employees regarding the handling and payment of accounts within the Finance Department.
- e. be responsible for ensuring that payment for goods and services is only made once the goods and services are received. The only exceptions are set out in SFI No. 10.4 below.

## 10.4 **Prepayments**

10.4.1 Prepayments are only permitted where exceptional circumstances apply. In such instances:

1. Prepayments are only permitted where contractually obliged or the financial advantages outweigh the disadvantages (i.e. cash flows must be discounted to NPV using the National Loans Fund (NLF) rate plus 2%).
2. The appropriate officer must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments;

3. The Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold);
4. The budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Chief Executive if problems are encountered.

## **10.5 Official orders**

### 10.5.1 Official Orders must:

1. be consecutively numbered;
2. be in a form approved by the Director of Finance;
3. state the Trust's terms and conditions of trade;
4. only be issued to, and used by, those duly authorised by the Chief Executive.

## **10.6 Duties of Managers and Officers**

### 10.6.1 Managers and officers must ensure that they comply fully with the guidance and limits specified by the Director of Finance and that:

- a) all contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made;
- b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement;
- c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health;
- d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
  - i. isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
  - ii. conventional hospitality, such as lunches in the course of working visits;
- e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- f) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract, subject to a specific exclusion or those allowed purchases from petty cash;
- g) verbal orders must only be issued very exceptionally - by an employee designated by the Director of Finance and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- i) goods are not taken on trial or loan in circumstances that could



- commit the Trust to a future uncompetitive purchase;
- j) changes to the list of employees and officers authorised to certify invoices are notified to the Director of Finance;
- k) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance within the Petty Cash Procedure Notes;
- l) petty cash records are maintained in a form as determined by the Director of Finance.

10.6.2 The Chief Executive and Director of Finance shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within ESTATE CODE. The technical audit of these contracts shall be the responsibility of the relevant Director.

## **10.7 Joint Finance Arrangements with Local Authorities and Voluntary Bodies**

10.7.1 Payments to local authorities and voluntary organisations made under the powers of the NHS Act **shall** comply with procedures laid down by the Director of Finance which shall be in accordance with the Act.

## **11 EXTERNAL BORROWING AND INVESTMENTS**

### **11.1 External borrowing**

11.1.1 The Director of Finance must prepare a Treasury Management Policy and detailed procedural instructions for applications for loans and overdrafts. All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position, representing value for money, and comply with the latest guidance from the Independent Regulator and best practice.

11.1.2 Any short-term borrowing must be with the authority of two members of the Finance and Investment Committee, one of which must be the Chief Executive or the Director of Finance. The Board must be made aware of all short term borrowings at the next Board meeting.

11.1.3 The Board will agree the list of employees (including specimens of their signatures) who are authorised to make short term borrowings on behalf of the Trust. This must contain the Chief Executive and the Director of Finance.

11.1.4 The Director of Finance will advise the Board concerning the Trust's ability to pay dividend on, and repay Public Dividend Capital (PDC) and any proposed new borrowing, within the limits as set by the Terms of Authorisation. The Director of Finance is also responsible for reporting monthly to the Board concerning the PDC debt and all loans and overdrafts.

11.1.5 All long-term borrowing must be consistent with the plans outlined in the current Business Plan.

### **11.2 Investments**

- 11.2.1 In support of the Trust's high level objectives, the key objectives of the treasury management function are to ensure:
  - 11.2.1.1 A competitive return on surplus cash balances within the Trust's agreed risk profile (taking account of the cost of administering this function)
  - 11.2.1.2 That competitively priced funds appropriate to the Trust's needs are available when required and throughout the required period
- 11.2.2 The Trust will maintain a risk-averse stance to investing cash surplus balances and can invest surplus funds solely with certain 'permitted institutions' considered low risk by the Trust for a maximum investment period of three months,
- 11.2.3 The Board of Directors will approve a scheme of delegation in respect of investments and delegate to the Finance and Investment Committee:
  - 11.2.3.1 Approval of the Trust's treasury management and investment procedures, processes and controls;
  - 11.2.3.2 Responsibility for monitoring performance of investments, internal controls and compliance with policy and procedures.
- 11.2.4 The Director of Finance shall:
  - 11.2.4.1 Prepare a comprehensive policy and detailed procedures covering treasury management and investment for the Finance and Investment Committee's approval;

## **12 CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS**

### **12.1 Capital investment**

- 12.1.1 The Chief Executive:
  - 12.1.1.1 Shall ensure there is a comprehensive governance framework for capital investment;
  - 12.1.1.2 Shall ensure PRINCE2 project management methodology or equivalent is followed in all capital schemes;
  - 12.1.1.3 Shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans;
  - 12.1.1.4 Is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
  - 12.1.1.5 Shall ensure that the capital investment is not undertaken without confirmation of commissioner(s) support, if appropriate, and the availability of resources to finance all revenue consequences, including capital charges.

- 12.1.2 The Finance and Investment Committee will approve an Investment Policy.
- 12.1.3 For every capital expenditure proposal the Chief Executive shall ensure:
- 12.1.3.1 that a business case (in line with the Trust's governance framework for capital investment and guidance contained within the Capital Accounting Manual) is produced setting out:
- iii. an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
  - iv. the involvement of appropriate Trust personnel and external agencies;
  - v. appropriate project management and control arrangements; and
- 12.1.3.2 that the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case.
- 12.1.4 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of NHS Estate Code.
- 12.1.5 The Director of Finance shall assess on an annual basis the requirement for the operation of the construction industry tax deduction scheme in accordance with HM Revenue and Customs guidance.
- 12.1.6 The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 12.1.7 The approval of the Capital Investment Programme shall not constitute approval for expenditure on any scheme; each scheme must have specific approval prior to expenditure.
- 12.1.8 The Chief Executive shall issue to the manager responsible for any scheme:
- 12.1.8.1 specific authority to commit expenditure;
  - 12.1.8.2 authority to proceed to tender (refer to Appendix 1);
  - 12.1.8.3 approval to accept a successful tender (refer to Appendix 1).

The Director of Finance will issue a scheme of delegation for capital investment management in accordance with NHS Estate Code guidance and the Trust Standing Orders.

- 12.1.9 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

12.2 **Private finance** – refer to 7.10

12.3 **Asset registers**

- 12.3.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check and valuation of land and buildings against the asset register to be conducted once a year.
- 12.3.2 The Trust shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be as specified in the Capital Accounting Manual as issued by the Department of Health.
- 12.3.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:
- 12.3.3.1 properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
- 12.3.3.2 stores, requisitions and wages records for own materials and labour including appropriate overheads; and
- 12.3.3.3 lease agreements in respect of assets held under a finance lease and capitalised.
- 12.3.4 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).
- 12.3.5 The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 12.3.6 The value of each asset shall be maintained in accordance with methods specified in the Foundation Trust Annual Reporting Manual (ARM).
- 12.3.7 The value of each asset shall be depreciated using methods and rates as specified in the ARM.
- 12.3.8 The Director of Finance shall calculate and pay Public Dividend Capital annual dividends (capital charges).
- 12.3.9 The Trust must not dispose of any protected property without the approval of Monitor. This includes the disposal of part of a property or granting an interest in it.
- 12.4 **Security of assets**
- 12.4.1 The overall control of fixed assets is the responsibility of the Chief Executive.
- 12.4.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:

- 12.4.2.1 recording managerial responsibility for each asset;
- 12.4.2.2 identification of additions and disposals;
- 12.4.2.3 identification of all repairs and maintenance expenses;
- 12.4.2.4 physical security of assets;
- 12.4.2.5 periodic verification of the existence of, condition of, and title to, assets recorded;
- 12.4.2.6 identification and reporting of all costs associated with the retention of an asset; and
- 12.4.2.7 reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 12.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.
- 12.4.4 Whilst each officer has a responsibility for the security of property of the Trust, it is the responsibility of directors and senior officers in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with instructions.
- 12.4.5 Any damage to the Trust's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by directors and officers in accordance with the procedure for reporting losses, and reported to the Local Security Management Specialist for investigation.
- 12.4.6 Where practical, assets should be marked as Trust property.

### **13 STORES AND RECEIPT OF GOODS**

- 13.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
  - 13.1.1.1 kept to a minimum whilst ensuring that there are no stock-outs throughout the supply chain, with contingency plans;
  - 13.1.1.2 subjected to annual stock take or more frequent periods as determined by the Director of Finance;
  - 13.1.1.3 valued at the lower of cost and net realisable value.
- 13.2 Subject to the responsibility of the Director of Finance for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the Chief Executive. The day-to-day responsibility may be delegated by him to departmental officers and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of fuel oil

and coal shall be the responsibility of a designated Estates Manager.

- 13.3 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated Manager/Pharmaceutical Officer. Wherever practicable, stocks should be marked as health service property.
- 13.4 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 13.5 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.
- 13.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 13.7 The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also 14, Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.
- 13.8 For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the Director of Finance who shall satisfy himself that the goods have been received before accepting the recharge.

## **14 DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

### **14.1 Disposals and condemnations**

- 14.1.1 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.
- 14.1.2 When it is decided to dispose of a Trust asset, the head of department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.
- 14.1.3 All unserviceable articles shall be:
  - 14.1.3.1 condemned or otherwise disposed of by an officer authorised for that purpose by the Director of Finance;

14.1.3.2 recorded by the 'Condemning Officer' in a form approved by the Director of Finance, which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second officer authorised for the purpose by the Director of Finance.

14.1.4 The 'Condemning Officer' shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who will take the appropriate action.

## 14.2 **Losses and special payments**

14.2.1 The Director of Finance must prepare procedural instructions on the recording of, and accounting for, condemnations, losses, and special payments. The Director of Finance must also prepare a 'fraud response plan' that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.

14.2.2 Any officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance or inform the Local Counter Fraud Specialist and/or Local Security Management Specialist. This officer will then appropriately inform the Director of Finance and/or Chief Executive. Where a criminal offence is suspected, the Director of Finance must immediately inform the police and Local Security Management Specialist if theft or arson is involved. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the relevant LCFS in accordance with Secretary of State for Health's Directions and NHS Standard Contract.

14.2.3 The Director of Finance must notify the External Auditor and the chair of the Audit Committee of all frauds.

14.2.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must immediately notify:

14.2.4.1 The Board,

14.2.4.2 The External Auditor.

14.2.4.3 The Local Security Management Specialist.

14.2.5 The Board shall agree a delegation of limits delegated for the writing-off of losses (see Appendix 1).

14.2.6 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.

14.2.7 For any loss, the Director of Finance should consider whether any insurance claim can be made.

14.2.8 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded and report this to the Audit Committee together with any constructive losses.

## **15 FINANCIAL INFORMATION, COMMUNICATION, and TECHNOLOGY**

- 15.1 The Director of Finance, who is responsible for the accuracy and security of the computerised financial data (the data) of the Trust, shall:
  - 15.1.1 devise and implement any necessary procedures to ensure integration of the system and adequate (reasonable) protection of the Trust's data, programs and computer hardware for which he/she is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998 and Caldicott principles;
  - 15.1.2 ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
  - 15.1.3 ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
  - 15.1.4 ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as he/she may consider necessary are being carried out.
- 15.2 The Director of Finance shall satisfy him/herself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.
- 15.3 Where computer systems have an impact on corporate financial systems the Director of Finance shall satisfy him/herself that:
  - 15.3.1 systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
  - 15.3.2 data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - 15.3.3 appropriate staff have access to such data; and
  - 15.3.4 such computer audit reviews as are considered necessary are being carried out.
- 15.4 In the case of computer systems which are proposed General Applications (i.e. normally those applications which the majority of Trusts in the Region wish to sponsor jointly) all responsible directors and officers will send to the Director of Finance:
  - 15.4.1 details of the outline design of the system;
  - 15.4.2 in the case of packages acquired either from a commercial organisation,



from the NHS, or from another public sector organisation, the operational requirement.

- 15.5 The Director of Finance shall ensure that contracts for computer services for financial applications with another health organisation or any other agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.
- 15.6 Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation.
- 15.7 The Director of Finance shall ensure that risks to the Trust arising from the use of IT are effectively identified and considered and appropriate action taken to mitigate or control risk. This shall include the preparation and testing of appropriate disaster recovery plans.
- 15.8 The Director of Nursing and Clinical Standards shall publish and maintain a Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about our Trust that we make publicly available.

## **16 PATIENTS' PROPERTY**

- 16.1 The Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital.
- 16.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission by:
- notices and information booklets,
  - hospital admission documentation and property records,
  - the oral advice of administrative and nursing staff responsible for admissions,

that the Trust will not accept responsibility or liability for patients' property brought into Trust premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.

- 16.3 The Chief Operating Officer must provide detailed written instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.
- 16.4 Where the Independent Regulator's instructions require the opening of

separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance.

- 16.5 In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.
- 16.6 Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.
- 16.7 Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.

## **17 FUNDS HELD ON TRUST**

### **17.1 Corporate Trustee**

- 17.1.1 Standing Order No. 2.2 outlines the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust, along with SO 2.3 that states the Trust's accountability to the Charity Commission for charitable funds.
- 17.1.2 The discharge of the Trust's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.
- 17.1.3 The Director of Finance shall ensure that each trust fund which the Trust is responsible for managing is managed appropriately with regard to its purpose and to its requirements.

### **17.2 Accountability to the Charity Commission and the Independent Regulator**

- 17.2.1 The trustee responsibilities must be discharged separately and full recognition given to the Trust's accountability to the Charity Commission for charitable funds held on trust and to the Independent Regulator for non-charitable funds held on trust.
- 17.2.2 The Schedule of Matters Reserved to the Board and the Scheme of Delegation make clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken and by whom. All members of the Board of Directors and Trust officers must take account of that guidance before taking action.

### **17.3 Applicability of Standing Financial Instructions to funds held on Trust**

- 17.3.1 In so far as it is possible to do so, most of the sections of these Standing

Financial Instructions will apply to the management of funds held on trust.

- 17.3.2 The over-riding principle is that the integrity of each trust must be maintained and statutory and trust obligations met. Materiality must be assessed separately from exchequer activities and funds.

## **18 ACCEPTANCE OF GIFTS BY STAFF AND LINK TO STANDARDS OF BUSINESS CONDUCT (see overlap with SO No. 8 and SFI No. 10.6.1 (d))**

- 18.1 The Director of Finance shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff. This policy follows the guidance contained in the Department of Health circular HSG (93) 5 'Standards of Business Conduct for NHS Staff' (amended, in part by the Bribery Act 2010) and is also deemed to be an integral part of these Standing Financial Instructions and associated Standing Orders.

## **19 RETENTION OF DOCUMENTS**

- 19.1 The Chief Executive shall be responsible for maintaining archives for all documents required to be retained in line with statutory legislation and guidance issued by the Department of Health and other regulators. The Chief Executive shall develop a policy and ensure all staff are aware of the mandatory requirements and best practice in relation to the retention of documents.

- 19.2 The Director of Nursing and Clinical Standards is responsible for:

19.2.1 developing policy in respect of the retention of documents in accordance with statutory requirements and best practice;

19.2.2 proactively providing the Board with assurance of compliance with policy;

19.2.3 raising awareness.

- 19.3 The documents held in archives shall be capable of retrieval by authorised persons.

- 19.4 Documents will be held and destroyed in accordance with Trust policy. A record of documents destroyed shall be maintained.

## **20 RISK MANAGEMENT & INSURANCE**

### **20.1 Programme of Risk Management**

- 20.1.1 The Board of Directors is accountable for ensuring that there is an appropriate structural control environment in place, and that all risks are identified, assessed, and properly managed. The Board of Directors has approved an Integrated Governance Framework, which clearly demonstrates how risk management processes and structures across clinical, environmental, and business areas of the organisation will be co-ordinated.

- 20.1.2 The programme of risk management shall include:
  - 20.1.2.1 a process for identifying and quantifying risks and potential liabilities;
  - 20.1.2.2 engendering among all levels of staff a positive attitude towards the control of risk;
  - 20.1.2.3 management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk;
  - 20.1.2.4 contingency plans to offset the impact of adverse events;
  - 20.1.2.5 audit arrangements including; internal audit, clinical audit, health and safety review;
  - 20.1.2.6 a clear indication of which risks shall be insured
  - 20.1.2.7 arrangements to review the risk management programme.

The existence, integration and evaluation of the above elements will provide a basis to make an Annual Governance Statement within the Annual Report and Accounts as required by the ARM.

## 20.2 **Insurance: Risk Pooling Schemes administered by NHSLA**

- 20.2.1 The Trust will insure through the risk pooling schemes administered by the NHS Litigation Authority.

## 20.3 **Insurance arrangements with commercial insurers**

- 20.3.1 The Trust may seek additional insurance to the NHSLA schemes where this is deemed necessary based on an assessment of residual risk after the application of NHSLA insurance. Such commercial insurance will be obtained in line with the Trust Procurement Policy.
- 20.3.2 In addition the Trust may enter into insurance arrangements with commercial insurers in the case of:
  - 20.3.2.1 commercial arrangements for insuring motor vehicles owned by the Trust including insuring third party liability arising from their use;
  - 20.3.2.2 where the Trust is involved with a consortium in a Private Finance Initiative contract and the other consortium members require that commercial insurance arrangements are entered into; and
  - 20.3.2.3 where income generation activities take place. Income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the Trust for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from the Litigation Authority. In any case of doubt concerning a Trust's powers to enter into commercial insurance arrangements the Finance Director should

consult the Independent Regulator.

20.4 **Arrangements to be followed by the Board in agreeing Insurance cover**

20.4.1 The Director of Nursing and Clinical Standards shall ensure that the arrangements entered into with the NHS Litigation Authority are appropriate and complementary to the risk management programme. The Director of Nursing and Clinical Standards shall ensure that documented procedures cover these arrangements.

20.4.2 All the risk pooling schemes require Scheme members to make some contribution to the settlement of claims (the 'deductible'). The Director of Nursing and Clinical Standards should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

**FINANCIAL APPROVAL LIMITS**

**Appendix 1**

Financial limits	Ordering of goods & services	Estates Capital Orders	Estates Revenue Orders	IM & T Capital Orders	Pharmacy Drug Orders	Tenders Quotations	Tender opening panel	Single quote/ tender action approval	Bank cheques signatories	Non exchequer funds	Sale of equipment	Losses & Special Payments	Petty Cash	Excess Business case expenditure	Signing Health Care Contracts
<£150	Designated member of staff	Capital Development Team limit £200k	Operational Managers limit £10k	Capital Development Team limit £25k	OPS Manager limit £50k	1 written quote limit £5k		Service/Corp Director Limit £25k	1 authorised signatory limit £1k	1 authorised signatory limit £5k		Director limit £150	Budget Manager limit £150		
<£500												DoF limit £500	Executive Director limit £500		
<£1000												2 Executive Directors limit £10k			
<£2,500	Service Director 3 written quotations limit £150k														
<£5,000												Direct report to Exec/Service/Corp Director limit £10k	Budget Manager limit £15k		
<£10,000			Asst Dir Estates limit £25k	Director of Informatics limit £150k	OPS Manager & DoF retrospective limit £200k	and 1 Non Exec Dir above £500k									
<£15,000	Director limit £150k		Director limit £150k	Director	Director	5 tenders above limit set by OJEU	2 Direct reports to Director Limit £500k	2 authorised signatories over £1k	2 authorised signatories over £5k	CEO or DoF 3 written quotations limit £500k					
<£25,000			CEO or DoF limit £200k	CEO or DoF limit £200k	CEO or DoF limit £200k	CEO & DoF above £200k	CEO & DoF above £200k	CEO & DoF above £200k	CEO & DoF above £200k	CEO or DoF 3 written quotations limit £500k					
<£50,000				Asst Dir Estates limit £300k	Service Dir/ Dir Estates limit £500k	CEO and DoF above £200k	CEO and DoF above £200k	CEO and DoF above £200k	CEO and DoF above £200k	CEO or DoF 3 written quotations limit £500k					
<£150,000	CEO or DoF limit £200k		CEO or DoF limit £200k	CEO or DoF limit £200k	CEO or DoF limit £200k	OPS Manager & DoF retrospective limit £200k	5 tenders above limit set by OJEU	2 Direct reports to Director Limit £500k	2 authorised signatories over £1k	2 authorised signatories over £5k	CEO or DoF 3 written quotations limit £500k	Board of Directors above £10k	Variations Up to £100k to Capital Programme Sub Committee		
<£200,000	CEO or DoF limit £200k	CEO or DoF limit £200k	CEO or DoF limit £200k	CEO or DoF limit £200k	OPS Manager & DoF retrospective limit £200k	5 tenders above limit set by OJEU	2 Direct reports to Director Limit £500k	2 authorised signatories over £1k	2 authorised signatories over £5k	CEO or DoF 3 written quotations limit £500k	Board of Directors above £10k	Variations Up to £100k to Capital Programme Sub Committee	Variations between £100k & £500k to Finance & Investment Committee	Service Director limit £500k	
<£300,000	CEO and DoF above £200k	Asst Dir Estates limit £300k	CEO & DoF above £200k	CEO & DoF above £200k	CEO & DoF above £200k	5 tenders above limit set by OJEU	2 Direct reports to Director Limit £500k	2 authorised signatories over £1k	2 authorised signatories over £5k	CEO or DoF 3 written quotations limit £500k	Board of Directors above £10k	Variations Up to £100k to Capital Programme Sub Committee	Variations between £100k & £500k to Finance & Investment Committee	Service Director limit £500k	
<£500,000		Service Dir/ Dir Estates limit £500k	CEO & DoF above £200k	CEO & DoF above £200k	CEO & DoF above £200k	5 tenders above limit set by OJEU	2 Direct reports to Director Limit £500k	2 authorised signatories over £1k	2 authorised signatories over £5k	CEO or DoF 3 written quotations limit £500k	Board of Directors above £10k	Variations Up to £100k to Capital Programme Sub Committee	Variations between £100k & £500k to Finance & Investment Committee	Service Director limit £500k	
<£500,000+		CEO and DoF above £500k	CEO and DoF above £500k	CEO and DoF above £500k	CEO and DoF above £500k	5 tenders above limit set by OJEU	2 Direct reports to Director Limit £500k	2 authorised signatories over £1k	2 authorised signatories over £5k	CEO or DoF 3 written quotations limit £500k	Board of Directors above £10k	Variations Up to £100k to Capital Programme Sub Committee	Variations between £100k & £500k to Finance & Investment Committee	Service Director limit £500k	
>£500,000	DoF above £500k	DoF above £500k	DoF above £500k	DoF above £500k	5 tenders above limit set by OJEU	2 Direct reports to Director Limit £500k	2 Directors above £500k	£500k	2 authorised signatories over £1k	2 authorised signatories over £5k	CEO & DoF 3 written quotations limit £500k	Board of Directors above £10k	Variations above £500k to Board of Directors	COO to £1m	
>£500,000+	DoF above £500k	DoF above £500k	DoF above £500k	DoF above £500k	5 tenders above limit set by OJEU	2 Direct reports to Director Limit £500k	2 Directors above £500k	£500k	2 authorised signatories over £1k	2 authorised signatories over £5k	CEO & DoF 3 written quotations limit £500k	Board of Directors above £10k	Variations above £500k to Board of Directors	CEO or DoF > £1m	

## Definitions

Board of Directors - the Board of Directors in formal meeting

CEO - Chief Executive Officer, The Trust's accounting officer, designated post and acting

DoF - Director of Finance, the Trust's Director of Finance, designated post and acting

COO – Chief Operating Officer

Executive Director - Executive Director of the Trust being a full member of the Trust's Board of Directors to include all post holders (substantive and acting)

Service Directors - namely Adults, Older People, Children & Young People

Corporate Directors – namely, Director of Estates & Facilities, Deputy Director of Finance, Director of Informatics, Deputy Director of HR

Direct Report - those posts that report directly to Executive or Directorate Directors, either managerially or professionally

Budget Manager - the designated person(s) with responsibility for that budget

Designated member of staff - the named individual approved by the budget manager

Authorised signatory - the named individual on the authorised signatory list

## Notes

General note: that in all cases the higher authority covers the lower levels

Signing health care contracts is only permissible following validation of financials by DoF (or DoF's nominated officer)

Investment approval limits and business case approval are defined in the budgetary control policy (Section 8)