

Compliance: Review of Standing Financial Instructions /Reservation of Powers and Standing Orders

Trust Board	Item: 10.3
25 September 2014	Enclosure: L
Purpose of the Report: To seek the Board's approval for the changes	
For information	For Decision <input checked="" type="checkbox"/>
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Financial/Resource Implications:	N/A
Quality Governance Implications:	None
Risk Implications – Link to Assurance Framework or Corporate Risk Register:	None
Legal/Regulatory/Reputation Implications:	None
Link to Relevant CQC Standard:	N/A
Link to Relevant Corporate Objective:	N/A
Impact on Patients and Carers:	None
Document Previously Considered By:	N/A

Recommendations:

The Board is asked to:

- Approve the changes

REVIEW OF STANDING FINANCIAL INSTRUCTIONS / RESERVATION OF POWERS AND SCHEME OF DELEGATION

Introduction

It is good practice to review all the above policies on an annual basis, to ensure that they are consistent with each other and are up to date. The initial policies were written as a part of the Trust's transition to Foundation Trust status which also involved a review by our legal advisors, Capsticks.

This document sets out the changes and the rationale behind it as a part of the annual review. As a part of this review the revised documents were approved by the Compliance and Risk Committee and the Audit Committee.

Proposed Amendments to the Standing Orders

Section	Proposed Amendment	Rationale
3.5 Delegation of powers	Addition of: 3.5.2 In the event of an urgent decision required by the Trust Board or a Sub-Committee, such a decision can be considered by a Committee by e-mail or correspondence. This is subject to the quorum of the Trust Board or Sub-Committee endorsing the required decision. Such decisions would be reported to the next meeting of the Committee or Trust Board.	To provide clarification of how decisions can be made in correspondence.

Proposed Amendments to the Reservation of Powers and Scheme of Delegation

Section	Proposed Amendment	Rationale
1 Decision Reserved to the Board	Revised the statement <i>"Approve proposals on individual contracts (other than NHS contracts) of a capital or revenue nature amounting to, or likely to amount to over £500,000 over a 3 year period or the period of the contract if longer"</i>	To be consistent with the Trust Standing Financial Instructions.

Section	Proposed Amendment	Rationale
	<p>With</p> <p><i>“Approve proposals on individual contracts (other than NHS contracts) of a revenue nature amounting to, or likely to amount to over £500,000 over the contract, £1,000,000 in case of capital spend.”</i></p>	
2 Decisions & Duties Delegated by the Board to Committees	<p>Risk Management Committee deleted from the Scheme of Delegation and replaced by the Clinical Quality Improvement Committee and the Compliance and Risk Committee.</p> <p>Addition of the responsibilities of the Strategy Committee</p>	<p>As a result of Risk Management Committee ceasing to exist</p> <p>As a result of the Strategy Committee being established.</p>
6 Scheme of Delegation Derived from Standing Financial Instructions	<p>Revised the statement</p> <p><i>“Must ensure the Trust enters into suitable Service Level Agreements with service commissioners for the provision of NHS Services.”</i></p> <p>With</p> <p><i>“Must ensure the Trust enters into suitable Service Level Agreements with service commissioners for the provision of NHS Services in line with SFI’s 7.13.4.”</i></p>	To bring it in line with the SFI's

Proposed Amendments to the Standing Financial Instructions

Section	Proposed Amendment	Rationale
7.6.1.2 Invitation to tender	Revised the statement to include” Until the introduction of the e-tendering system”	The references to E-tendering have been added in preparation for the new e-tendering system going live.
7.6.6 Capital E-tendering	New E-tendering section added. (detailed in appendix 5)	

Section	Proposed Amendment	Rationale
<p>7.7.2.2 Competitive quotations</p> <p>7.7.2.3 Competitive quotations</p>	<p><i>“When the Trust’s e-tendering system is implemented, quotes should be submitted on the system”.</i> Added to the section.</p> <p>This has been added to the section <i>“Trust’s e-tendering system when implemented whether received on the system, by telephone or in writing”.</i></p>	
<p>7.13 Healthcare Services Agreements</p>	<p>Addition of:</p> <p><i>7.13.2 The Director of Finance will present to the Board the contract plan as part of the business plan and budgets for the forthcoming year. The contract plan will summarise the sources of patient care income and their size, highlighting any significant changes from the previous year.</i></p> <p>Addition of:</p> <p><i>7.13.3 The Trust is able to enter into new multi-year contracts to provide services that were not part of a year’s business plan subject to i) complying with the rules for committing any associated expenditure and ii) the income reserved / delegated authorities set out in Appendix 4:</i></p> <p>Addition of:</p> <p><i>7.13.4 Before entering into a contract to provide services, the Executive and any subsequent approving committee, need to undertake the relevant due diligence to ensure that the contract is in the Trust’s best interest and is properly constituted.</i></p>	<p>Added to provide clarity on the process and formalise the delegation limits for income agreements</p>

Section	Proposed Amendment	Rationale
Appendix 1	<p>New table has been added which increases the level from 9 to 12.</p> <p>Approval levels have changed as follows:</p> <ul style="list-style-type: none"> • Level 7 from £40k to £50k • Level 8 from £10k to £20k • Level 9 from £5k to £15k • Level 10 new level added at £10k • Level 11 new level added at £5k • Level 12 new level added at £1k <p>The signatories and the vested authority rows have been combined.</p> <p>Deleted point 7 on the membership of EMC</p>	Updated to bring in line with the current practice
Appendix 2	A new section on the capital expenditure approval process has also been included	Updated to capture the capital expenditure approval process formally
Appendix 3	The tendering limits have been updated in line with current rules.	Updated to bring in line with current rules.
Appendix 4	Approval process for entering into new multi-year contracts to	Updated in line with SFI's 7.13.4

Section	Proposed Amendment	Rationale
	provide services that were not part of the business plan.	

The appendices are set out below.

Appendix 1: Budgetary Control Authorisation, & Contract Approval and Signing – NON-Capital

Authority Level	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Level 9	Level 10	Level 11	Level 12
Vested Authority/ Approvers	Board Two of – Chairman, Chief Executive, Secretary to the Board	Board Sub-committee Chief Executive OR Director of Finance AND One of – Voting Executive Director on the Board	Chief Executive OR Director of Finance AND One of – Voting Executive Director on the Board	Any Voting Executive Director on the Board	Any Executive Director on the Board	A Director authorised to sign on the relevant cost centre	A Manager authorised to sign on the relevant cost centre	A Principal Budget Holder	A Principal Budget Holder	A Principal Budget Holder	A Budget Holder	A Budget Holder
No of signatories	2	2	2	1	1	1	1	1	1	1	1	1
Notes	Board minute must be referenced	Committee minute must be referenced										
Spending Level	>£500,000	to £500,000	to £250,000	to 150,000	to £100,000	to £75,000	to £50,000	to £20,000	to £15,000	to £10,000	to £5,000	to £1,000

Notes

- The “Spending Level” relates to all original spending eg Proactis electronic requisitions and all contracts (by definition over one year). The “whole life” value of a contract is relevant, not the annual spend. The authority levels operate within the rules set out in Appendix 3.
- The level 1 authority by the Board is an approval that is evidenced by being properly minuted at a formal Board meeting. If in any doubt, contact the Secretary to the Board to confirm.
- There is no authority to spend at level 2 by any Committee, sub-Committee or working group below the level of a Trust Board sub-Committee.
- For levels 6, 7, 8, 9, 10, 11 and 12, any new employees given such authority must have been set up on the Proactis electronic system for the relevant cost centres. This is only achieved by completion of the relevant form to set up a new signatory. In addition, in the case of level 8, 9 and 10, this must be supported by a written authority to sign, duly authorised by their relevant principal Budget Holder.
- A Principal Budget Holder must be a direct report to a Divisional Director, Corporate Director or Deputy Director. Thus, this category will typically cover Departmental Managers who are direct reports to a Director.
- See also “Purchasing Non-Stock Goods and Services – A guide for Budget Holders” on the Trust’s intranet.

Appendix 2: Capital Expenditure Approval Limits

The Capital Plan is approved by the Board at the beginning of the Financial Year. The Board then delegate authority to Capital Investment Committee (CIC) to ensure delivery of the Capital Program.

Authority Level	Level 1	Level 2	Level 4	Level 5
Vested Authority	Board	Finance and Investment Committee	Capital Committee	Medical Equipment Committee
Authorisation Document	Quote Board minutes	Quote Committee minutes	Quote Committee minutes	Quote Committee minutes
Spending Level	Over £1,000,000	Up to £1,000,000	Up to £500,000	Medical Equipment Up to £100,000
Purchase Order Approver	Director of Finance OR Deputy Director of Finance	Director of Finance OR Deputy Director of Finance	Director of Finance OR Deputy Director of Finance	Director of Finance OR Deputy Director of Finance

Notes

- The limits above principally relate to capital but also include any revenue impact that may occur as a result of the capital proposal.
- Any additional Revenue expenditure presented to the Committee as part of Capital projects must be approved by the Executive Management Committee (EMC).
- Any spend of capital or business development must be supported by a business case for cases over £100,000 the full business case template must be completed, for all others the summary business case template must be completed.
- All capital expenditure must be endorsed by the Capital Committee. If greater than £500,000 the cases will then be referred to the appropriate Committee for approval. Capital job codes are only provided after the appropriate authorisation has been received.
- The membership of the Capital Investment Committee (CIC) includes: Deputy Director of Finance, Director of IT, Director of Estates and Facilities, Deputy Chief Executive, Director of Nursing, Clinical Engineering Manager, Head of Procurement, Head of Financial Services, Capital Accountant.

Appendix 3: Tendering Limits

Limit Reference	Applicability	Requirement	Lower Limit	Upper Limit
L1	Purchase of supplies/goods, services or works	No specific rules, but must demonstrate Value for Money has been achieved and as part of this must contact Purchasing department for advice on proposed supplier(s). Default position is at least one written quote.	£NIL	£9,999.99
L2	Purchase of supplies/goods, services or works	Purchasing Department must be contacted. At least three written quotes from separate suppliers must be obtained.	£10,000.00	£49,999.99
L3	Purchase of supplies/goods, services or works	Purchasing Department must be contacted. At least three tenders from separate suppliers must be obtained.	£50,000.00	£113,057 *
L4	Purchase of works (Estates)	Purchasing Department must be contacted. At least five tenders from separate suppliers must be obtained.	£50,000.00	£4,348,450 *
L5	Purchase of supplies/goods or services	Purchasing Department must be contacted. Must follow the procedure and timetable as directed in the "EU Procurement Guidance" publication available on the OGC website.	£111,676 *	No upper limit
L6	Purchase of works (Estates)	Purchasing Department must be contacted. Must follow the procedure and timetable as directed in the "EU Procurement Guidance" publication available on the OGC website.	£4,322,012 *	No upper limit

- Figures marked * are EU procurement thresholds, as embodied in the UK in "The Public Contracts and Utilities Contracts (Amendment) Regulations 2007. These are revised annually on 1 January. The figures included above are those valid from 1st January 2013. Note that they may fall as well as rise. The Trust does not operate the Part B threshold for "other residual services" but applies Part A to all supplies and services.
- The Purchasing Department may choose to obtain quotes or tenders even when not mandatory, if this may lead to better value for money.
- For purchases of items covered by an OGC or PASA framework agreement without specified unit prices, it is not necessary to undertake an EU style tender process even if the value is over this threshold (L5 or L6 above). However, a normal tendering process must be undertaken if the value is over £50,000 and there is more than one supplier on the framework agreement.
- For purchases of items covered by an OGC or PASA contract, it is not necessary to undertake a tendering process even if the value is over £50,000, unless the Trust Board deems it necessary (see SFI tender waiver rules).

- In the case of contracts covering more than one year, the above limits are applied to the cumulative value of all the years added together. By way of an example, the purchase of a service valued at £20,000 for 5 years is an £100,000 value contract, so L5 applies.
- All limits or authorisation levels to spend are based on the full cost to the Trust, so VAT must be included if the Trust suffers the VAT cost, but must not be included if the Trust recovers the VAT under the contracted out services rules, or recovers the input VAT when making taxable business supplies. If you are in any doubt about the VAT position consult the Finance Department or Purchasing Department

Appendix 4: Approval process for entering into new multi-year contracts to provide services that were not part of the business plan.

	Level 1	Level 2	Level 3
One year income (1)	Greater than £3m	Up to £3m	Up to £1m
Total income over the minimum life of the contract (1)	Greater than £10m	Up to £6m	Up to £3m
Vested Authority	Board	FIC	Executive
Authorisation document	Board minutes	Board sub-committee minutes	EMC minutes

- (1) Both criteria must be satisfied, or the decision moves to the next level
- (2) The Executive have the ability to establish a scheme of delegation using appropriate levels below the Executive's own level. The Executive retains full responsibility for all such decisions.

Appendix 5: E-tendering section

7.6.6 E-tendering

7.6.6.1 When implemented in full all tenders will be submitted on the Trust's e-tendering system which shall provide a full audit trail to include date and time of receipt and time of opening.

7.6.6.2 All tenders will be held, locked, in the Trust's e-tendering system until the nominated time and date, whereupon a member of the Trust Procurement Team will open the tender.

7.6.6.3 A record shall be held on the Trust's e-procurement system to show for each set of competitive tender invitations despatched:

- 7.6.6.3.1 The name of all firms, individuals, invited;
- 7.6.6.3.2 The names of firms, individuals, from which tenders have been received;
- 7.6.6.3.3 The date the tenders were opened;
- 7.6.6.3.4 The persons responsible for the opening;

7.6.6.4 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 nominated Officer decides that there are exceptional circumstances ie a problem with the e-tendering system and delayed through no fault of the tenderer.