

## STANDING FINANCIAL INSTRUCTIONS

These Standing Financial Instructions are to be used in conjunction with the Trust's Standing Orders and also Reservation of Powers to the Board & Delegation of Powers.

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## **1. INTRODUCTION**

These Standing Financial Instructions are to be used in conjunction with: Trust's Standing Orders and also Reservation of Powers to the Board & Delegation of Powers.

The tables in Appendices 1 to 4 at the back of these Standing Financial Instructions provide details of necessary authorisation levels by value.

### **1.1 General**

1.1.1 These Standing Financial Instructions are issued in support of the Trust's obligations regarding good governance in accordance with the NHSI Code of Governance, the NHS Foundation Trust Conditions under The New NHS Provider Licence issued by NHSI and related NHSI guidance from time to time. They shall have effect as if incorporated in Standing Orders.

1.1.2 These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that the Trust's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with CORP\_0003: Reservation of Powers to the Board & Delegation of Powers adopted by the Trust.

1.1.3 These Standing Financial Instructions identify the financial responsibilities which apply to everyone working for the Trust and its constituent organisations including Trading Units. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.

1.1.4 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Director of Finance must be sought before acting. The user of these Standing Financial Instructions should also be familiar with and comply with the provisions of the Trust's Standing Orders.

1.1.5 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 dismissal.

1.1.6 Overriding Standing Financial Instructions.

1.1.6.1 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 and members of staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible.

## **1.2 Responsibilities and Delegation**

### **1.2.1 The Trust Board**

#### **1.2.1.1 The Board exercises financial supervision and control by:**

- 1.2.1.1.1 Formulating the financial strategy.
- 1.2.1.1.2 Requiring the submission and approval of budgets within approved allocations / overall income.
- 1.2.1.1.3 Defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money), and
- 1.2.1.1.4 Defining specific responsibilities placed on members of the Board and Employees as indicated in CORP\_0003: Reservation of Powers to the Board & Delegation of Powers.

1.2.1.2 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in CORP\_0003: Reservation of Powers to the Board & Delegation of Powers. All other powers have been delegated to such other committees as the Trust has established.

### **1.2.2 The Chief Executive and Director of Finance**

1.2.2.1 The Chief Executive and Director of Finance will, as far as possible, consistent with applicable law and guidance, delegate their detailed responsibilities, but they remain accountable for financial control.

1.2.2.2 Within these Standing Financial Instructions, it is acknowledged that the Chief Executive is ultimately accountable to the Board and, as Accounting Officer, to NHSI and Parliament, 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 Chairman and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.

1.2.2.3 It is a duty of the Chief Executive to ensure that members of the Board, employees and all new appointees are notified of, and put in a position to understand their responsibilities within these Standing Financial Instructions.

### **1.2.3 The Director of Finance**

#### **1.2.3.1 The Director of Finance is responsible for:**

- 1.2.3.1.1 Implementing the Trust's financial policies and for coordinating any corrective action necessary to further these policies.
- 1.2.3.1.2 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 and maintained to supplement these instructions.
- 1.2.3.1.3 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, and without prejudice to any other functions of the Trust, and employees of the Trust, the duties of the Director of Finance

include:

- 1.2.3.1.4 The provision of financial advice to other Directors of the Board and employees.
- 1.2.3.1.5 The design, implementation and supervision of systems of internal financial control, including the prevention and detection of fraudulent activities, and
- 1.2.3.1.6 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.

## 1.2.4 Board Members and Employees

1.2.4.1 All members of the Board and employees, severally and collectively, are responsible for:

- 1.2.4.1.1 The security of the property of the Trust
- 1.2.4.1.2 Avoiding loss
- 1.2.4.1.3 Exercising economy and efficiency in the use of resources, and
- 1.2.4.1.4 Conforming with the requirements of Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Delegation

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

## 1.2.5 Contractors and their Employees

1.2.5.1 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 Interpretation and Definitions

1.3.1 Save as otherwise permitted by law, at any meeting the Chairman of the Trust shall be the final authority on interpretation of Standing Orders (on which they should be advised by the Chief Executive or Secretary to the Board).

1.3.2 Any expression to which a meaning is given in the National Health Service Act 2006 and other acts relating to the National Health Service or in financial guidance issued by NHSI shall have the same meaning in these Standing Orders and Standing Financial Instructions and in addition:

Accounting Officer	The NHS Officer responsible and accountable for funds entrusted to the Trust. The Officer shall be responsible for ensuring the proper stewardship of public funds and assets. For this Trust it shall be the Chief Executive.
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Associate Member	A person appointed to perform specific statutory and non-statutory duties which have been delegated by the Trust Board for them to perform and these duties have been recorded in an appropriate Trust Board minute or other suitable record.
Board	Collectively the Executive and Non-Executive Directors.
Budget	A resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust.
Budget Holder	The employee with delegated authority to manage finances (income and/or expenditure) for a specific area of the Trust.
Chairman (of the Board or Trust)	The person appointed in accordance with the Constitution to lead the Board and to ensure that it successfully discharges its overall responsibility for the Trust as a whole. The expression “the Chairman of the Trust” shall be deemed to include the Deputy Chairman of the Trust if the Chairman is absent from the meeting or is otherwise unavailable.
Chief Executive	The Chief Officer of the Trust.
Clinical Governance Committee	Means a Committee whose functions are concerned with the arrangements for the purpose of monitoring and improving the quality of healthcare for which the Trust has responsibility.
Commissioning	The process for determining the need for and for obtaining the supply of healthcare and related services by the Trust within available resources.
Committee	A committee or sub-committee created and appointed by the Trust.
Committee Member	A person formally appointed by the Board to sit on or to chair a specific committee.
Contracting & Procuring	The systems for obtaining the supply of goods, materials, manufactured items, services, building and engineering services, works of construction and maintenance and for disposal of surplus and obsolete assets.
Director of Finance	The chief financial officer of the Trust.
Deputy Chairman	The Deputy Chairman appointed under paragraph 26 of the Constitution.
Employee	A person paid via the payroll of the Trust.
Executive Director	A member of the Board who is an Officer of the Trust.

Funds Held on Trust	Those funds which the Trust holds on date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under the National Health Service Act 2006, as amended. Such funds may or may not be charitable.
Member	A member of the Trust Board unless otherwise stated or necessary for interpretation purposes.
Member of Staff	An employee or a person employed via a third party who is acting in the position or capacity of an employee.
Membership, Procedure and Administration Arrangements Regulations	NHS Membership and Procedure Regulations (SI 1990/2024) and subsequent amendments.
Nominated Officer	An Officer charged with the responsibility for discharging specific tasks within Standing Orders and Standing Financial Instructions.
Non-Executive Director	A member of the Board who is not an Officer of the Trust.
Officer	An employee of the Trust or any other person holding a paid appointment or office with the Trust.
Secretary	A person appointed to act as Trust Secretary for the purposes of the Code of Governance, to provide advice on corporate governance issues to the Board and the Chairman and monitor the Trust's compliance with the law, Standing Orders and NHSI guidance.
SFIs	Standing Financial Instructions.
SofD	Scheme of Delegation, otherwise known as Reservation of Powers to the Board & Delegation of Powers
SOs	Standing Orders.
Trust	Kingston Hospital NHS Foundation Trust

## **2. AUDIT**

### **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 NHSI, which will provide an independent and objective view of internal control by:

2.1.1.1 Overseeing Internal and External Audit, and Counter Fraud services.

- 2.1.1.2 Reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments.
- 2.1.1.3 Review 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 Trust's objectives.
- 2.1.1.4 Monitoring compliance with Standing Orders and Standing Financial Instructions.
- 2.1.1.5 Reviewing schedules of losses and compensations and making recommendations to the Board, and
- 2.1.1.6 Reviewing the breadth and depth of the Board Assurance Framework on an annual basis, prior to its agreement by the Board.
- 2.1.2 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board.
- 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/if an Internal Audit service provider is changed.

## **2.2 Director of Finance**

- 2.2.1 The Director of Finance is responsible for:
  - 2.2.1.1 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.
  - 2.2.1.2 Ensuring that the Internal Audit is adequate and meets the NHS and NHSI mandatory audit standards.
  - 2.2.1.3 Deciding on appropriate sanctions and redress where incidences of misappropriation and other irregularities including fraud, bribery and corruption are identified. This can include seeking criminal sanctions.
  - 2.2.1.4 Ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee. The report must cover:
    - 2.2.1.4.1 A clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by NHSI including for example compliance with control criteria and standards.
    - 2.2.1.4.2 Major internal financial control weaknesses discovered.
    - 2.2.1.4.3 Progress on the implementation of internal audit recommendations.
    - 2.2.1.4.4 Progress against plan over the previous year.
    - 2.2.1.4.5 Strategic audit plan covering the coming three years, and
    - 2.2.1.4.6 A detailed plan for the coming year.

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

2.2.2.1 Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature.

2.2.2.2 Access at all reasonable times to any land, premises or Members of the Board or Employee of the Trust.

2.2.2.3 The production of any cash, stores or other property of the Trust under a member of the Board and an employee's control, and

2.2.2.4 Explanations concerning any matter under investigation.

## 2.3 Role of Internal Audit

2.3.1 Internal Audit will review, appraise and report upon:

2.3.1.1 The extent of compliance with, and the financial effect of, relevant established policies, plans and procedures.

2.3.1.2 The adequacy and application of financial and other related management controls.

2.3.1.3 The suitability of financial and other related management data.

2.3.1.4 The extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:

2.3.1.4.1 Fraud and other offences

2.3.1.4.2 Waste, extravagance or inefficient administration and

2.3.1.4.3 Poor value for money or other causes

2.3.1.5 Internal Audit shall also independently verify any relevant assurance statements in accordance with guidance from NHSI or otherwise.

2.3.2 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.

2.3.3 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee Members, the Chairman and Chief Executive of the Trust.

2.3.4 The Head of Internal Audit shall be accountable to the Director of Finance. The reporting system for internal audit shall be agreed between the Director of Finance, the Audit Committee and the Head of Internal Auditor. The agreement shall be in writing and shall comply with the guidance on reporting contained in any applicable NHS Internal Audit Standards. The reporting system shall be reviewed at least every three years.

## 2.4 External Audit

2.4.1 The External Auditor is to be appointed in accordance with the Constitution

and NHSI guidance and paid for by the Trust. The Audit Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the External Auditor, then this should be raised with the External Auditor and referred to the Board.

## **2.5 Fraud and Corruption**

- 2.5.1 In line with their responsibilities, the Chief Executive and Director of Finance shall monitor and ensure compliance with guidance issued by NHSI on fraud and corruption.
- 2.5.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as may be required by applicable guidance.
- 2.5.3 The Local Counter Fraud Specialist shall report to the Trust Director of Finance and shall work with staff in NHS Counter Fraud Authority's Standards for Providers/ This includes working with staff at NHS Counter Fraud Authority as necessary in accordance with applicable guidance.
- 2.5.4 The Local Counter Fraud Specialist will provide a written report, at least annually, 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 guidance issued by NHSI and other applicable bodies as mandated by NHSI on NHS security management.
- 2.6.2 The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist as required on NHS security management.
- 2.6.3 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director and the appointed Local Security Management Specialist.
- 2.6.4 The Local Security Management Specialist shall report to the Security Management Director and the Health and Safety Committee. The Local Security Management Specialist shall work with the NHS Counter Fraud Authority and other external organisations as appropriate in accordance with applicable guidance.
- 2.6.5 The Local Security Management Specialist will provide a written report, at least annually, to the Health and Safety Committee on security management work within the Trust.

## **2.7 Senior Information Risk Owner**

- 2.7.1 The Trust shall nominate an Executive Director to be responsible to the Board for information risk management (the Senior Information Risk Owner).
- 2.7.2 The role of the Senior Information Risk Owner is defined in the Information Governance toolkit and is summarised in the Trust's Information Governance Policy as a Board post held by the Director of Finance.

2.7.3 The Senior Information Risk Owner is the leading advocate for information risk to the Board, advising how information security risks could impact the strategic goals of the Trust.

### **3. ALLOCATIONS, PLANNING, BUDGETS, BUDGETARY CONTROL & MONITORING**

#### **3.1 Preparation and Approval of Plans and Budgets**

3.1.1 The Chief Executive will compile and submit to the Board a business plan which takes into account financial targets and forecast limits of available resources. The business plan will contain:

3.1.1.1 A statement of the significant assumptions on which the plan is based, and

3.1.1.2 Details of major changes in workload, delivery of services or resources required to achieve the plan.

3.1.2 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit budgets for approval by the Board. Such budgets will:

3.1.2.1 Be in accordance with the aims and objectives set out in the business plan.

3.1.2.2 Accord with workload and manpower plans.

3.1.2.3 Be produced following discussion with appropriate budget holders.

3.1.2.4 Be prepared within the limits of available funds, and

3.1.2.5 Identify potential risks.

3.1.3 The Director of Finance shall monitor financial performance against budget and plan, periodically review them, and report to the Board.

3.1.4 All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled.

3.1.5 All budget holders will sign up to their allocated budgets at the commencement of each financial year.

3.1.6 The Director of Finance has a responsibility to ensure that adequate training is delivered on an ongoing basis to budget holders to help them manage successfully.

#### **3.2 Budgetary Delegation**

3.2.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:

3.2.1.1 The amount of the budget.

3.2.1.2 The purpose(s) of each budget heading.

- 3.2.1.3 Individual and group responsibilities.
- 3.2.1.4 Authority to exercise virement.
- 3.2.1.5 Achievement of planned levels of service, and
- 3.2.1.6 The provision of regular reports.
- 3.2.2 The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board.
- 3.2.3 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.
- 3.2.4 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.

### **3.3 Budgetary Control and Reporting**

- 3.3.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:
  - 3.3.1.1 Monthly financial reports to the Board in a form approved by the Board containing:
    - 3.3.1.1.1 Income and expenditure to date showing trends and forecast year-end position.
    - 3.3.1.1.2 Movements in working capital.
    - 3.3.1.1.3 Movements in cash and capital.
    - 3.3.1.1.4 Capital project spend and projected outturn against plan.
    - 3.3.1.1.5 Explanations of any material variances from plan, and
    - 3.3.1.1.6 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.
  - 3.3.1.2 The issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible.
  - 3.3.1.3 Investigation and reporting of variances from financial, workload and manpower budgets.
  - 3.3.1.4 Monitoring of management action to correct variances, and
  - 3.3.1.5 Arrangements for the authorisation of budget transfers.
- 3.3.2 Each budget holder is responsible for ensuring that:
  - 3.3.2.1 Any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board.
  - 3.3.2.2 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, and

3.3.2.3 No permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and manpower establishment as approved by the Board.

3.3.3 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the business plan and a balanced budget.

### **3.4 Capital Expenditure**

3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure.

3.4.2 The capital expenditure approval process is documented in Appendix 1.

### **3.5 Monitoring Returns**

3.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation.

## **4. ANNUAL REPORT & ACCOUNTS**

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

4.1.1 Prepare financial returns in accordance with the accounting policies and guidance given by NHSI and HM Treasury, the Trust's accounting policies, and International Financial Reporting Standards.

4.1.2 Prepare and submit annual financial reports as required in accordance with current guidelines, and

4.1.3 Work with the Chief Executive as Accounting Office to assist him/her in discharging his/her duties under the NHS Foundation Trust Accounting Officer Memorandum.

4.2 The Trust's annual accounts must be audited by an auditor appointed under the Constitution and NHSI guidance.

4.3 The Trust will publish an annual report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with NHIS guidance.

## **5. BANK & GOVERNMENT BANKING SERVICE ACCOUNTS**

### **5.1 General**

5.1.1 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. In doing so, he/she must take into account guidance issued from time to time by NHSI and applicable bodies.

5.1.2 The Board shall approve the banking arrangements.

## **5.2 Bank and Government Banking Service Accounts**

5.2.1 The Director of Finance is responsible for:

5.2.1.1 Bank accounts and Government Banking Service accounts.

5.2.1.2 Establishing separate bank accounts for the Trust's non-exchequer funds.

5.2.1.3 Ensuring payments made from bank or Government Banking Service accounts do not exceed the amount credited to the account except where arrangements have been made.

5.2.1.4 All bank accounts created for any Trust activity can only be opened with approval of the Trust's Director of Finance.

5.2.1.5 Reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn, and

5.2.1.6 Monitoring compliance with NHSI and other applicable guidance on the level of cleared funds.

5.2.1.7 New direct debits and standing orders require the approval of the Director of Finance.

## **5.3 Banking Procedures**

5.3.1 The Director of Finance will prepare detailed instructions on the operation of bank and Government Banking Service accounts which must include:

5.3.1.1 The conditions under which each bank and Government Banking Service account is to be operated, and

5.3.1.2 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 Tendering and 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 by periodically seeking competitive tenders for the Trust's commercial banking business.

5.4.2 Competitive tenders should be sought at least every five years. The results of the tendering exercise should be reported to the Board. This review is not necessary for Government Banking Service accounts.

## **6. INCOME, FEES & CHARGES AND SECURITY OF CASH, CHEQUES & 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 Trust shall follow applicable NHSI guidance.
- 6.2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by NHSI (if any) 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 relevant guidance on ethical standards in NHS transactions shall be followed.
- 6.2.3 All employees 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.
- 6.3.4 Any debt write off is to be approved by the Finance and Investment Committee. This does not include instances where credit notes are raised to reverse invoices raised erroneously. Appendix 2 provides further details of credit note authorisation.

## **6.4 Security of Cash, Cheques and Other Negotiable Instruments**

- 6.4.1 The Director of Finance is responsible for:
  - 6.4.1.1 Approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable.
  - 6.4.1.2 Ordering and securely controlling any such stationery.
  - 6.4.1.3 The provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines, and
  - 6.4.1.4 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. 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 unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss.

## **7. TENDERING & CONTRACTING PROCEDURE**

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

- 7.1.1 The procedure for making all contracts by or on behalf of the Trust shall comply with these Standing Orders and Standing Financial Instructions. This includes trials of products and equipment; and includes all written agreement to enter into new contracts for goods, services, works and concessions.

- 7.1.2 Procurement must be engaged on all tendering activities to ensure compliance with the Standing Orders and all other current directives.

- 7.1.3 No agreements, irrespective of value, may be entered into without the involvement of Procurement.

- 7.1.4 Arrangements of low value and high impact (for example, where the costs of the goods or service are met by a third party, which can include patients) require pre-approval by the Director of Finance.

- 7.1.5 Verbal agreements are prohibited and will be considered null and void.

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

- 7.2.1 Directives by the Council of the European Union and incorporated into UK law through the Public Contract Regulations, prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Orders and Standing Financial Instructions.

### **7.3 Capital Investment Manual and Other Department of Health Guidance**

- 7.3.1 The Trust shall comply as far as is practicable with the requirements of the Department of Health and Social Care Group Accounting Manual, NHSI's Annual Reporting Manual and the Estate Code in respect of capital investment and estate and property transactions. In the case of management consultancy contracts the Trust shall comply as far as is practicable with NHSI's Consultancy Spending Approval Criteria.

### **7.4 Formal Competitive Tendering**

- 7.4.1 General applicability.

- 7.4.1.1 The Trust shall ensure that competitive tenders are invited for:

7.4.1.1.1 The supply of goods, materials and manufactured articles.

7.4.1.1.2 The supply of services including all forms of management consultancy services (other than specialised services sought from or provided by the Department of Health).

- 7.4.1.1.3 For the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens), and
  - 7.4.1.1.4 For disposals.
- 7.4.2 Health care services
- 7.4.2.1 Where the contract value is greater than the current EU procurement threshold for social and specific services, or for below-threshold contracts 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.
- 7.4.3 Exceptions and instances where formal tendering need not be applied
- 7.4.3.1 Formal tendering procedures need not be applied where:
- 7.4.3.1.1 The estimated expenditure or income does not, or is not reasonably expected to, exceed £49,999.
  - 7.4.3.1.2 Where the supply is proposed under special arrangements negotiated by an applicable government body in which event the said special arrangements must be complied with, or
  - 7.4.3.1.3 Regarding disposals, as set out in these Standing Financial Instructions.
- 7.4.3.2 Formal tendering procedures may be waived in the following circumstances:
- 7.4.3.2.1 In very exceptional circumstances where the Chief Executive decides that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures and the circumstances are detailed in an appropriate Trust record and reported to the Audit Committee.
  - 7.4.3.2.2 Where the requirement is covered by an existing contract.
  - 7.4.3.2.3 Where Crown Commercial Services or other such framework agreements are in place and have been approved by the Board, and where such agreements allow for the direct award of the contract.
  - 7.4.3.2.4 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.
  - 7.4.3.2.5 Where the timescale genuinely precludes competitive tendering but failure to plan the work properly would not be regarded as a justification for a single tender.
  - 7.4.3.2.6 Where specialist expertise is required and is available from only one source.
  - 7.4.3.2.7 When the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different.
  - 7.4.3.2.8 Consultants for the new task would be inappropriate.
  - 7.4.3.2.9 There is a clear benefit 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, or
  - 7.4.3.2.10 Where allowed and provided for in the Risk and Evaluation of Investment Decisions guidance as issued by NHS Improvement.

- 7.4.3.3 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.
- 7.4.3.4 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.
- 7.4.3.5 A waiver is required for all purchases over £10k where the procurement processes cannot be followed, even where the expenditure has been agreed by a budget holder or the Investment Committee. The exception is when an order is a call-off from a Framework Agreement, in which case a waiver is required for all purchases over £50k.
- 7.4.3.6 Waivers are to be reported to Audit Committee retrospectively for information and monitoring. .
- 7.4.4 Fair and adequate competition
  - 7.4.4.1 Where the exceptions set out in 7.4.3 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, and in no case less than two firms / individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.
  - 7.4.4.2 It shall be confirmed in all tender submissions / quotes that suppliers are not entering into anti-competitive or unlawful practices.
  - 7.4.4.3 Collusive strategies through a signed declaration of compliance.
  - 7.4.4.4 Under the 2015 amendments to the EU directives all tender activity over £25k, that is not tendered under a framework, must also be advertised on national Contracts Finder website or via a platform that links to it.
- 7.4.5 Building and engineering construction works.
  - 7.4.5.1 Competitive tendering cannot be waived for building and engineering construction works and maintenance (other than in accordance with Concode) without Board approval.
- 7.4.6 Items which subsequently breach thresholds after original approval
  - 7.4.6.1 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.

## **7.5 Contracting / Tendering Procedure**

- 7.5.1 Invitation to tender
  - 7.5.1.1 All invitations to tender shall state the date and time as being the latest time for the receipt of tenders.
  - 7.5.1.2 All tendering processes should be facilitated by the Procurement team and run via

- the Trust's nominated e-tendering system, unless approved otherwise by the Head of Procurement.
- 7.5.1.3 In the event of the e-tendering system not being used for tenders, all invitations to tender shall state that no tender will be accepted unless:
- 7.5.1.3.1 Submitted in a plain sealed package or envelope bearing a pre-printed label supplied by the Trust (or the word "tender" followed by the subject to which it relates) and the latest date and time for the receipt of such tender addressed to the Chief Executive or nominated Officer, and
  - 7.5.1.3.2 That tender envelopes / packages shall not bear any names or marks indicating the sender. The use of courier/postal services must not identify the sender on the envelope or on any receipt so required by the deliverer.
- 7.5.1.4 Every tender for goods, materials, services or disposals shall embody such of the NHS standard contract conditions as are applicable.
- 7.5.1.5 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 or Department for Environment, Food & Rural Affairs (GC/Wks) standard forms of contract amended to comply with concede, or
- 7.5.1.6 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.
- 7.5.2 Receipt and safe custody of tenders
- 7.5.2.1 The Chief Executive or his nominated representative will be responsible for the receipt, endorsement and safe custody of tenders received until the time appointed for their opening.
  - 7.5.2.2 The date and time of receipt of each tender shall be endorsed on the tender envelope / package and transferred to the register of tenders prior to the envelope being destroyed.
  - 7.5.2.3 Where tenders are received electronically the principles detailed for paper tenders shall be complied with.
- 7.5.3 Opening tenders and register of tenders
- 7.5.3.1 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 designated by the Chief Executive and not from the originating department.
  - 7.5.3.2 A member of the Trust Board will be required to be one of the two approved persons present for the opening of tenders estimated above £49,999. The rules

relating to the opening of tenders will need to be read in conjunction with CORP\_0003: Reservation of Powers to the Board & Delegation of Powers.

- 7.5.3.3 The originating department will be taken to mean the department sponsoring or commissioning the tender.
- 7.5.3.4 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 Officers to open tenders.
- 7.5.3.5 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.
- 7.5.3.6 The Trust's Secretary to the Board will count as a Director for the purposes of opening tenders.
- 7.5.3.7 Every tender received shall be marked with the date of opening and initialled by those present at the opening.
- 7.5.3.8 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:
  - 7.5.3.8.1 The name of all firms individuals invited
  - 7.5.3.8.2 The names of firms individuals from which tenders have been received
  - 7.5.3.8.3 The date the tenders were opened
  - 7.5.3.8.4 The persons present at the opening
  - 7.5.3.8.5 The price shown on each tender, and
  - 7.5.3.8.6 A note where price alterations have been made on the tender
- 7.5.3.9 Each entry to this register shall be signed by those present.
- 7.5.3.10 A note shall be made in the register if any one tender price has had so many alterations that it cannot be readily read or understood.
- 7.5.3.11 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.
- 7.5.4 Admissibility
  - 7.5.4.1 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.
  - 7.5.4.2 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.

- 7.5.5 Late tenders
  - 7.5.5.1 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 i.e. despatched in good time but delayed through no fault of the tenderer.
  - 7.5.5.2 Only in the most exceptional circumstances will a tender be considered which is received after the opening of the other tenders and only then if the tenders that have been duly opened have not left the custody of the Chief Executive or his nominated Officer or if the process of evaluation and adjudication has not started.
  - 7.5.5.3 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 nominated Officer.
- 7.5.6 E-tendering
  - 7.5.6.1 Where possible all tenders must 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.
  - 7.5.6.2 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.
  - 7.5.6.3 A record shall be held on the Trust's e-procurement system to show for each set of competitive tender invitations despatched:
    - 7.5.6.3.1 The name of all firms, individuals, invited
    - 7.5.6.3.2 The names of firms, individuals, from which tenders have been received
    - 7.5.6.3.3 The date the tenders were opened
    - 7.5.6.3.4 The persons responsible for the opening
  - 7.5.6.4 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 i.e. a problem with the e-tendering system and delayed through no fault of the tenderer.
- 7.5.7 Acceptance of formal tenders
  - 7.5.7.1 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.
  - 7.5.7.2 All clarifications from both suppliers and the Trust must be both communicated and received via the e-tendering system to ensure auditability.
  - 7.5.7.3 The lowest tender, if payment is to be made by the Trust, or the highest, if payment is to be received by the Trust, shall be accepted unless there are good and sufficient reasons to the contrary. Such reasons shall be set out in either the procurement approval report, or other appropriate record.

- 7.5.7.4 It is accepted that for professional services such as management consultancy, the lowest price does not always represent the best value for money. Other factors affecting the success of a project include:
  - 7.5.7.4.1 Experience and qualifications of team members
  - 7.5.7.4.2 Understanding of client's needs
  - 7.5.7.4.3 Feasibility and credibility of proposed approach, and
  - 7.5.7.4.4 Ability to complete the project on time
- 7.5.7.5 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.
- 7.5.7.6 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 Standing Financial Instructions except with the authorisation of the Chief Executive.
- 7.5.7.7 The use of these procedures must demonstrate that the award of the contract was:
  - 7.5.7.7.1 Not in excess of the going market rate/price current at the time the contract was awarded, and
  - 7.5.7.7.2 That best value for money was achieved.
- 7.5.7.8 All tenders should be treated as confidential and should be retained for inspection.
- 7.5.8 Tender reports to the Trust Board
  - 7.5.8.1 Reports to the Trust Board will be made on an exceptional circumstance basis only.
- 7.5.9 Financial standing and technical competence of contractors.
  - 7.5.9.1 The Director of Finance may make any enquiries he deems appropriate concerning the financial standing and financial suitability of contractors.
  - 7.5.9.2 The Director with lead responsibility for clinical governance shall similarly make such enquires as is felt appropriate to be satisfied as to their technical / medical competence.
- 7.6 Quotations: Competitive and Non-Competitive**
  - 7.6.1 General position on quotations
    - 7.6.1.1 All tenders exceeding the EU directive limits must be tendered under the OJEU process or via an authorised framework that has already complied with the requirements.
    - 7.6.1.2 At least three quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed £10,000 but not exceed £49,999.
    - 7.6.1.3 Below £10,000 more than one quotation is normally required. All purchases

must demonstrate value for money and the Procurement Department must be consulted prior to purchasing or requisitioning.

Evidence of agreement of the price must be obtained (a computer record will suffice).

#### 7.6.2 Competitive quotations

7.6.2.1 Quotations should be based on specifications or terms of reference prepared by, or on behalf of, the Trust.

7.6.2.2 Quotations should be in writing unless the Chief Executive or his 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. Where possible, quotes should be submitted on the Trust's e-tendering system.

7.6.2.3 All quotations should be treated as confidential and should be retained for inspection on the Trust's e-tendering system when implemented whether received on the system, by telephone or in writing.

7.6.2.4 The Chief Executive or his 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.

#### 7.6.3 Non-competitive quotations

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

7.6.3.1.1 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.

7.6.3.1.2 The supply of goods or manufactured articles of any kind which are required quickly and are not obtainable under existing contracts.

7.6.3.1.3 Miscellaneous services, supplies and disposals.

7.6.3.1.4 Where the goods or services are for building and engineering maintenance the responsible works manager must certify that the conditions in 7.6.3.1.1 and 7.6.3.1.2 apply.

#### 7.6.4 Quotations to be within financial limits

7.6.4.1 No quotation 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 Standing Financial Instructions except with the authorisation of either the Chief Executive or Director of Finance.

### **7.7 Authorisation of Tenders and Competitive Quotations**

7.7.1 Providing all the conditions and circumstances set out in these Standing Financial Instructions have been fully complied with, formal authorisation and

awarding of a contract may be decided or authorised as set out at Appendix 1 to these Standing Financial Instructions.

7.7.2 These levels of authorisation may be varied or changed and need to be read in conjunction with the CORP\_0003: Reservation of Powers to the Board & Delegation of Powers.

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

## **7.8 Instances where Formal Competitive Tendering or Competitive Quotation is Not Required**

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

7.9.1 The Trust shall use NHS pre-procurement hubs 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.

7.9.2 If the Trust does not use NHS pre-procured hubs - where tenders or quotations are not required because expenditure is below the limits set out in section 7.4.3.5, 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**

7.10.1 The Trust should normally market-test for 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:

7.10.1.1 The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.

7.10.1.2 NHSI guidance must be adhered to and applied in all respects.

7.10.1.3 The proposal must be specifically agreed by the Trust Board, and

7.10.1.4 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:

7.11.1.1 These Standing Orders and Standing Financial Instructions.

7.11.1.2 EU Directives and other statutory provisions.

7.11.1.3 Any relevant guidance including reference (not necessarily binding for Foundation Trusts) to the Capital Investment Manual, Estatecode and guidance on the Procurement and Management of Consultants, and

- 7.11.1.4 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 and NHSI 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 and the basis on which a contract award decision was made. Any variation from this must be approved by the Chief Executive or their nominated Officer.
- 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 Procurement Team will maintain a central register of all Trust contracts and will be responsible for the timely renewal process of all contracts on the register.

## **7.12 Personnel and Agency or Temporary Staff Contracts**

- 7.12.1 The Chief Executive shall nominate Officers with delegated authority to enter into contracts of employment, regarding staff, agency staff or temporary staff service contracts.

## **7.13 Healthcare Services Agreements**

- 7.13.1 Service agreements with NHS providers and commissioners for the supply of healthcare services shall be drawn up in accordance with the National Health Service Act 2006 and administered by the Trust. Service agreements are contracts in law and are enforceable by the courts.
- 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.
- 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:
- 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.
- 7.13.5 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**

- 7.14.1 Subject always to guidance and applicable approvals from NHSI, competitive tendering or quotation procedures shall not apply to the disposal of:
  - 7.14.1.1 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 nominated Officer.

- 7.14.1.2 Obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust.
- 7.14.1.3 Items to be disposed of with an estimated sale value of less than £10,000, this figure to be reviewed on a periodic basis.
- 7.14.1.4 Items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract, and
- 7.14.1.5 Land or buildings concerning which NHSI 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:
  - 7.15.2.1 Specification group, comprising the Chief Executive or nominated Officer(s) and specialist.
  - 7.15.2.2 In-house tender group, comprising a nominee of the Chief Executive and technical support, and
  - 7.15.2.3 Evaluation team, comprising normally a specialist Officer, a supplies Officer and a Director of Finance representative. For services having a likely annual expenditure exceeding £250,000, 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.
- 7.16 Applicability of Standing Financial Instructions on Tendering and Contracting to Funds Held in Trust
  - 7.16.1 These Standing Financial Instructions shall not only apply to expenditure from Exchequer funds but also to works, services and goods purchased from the Trust's trust funds and private resources.

## **8 NHS SERVICE AGREEMENTS FOR PROVISION OF SERVICES**

### **8.1 Service Level Agreements**

8.1.1 The Chief Executive, as the Accounting Officer, is responsible for ensuring the Trust enters into suitable Service Level Agreements with service commissioners for the provision of NHS services. All income contracts and provider to provider agreements should only be signed by the Director of Finance or the Chief Executive.

8.1.2 All Service Level Agreements should aim to implement the agreed priorities contained within the business plan 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:

8.1.2.1 The standards of service quality expected.

8.1.2.2 The relevant national service framework (if any).

8.1.2.3 The provision of reliable information on cost and volume of services.

8.1.2.4 The NHS National Performance Assessment Framework.

8.1.2.5 That Service Level Agreements build where appropriate on existing Joint Investment Plans, and

8.1.2.6 That Service Level Agreements are based on integrated care pathways.

### **8.2 Involving Partners and Jointly Managing Risk**

8.2.1 A good Service Level Agreement will result from a dialogue of clinicians, users, carers, public health professionals and managers. It will reflect knowledge of local needs and inequalities. This will require the Chief Executive to ensure that the Trust works with all partner agencies involved in both the delivery and the commissioning of the service required.

The Service Level Agreement will 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 the Board on Service Level Agreements**

8.3.1 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 Service Level Agreements. This will include information on costing arrangements, which increasingly should be based upon Healthcare Resource Groups. Where Healthcare Resource Groups are unavailable for specific services, all parties should agree a common currency for application across the range of Service Level Agreements.

## **9 TERMS OF SERVICE, ALLOWANCES & PAYMENT OF MEMBERS OF THE TRUST BOARD AND EMPLOYEES**

### **9.1 Remuneration and Terms of Service**

9.1.1 In accordance with Standing Orders the Board shall establish a Remuneration and Terms of Service 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:

9.1.2.1 Advise the Board about appropriate remuneration and terms of service for the Chief Executive and other Executive Directors including:

9.1.2.1.1 All aspects of salary (including any performance related elements and/or bonuses).

9.1.2.1.2 Provisions for other benefits, including pensions and cars, and

9.1.2.1.3 Arrangements for the termination of employment and other contractual terms.

9.1.2.2 Make such recommendations to the Board on the remuneration and terms of service of Officer Members of the Board (and other senior Employees) 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 members and staff where appropriate.

9.1.2.3 Monitor and evaluate the performance of individual Officer Members (and other senior Employees).

9.1.2.4 Advise on 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 Committee shall report in writing to the Board the basis for its recommendations. The Board shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of Officer Members. Minutes of the Board's meetings should record such decisions.

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

9.1.5 The Trust will pay allowances to the Chairman and non-officer members of the Board in accordance with instructions issued by the Secretary of State for Health.

### **9.2 Funded Establishment**

9.2.1 The manpower plans incorporated within the annual budget will form the funded establishment.

9.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive.

### **9.3 Staff Appointments**

- 9.3.1 No Officer or member of the Trust Board or Employee may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:
  - 9.3.1.1 Unless authorised to do so by the Chief Executive, and
  - 9.3.1.2 Within the limit of their approved budget and funded establishment.
- 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 employees.

### **9.4 Processing Payroll**

- 9.4.1 The Director of Finance is responsible for:
  - 9.4.1.1 Specifying timetables for submission of properly authorised time records and other notifications.
  - 9.4.1.2 The final determination of pay and allowances.
  - 9.4.1.3 Making payment on agreed dates, and
  - 9.4.1.4 Agreeing method of payment.
- 9.4.2 The Director of Finance will issue instructions regarding:
  - 9.4.2.1 Verification and documentation of data.
  - 9.4.2.2 The timetable for receipt and preparation of payroll data and the payment of employees and allowances.
  - 9.4.2.3 Maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay.
  - 9.4.2.4 Security and confidentiality of payroll information.
  - 9.4.2.5 Checks to be applied to completed payroll before and after payment.
  - 9.4.2.6 Authority to release payroll data under the provisions of the Data Protection Act.
  - 9.4.2.7 Methods of payment available to various categories of employee and Officers.
  - 9.4.2.8 Procedures for payment by cheque, bank credit, or cash to employees and Officers.
  - 9.4.2.9 Procedures for the recall of cheques and bank credits.
  - 9.4.2.10 Pay advances and their recovery.
  - 9.4.2.11 Maintenance of regular and independent reconciliation of pay control accounts.
  - 9.4.2.12 Separation of duties of preparing records and handling cash, and

- 9.4.2.13 A system to ensure the recovery from those leaving the employment of the Trust of sums of money and property due by them to the Trust.
- 9.4.3 Appropriately nominated managers have delegated responsibility for:
- 9.4.3.1 Submitting time records and other notifications in accordance with agreed timetables.
- 9.4.3.2 Completing time records and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance, and
- 9.4.3.3 Submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or Officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfill obligations in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.
- 9.4.4 Regardless of the arrangements for providing the payroll service, the Director of Finance 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 the Director of Workforce & Organisational Development for:
- 9.5.1.1 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
- 9.5.1.2 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 holders.
- 10.1.2 The Chief Executive will set out:
- 10.1.2.1 The list of employees who are authorised to place requisitions for the supply of goods and services, and
- 10.1.2.2 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 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services**

- 10.2.1 Non-pay expenditure for goods should only be incurred from the agreed Trust catalogue. If an item is not available from the catalogue, approval from the Director of Finance or delegated Procurement representative must be sought prior to ordering.
- 10.2.1.1 Requisitioning: 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. In so doing, the advice of the Trust's adviser on supply shall be sought. Where this advice is not acceptable to the requisitioner, the Director of Finance (and/or the Chief Executive) shall be consulted.
- 10.2.2 System of payment and payment verification
- 10.2.2.1 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.
- 10.2.3 The Director of Finance will:
- 10.2.3.1 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 regularly reviewed.
- 10.2.3.2 Prepare procedural instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds.
- 10.2.3.3 Be responsible for the prompt payment of all properly authorised accounts and claims, and
- 10.2.3.4 Be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
- 10.2.3.4.1 A list of employees (including specimens of their signatures) authorised to certify invoices.
- 10.2.3.4.2 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.



a number of items collectively, or the same type of purchases over a period of time).

## 10.2.6 Duties of Managers and Officers

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

- 10.2.6.1.1 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.
- 10.2.6.1.2 Contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement.
- 10.2.6.1.3 Where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health.
- 10.2.6.1.4 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:
  - Isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars, or
  - Conventional hospitality, such as lunches in the course of working visits.
- 10.2.6.1.5 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.
- 10.2.6.1.6 All goods, services, or works are ordered on an official order.
- 10.2.6.1.7 Verbal orders must only be issued very exceptionally by an Employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order".
- 10.2.6.1.8 Orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds.
- 10.2.6.1.9 Goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase.
- 10.2.6.1.10 Changes to the list of Employees and Officers authorised to certify invoices are notified to the Director of Finance.
- 10.2.6.1.11 Purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance, and
- 10.2.6.1.12 Petty cash records are maintained in a form as determined by the Director of Finance.

### 10.2.7 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 have reference to non-binding guidance contained within the ESTATECODE. The technical audit of these contracts shall be the responsibility of the relevant Director.

## 10.3 Joint Finance Arrangements with Local Authorities and Voluntary Bodies

### 10.3.1 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 these Acts.

## **11 EXTERNAL BORROWING**

- 11.1 The Director of Finance will advise the Board concerning the Trust's ability to pay dividend on, and repay Public Dividend Capital and any proposed new borrowing, within the limits set by the Department of Health. The Director of Finance is also responsible for reporting periodically to the Board concerning the Public Dividend Capital debt and all loans and overdrafts.
- 11.2 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 under a working capital facility or otherwise. This must contain the Chief Executive and the Director of Finance.
- 11.3 The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts under the Prudential Borrowing Code.
- 11.4 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position, represent good value for money, and comply with the latest guidance from NHSI.
- 11.5 Any short-term borrowing must be with the authority of two members of an authorised panel, one of which must be the Chief Executive or the Director of Finance. The Chief Executive or Director of Finance shall notify the Board in advance of making short-term borrowings under the DoH working capital facility or other similar facility.
- 11.6 All long-term borrowing must be consistent with the plans outlined in the current business plan and be approved by the Trust Board.
- 11.7 Investments
- 11.7.1 Temporary cash surpluses must be held only in such public or private sector investments as approved by NHSI and authorised by the Board.
- 11.7.2 The Director of Finance is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments held.
- 11.7.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

## **12 FINANCIAL FRAMEWORK**

- 12.1 The Director of Finance should ensure that Members of the Board are aware of the financial framework within which the Trust operates. The Director of Finance should also ensure that the direction and guidance in the framework is followed by the Trust.

## **13 CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS & SECURITY OF ASSESTS**

### **13.1 Capital Investment**

13.1.1 The Chief Executive:

13.1.1.1 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.

13.1.1.2 Is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost, and

13.1.1.3 Shall ensure that the capital investment is not undertaken without confirmation of purchaser(s) support and the availability of resources to finance all revenue consequences, including capital charges.

13.1.2 For every capital expenditure proposal the Chief Executive shall ensure:

13.1.2.1 That a business case (in line with the guidance contained within the Risk Evaluation for Investment Decisions and the Compliance Framework (as revised) guidance) is produced setting out:

13.1.2.1.1 An option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs.

13.1.2.1.2 The involvement of appropriate Trust personnel and external agencies, and

13.1.2.1.3 Appropriate project management and control arrangements.

13.1.2.2 That the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case.

13.1.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of 'Estatecode'.

13.1.4 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 Inland Revenue guidance.

13.1.5 The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

13.1.6 The approval of a capital programme shall not constitute approval for expenditure on any scheme.

13.1.7 The Chief Executive shall issue to the manager responsible for any scheme:

13.1.7.1 Specific authority to commit expenditure.

13.1.7.2 Authority to proceed to tender.

13.1.7.3 Approval to accept a successful tender.

13.1.8 The Chief Executive will issue a scheme of delegation for capital investment management in accordance with 'Estatecode' guidance (unless otherwise agreed by the Board) and the Trust's Standing Orders.

13.1.9 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures shall fully take into account appropriate delegated limits for capital schemes.

## **13.2 Private Finance**

13.2.1 The Trust should normally test for Private Finance Initiative funding when considering capital procurement in line with NHSI guidance. When the Trust proposes to use private finance, the following procedures shall apply:

13.2.1.1 The Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector.

13.2.1.2 The proposal must be specifically agreed by the Board.

## **13.3 Asset Registers**

13.3.1 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 of assets against the asset register to be conducted once a year.

13.3.2 The Trust shall maintain an asset register recording fixed assets. The minimum data set to be held within the register shall be as specified by NHSI.

13.3.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:

13.3.3.1 Properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties.

13.3.3.2 Stores, requisitions and wages records for own materials and labour including appropriate overheads, or

13.3.3.3 Lease agreements in respect of assets held under a finance lease and capitalised.

13.3.4 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).

13.3.5 The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.

13.3.6 The value of each asset shall be depreciated using methods and rates as specified by NHSI.

13.3.7 The Director of Finance shall calculate and pay dividends on the Trust's Public Dividend. The Capital as specified by the Department of Health or other applicable body.

## **13.4 Security of Assets**

13.4.1 The overall control of fixed assets is the responsibility of the Chief Executive.

13.4.2 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:

13.4.2.1 Recording managerial responsibility for each asset.

13.4.2.2 Identification of additions and disposals.

13.4.2.3 Identification of all repairs and maintenance expenses.

13.4.2.4 Physical security of assets.

13.4.2.5 Periodic verification of the existence of, condition of, and title to, assets recorded.

13.4.2.6 Identification and reporting of all costs associated with the retention of an asset, and

13.4.2.7 Reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

13.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.

13.4.4 Whilst each employee and Officer has a responsibility for the security of property of the Trust, it is the responsibility of Board members and senior employees 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 agreed procedures.

13.4.5 Any damage to the Trust's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Board members and employees in accordance with the procedure for reporting losses.

13.4.6 Where practical, assets should be marked as Trust property.

## **14 STORES & RECEIPT OF GOODS**

### **14.1 General position**

14.1.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:

14.1.1.1 Kept to a minimum.

14.1.1.2 Subjected to annual stock take, and

14.1.1.3 Valued at the lower of cost and net realisable value.

## **14.2 Control of Stores, Stocktaking, Condemnations and Disposal**

14.2.1 Subject to the responsibility of the Director of Finance for the systems of control, overall responsibility for the control of the Trust's stores shall be delegated to an employee by the Chief Executive.

The day-to-day responsibility may be delegated by him to departmental employees and stores managers, subject to such delegation being entered in a record available to the Director of Finance. The control of the Trust's pharmaceutical stocks shall be the responsibility of the Pharmacy Services Manager. The control of the Trust's fuel oil shall be the responsibility of the Director of Estates & Facilities.

14.2.2 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager / Pharmacy Services Manager. Wherever practicable, the Trust's stocks should be marked as health service property.

14.2.3 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.

14.2.4 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.

14.2.5 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance.

14.2.6 The designated manager / Chief Pharmacist 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. Procedures for the disposal of obsolete Trust stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

## **15 DISPOSALS & CONDEMNATIONS, LOSSES & SPECIAL PAYMENTS**

### **15.1 Disposals and Condemnations**

15.1.1 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.

15.1.2 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.

15.1.3 All unserviceable articles shall be:

15.1.3.1 Condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance, and

15.1.3.2 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 employee authorised for the purpose by the Director of Finance.

- 15.1.4 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.

## **15.2 Losses and Special Payments**

- 15.2.1 The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.
- 15.2.2 Any employee or 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 an Officer charged with responsibility for responding to concerns involving loss. This Officer will then appropriately inform the Director of Finance and/or Chief Executive.
- 15.2.3 Where a criminal offence is suspected, the Director of Finance must immediately inform the police 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 Local Counter Fraud Specialist and NHS Counter Fraud Authority in accordance with applicable guidance and directions.
- 15.2.4 The Director of Finance will inform the External Auditor of all frauds.
- 15.2.5 For losses over £25,000, apparently caused by theft, arson, neglect of duty or gross carelessness the Director of Finance must immediately notify:
- 15.2.5.1 The Board, and
  - 15.2.5.2 The External Auditor
- 15.2.6 The Board shall approve the writing-off of losses over £50,000.
- 15.2.7 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 15.2.8 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 15.2.9 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 15.2.10 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.
- 15.2.11 All losses and special payments must be reported to the Audit Committee at every meeting.

## **16 INFORMATION TECHNOLOGY**

### **16.1 Responsibilities and Duties of the Director of Finance**

- 16.1.1 The Director of Finance, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall:
- 16.1.1.1 Devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which the Director 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.
  - 16.1.1.2 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.
  - 16.1.1.3 Ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment, and
  - 16.1.1.4 Ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Director may consider necessary are being carried out.
- 16.1.2 The Director of Finance shall need to ensure 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 must be obtained from them prior to implementation.
- 16.1.3 The Director of Corporate Affairs 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.

## **16.2 Contracts for Computer Services with Other Health Bodies or Outside Agencies**

- 16.2.1 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.
- 16.2.2 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.

## **16.3 Risk Assessment**

- 16.3.1 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.

## **16.4 Requirements for Computer Systems which have an Impact on Corporate Financial Systems**

- 16.4.1 Where computer systems have an impact on corporate financial systems the Director of Finance shall need to be satisfied that:
  - 16.4.1.1 Systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy.
  - 16.4.1.2 Data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists.
  - 16.4.1.3 Director of Finance staff have access to such data, and
  - 16.4.1.4 Such computer audit reviews as are considered necessary are being carried out.

## **17 PATIENTS' PROPERTY**

- 17.1 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 or dead on arrival.
- 17.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission by:
  - 17.2.1 Notices and information booklets (notices are subject to sensitivity guidance).
  - 17.2.2 Hospital admission documentation and property records, and
  - 17.2.3 The oral advice of administrative and nursing staff responsible for admissions.
  - 17.2.4 That the Trust will not accept responsibility or liability for patients' property brought into Health Service premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.
- 17.3 The Director of Nursing & Quality 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 members of 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.
- 17.4 Where applicable directions or instructions require the opening of separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance.
- 17.5 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.

- 17.6 Members of 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.
- 17.7 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.

## **18 FUNDS HELD ON TRUST**

### **18.1 Corporate Trustee**

- 18.1.1 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.

- 18.1.2 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.

### **18.2 Accountability to Charity Commission and Secretary of State for Health**

- 18.2.1 The Trustee responsibilities must be discharged separately and full recognition given to the Trust's dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for all funds held on trust.
- 18.2.2 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 Trust Board members and Trust Officers must take account of that guidance before taking action.

### **18.3 Applicability of Standing Financial Instructions to Funds Held on Trust**

- 18.3.1 In so far as it is possible to do so, most of the sections of these Standing Financial Instructions will apply to the management and disbursement of funds held on trust.
- 18.3.2 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.

## **19 ACCEPTANCE OF GIFTS BY STAFF & LINK TO STANDARDS OF BUSINESS CONDUCT**

- 19.1 The Secretary to the Board shall ensure that all members of 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' and is also deemed to be an integral part of these Standing Orders and Standing Financial Instructions.

## **20 RETENTION OF RECORDS**

- 20.1 The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Department of Health guidelines and as may be required applicable legislation and by NHSI and other applicable regulators.
- 20.2 The records held in archives shall be capable of retrieval by authorised persons.
- 20.3 Records held in accordance with latest applicable guidance shall only be destroyed at the express instigation of the Chief Executive. Detail shall be maintained of records so destroyed.

## **21 RISK MANAGEMENT & INSURANCE**

### **21.1 Programme of Risk Management**

- 21.1.1 The Chief Executive shall ensure that the Trust has a programme of risk management, in accordance with NHSI Compliance Framework and Risk Assessment Framework requirements, which must be approved and monitored by the Board.
- 21.1.2 The programme of risk management shall include:
  - 21.1.2.1 A process for identifying and quantifying risks and potential liabilities.
  - 21.1.2.2 Engendering among all levels of staff a positive attitude towards the control of risk.
  - 21.1.2.3 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.
  - 21.1.2.4 Contingency plans to offset the impact of adverse events.
  - 21.1.2.5 Audit arrangements including; Internal Audit, clinical audit, health and safety review.
  - 21.1.2.6 A clear indication of which risks shall be insured, and
  - 21.1.2.7 Arrangements to review the Risk Management programme.
- 21.1.3 The existence, integration and evaluation of the above elements will assist in providing a basis to complete the applicable governance statements within the annual report and accounts as required by NHSI guidance.
- 21.2 Insurance: Risk-Pooling Schemes Administered by the NHS Litigation Authority.
  - 21.2.1 The Board shall decide if the Trust will insure through the risk pooling schemes administered by the NHS Litigation Authority, take out alternative indemnity cover arrangements or self-insure for some or all of the risks covered by the risk pooling schemes. If the Board decides not to use the risk pooling schemes for any of the risk areas (clinical, property and employers / third party liability) covered by the scheme this decision shall be reviewed annually.

### 21.3 Insurance Arrangements with Commercial Insurers

21.3.1 A decision to enter into insurance arrangements with commercial insurers must be approved by the Board and be in accordance with applicable NHSI guidance.

### 21.4 Arrangements to be followed by the Board in Agreeing Insurance Cover

21.4.1 Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority the Director of Finance shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme.

The Director of Finance shall ensure that documented procedures cover these arrangements.

21.4.2 Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, the Director of Finance shall ensure that the Board is informed of the nature and extent of the risks that are self-insured as a result of this decision. The Director of Finance will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed.

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

## APPENDIX 1: Capital & Revenue Delegations

Note that delegated authority only applies to spend within agreed plans as per the Trust's SFIs

Approval levels for spends agreed within budgets and business plans  
All signatures up to the delegated value should be collected within the workflow.

Delegated Body (Cumulative)	Board	FIC	IC or CEO	DoF	Exec Director and DDoF	2 of Directorate Triumvarate plus Finance Business Partner	2 of Cluster Triumverate plus Finance Business Partner	Budget Holder
Delegated Value	>£1m	>£500k	up to £500k	up to £250k	up to £100k	up to £50k	up to £10k	up to £3k

The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board.

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

Each budgetholder is responsible for ensuring that:

Any likely overspending or reduction in income which cannot be met by virement is not incurred without the prior consent of the Board.

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, and:

No permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and manpower establishment as approved by the Board.

## APPENDIX 2: Credit Note Authorisation

Credit notes are not to be raised to write off bad debts. Credit notes are raised to correct invoices raised erroneously, a replacement invoice may be issued at the same time and, if so, a new invoice request will be required.

Credit note requests should be sent to the Accounts Receivable Officer in the Finance Department, preferably by email to [khft.ar@nhs.net](mailto:khft.ar@nhs.net). Requests should either be a fully completed Credit Note Request Form or a Credit Note Upload File in an agreed excel template format. **All credit note requests must be approved as follows:-**

<u>Reason for credit note</u>	<u>Value</u>	<u>Approver</u>
Invoice entry error	All	Financial Controller
Overseas Visitor charge finalisation	All	Financial Controller
SLA Underperformance	All	Head of Income & Costing
Pat Care Inc Invoice attribution errors	<£5,000	Head of Income & Costing
	>£5,000	Associate Director of Finance
	>£25,000	Deputy Director of Finance
	>£50,000	Director of Finance
Resolution of invoice dispute	<£500	Deputy Director of Finance
	>£5,000	Deputy Director of Finance
	>£25,000	Deputy Director of Finance
	>£50,000	Deputy Director of Finance

All credit notes shall be raised within 5 working days of receipt of the approved Credit Note request Form. Credit notes over £5,000 to organisations using Shared Business Services (SBS) shall be sent electronically via the Tradeshift system. Where possible other credit notes will be emailed and only as a last resort sent by post.

A debt write off occurs in relation to a genuine debt which it is not possible to collect, and must be authorised in accordance with Section 6.3.4.

The following do not constitute the write-off of debt, unless it occurs in a different financial year to that in which the original invoice was raised:

Cancellation of an invoice which was raised incorrectly

Cancellation of an invoice which was raised in error.

Cancellation and re-issue of an invoice.

### APPENDIX 3: Tendering Limits

Limit Reference	Applicability	Requirement	Lower Limit	Upper Limit
L0	Low value, high impact contracts	All low value, high impact contracts (for example, where the value of the good or service is borne, or largely borne, by a third party which can include patients), require prior approval by the Director of Finance.	£NIL or nominal	£NIL or nominal
L1	Purchase of supplies/good, services or works	No specific rules, but must demonstrate Value for Money has been achieved and as part of this must contact Procurement 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	Procurement 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/good, services or works	Procurement Department must be contacted.  At least three tenders from separate suppliers must be obtained.	£50,000.00	£113,057 *
L4	Purchase of works (Estates)	Procurement 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	Procurement 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)	Procurement 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 Regulations 2015. These are revised biennially on 1 January. The figures included above are those valid from 1st January 2013. Note that they may fall as well as rise.
- For contracts relating to the provision of social and other specific services (including healthcare services), the EU procurement threshold is at a higher value than general services. The threshold for these specific services, as of January 2019, is £615,278.
- The Procurement 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 approved 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 NHS Supplychain 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 Procurement 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.

## VERSION CONTROL SHEET

Version	Date	Author	Status	Comment
12.3				Revised to December 2016
12	Oct 2018	Head of Financial Services	Ratified	
14	September 2019	Associate Director of Finance	To September 2019 Audit Committee	