



## **FINANCE POLICY & PROCEDURE (FPP NO.12)**

# **STANDING FINANCIAL INSTRUCTIONS**

**South Central Ambulance Service NHS Foundation Trust**  
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# STANDING FINANCIAL INSTRUCTIONS

## 1. INTRODUCTION

### 1.1 General

- 1.1.1 These Standing Financial Instructions (SFIs) are issued in accordance with the Trust (Functions) Directions 2000 issued by the Secretary of State which require that each Trust shall agree Standing Financial Instructions for the regulation of the conduct of its members and officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs).
- 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 the Schedule of Decisions Reserved to the Board and the Scheme of Delegation 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 Trust financial policies and detailed 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** – 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 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  
The Board exercises financial supervision and control by:
- (a) formulating the financial strategy

- (b) requiring the submission and approval of budgets within approved allocations/overall income
- (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money)
- (d) defining specific responsibilities placed on members of the Board and employees as indicated in the Scheme of Delegation document.

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

1.2.3 The Chief Executive and Director of Finance

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

Within the Standing Financial Instructions, it is acknowledged that the Chief Executive is ultimately accountable to the Board, for ensuring that the Board meets its obligation to perform its functions set out in the Authorisation agreement 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.

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

1.2.5 The Director of Finance

The Director of Finance is responsible for:

- (a) implementing the Trust's financial policies and for coordinating any corrective action necessary to further these policies
- (b) 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
- (c) 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:
  - (d) the provision of financial advice to other members of the Board and employees
  - (e) the design, implementation and supervision of systems of internal financial

control

- (f) 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.

#### 1.2.6 Board Members and Employees

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

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

#### 1.2.7 Contractors and their employees

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.

- 1.2.8 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.

## **2. AUDIT**

### **2.1 Audit Committee**

- 2.1.1 In accordance with Schedule 7 (para 23) of the 2006 Act and both the Trust's Constitution and Standing Orders, the Board shall formally establish an Audit Committee of Non-Executive Directors to perform such monitoring, review and other functions as are appropriate. In particular the Audit Committee will provide an independent and objective view of internal control by:

- (a) overseeing Internal and External Audit services
- (b) reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
- (c) 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 organisation's objectives;

- (d) monitoring compliance with Standing Orders and Standing Financial Instructions
- (e) reviewing schedules of losses and compensations and making recommendations to the Board
- (f) reviewing schedules of debtors/creditors balances over 6 months old and material sums for explanations/action plans
- (g) Reviewing the arrangements in place to support the Assurance Framework process prepared on behalf of the Board and advising the Board accordingly.

2.1.2 Where the Audit Committee 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. Exceptionally, the matter may need to be brought to the attention of the Council of Governors and/or the Regulator as appropriate.

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.

2.1.4 The Audit Committee is responsible for making a recommendation to the Council of Governors re the appointment of external auditors. The Committee has a responsibility for assessing the external (financial) auditors on an annual basis in terms of quality of their work.

## **2.2 Director of Finance**

2.2.1 The Director of Finance is responsible for:

- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective Internal Audit function
- (b) ensuring that the Internal Audit is adequate and meets the NHS mandatory audit standards
- (c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption
- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee [and the Board]. The report must cover:
  - (i) a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by the Department of Health including for example compliance with control criteria and standards
  - (ii) major internal financial control weaknesses discovered
  - (iii) progress on the implementation of internal audit recommendations

- (iv) progress against plan over the previous year
- (v) strategic audit plan covering the coming three years
- (vi) 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:

- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature
- (b) access at all reasonable times to any land, premises or members of the Board or employee of the Trust
- (c) the production of any cash, stores or other property of the Trust under a member of the Board and an employee's control; and
- (d) explanations concerning any matter under investigation.

2.2.3 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.

## **2.3 Role of Internal Audit**

2.3.1 In accordance with the requirements of the Accounting Officer Memorandum issued by the Regulator, the Trust is required to establish an internal audit function. It is the responsibility of the Director of Finance to ensure that this function is in place and operates efficiently and effectively.

2.3.2 Internal Audit will review, report, and appraise on

- (a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
- (b) the adequacy and application of financial and other related management controls
- (c) the suitability of financial and other related management data
- (d) the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
  - (i) fraud and other offences
  - (ii) waste, extravagance, inefficient administration
  - (iii) poor value for money or other causes.
- (e) Internal Audit shall also independently verify the Assurance Statements in accordance with guidance from the Department of Health.



- 2.3.3 The Chief Internal Auditor 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 Chief Internal Auditor 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 Chief Internal Auditor. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed at least every three years.

## **2.4 External Audit**

- 2.4.1 The Trust is required to have an external (financial auditor) and is to provide such information and facilities as are necessary for the auditor to fulfill their responsibilities under Chapter 5 of the 2006 Act.
- 2.4.2 Under Schedule 7 (para 23) of the 2006 Act and the Trust's Constitution, it is the responsibility of the Council of Governors at a General Meeting to appoint (or remove) the external (financial) auditor on behalf of the Trust. As part of the appointment process, the Trust must ensure that the auditors meet the selection criteria set out in Appendix B of the Audit Code for NHS Foundation Trusts.
- 2.4.3 In accordance with the Audit Code for NHS Foundation Trust, a market testing exercise will be undertaken as a minimum every 5 years.
- 2.4.4 The council of Governors also has the power to appoint (and remove) any external auditor appointed to review and report on any aspect of the Trust's affairs.

## **2.5 Fraud and Corruption**

- 2.5.1 In line with their responsibilities, the Trust Chief Executive and Director of Finance shall monitor and ensure compliance with the anti-fraud and bribery clauses in the NHS Standard Contract. The anti-fraud and bribery clauses are set out in Service Conditions 24 of the contract and place obligations on providers of NHS services.
- 2.5.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the NHS Anti-Fraud Manual.
- 2.5.3 The Local Counter Fraud Specialist shall report to the Trust Director of Finance and shall work with staff in the NHS Counter Fraud Authority in accordance with the NHS Anti-Fraud Manual.
- 2.5.4 The Local Counter Fraud Specialist will provide a written report, at least annually, on anti-fraud and bribery work within the Trust.

## **2.6 Audit Code**

The Trust has a responsibility, under the terms of its Authorisation agreement, to

comply with the Audit Code for NHS Foundation Trusts as approved by the Regulator. The Chief Executive has overall responsibility for ensuring compliance with the Code.

### **3. FINANCIAL TARGETS**

3.1.1 The Trust is required to meet such financial targets as are specified by the Regulator, either under the terms of the initial Authorisation agreement or subsequently. These include specifically the requirement to:

- (a) contain external borrowing within a prudential borrowing limit set out within the Authorisation agreement and reviewed annually thereafter.
- (b) restrict income from private patient charges in any year, as a proportion of the Trust's total income for that year, to the percentage specified in the Authorisation agreement or any other target level as directed by the Regulator.

3.1.2 Whilst there is no specific target regulating overall revenue performance in Foundation Trusts, the Regulator has the power to intervene in the Trust's affairs and potentially revoke its Authorisation agreement where financial viability is being seriously compromised.

3.1.3 The Chief Executive has overall responsibility for the Trust's activities and in this capacity is responsible for ensuring that the Trust maintains its financial viability and meets any specific financial targets set by the Regulator. In this capacity the Chief Executive is responsible for setting appropriate internal targets in order to ensure financial viability.

3.1.4 The Director of Finance is responsible for:

- advising the Board and Chief Executive on progress in meeting these targets recommending corrective actions as appropriate.
- ensuring that adequate systems exist internally to monitor financial performance
- managing the cash flow and external borrowings of the Trust in order to remain within the Prudential Borrowing Limit
- providing the Regulator with such financial information as is necessary to monitor the financial viability of the Trust.

### **4. BUSINESS PLANNING, BUDGETS and BUDGETARY CONTROL**

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

4.1.1 Under the terms of Schedule 7 of the 2006 Act and its Constitution, the Trust is required to provide the Regulator with information concerning its forward plans for each financial year. In this respect, the Council of Governors is responsible for providing the Board with its views on those forward plans when they are being prepared and the Board has a duty to consult them.

4.1.2 The Chief Executive will compile and submit to the Board and the Council of Governors. an annual business plan which considers financial targets and

forecast limits of available resources. The annual business plan will contain:

- (a) a statement of the significant assumptions on which the plan is based;
- (b) details of major changes in workload, delivery of services or resources required to achieve the plan.

4.1.3 Once approved the Chief Executive will be responsible for submitting the Business Plan as required to the Regulator.

4.1.4 The Chief Executive is also responsible for ensuring on behalf of the Board that the Council of Governors is consulted on any significant changes to the Business plan in year.

4.1.5 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:

- (a) be in accordance with the aims and objectives set out in the annual business plan:
- (b) accord with workload and manpower plans
- (c) be produced following discussion with appropriate budget holders
- (d) be prepared within the limits of available funds
- (e) identify potential risks.

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

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

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

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

## **4.2 Budgetary Delegation**

4.2.1 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:

- (a) the amount of the budget
- (b) the purpose(s) of each budget heading
- (c) individual and group responsibilities
- (d) authority to exercise virement
- (e) achievement of planned levels of service

(f) the provision of regular reports.

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

4.2.3 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.

4.2.4 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.

### **4.3 Budgetary Control and Reporting**

4.3.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:

(a) monthly financial reports to the Board in a form approved by the Board containing:

(i) income and expenditure to date showing trends and forecast year-end position

(ii) movements in working capital

(iii) movements in cash and capital

(iv) capital project spending and projected outturn against plan

(v) explanations of any material variances from plan

(vi) details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation

(b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible

(c) investigation and reporting of variances from financial, workload and manpower budgets

(d) monitoring of management action to correct variances

(e) arrangements for the authorisation of budget transfers.

4.3.2 Each Budget Holder is responsible for ensuring that:

(a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board

(b) the amount provided in the approved budget is not used in whole or in part

for any purpose other than that specifically authorised subject to the rules of virement

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

4.3.3 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the annual Business Plan and a balanced budget.

#### **4.4 Capital Expenditure**

The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI 22).

#### **4.5 Performance information and Monitoring Returns**

4.5.1 The Chief Executive, on behalf of the Trust, is responsible for providing the Regulator with such information as is necessary to monitor compliance with the terms of the Authorisation agreement.

4.5.2 The Chief Executive, on behalf of the Trust, is also responsible for ensuring that the Trust contributes to standard national NHS data flows which are required for NHS policy development/funding decisions as well as performance assessment by the Care Quality Commission.

### **5. ANNUAL ACCOUNTS AND REPORTS**

5.1 In accordance with Schedule 7 (para 25) of the 2006 Act and the Trust's Constitution, the Trust must keep accounts, and in respect of each financial year must prepare annual accounts, in such form as the Regulator may, with the approval of Treasury, direct. These responsibilities will be undertaken by the Director of Finance, who, on behalf of the Trust will

- (a) prepare financial returns in accordance with the accounting policies and guidance given by the Department of Health and the Treasury, the Trust's accounting policies, and generally accepted accounting practice
- (b) prepare and submit annual financial reports to the Department of Health certified in accordance with current guidelines
- (c) submit financial returns to the Department of Health for each financial year in accordance with the timetable prescribed by the Department of Health.

5.2 The Trust's annual accounts must be audited by the external auditor (financial) appointed by the Council of Governors and be presented at the annual member's meeting.

5.3 The annual accounts should, in accordance with the requirements set out in the

Accounts Direction, include a Statement on Internal Control within the financial statements.

**5.4** In accordance with Schedule 7 (para 26) of the 2006 Act, the Trust will also prepare an annual report which, after approval by the Board, will be presented to the Council of Governors. It will then be published and made available to the public and also submitted to the Regulator. The annual report will comply with the Regulator's Annual Report Guidance for NHS Foundation Trusts and will include inter alia:

- (a) information on the steps taken by the Trust to ensure that the actual membership of the various stakeholders (public, patients and staff) is representative of those eligible for membership
- (b) the Annual Accounts of the Trust in full or summary form
- (c) details of relevant directorships and other significant interests held by Board members
- (d) composition of the Audit Committee and of the Remuneration and Nominations Committee
- (e) remuneration of the chair, the Non-Executive Directors and Executive Directors, on the same basis as those specified in the Companies Act
- (f) a statement of assurance by the Chief Executive in respect of organisational controls and risk management within the Trust
- (g) any other information required by the Regulator

**5.5** The Trust is to comply with any decision that the regulator may make as to the form of the annual report, the timing of its submission and the period to which it relates.

## **6. BANK ACCOUNTS**

### **6.1 General**

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.

### **6.2 Bank Accounts**

6.2.1 The Director of Finance is responsible for:

- (a) bank accounts
- (b) establishing separate bank accounts for the Trust's non-exchequer funds
- (c) ensuring payments made from bank accounts do not exceed the amount credited to the account except, where arrangements have been made
- (d) reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn.

6.2.2 No officer other than the Director of Finance will open any bank account in the name of the Trust or relating to any activities of the Trust, or issue instructions to the Trust's bankers.

6.2.3 No officer should disclose details of the Trust's bank accounts without the approval of the Director of Finance. This is to ensure the risk of fraud and money laundering to the Trust's accounts is minimised.

### **6.3 Banking Procedures**

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

- (a) the conditions under which each bank is to be operated including two signatories for payment by BACS and by cheque.
- (b) those authorised to sign cheques or other orders drawn on the Trust's accounts.
- (c) the limit applied to any overdraft.

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

### **6.4 Tendering and Review**

6.4.1 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.

6.4.2 Competitive tenders should be sought at least every five years. The results of the tendering exercise should be reported to the Board.

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

### **7.1 Income Systems**

7.1.1 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.

7.1.2 In this capacity, the Director of Finance will establish systems in order to ensure that timely and appropriate invoices are raised for income due under the terms of contracts with NHS commissioners.

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

### **7.2 Fees and Charges**

7.2.1 The Trust shall follow the Department of Health's advice in the "Costing Manual" in setting prices for NHS service agreements.

7.2.2 The Director of Finance is responsible for approving and regularly reviewing the

level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.

- 7.2.3 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.

### **7.3 Debt Recovery**

- 7.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.
- 7.3.2 Income not received should be dealt with in accordance with losses procedures.
- 7.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

### **7.4 Security of Cash, Cheques, and other Negotiable Instruments**

- 7.4.1 The Director of Finance is responsible for:
- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable
  - (b) ordering and securely controlling any such stationery
  - (c) 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
  - (d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.
- 7.4.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 7.4.3 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.
- 7.4.4 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.

## **8. TENDERING AND CONTRACTING PROCEDURE**

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

The procedure for making all contracts by or on behalf of the Trust shall comply with these Standing Orders and Standing Financial Instructions (except where Standing



Order No. 3.13 Suspension of Standing Orders is applied).

## 8.2 EU Directives Governing Public Procurement

The Trust shall comply with the Public Contracts Regulations 2006 and relevant directives set by the Council of the European Union, as promulgated by the Department of Health prescribing procedures for awarding all forms of contract and, shall have the effect as if incorporated on these SFIs and SOs.

## 8.3 Reverse eAuctions

The Trust should have policies and procedures in place for the control of all tendering activity carried out through Reverse eAuctions. For further guidance on Reverse eAuctions refer to [www.ogc.gov.uk](http://www.ogc.gov.uk)

## 8.4 Best Practice Guidance

The Trust shall comply as far as is practicable with the requirements of the guidance published by Monitor on capital investment including 'Risk Evaluation for Investment Decisions by NHS Foundation Trusts', 'Protection of assets: Guidance for NHS Foundation Trusts', and the 'Compliance Framework 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 Department of Health guidance "The Procurement and Management of Consultants within the NHS".

## 8.5 Formal Competitive Tendering

### 8.5.1 General Applicability

The Trust shall ensure that competitive tenders are invited for:

- the supply of goods, materials and manufactured articles
- the rendering of services including all forms of management consultancy services
- the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); for disposals.

### 8.5.2 Health Care Services

Where the Trust elects to invite tenders for the supply of healthcare services these Standing Orders and Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure and need to be read in conjunction with Standing Financial Instruction No. 9.

### 8.5.3 Exceptions and instances where formal tendering need not be applied

Formal tendering procedures **need not be applied** where:

- (a) the estimated expenditure or income does not, or is not reasonably expected to, exceed **£25,000 including VAT**

- (b) where the supply is proposed under special arrangements negotiated by the DH in which event the said special arrangements must be complied with
- (c) regarding disposals as set out in Standing Financial Instructions No. 15
- (d) where the supply can be obtained under a framework agreement that has itself been procured in compliance with the duties set out in para 8.2 above and where the Trust is entitled to access such a framework agreement.

Formal tendering procedures **may be waived** in the following circumstances:

- (e) 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
- (f) where the requirement is covered by an existing contract;
- (g) where Government Framework (Crown Commercial Services) agreements are in place and have been approved by the Board
- (h) 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
  - (i) 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
- (j) where specialist expertise is required and is available from only one source
  - (k) when the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate
- (l) 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.
- (m) for the provision of legal advice and services providing that any legal firm or partnership commissioned by the Trust is regulated by the Law Society for England and Wales for the conduct of their business (or by the Bar Council for England and Wales in relation to the obtaining of Counsel's opinion) and are generally recognised as having sufficient expertise in the area of work for which they are commissioned.

The Director of Finance will ensure that any fees paid are reasonable and within commonly accepted rates for the costing of such work.

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.

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.

#### 8.5.4 Fair and Adequate Competition

Where the exceptions set out in SFI Nos. 8.1 and 8.5.3 apply, the Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, 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.

#### 8.5.5 List of Approved Firms

The Trust shall ensure that the firms/individuals invited to tender (and where appropriate, quote) are among those on approved lists. Where in the opinion of the Director of Finance it is desirable to seek tenders from firms not on the approved lists, the reason shall be recorded in writing to the Chief Executive (see SFI 8.6.8 List of Approved Firms).

#### 8.5.6 Items which subsequently breach thresholds after original approval

Items estimated to be below the limits set in this Standing Financial Instruction for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the Chief Executive, and be recorded in an appropriate Trust record.

### **8.6 Contracting/Tendering Procedure**

#### 8.6.1 Invitation to tender

- (a) All invitations to tender shall state the date and time as being the latest time for the receipt of tenders.
- (b) All invitations to tender shall state that no tender will be accepted unless:
  - (i) submitted in a plain sealed package or envelope bearing a preprinted 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 Manager;
  - (ii) 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.
- (c) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.

- (d) Every tender for building or engineering works 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 of the Environment (GC/Wks) Standard forms of contract amended to comply with concode; or, when the content of the work is primarily engineering, the General Conditions of Contract recommended by the Institution of Mechanical and Electrical Engineers and the Association of Consulting Engineers (Form A), or (in the case of civil engineering work) the General Conditions of Contract recommended by the Institute of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors. These documents shall be modified and/or amplified to accord with Department of Health guidance and, in minor respects, to cover special features of individual projects.

#### 8.6.2 Receipt and safe custody of tenders

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.

The date and time of receipt of each tender shall be endorsed on the tender envelope/package.

#### 8.6.3 Opening tenders and Register of tenders

- (i) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, they shall be opened by two senior officers/managers designated by the Chief Executive and not from the originating department.
- (ii) 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 **£100,000**. The rules relating to the opening of tenders will need to be read in conjunction with any delegated authority set out in the Trust's Scheme of Delegation.
- (iii) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender.
- (iv) The involvement of Finance Directorate staff in the preparation of a tender proposal will not preclude the Director of Finance or any approved Senior Manager from the Finance Directorate from serving as one of the two senior managers to open tenders.
- (v) All Executive Directors/members 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.
- (vi) Every tender received shall be marked with the date of opening and initialled by those present at the opening.
- (vii) 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:

- the name of all firms' individuals invited
- the names of firms' individuals from which tenders have been received
- the date the tenders were opened
- the persons present at the opening
- the price shown on each tender
- a note where price alterations have been made on the tender.

Each entry to this register shall be signed by those present.

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.

(viii) Incomplete tenders, i.e., those from which information necessary for the adjudication of the tender is missing, and amended tenders i.e., those amended by the tenderer upon his own initiative either orally or in writing after the due time for receipt, but prior to the opening of other tenders, should be dealt with in the same way as late tenders. (SFI No. 8.6.5 below).

#### 8.6.4 Admissibility

- 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.
- 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.

#### 8.6.5 Late tenders

- 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.
- 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.
- 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.

#### 8.6.6 Acceptance of formal tenders (See overlap with SFI No. 8.7)

- 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.

- (ii) The lowest tender, or most economically advantageous tender shall be accepted, 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 contract file, or other appropriate record.

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:

- (a) experience and qualifications of team members
- (b) understanding of client's needs
- (c) feasibility and credibility of proposed approach
- (d) ability to complete the project on time.

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

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

#### 8.6.7 Tender reports to the Trust Board

Reports to the Trust Board will be made on an exceptional circumstance basis only.

#### 8.6.8 List of approved firms (see SFI No. 8.5.5)

##### (a) **Responsibility for maintaining list**

A manager nominated by the Chief Executive shall on behalf of the Trust maintain lists of approved firms from who tender's and quotations may be invited. These shall be kept under frequent review. The lists shall include all firms who have applied for permission to tender and as to whose technical and financial competence the Trust is satisfied. All suppliers must be made aware of the Trust's terms and conditions of contract.

## **(b) Building and Engineering Construction Works**

- (i) Invitations to tender shall be made only to firms included on the approved list of tenderers compiled in accordance with this Instruction.
- (ii) Firms included on the approved list of tenderers shall ensure that when engaging, training, promoting or dismissing employees or in any conditions of employment, shall not discriminate against any person because of colour, race, ethnic or national origins, religion or sex, and will comply with the provisions of the Equal Pay Act 1970, the Sex Discrimination Act 1975, the Race Relations Act 1976, and the Disabled Persons (Employment) Act 1944 and any amending and/or related legislation.
- (iii) Firms shall conform at least with the requirements of the Health and Safety at Work Act and any amending and/or other related legislation concerned with the health, safety and welfare of workers and other persons, and to any relevant British Standard Code of Practice issued by the British Standard Institution. Firms must provide to the appropriate manager a copy of its safety policy and evidence of the safety of plant and equipment, when requested.

## **(c) Financial Standing and Technical Competence of Contractors**

The Director of Finance may make or institute any enquiries he deems appropriate concerning the financial standing and financial suitability of approved contractors. The Director with lead responsibility for clinical governance will similarly make such enquiries as is felt appropriate to be satisfied as to their technical / medical competence.

### **8.6.9 Exceptions to using approved contractors**

If in the opinion of the Chief Executive and the Director of Finance or the Director with lead responsibility for clinical governance, it is impractical to use a potential contractor from the list of approved firms/individuals (for example where specialist services or skills are required and there are insufficient suitable potential contractors on the list), or where a list for whatever reason has not been prepared, the Chief Executive should ensure that appropriate checks are carried out as to the technical and financial capability of those firms that are invited to tender or quote.

An appropriate record in the contract file should be made of the reasons for inviting a tender or quote other than from an approved list.

## **8.7 Quotations: Competitive and non-competitive**

### **8.7.1 General Position on quotations**

Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed **£5,000** but not exceed **£25,000** (including VAT)

### 8.7.2 Competitive Quotations

- (i) Quotations should be obtained from at least **2** firms/individuals based on specifications or terms of reference prepared by, or on behalf of, the Trust.
  - (ii) 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.
- (iii) All quotations should be treated as confidential and should be retained for inspection.
- (iv) 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.

### 8.7.3 Non-Competitive Quotations

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

- (i) 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
- (ii) the supply of goods or manufactured articles of any kind which are required quickly and are not obtainable under existing contracts
- (iii) miscellaneous services, supplies and disposals
- (iv) where the goods or services are for building and engineering maintenance the responsible works manager must certify that the first two conditions of this SFI (i.e.: (i) and (ii) of this SFI) apply.

### 8.7.4 Quotations to be within Financial Limits

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 Standing Financial Instructions except with the authorisation of either the Chief Executive or Director of Finance.

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

- 8.8.1 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 by designated staff to the value of the contract as detailed in the delegation list appended to the Scheme of Reservation and Delegation which forms part of this document.



- 8.8.2 Levels of authorisation may be varied or changed and need to be read in conjunction with the Trust Board's Scheme of Delegation.
- 8.8.3 Formal authorisation must be put in writing. In the case of authorisation by the Trust Board this shall be recorded in their minutes.

### **8.9 Instances where formal competitive tendering or competitive quotation is not required**

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

- (a) the Trust shall use suppliers contained within its database to procure goods and services from, through use of the Trust's purchase-to-pay system [Proactis], unless the Chief Executive or nominated officers deem it inappropriate. The decision to use alternative sources must be documented by the latter.
- (b) where tenders or quotations are not required, because expenditure is below **£5k**, the Trust shall procure goods and services in accordance with the current procurement procedures approved by the Director of Finance.

### **8.10 Private Finance for capital procurement (see overlap with SFI No. 13)**

Where appropriate, the Trust should normally market-test for PFI (Private Finance Initiative funding) when considering a capital procurement. When the Board proposes, or is required, to use finance provided by the private sector the following should apply:

- (a) The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) The Trust must seek all applicable approvals and follow the requirements of monitor guidance including "Risk Evaluation for Investment Decisions by NHS Foundation Trusts".
- (c) The proposal must be specifically agreed by the Board of the Trust.
- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

### **8.11 Compliance requirements for all contracts**

The Board may only enter into contracts on behalf of the Trust within the statutory powers delegated to it by the Secretary of State and shall comply with:

- (a) The Trust's Standing Orders and Standing Financial Instructions
- (b) EU Directives and other statutory provisions
- (c) any relevant directions including the Capital Investment Manual, and guidance on the Procurement and Management of Consultants

- (d) such NHS Standard Contract Conditions that are applicable.
- (e) appropriate NHS guidance.
- (f) the same terms and conditions of contract as was the basis on which tenders or quotations were invited.
- (g) 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.

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

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

### **8.13 Disposals (See overlap with SFI No. 15)**

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

- (a) any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his nominated officer
- (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust
- (c) items to be disposed of with an estimated sale value of less than **£5k**, this figure to be reviewed on a periodic basis
- (d) items arising from works of construction, demolition, or site clearance, which should be dealt with in accordance with the relevant contract
- (e) land or buildings concerning which DH guidance has been issued but subject to compliance with such guidance.

### **8.14 In-house Services**

8.14.1 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.

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

- (a) Specification group, comprising the Chief Executive or nominated officer/s and specialist.

(b) In-house tender group, comprising a nominee of the Chief Executive and technical support.

(c) Evaluation team, comprising normally a specialist officer, a 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.

8.14.3 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.

8.14.4 The evaluation team shall make recommendations to the Board.

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

### **8.15 Applicability of SFIs on Tendering and Contracting to funds held in trust (see overlap with SFI No. 18)**

These 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.

## **9. NHS SERVICE AGREEMENTS FOR PROVISION OF SERVICES (see overlap with SFI No. 8.15)**

### **9.1 Service Level Agreements (SLAs)**

The Chief Executive, as the Accounting Officer, is responsible for ensuring the Trust enters into suitable legally binding contracts with service commissioners both for the mandatory healthcare services specified in the Trust's Authorisation agreement with the Regulator and also other healthcare services. In discharging this responsibility, the Chief Executive should ensure that these contracts take account of-

- the standards of service quality expected
- the relevant national service framework (if any)
- the provision of reliable information on cost and volume of services
- the NHS National Performance Assessment Framework
- existing Joint Investment Plans
- integrated care pathways.

### **9.2 Involving Partners and jointly managing risk**

A good contract for healthcare services 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 contract 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.

### **9.3 Reports to Board on Contracts**

The Chief Executive, as the Accounting Officer, will need to ensure that regular reports are provided to the Board detailing actual and forecast income from contracts with NHS commissioners. This will include information on costing arrangements, which increasingly should be based upon Healthcare Resource Groups (HRGs). Where HRGs are unavailable for specific services, all parties should agree a common currency for application across the range of contracts.

## **10. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE TRUST BOARD AND EXECUTIVE COMMITTEE AND EMPLOYEES**

### **10.1 Remuneration and Terms of Service**

10.1.1 In accordance with the requirements of the 2006 Act and Standing Order 5.8, the Trust shall establish a Remuneration and Nomination Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

10.1.2 The Committee will:

- (a) advise the Board about appropriate remuneration and terms of service for the Chief Executive and other Executive Directors employed by the Trust including:
- (b) all aspects of salary (including any performance-related elements/bonuses)
- (c) provisions for other benefits, including pensions and cars
- (d) arrangements for termination of employment and other contractual terms
- (e) make such recommendations to the Board on the remuneration and terms of service of the Chief Executive and Executive directors 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;
- (f) monitor and evaluate the performance of the Chief Executive and Executive directors
- (g) 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.

- 10.1.3 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 the Chief Executive and Executive directors. Minutes of the Board's meetings should record such decisions.
- 10.1.4 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.
- 10.1.5 The Trust will pay allowances to the Chairman and non-officer members of the Board in accordance with instructions issued by the Council of Governors.

## **10.2 Funded Establishment**

- 10.2.1 The manpower plans incorporated within the annual budget will form the funded establishment.
- 10.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive.

## **10.3 Staff Appointments**

- 10.3.1 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 unless:
  - (a) authorised to do so by the Chief Executive
  - (b) within the limit of their approved budget and funded establishment.
- 10.3.2 The Board will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees.

## **10.4 Processing Payroll**

- 10.4.1 The Director of Finance is responsible for
  - (a) specifying timetables for submission of proper authorized time records and other notifications
  - (b) the final determination of pay and allowances
  - (c) making payment on agreed dates
  - (d) agreeing method of payment.
- 10.4.2 The Director of Finance will issue instructions regarding:
  - (a) verification and documentation of data the timetable for receipt and preparation of payroll data and the payment of employees and allowance

- (b) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay
- (c) security and confidentiality of payroll information
- (d) checks to be applied to completed payroll before and after payment
- (e) authority to release payroll data under the provisions of the Data Protection Act
- (f) methods of payment available to various categories of employee and officers
- (g) procedures for payment by cheque, bank credit, or cash to employees and officers
- (h) procedures for the recall of cheques and bank credits
- (i) pay advances and their recovery
- (j) maintenance of regular and independent reconciliation of pay control accounts
- (k) separation of duties of preparing records and handling cash
- (l) 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.

10.4.3 Appropriately nominated managers have delegated responsibility for

- (a) submitting time records, and other notifications in accordance with agreed timetables
- (b) completing time records and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance
- (c) 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 fulfil obligations in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.

10.4.4 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.

## 10.5 Contracts of Employment

The Board shall delegate responsibility to an officer for

- (a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Board and which complies with employment legislation
- (b) dealing with variations to, or termination of, contracts of employment.

## **11. NON-PAY EXPENDITURE**

### **11.1 Delegation of Authority**

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

11.1.2 The Chief Executive will set out:

- (a) the list of managers who are authorised to place requisitions for the supply of goods and services
- (b) the maximum level of each requisition and the system authorization for authorisation above that level.

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

### **11.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services** (see overlap with Standing Financial Instruction No. 8)

#### **11.2.1 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.

#### **11.2.2 System of Payment and Payment Verification**

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.

#### **11.2.3 The Director of Finance will**

- (a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in Standing Orders and Standing Financial Instructions and regularly reviewed
- (b) prepare procedural instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds
- (c) be responsible for the prompt payment of all proper authorised accounts and

claims

- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for
- (i) a list of Board employees (including specimens of their signature authorised to certify invoices.
  - (ii) Certification that:
    - goods have been duly received, examined and are in accordance with specification and the prices are correct
    - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct
    - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined.
    - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained
    - the account is arithmetically correct
    - the account is in order for payment.
  - (iii) A timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.
  - (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.
- (e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received. The only exceptions are set out in SFI No. 11.2.4 below.

#### 11.2.4 Prepayments

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

- (a) Prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e., cashflows must be discounted to Net Present Value) and the intention is not to circumvent cash management arrangements.
- (b) The appropriate officer must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the prepayment agreement unable to meet his commitments



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

#### 11.2.5 Official orders

Official Orders must:

- (a) be consecutively numbered
- (b) be in a form approved by the Director of Finance
- (c) state the Trust's terms and conditions of trade
- (d) only be issued to, and used by, those duly authorised by the Chief Executive.

#### 11.2.6 Duties of Managers and Officers

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

- (a) all contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement
- (c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health
- (d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
  - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars
  - (ii) conventional hospitality, such as lunches in the course of working visits

**(This provision needs to be read in conjunction with the principles outlined in the national guidance contained in HSG 93(5) "Standards of Business Conduct for NHS Staff");**

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive

- (f) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash and any other specific areas agreed by the Director of Finance.
- (g) 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"
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds
- (i) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase
- (j) changes to the list of employees and officers authorised to certify invoices are notified to the Director of Finance
- (k) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance;
- (l) petty cash records are maintained in a form as determined by the Director of Finance.

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

Payments to local authorities and voluntary organisations made under the powers of section 28A of the NHS Act **shall** comply with procedures laid down by the Director of Finance which shall be in accordance with these Acts.

## **12. TREASURY MANAGEMENT**

### **12.1 External Borrowing**

- 12.1.1 As a Foundation Trust, the Trust has freedom to access capital (i.e., borrow externally) subject to three constraints
  - (a) a Prudential Borrowing Limit agreed with the Regulator and reviewed annually
  - (b) prohibition on the use of protected assets as security for borrowing and
  - (c) any additional degree of scrutiny required by financial institutions
- 12.1.2 The Trust's Prudential Borrowing Limit, as approved by the Regulator under the terms of the prudential Code, applies to the total debt liability of the organisation. The Prudential Code requires external debt to be kept within designated limits, taking into account affordability in terms of capacity to generate operating revenue to service debt.
- 12.1.3 The Prudential Borrowing Limit referred to in sections 12.1.1 and 12.1.2 above is primarily intended to regulate access to finance for small to medium sized

projects. For larger scale projects current Department of Health requirements and approval mechanisms under the Private Finance Initiative continue to apply. It is the responsibility of the Chief Executive, on behalf of the Trust, to ensure that these requirements are complied with.

- 12.1.4 The Trust also has freedom to access short-term working capital facilities, subject to an overall limit agreed with the Regulator. All such short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position.
- 12.1.5 The Director of Finance is responsible for ensuring that:
- (a) The Trust operates within the framework provided by the Prudential Code when making decisions regarding capital investment/external borrowing, specifically by providing appropriate advice to the Board on affordability/serviceability of debt
  - (b) The Trust operates as all times within the Prudential Borrowing Limit set by the Regulator and the Board receives regular reports on the overall indebtedness of the Trust as against that limit (including quarterly ratio analysis in accordance with the Prudential Code)
  - (c) all long-term borrowing is consistent with the plans outlined in the Trust's current Business Plan
  - (d) the Trust operates within the working capital facility set by the Regulator
  - (e) detailed internal procedures are in place to regulate external borrowing, from short-term working capital to long term debt, and from initial application through to monitoring and repayment.
- 12.1.6 Applications for drawdown against either short-term or long-term borrowing facilities require authorization by two Executive Directors and a nominated member of the Finance Department.

## **12.2 Investments**

- 12.2.1 Under the terms of the 2006 Act and its Constitution, the Trust may invest money (other than money held by it as a Trustee) for the purposes of or in connection with its functions. This may include investment by forming or participating in forming bodies corporate or by otherwise acquiring membership of bodies corporate.
- 12.2.2 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, other than short term temporary cash surpluses.
- 12.2.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.
- 12.2.4 In the case of temporary cash surpluses, these may only be held in such form

and with such public or private sector organisations as are approved by the Board. In giving approval to the mechanisms for short term investment, the Board will take accounts of instructions or guidelines issued by the Regulator to Foundation Trusts.

- 12.2.5 For other longer-term forms of investment, the approval of the Board will be obtained before proceeding.

### **12.3 Cash Flow Monitoring**

The Director of Finance is responsible for managing and monitoring the overall cash flow of the Trust and for providing reports thereto to the Board.

These reports will include:

- (a) a comparison of month end outturn with the plan (monthly)
- (b) a rolling 12-month projection of month end cash balances (quarterly)

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

### **13.1 Capital Investment**

#### **13.1.1 The Chief Executive:**

- (a) 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
- (b) is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost
- (c) 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:**

- (a) that a business case is produced setting out:
  - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
  - (ii) the involvement of appropriate Trust personnel and external agencies
  - (iii) appropriate project management and control arrangement
- (b) 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.
- 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 approval of a capital programme shall not constitute approval for expenditure on any scheme.

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

- (a) specific authority to commit expenditure
- (b) authority to proceed to tender (see overlap with SFI No. 8.6);
- (c) approval to accept a successful tender (see overlap with SFI No. 8.6).

The Chief Executive will issue a scheme of delegation for capital investment management in accordance with the Trust's Standing Orders.

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

### **13.2 Private Finance (see overlap with SFI No. 8.10)**

When the Trust proposes to access under the PFI, the following procedures shall apply:

- (a) 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.
- (b) Where the sum involved exceeds delegated limits, the business case must be referred to the Regulator
- (c) 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 these registers shall be consistent with best practice.
- 13.3.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:

- (a) properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties
- (b) stores, requisitions and wages records for own materials and labour including appropriate overheads
- (c) 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 indexed to current values in accordance with best practice.

13.3.7 The value of each asset shall be depreciated using methods and rates as determined by the Director of Finance.

#### **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:

- (a) recording managerial responsibility for each asset
- (b) identification of additions and disposals
- (c) identification of all repairs and maintenance expenses
- (d) physical security of assets
- (e) periodic verification of the existence of condition of, and title to, assets recorded
- (f) identification and reporting of all costs associated with the retention of an asset.
- (g) 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 AND RECEIPT OF GOODS**

### **14.1 General position**

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

- (a) kept to a minimum
- (b) subjected to annual stock take
- (c) 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 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/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of any Pharmaceutical stocks shall be the responsibility of an appropriate Director; as will the control of any fuel oil and coal.
- 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 appropriate Director. Wherever practicable, 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 appropriate Director 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 appropriate Director shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also overlap with SFI No. 15 Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

### **14.3 Goods supplied by NHS Logistics**

For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the Director of Finance who shall satisfy himself that the goods have been received before accepting the recharge.

## **15. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

### **15.1 Disposals and Condemnations**

- 15.1.1 Under the terms of the authorisation agreement, the approval of the Regulator is required prior to the disposal of any protected assets (above any 'de minimis' limit where specified). There are no external restrictions on the disposal of other assets providing that the proceeds are used to further the Trust's public interest objectives.
- 15.1.2 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations and ensure that these are notified to managers.
- 15.1.3 When it is decided to dispose of a Trust asset, the Head of Department, or authorized, deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.
- 15.1.4 All unserviceable articles shall be:
- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance
  - (b) 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.
- 15.1.5 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. Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. The Director of Finance should comply with any requirements to report fraud as determined by the Regulator/Secretary of State.
- 15.2.3 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance (or the Local Counter Fraud Specialist on the Director's behalf) must notify the Audit Committee which will consider approval of write off on behalf of the Board.
- 15.2.4 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 15.2.5 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 15.2.6 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 15.2.7 All losses and special payments must be reported to the Audit Committee at every meeting.

## **16. INFORMATION TECHNOLOGY**

### **16.1 National Programme for IT**

The Trust, under the terms of the Authorisation agreement, is required to participate in the National Programme for Information Technology or equivalent, in accordance with any guidance issued by the Regulator. This requirement extends to the Director of Finance in fulfilling his/her responsibilities for the computerised financial data of the Trust.

### **16.2 Responsibilities and duties of the Digital Director who reports to the Director of Finance**

- 16.2.1 The Digital Director, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall:
  - (a) 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;

- (b) 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
- (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance, and amendment
- (d) 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.

16.2.2 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.

16.2.3 The appropriate Director shall publish and maintain a Freedom of Information (FOI) Publication and records management 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 the Trust that is made publicly available.

### **16.3 Responsibilities and duties of other Directors and Officers in relation to computer systems of a general application**

In the case of computer systems which are proposed General Applications (i.e. normally those applications which the majority of Trust's in the Region wish to sponsor jointly) all responsible directors and employees will send to the Digital Director:

- (a) details of the outline design of the system
- (b) in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement.

### **16.4 Contracts for Computer Services with other health bodies or outside agencies**

16.4.1 The Digital Director 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.

16.4.2 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.

## 16.5 Risk Assessment

The Digital Director 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.

## 16.6 Requirements for Computer Systems which have an impact on corporate financial systems

Where computer systems have an impact on corporate financial systems the Digital Director shall need to be satisfied that:

- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy
- (b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists
- (c) Director of Finance staff have access to such data
- (d) 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:

- notices and information booklets; (**notices are subject to sensitivity guidance**)
- hospital admission documentation and property records
- the oral advice of administrative and nursing staff responsible for admissions,

that the Trust will not accept responsibility or liability for patients' property brought into 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 Finance must provide detailed written instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.

**17.4** Good practice guidance requires the opening of separate accounts for patients' moneys; 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** 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**

- (i) Standing Order No. 2.1.2 outlines the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust. The Trust shall comply with Charities Commission latest guidance and best practice.
- (ii) 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.

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**

- (i) The trustee responsibilities must be discharged separately, and full recognition given to the Trust's accountability to the Charity Commission for charitable funds held on trust.
- (ii) 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**

- (i) In so far as it is possible to do so, most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust.

- (ii) 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 AND LINK TO STANDARDS OF BUSINESS CONDUCT (see overlap with SO 11.2.6 (d))**

The Director of Finance shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff. This policy follows the guidance contained in the Department of Health circular HSG (93) 5 'Standards of Business Conduct for NHS Staff' 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.
- 20.2** The records held in archives shall be capable of retrieval by authorised persons.
- 20.3** Records held in accordance with latest Department of Health guidance shall only be destroyed at the express instigation of the Chief Executive. Detail shall be maintained of records so destroyed.

## **21. RISK MANAGEMENT AND 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 current Department of Health assurance framework requirements, which must be approved and monitored by the Board.

The programme of risk management shall include:

- (a) a process for identifying and quantifying risks and potential liabilities
- (b) engendering among all levels of staff a positive attitude towards the control of risk.
- (c) 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
- (d) contingency plans to offset the impact of adverse events
- (e) audit arrangements including:
  - Internal Audit,
  - clinical audit,

- health and safety review.

(f) a clear indication of which risks shall be insured

(g) arrangements to review the Risk Management programme.

**21.1.2** The existence, integration and evaluation of the above elements will assist in providing a basis to make a Annual Governance Statement within the Annual Report and Accounts as required by current Department of Health guidance.

## **21.2 Insurance: Risk Pooling Schemes administered by NHS Resolution**

The Board shall decide if the Trust will insure through the risk pooling schemes administered by the NHS Resolution or self-insure for some, or all 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**

There is a general prohibition on entering into insurance arrangements with commercial insurers. There are, however, **three exceptions** when Trust's may enter into insurance arrangements with commercial insurers. The exceptions are:

- (a) Trust's may enter commercial arrangements for **insuring motor vehicles** owned by the Trust including insuring third party liability arising from their use.
- (b) where the Trust is involved with a consortium in a **Private Finance Initiative contract** and the other consortium members require that commercial insurance arrangements are entered into; and
- (c) where **income generation activities** take place. Income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the Trust for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from the Litigation Authority. In any case of doubt concerning a Trust's powers to enter into commercial insurance arrangements the Finance Director should consult the Department of Health.

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

- (a) Where the Board decides to use the risk pooling schemes administered by the NHS Resolution 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.
- (b) Where the Board decides not to use the risk pooling schemes administered by the NHS Resolution 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.

- (c) 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.