



FINANCE POLICY & PROCEDURE (FPP No.6)

POLICY FOR ENTERING INTO SERVICE AGREEMENTS FOR NEW BUSINESS INCLUDING VARIATIONS TO EXISTING AGREEMENTS

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**SOUTH CENTRAL AMBULANCE SERVICE
NHS FOUNDATION TRUST**

FINANCE POLICY NO. 6

**POLICY FOR ENTERING INTO SERVICE AGREEMENTS
FOR NEW BUSINESS INCLUDING VARIATIONS TO
EXISTING AGREEMENTS**

This document should be made available to all staff employed by the South Central Ambulance NHS Foundation Trust. It sets out the guidance for all staff on the subject of entering into agreements for service provision and variations to existing agreements. Guidance and advice on the application of this procedure should be obtained from the Business & Contracts Manager.

This document is supplemental and subordinate to the South Central Ambulance NHS Foundation Trust Standing Orders and Standing Financial Instructions and does not supersede the governance provided by them either in part or in whole.

(SO 17 and 18)

Charles Porter
Director of Finance

Version: 6
Issued Date: March 2018
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**SOUTH CENTRAL AMBULANCE SERVICE
NHS FOUNDATION TRUST**

**POLICY FOR ENTERING INTO SERVICE AGREEMENTS FOR NEW BUSINESS
INCLUDING VARIATIONS TO EXISTING AGREEMENTS**

1. Introduction

- 1.1 This policy lays down guidelines which aim to ensure that the Trust only enters into agreements to provide services which
- a) align with its business strategy
 - b) provide high quality services in the interests of patients
 - c) do not put at risk staff, patients or public funds.
 - d) have been subject to a full cost/benefit analysis
 - e) have been approved in terms of a full revenue (and where applicable capital cost) analysis
 - f) have been appropriately approved (see section 6 and 7 below)
- 1.2 It is the responsibility of staff to ensure that all agreements for service provision are made in accordance with this guidance.

2. NHS Contracts

- 2.1 SO 17.13 requires the Trust to draw up Service agreements with NHS providers for the supply of healthcare services in accordance with NHS and Community Care Act 1990.
- 2.2 Service agreements between South Central Ambulance Service NHS Foundation Trust and other NHS organisations (either other Foundation trusts or other NHS organisations) are contracts in law and therefore are enforceable by the courts.
- 2.3 The Board of Directors shall, in relation to NHS contracts, regularly review and shall at all times maintain and ensure the capacity and capability of the Trust to provide the mandatory goods and services referred to in the Trust's terms of authorisation and related schedules.
- 2.4 The Chief Executive, as the Accounting Officer, is responsible for ensuring the Trust enters into suitable legally binding contracts with service commissioners both in terms of mandatory and other healthcare services. In carrying out these functions the Chief Executive should take into account:
- The standards of service quality expected
 - The costing and pricing of services
 - Payment terms and conditions
 - Amendments to contracts
 - Non contract activity arrangements
 - Provision of contract data

- Billing systems and cash flow management
- Any other matter of a legal or non-financial nature.

2.5 Contracts should be devised so as to minimise risk whilst maximising the Trust's opportunity to generate income.

2.6 The Director of Finance shall produce regular reports detailing actual and forecast contract income from contracts with NHS commissioners linked to activity, with a detailed assessment of the impact of the variable elements of income.

3. **Non NHS Contracts**

3.1 Board approval must be sought in accordance with SO Section C (10) of the Scheme of Delegation before entering into contracts to provide services to Non NHS Bodies. This gives the Board the right to decide whether to approve proposals on individual contracts (other than NHS Contracts) in accordance with section 6 below.

3.2 The relevant aspects of sections 2.4 and 2.5 above will also apply to non NHS contracts.

4. **The process- NHS and Non NHS Contracts**

4.1 Where a representative of the Trust is approached to enter into agreements to provide new services or to make variations to existing agreements they must ensure that the responsible officer for the relevant service is contacted in order that they take responsibility for ongoing negotiations.

4.2 The responsible officer should discuss the specification with his/her executive or director to ensure it aligns with the Trust business strategy and presents no risk to the Trust.

4.3 At this stage the proposed budget holder and responsible officer will be required to produce a business case, identifying direct and indirect resource implications, investment required, possible risks and an income and expenditure budget (full year and part year if necessary) prepared by his/her Finance Manager or Project Accountant where applicable;

for signature by budget holder up to the value of their signature authorization for each year of the contract excluding extensions (for example 3 year contract x level of authorization say £10,000 would be a total authorization level of £30,000)

or

- for authorisation in writing by his/her executive director if valued In excess of the figure above.

or

- for presentation to the Board if lifetime value of the agreement exceeds exceeds the limits in section 6.

or

- if it involves capital expenditure then for authorisation by the fixed asset group regardless of value.

- 4.4 For large scale agreements / tenders i.e. value £500,000 lifetime value, a project group, chaired by the budget holder, must be established calling upon the expertise of representatives as appropriate from Finance, IT, Fleet, Procurement, HR, Information, the project group will be supported by the Assistant Director Contracts & Commercial Development.
- 4.5 The project group must also give consideration as to how any exit costs are dealt with once the service/contract expires.
- 4.6 The Assistant Director Contracts & Commercial Development will review the terms and conditions of tenders and highlight any areas of concern for negotiation. Records will be maintained of any changes made, the reason for it and by whom. Any changes changes to be reviewed by the Project Group and the Assistant Director Contracts & Commercial Development prior to being shared with any commissioner.
- 4.7 Where there are no terms and conditions provided, the Assistant Director Contracts & Commercial Development will draft an SLA using NHS model contract terms and conditions as appropriate for approval and signature in line with tables below. Any changes to be reviewed by the Project Group and the Assistant Director Contracts & Commercial Development prior to being shared with any commissioner.

5. Amendments/Variations

- 5.1 Where significant amendments are made to the specification, or costs either prior to signing an agreement or following its agreement, it may be necessary to re-submit the business case for further approval. No agreement can be signed where the agreed level of margins will not be achieved. Initially the advice of the responsible Executive Director should be sought. They in turn may wish to seek approval from the Director of Finance in writing or direct to the Board where the value or risk has substantially increased or where margins have fallen below the agreed level but that there are valid business reasons to retain the business.
- 5.3 Where minor amendments are made to the specification or costs either prior to signing an agreement or following its agreement the advice of the responsible Executive Director should be sought.

5.4 Where an amendment / variation is approved, the Assistant Director Contracts & Commercial Development will draft a document varying the agreement which will be documented, approved and signed off as if it were a new agreement.

6. Approval/Sign off to proceed to Contract Stage

New Business Approval Process:				
Opportunity/Description	Value	Conditions	Approval Process	Current Position
Any opportunity to deliver a 'service' within the current SCAS portfolio of commercial services within our current geography.	<£1.5m p/a	1. Must meet service line minimum margin requirements ² as approved by the board. 2. Full board are aware of and endorse opportunity and location of service and are content with the level of risk.	Executive Team Approval ¹	ED/FD/CEO approval to £0.5m
Any opportunity to deliver a 'service' within the current SCAS portfolio of commercial services outside of our current geography.	<£1.5m p/a	1. Must meet service line minimum margin requirements. 2. Full board are aware of and endorse opportunity and location of service and are content with the level of risk	Executive Team Approval ¹	ED/FD/CEO approval to £0.5m
Any opportunity to deliver a 'service' within the current SCAS portfolio of commercial services within our current geography.	>£1.5m p/a	1. Specific conditions of the opportunity to be discussed and agreed	Board Approval ²	Board Approval required
Any opportunity to deliver a 'service' outside of the current SCAS portfolio of commercial services ⁴ .	<£0.5m p/a	1. Specific conditions of the opportunity to be discussed and agreed. 2. Full board are aware of and endorse opportunity and location of service and are content with the level of risk.	Executive Team Approval	ED/FD/CEO approval to £0.5m
Any opportunity to deliver a 'service' outside of the current SCAS portfolio of commercial services.	>£0.5m p/a	1. Specific conditions of the opportunity to be discussed and agreed.	Board Approval ²	Board Approval required
Any extension of an existing commercial services contract.	<£4.0m p/a	1. Must meet service line minimum margin requirements. 2. No material changes to contract service specification. 3. Full board are aware of and endorse continuation of service.	Executive Team Approval ¹	ED/FD/CEO approval to £0.5m

¹ Executive team approval must include two of, CEO/DoF/DoS&BD plus one additional Executive Director;

² Board approval will be via on of the following arrangements a) Full Board discussion / approval at a scheduled Board meeting in private, b) Board discussion / approval as part of a Board seminar / workshop or conference call, or c) Board sub-group discussion / approval;

Capital

All Capital expenditure must be approved by the fixed asset group regardless of value

NO COMMITMENT CAN BE MADE UNTIL ALL RELEVANT AUTHORISATIONS ARE RECEIVED

7. Authorised Contract Signatories (Following Approval per Section 6)

Contract Value (full value over life of agreement)	Chief Executive	Board Approval Required
Existing Business (except as below)	Yes	no
New Business Under £500,000	yes	no
New Business £500,000 and above	yes	yes

7.1 The Assistant Director Contracts & Commercial Development will complete a covering sheet briefly outlining the contract / variation for final sign off for submission to Director of Finance covering:

Commissioner Type of
Service Value
(Income) Period of
Contract Benefits and
Risks

7.2 This sheet together with two copies of the contract /variation when approved by the Director of Finance will be signed by the Chief Executive as appropriate.

8. Expenditure Budgets

8.1 Expenditure budgets, both revenue and capital, must be prepared/approved by the appropriate Finance Manager using overhead allocations as approved by the Director of Finance from time to time. Particular care must be taken to identify revenue consequences of planned capital expenditure e.g. capital charges, maintenance and general running costs

9. Income Budgets

9.1 It is the responsibility of the Assistant Director Contracts & Commercial Development to inform the Assistant Director of Finance promptly of money due arising from transactions which they initiate / deal with, including contracts.

9.2 The Assistant Director Contracts & Commercial Development will liaise with Financial Control following the setting up of a new agreement in order that;

- Prompt and accurate invoices are raised in order to collect income due to the Trust
- Income budgets are revised to accurately reflect the Trust's financial position.

10. Equality Statement

The Trust is committed to promoting positive measures that eliminate all forms of unlawful or unfair discrimination on the grounds of age, marital status, disability, race, nationality, gender, religion, sexual orientation, gender reassignment, ethnic or national origin, beliefs, domestic circumstances, social and employment status, political affiliation or trade union membership, HIV status or any other basis not justified by law or relevant to the requirements of the post.

By committing to a policy encouraging equality of opportunity and diversity, the Trust values differences between members of the community and within its existing workforce, and actively seeks to benefit from their differing skills, knowledge, and experiences in order to provide an exemplary healthcare service. The Trust is committed to promoting equality and diversity best practice both within the workforce and in any other area where it has influence.

The Trust will therefore take every possible step to ensure that this procedure is applied fairly to all employees regardless of race, ethnic or national origin, colour or nationality; gender (including marital status); age; disability; sexual orientation; religion or belief; length of service, whether full or part-time or employed under a permanent or a fixed-term contract or any other irrelevant factor.

Where there are barriers to understanding e.g. an employee has difficulty in reading or writing or where English is not their first language additional support will be put in place wherever necessary to ensure that the process to be followed is understood and that the employee is not disadvantaged at any stage in the procedure. Further information on the support available can be sought from the Human Resource Department.

Appendix 1: Approval Sign-Off Sheet

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Service Level Agreement

**For provision of services between South Central Ambulance NHS
Foundation Trust**

And

Customer XXXXXXXXXXXXXXXXXXXX

Effective From: 00/00/0000 to 00/00/0000

Executive Director Approval	Director of Finance Approval	Board Approval
Signature	Signature	Reference to date of meeting where approval granted
Name	Name	
Date	Date	

For and on behalf South Central Ambulance NHS Foundation Trust

Signature
Name
Job Title
Date

For and on behalf Customer

Signature
Name
Job Title
Date

Date: XXXXXXXXX

Purpose

The purpose of this briefing paper is to provide an overview for the SCAS NHS FT Executive on the details of the XXXXXXXX Contract in preparation for signing by the CEO.

Contract and main services specification

Costing / charging model and activity

Key Performance Indicators

Main risk areas

The key risks areas for this contract remain as follows:

Table 3: Key risks

Risk	How will the risk manifest	Final position