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STANDING FINANCIAL INSTRUCTIONS

NGH-ST-182

STANDARDS

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STANDARDS

SECTION D: 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 the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.1.4. Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Director of Finance must be sought before acting. The user of these Standing Financial Instructions should also be familiar with and comply with the provisions of the Trust's Standing Orders.
- 1.1.5. **The failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.**
- 1.1.6. **Overriding Standing Financial Instructions** – 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 “Reservation of Matters Reserved to the Board” document. 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, and as Accountable Officer, to the Secretary of State, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust’s activities; is responsible to the Chairman and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust’s system of internal control.

1.2.4. 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.

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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.

10.2.9 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.

STANDING FINANCIAL INSTRUCTION

2. AUDIT

2.1. Audit and Risk Committee

2.1.1. In accordance with Standing Orders, the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the NHS Audit Committee Handbook (May 2011), which will provide an independent and objective view of internal control by:

- (a) overseeing Internal (including Counter Fraud) 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 and £5,000 old and 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.
- (h) the Audit and Risk Committee will periodically (as defined in its Terms of Reference) review the Waiver Register.
- (i) Performing its functions as detailed in its Terms of Reference

2.1.2. Where the Audit and Risk 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 and Risk

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Committee should raise the matter at a full meeting of the Board. Exceptionally, the matter may need to be referred to the Department of Health. (To the Director of Finance in the first instance.

2.1.3. It is the responsibility of the Director of Finance to ensure an adequate Internal Audit service is provided and the Audit and Risk Committee shall be involved in the selection process when/if an Internal Audit service provider is changed.

2.2. Director of Finance

2.2.1. The Director of Finance is responsible for:

- (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 and provides sufficient independent and objective assurance to the Audit and Risk Committee and the Accountable Officer;
- (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 and Risk 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 five 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.

2.3. Role of Internal Audit

2.3.1. Internal Audit will review, appraise and report upon:

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

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- 2.3.2. Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.
- 2.3.3. The Director of Internal Audit will normally attend Audit and Risk Committee meetings and has a right of access to all Audit and Risk Committee members, the Chairman and Chief Executive of the Trust.
- 2.3.4. The Director of Internal Audit shall be accountable to the Director of Finance. The reporting system for internal audit shall be agreed between the Director of Finance, the Audit and Risk Committee and the Director of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed at least every three years. Where, in exceptional circumstances, the use of normal reporting channels could be seen as a possible limitation of the objectivity of the audit, the Director of Audit shall seek advice of the Board Chairman or Chairman of the Audit and Risk Committee
- 2.3.5. The designated officers must carry out agreed audit recommendations within the timescale for action agreed with the Director of Internal Audit. Failure to do so shall be reported to the Chief Executive who shall take necessary action to ensure compliance with such recommendations.
- 2.3.6. The appointment and termination of the Head of Internal Audit and/or the Internal Audit Service must be approved by the Audit and Risk Committee.

2.4. External Audit

- 2.4.1. The External Auditor is appointed by the Audit Commission and paid for by the Trust. The Audit and Risk Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the External Auditor, then this should be raised with the External Auditor and referred on to the Audit Commission if the issue cannot be resolved.

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 Directions issued by the Secretary of State for Health on fraud and corruption.
- 2.5.2. The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) as specified by the Department of Health Fraud and Corruption Manual and guidance. The LCFS will normally attend Audit and Risk Committee meetings and has a right of access to all Audit and Risk Committee members, the Chairman and Chief Executive of the Trust.
- 2.5.3. The Local Counter Fraud Specialist shall report to the Trust Director of Finance and shall work with staff in the Counter Fraud and Security Management Services (CFSMS) and the Regional Counter Fraud and Security Management Services (CFSMS) in accordance with the Department of Health Fraud and Corruption Manual.
- 2.5.4. The Local Counter Fraud Specialist will provide an annual written report, on counter fraud work within the Trust.

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2.6. Security Management

- 2.6.1. In line with their responsibilities, the Trust Chief Executive will monitor and ensure compliance with Directions issued by the Secretary of State for Health on NHS security management.
- 2.6.2. The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary of State for Health guidance on NHS security management.
- 2.6.3. The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS).

STANDING FINANCIAL INSTRUCTION

3. ALLOCATIONS, PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING

3.1. Preparation and Approval of Plans and Budgets

- 3.1.1. The Chief Executive will compile and submit to the Board an Annual Plan which takes into account financial targets and forecast limits of available resources. The Annual 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.
- 3.1.2. Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit revenue and capital budgets for approval by the Board. Such budgets will:
 - (a) be in accordance with the aims and objectives set out in the Annual 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.
- 3.1.3. The Director of Finance shall monitor financial performance against budget and plan, periodically review them, and report to the Board.
- 3.1.4. All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled and monitored.
- 3.1.5. All budget holders will sign up to their allocated budgets at the commencement of each financial year.
- 3.1.6. The Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage successfully.

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3.2. Budgetary Delegation

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

- (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.

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

3.2.3. Authority for virement within Divisions is as described within Trust's Virement Policy

Virement between Divisions require joint authority from respective officers.

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

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

3.3. Non-Budget Expenditure

3.3.1. Budget holders must obtain the prior authorisation of the Chief Executive or the Trust Board before incurring (or authorising to be incurred) any planned expenditure which has not been provided for in an approved budget. Authorisation is required as follows:

a)	Expenditure up to £10,000	Any Executive Director or Divisional Director
b)	Expenditure between £10,000 and £50,000	Director of Finance
c)	Expenditure between £50,000 and £100,000	CEO
d)	Expenditure above £100,000	Trust Board or Delegated Committee (prior approval by Chief Executive Team)

3.4. Budgetary Control and Reporting

3.4.1. 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:
 - income and expenditure to date showing trends and forecast year-end position;
 - movements in working capital
 - Movements in cash and capital;
 - capital project spend and projected outturn against plan;
 - explanations of any material variances from plan;

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- 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;

- (a) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
- (b) investigation and reporting of variances from financial, workload and manpower budgets;
- (c) monitoring of management action to correct variances; and
- (d) arrangements for the authorisation of budget transfers

3.4.2. 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) with the exception of Medical and Dental Consultants, 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;
- (d) new Medical and Dental Consultant posts are identified and agreed to as part of the Annual Business Plan or via approval of a business case.
- (e) identifying and implementing cost improvements, cost savings and income generation initiatives to achieve a balanced budget; and
- (f) effective systems exist within the directorate to ensure that all expenditure is authorised in advance of commitment (e.g. operation of authorised signatory systems) and that the individuals incurring expenditure fully understand their budgetary control responsibilities.

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

3.4.4. The Performance Framework requires Divisional and Directorate Directors to consider the Divisional and Directorate finance report each month and take any corrective action to meet their delegated budget and Best Value and Cost Improvement targets.

3.5. Capital Expenditure

3.5.1. The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI 12).

3.6. Monitoring Returns

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

STANDING FINANCIAL INSTRUCTION

4. ANNUAL ACCOUNTS AND REPORTS

4.1. The Director of Finance

4.1.1. The Director of Finance, 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.
- (e) responsible for the issue of full guidance and timetables relating to the preparation of the financial returns and annual report to all finance and non-finance staff identified as stakeholders in the process.
- (f) will ensure that an adequate audit trail exists for the financial returns.
- (g) liaise with the Trust secretariat to ensure that the financial returns are examined by the Audit Committee and considered by and adopted by the Trust Board in accordance with the timetable.

4.2. Appointment of Auditors

4.2.1. The Trust's annual accounts must be audited by an auditor appointed by the Trust Board. The Trust's audited annual accounts must be presented to a public meeting and made available to the public.

4.3. Annual report and Quality Accounts

4.3.1 The Trust will publish an annual report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with the Department of Health's Manual for Accounts.

4.3.2 The draft management letter will be discussed with the Chief Executive and Director of Finance. It will also be discussed at a meeting of the Audit Committee prior to submission to the Board. In its final form, the management letter will be addressed and submitted to all members of the Board.

STANDING FINANCIAL INSTRUCTION

5. BANK AND GOVERNMENT BANKING SERVICE ACCOUNTS

5.1. General

5.1.1. The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts. This advice will take into account guidance/ Directions issued from time to time by the Department of Health. In line with "Cash Management in the NHS" Trusts should minimize the use of commercial bank accounts and consider using Government Banking Service accounts for all banking services.

5.1.2. The Board shall approve the banking arrangements

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5.2. Bank and OPG Accounts

5.2.1. The Director of Finance is responsible for:

- (a) bank accounts and Office of the Paymaster General (OPG) accounts;
- (b) establishing separate bank accounts for the Trust's non-exchequer funds;
- (c) ensuring payments made from bank or OPG 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.
- (e) monitoring compliance with DH guidance on the level of cleared funds.
- (f) all funds shall be held in accounts in the name of the Trust. No officer other than the Director of Finance shall open any bank account in the name of the Trust.

5.3. Banking Procedures

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

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

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

5.4. Tendering and Review

5.4.1. The Director of Finance will review the commercial banking arrangements of the Trust at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for the Trust's commercial banking business.

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

5.5. Signatories

5.5.1. SFI Schedule I set out the authority limits for cheque and other payments methods.

The Director of Finance will advise the bankers in writing of the officers authorised to release money from or draw cheques on each bank account of the Trust. Cancellation of authorisation will be notified promptly to the bankers.

5.6. Charitable Funds/Special Trustees

5.6.1. Charitable funds associated with the Trust are administered by Northampton General Hospital Charity. Guidance on the handling and management of donations etc. are contained in the Trust's Policy Manuals (Donations and Gifts).

5.7. External Borrowing - see section 20

STANDING FINANCIAL INSTRUCTION

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

6.1. Income Systems

- 6.1.1. The Director of Finance is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, and collection and coding of all monies due.
- 6.1.2. The Director of Finance is also responsible for the prompt banking of all monies received.

6.2. Fees and Charges

- 6.2.1. The Trust shall follow the Department of Health's advice in the "Costing" Manual in setting prices for NHS service agreements.
- 6.2.2. The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the guidance in the Department of Health's Commercial Sponsorship – Ethical standards in the NHS shall be followed.
- 6.2.3. All employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions. Relevant and full supporting details must be supplied.
- 6.2.4. An advanced deposit must be obtained for all self-pay elective activity equivalent to the estimated cost of the treatment in advance of any treatment being provided.
- 6.2.5. No officer of the Trust, except within the boundaries of any delegated authority, is allowed to confirm or agree with a third party (whether NHS or Non-NHS), any reduction to or waiver of the Trusts normal charges, without the prior express authority of the Director of Finance if less than £100,000, the Board if over £100,000.
- 6.2.6. The Trust will follow the NHS Guidance on overseas visitors hospital charging regulations and NHS Cost Recovery Programme guidelines

6.3. Debt Recovery

- 6.3.1. The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.
- 6.3.2. Income not received should be dealt with in accordance with losses procedures (Instruction 14 Disposals and Condemnations, Losses and Special Payments).

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- 6.3.3. Overpayments should be detected (or preferably prevented) and recovery initiated. Any phasing of agreed overpayment must be authorised by Director of Finance.
- 6.3.4. No officer without prior approval from the Director of Finance is allowed to agree with any third party to the cancellation or reduction of a legitimate debt owed to the Trust.

6.4. Security of Cash, Cheques and other Negotiable Instruments

- 6.4.1. The Director of Finance is responsible for:
- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
 - (b) ordering and securely controlling any such stationery;
 - (c) 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.
- 6.4.2. Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 6.4.3. All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.
- 6.4.4. The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss (Instruction 16 Patients Property).
- 6.4.5. Duties of Managers and Officers required to manage and handle cash must ensure that;
- (a) cash is recorded upon receipt, and that there is secure storage available for that cash until it is transferred to the Cashiers Office for banking.
 - (b) where practically possible all transactions are adequately witnessed and that amounts received are identical to those deposited in Finance.
 - (c) staff are not put at unnecessary risk while handling or transporting cash.
 - (d) adhere at all times to the guidance set out in the "Cash Handling" policy.

STANDING FINANCIAL INSTRUCTION

7. TENDERING AND CONTRACTING PROCEDURE

7.1. Duty to comply with Standing Orders and Standing Financial Instruction

- 7.1.1. The procedure for making all contracts by or on behalf of the Trust shall comply with these Standing Orders and Standing Financial Instructions (except where Standing Order No. 3.13 Suspension of Standing Orders is applied), supplemented by such operational procedures as deemed necessary by the Chief Executive and the Director of Finance. These operational procedures

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shall have effect as if incorporated in Standing Orders and Standing Financial Instructions.

7.1.2. For all procurements, the Trust's Procurement Policy must be followed. For procurement in relation to IT equipment or systems/Medical Equipment, regardless of value, the Head of ICT/relevant Clinical or Service Lead respectively must approve the specification prior to commencement of the procurement process.

7.1.3. Prior to tenders being invited, it must be confirmed that funding approval has been granted by the relevant board or committee; the proposed goods, services or works have been adequately specified; as appropriate, the design brief and drawings have been approved and signed off by the primary users; any required statutory approvals have been obtained. All requests for tenders, quotes or contracts for the Trust must have a unique code applied. This code is available from the Procurement team.

7.2. EU Directives Governing Public Procurement

Directives by the Council of the European Union promulgated by the Department of Health (DH) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Orders and Standing Financial Instructions. In the event of any conflict between these SFIs and such Directives, the Directives shall prevail.

7.3. Reverse e-Auctions

Tendering activity carried out by Reverse eAuction shall adhere to the **Procurement Policy**. The operational procedure shall have effect as if incorporated in Standing Orders and Standing Financial Instructions.

7.4. Capital Investment Manual and other Department of Health Guidance

The Trust shall comply as far as is practicable with the requirements of the Department of Health "Capital Investment Manual" and "Estate code" in respect of capital investment and estate and property transactions. In the case of management consultancy contracts the Trust shall comply as far as is practicable with Department of Health guidance "The Procurement and Management of Consultants within the NHS".

7.5. Formal Competitive Tendering (contract value of £100,000 excluding VAT or more)

7.5.1. General Applicability

Unless national contracts, Procure 21+, or similar procedures are followed quotes or tenders must be obtained for the following services:

- *the supply of goods, materials, equipment and manufactured articles;*
- *the rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the Department of Health or the NHS TDA);*
- *the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); and*
- *disposals.*

The number of quotes or tenders required is set out in the following table:

Goods & Services (including Capital)*
Up to £9,999: 1 quotation (advisable)

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Between £10,000 and £50,000: 3 written quotations (minimum)
Between £50,000 and OJEU Limit: Competitive tender process
Over OJEU Limit: EU directive applies

***Values exclude VAT and are over the life of the contract**

7.5.2. Health Care Services

Where the Trust elects to invite tenders for the supply of health care 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. 18 and No. 19.

7.5.3. Exceptions and instances where formal tendering need not be applied

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

- (a) the estimated expenditure or income is, or is reasonably expected to be, less than £50,000 (excluding VAT) over the life of the contract, Standing Financial Instruction No 6: 16.7 covering verbal and written quotations applies instead;
- (b) Where the supply relates to Medical equipment which has been subject to a clear approved purchasing plan and a fully documented evaluation process overseen by the Medical Equipment Sub Committee
- (c) where the requirement is covered by an existing contract;
- (d) where NHS Supply Chain, CPS or any other public sector body led (e.g. NHS collaborative procurement hub) agreements are in place which are legally constructed to permit the Trusts participation;
- (e) 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 where the Head of Procurement is satisfied that the consortium procurement arrangements conform to current statute and deliver value for money.
- (f) where the supply is proposed under special arrangements negotiated by the Department of Health in which event the said special arrangements must be complied with;
- (g) regarding disposals as set out in Standing Financial Instructions No. 14;
- (h) Formal tendering procedures **may only be** waived in very exceptional circumstances detailed in A to K below (up to the current Official Journal of The European Union limit for goods and services) in accordance with the procedure defined by the Director of Finance. The full circumstances for the waiver must be detailed in an appropriate Trust record maintained by the Director of Finance and reported to the Trust's Audit committee for scrutiny.

(d) where the timescale genuinely precludes competitive tendering. However, failure to plan the work properly is not a justification for a waiver of competitive tendering;

(e) where there is only one supplier of the goods or services required or where specialist expertise is required and is available from only one source;

(f) 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;

(g) where there is a clear benefit to be gained from maintaining continuity with an earlier project/equipment procurement exercise. In all cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;

(h) where allowed and provided for in the Capital Investment Manual.

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(i) where it is necessary to place an emergency „out of hours“ order or commit expenditure the on-call estates manager can agree with the Executive on-call to contract on the basis of a single verbal quote up to £10,000 and report this to the Director of Finance and Director of Facilities and Capital Development the next day.

(j) where it is necessary to place an emergency „out of hours“ order for ex formulary drugs the governing Pharmacy authorisation practice must be followed.

(k) for renewal of maintenance services under an original supplier contract to provide equipment or IT.

(l) for the provision of legal advice and services providing that any legal form 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 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 proposed that the circumstances in SFI 6, 16.5.3 apply, a formal request for a waiver of competition must be made in writing to the Head of Procurement using the required application form. This shall set out the nature of the goods and services, reasons why a waiver is deemed necessary, the proposed supplier and an estimate of the value of the contract concerned.

In considering waiver requests, the Head of Procurement must, and will, have regard for specific European Union legislation regarding requirements for competition and exemption from the specified processes where the value of the procurement exceeds the EU threshold.

Where the proposed waiver is for a contract with a value of less than £50 000 approval can be sought from Deputy Director of Finance, Head of Procurement or Director of Finance. If the contract value exceeds £100,000, the waiver must be approved by the Trust Board. Only after approval may the waiver be granted.

The details of every application for a waiver of competition and the reasons for approval or rejection shall be documented in a Tender Waivers Register held by the Director of Finance and reported to the Trust's Audit Committee at each meeting.

7.5.4. Fair and Adequate Competition

Where the exceptions set out in SFI Nos. 6, 16.1 and 16.5.3 apply; the Trust shall ensure that all tender opportunities are advertised on the Trusts e-Tendering portal to provide fair and adequate competition as set out in section 16.5.1 above..

7.5.5. Building and engineering construction works approved firms

The Trust shall ensure that the firms/individuals invited to tender (and where appropriate, quote) are among those on approved lists, where approved lists are held either by the Trust or third parties. Seeking of tenders from suppliers not on the approved lists shall be treated as a waiver of these SFIs. Such instances must be approved in writing by the Director of Finance, recorded in the Tender Waivers Register and reported to the Audit Committee (see also SFI 6, 16.6.7 List of Approved Firms). Where Framework Agreements have been

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tendered, the rotation of firms may depend upon particular expertise otherwise on a fair basis. Under EU procurement regulations the restriction of competition to approved lists of companies is not permitted and therefore such lists should not be held for goods/services where the threshold captures a significant proportion of tendered business.

7.5.6. Building and Engineering Construction Works

Competitive Tendering cannot be waived for building and engineering construction works and maintenance (other than in accordance with Concode) without Dept. of Health approval.

7.5.7. 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 and which subsequently prove to have a value above such limits shall be reported to the Director of Finance. He/she will ensure that they are recorded in the [Procurement Non Tender Breaches Register] which he/she holds and are reported to the Audit Committee.

7.6. Contracting/Tendering Procedure

7.6.1. Invitation to tender –Electronic EU Tenders

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 one of the Trusts approved Verifiers within the Trust's e-tender solution.

(ii) The Trust's e-tender solution shall act as a register 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 electronically opened;
- the verifier that opened the tender;
- the price shown on each tender;
- a note where price alterations have been made on the tender.

(iii) 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. (See No. 16.6.3 below).

7.6.2. Admissibility

(i) 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.

(ii) Where only one tender is sought and/or received, the Chief Executive and Director of Finance shall, as far practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the Trust.

7.6.3. Late tenders – not allowable via electronic system

(i) 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 their nominated officer decides that there are exceptional circumstances i.e. despatched in good time but delayed through no fault of the tenderer.

(ii) 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.

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(iii) 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 nominated officer.

7.6.4. Acceptance of formal tenders

(i) 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, 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.

7.7. Quotations: Competitive and non-competitive

Quotations can be handled entirely by the Procurement Department in liaison with the respective Division. Further details are provided in the Trust's Procurement Policy. The policy is complementary to the Standing Financial Instructions and use is mandatory for all staff involved in any aspect of procurement. The Head of Procurement is responsible for the provision and updating of the policy.

7.7.1. Competitive Quotations (*contract value less than £50,000 excluding VAT over the life of the contract*)

(i) Competitive quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to be less than £50,000 (excluding VAT). If the actual expenditure later becomes £50,000 or more (excluding VAT), the Director of Finance must be requested to approve the allocation of work without the use of competitive tendering. The Head of Procurement is responsible for ensuring that a process is in place to ensure that declarations of interest forms have been received for all individuals involved in evaluating the quotations prior to any contract award, where the contract value exceeds £50,000.

(ii) Quotations should be obtained per section 16.5.1. In all cases adhering to Trust Terms and conditions unless agreed by the Head of Procurement.

(iii) Quotations should be submitted via the Trusts e-Tendering solution or in writing, unless the Director of Finance 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 must be obtained in writing/email as soon as

possible and the reasons why the telephone quotation was obtained should be set out in a permanent record.

(iv) All quotations should be treated as confidential and should be retained for inspection.

(v) The Head of Procurement and the respective Directorate should evaluate the competitive quotation and select the quote which gives the best value for money. If this is not the lowest quotation if payment is to be made by the Trust, or the highest if payment is to be received by the Trust, then the choice made and the reasons why should be recorded in a permanent record.

7.7.2. Non Competitive Quotations

For the circumstances set out in section 16.5.3 competitive quotes are not required. However, a written quotation must be obtained from the preferred supplier.

7.7.3. 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.

7.8. Authorisation of Tenders and Competitive Quotations

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, *including contract signing*, may be decided by the following staff to the value of the contract as follows:

- Any Director voting or otherwise and persons directly reporting to Chief Operating Officer under £100,000 (excluding VAT) with professional guidance from the Head of Procurement.
- Director of Finance and Director of Facilities between £100,000 and £500,000 (excluding VAT) with professional guidance from the Head of Procurement.
- Chief Executive Officer up to £1,000,000 (excluding VAT) with professional guidance from the Head of Procurement.
- Trust Board £1,000,000 or more (excluding VAT). Contracts will be signed on behalf of the Board by:
 - (a) An Executive Director where a contract has been approved for award by the Trust Board.
 - (b) The Director of Finance where a contract has been approved for award by Chairman's Action and this is awaiting Trust Board ratification;

These levels of authorisation may be varied or changed and need to be read in conjunction with the Trust Board's Scheme of Delegation.

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

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

Where competitive tendering or a competitive quotation is not required, the Trust shall use in preference and where possible the NHS supply chain or any other procurement public sector body whose agreements are legally constructed to permit the trust's participation unless the

Director of Finance or nominated officers deem it inappropriate. The decision to use alternative sources must be documented.

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

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) Where the sum exceeds delegated limits, a business case must be referred to the Department of Health for approval or treated as per current guidelines.
- (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.

7.11. Compliance requirements for all contracts

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

- (a) The Trust's Standing Orders and Standing Financial Instructions;
- (b) EU Directives and other statutory provisions;
- (c) Any relevant directions including the Capital Investment Manual, Estatecode and guidance on the Procurement and Management of Consultants;
- (d) Such of the NHS Standard Contract Conditions as are applicable;
- (e) Contracts with Foundation Trusts must be in a form compliant with appropriate NHS guidance;
- (f) Where appropriate contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited.
- (g) In all contracts made by the Trust, the Board shall endeavour to obtain best value for money by use of all systems in place. The Chief Executive shall nominate an officer who shall oversee and manage each contract on behalf of the Trust.

7.11.2. Every contract shall specify:

- (a) The same terms and conditions of contract as was the basis on which tenders or quotations were invited. Letters of intent should include all the tender conditions to preserve the contractual relationship before formal execution;
- (b) The work, materials to be used, quality specification and service specification (where applicable);
- (c) The price to be paid with a statement of discounts or other deductions if any;
- (d) The time or times within which the contract is to be performed (where applicable);
- (e) Quality standards and compliance monitoring arrangements.

7.12. 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.

7.13. Cancellation of Contracts

Except where specific provision is made in model Forms or Contracts or standard Schedules of Conditions approved for use within the National Health Service, there shall be inserted in every written contract a clause empowering the Trust to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor or a member of his employ (whether with or without his knowledge) has offered, given or agreed to give, any person any gift or consideration of any kind as an inducement or reward for carrying out or failing to carry out any action in relation to the obtaining or execution of the contract or any other contract with the Trust, or if in relation to any contract with the Trust the contractor or any person employed by him/her or acting on his/her behalf shall have

committed any offence under the Prevention of Corruption Acts 1906 and 1916 and other appropriate legislation.

7.14. Determination of Contracts for Failure to Deliver Goods or Material and liquidated damages

7.14.1. There shall be inserted in every written contract for the supply of goods or materials, a clause to ensure that, should the contractor fail to deliver the goods or materials or any portion thereof within the time or times specified in the contract, the Trust may without prejudice determine the contract either wholly or to the extent of such default and purchase other goods, or material of similar description to make good (a) such default, or (b) in the event of the contract being wholly determined, the goods or materials remaining to be delivered. The clause shall further secure that the amount by which the cost of so purchasing other goods or materials exceeds the amount which would have been payable to the contractor in respect of the goods or materials shall be recoverable from the contractor.

7.14.2. All contracts for building and engineering works shall include provision for liquidated damages having regards to the CONCODE provisions. Where a sum above the minimum is required, this shall be determined by the Project Officer in accordance with an estimate of the damages the Trust is likely to incur through late completion of the works by the contractor provided that the amount so derived does not in the opinion of the Project Director or their nominee amount to a penalty.

7.14.3. The Project Director shall determine when liquidated damages shall be enforced after consultation with the Design Team and, if the Project Director considers it necessary, with lawyers

7.15. Goods & Services Contracts

All contracts for the supply of goods and services should be referred to the Procurement department. Under no circumstances should individuals enter into negotiations or sign agreements or Contracts without help and support from the Procurement Department.

7.16. Healthcare Services Agreements (see overlap with SFI No. 7)

Service agreements with NHS providers for the supply of healthcare services shall be drawn up in accordance with the NHS and Community Care Act 1990 and administered by the Trust. Service agreements are not contracts in law and therefore not enforceable by the courts. However, a contract with an NHS Foundation Trust, being a Public Benefit Corporation, is a legal document and is enforceable in law.

The Chief Executive shall nominate officers to commission service agreements with providers of healthcare in line with a commissioning plan approved by the Board.

7.17. Disposals (See overlap with SFI No. 14)

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 £1,000, 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 Department of Health guidance has been issued but subject to compliance with such guidance.

For any item which is to be disposed of by sale, in any form, i.e. competitive tender, quotation, non-competitive quotation or advertisement, the Trust's Recording and Disposal of Fixed Assets Policy **must** be followed.

7.18. In-house Services

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

7.18.2. In all cases where the Trust 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(s).
- b) In-house tender group, comprising representatives of the in-house team, a nominee of the Chief Executive and technical support.
- c) Evaluation group, comprising normally a specialist officer, a member of the Procurement and Supplies department and a Director of Finance representative.

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

7.18.4. The evaluation group shall make recommendations to the Board.

7.18.5. The Chief Executive shall nominate an officer to oversee and manage the contract.

7.19. Research and Development

7.19.1. All research activities (sponsored or unsponsored), to be undertaken by Trust employees, or staff paid directly or indirectly by the Trust and/or using Trust premises, facilities or resources of any kind and/or involving Trust patients or volunteers, must be reported to the Trust's Research & Development (R&D) Office.

7.19.2. This office has been established to support staff in their research activities, assist them in securing the most beneficial contracts, and ensuring intellectual property rights are properly protected for the benefit of the individual and the Trust.

Individuals, who do not take projects (which utilise Trust resources) through the R&D Office, shall be liable to reimburse the Trust a sum for overhead costs as determined by the Director of Research & Development.

7.19.3. The R&D Office will have a number of standard operating procedures.

7.20. ICT procurement

7.20.1. There is a need for a consistent approach to ICT procurement, security, development and practice in the Trust, to ensure value for money and that

opportunity and risks associated with the above are properly managed. The Trust will have a number of standard policies and procedures

7.20.2. Compliance with these policies and procedures is compulsory. Systems (hardware/software) purchased or in use without due authority from the Head of ICT will not be supported and may result in disciplinary action being taken.

7.21. Leases

7.21.1. Director of Finance can authorise the arrangement of operational or finance leases with a total lifecycle value (including residual value) of less than £1,000,000.

Leases with a lifecycle cost of more than £1,000,000 must be authorised by the Board.

STANDING FINANCIAL INSTRUCTION

8. NHS SERVICE AGREEMENTS FOR PROVISION OF SERVICES

8.1. Service Level Agreements (SLAs)

8.1.1. The Chief Executive, as the Accountable Officer, is responsible for ensuring the Trust enters into suitable Service Level Agreements (SLA) with service commissioners for the provision of NHS services.

All SLAs should aim to implement the agreed priorities contained within the Local Delivery Plan (LDP) and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive should take into account:

- 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;
- that SLAs build where appropriate on existing Joint Investment Plans;
- that SLAs are based on integrated care pathways.

8.2. Involving Partners and jointly managing risk

A good SLA 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 SLA will apportion responsibility for handling a particular risk to the party or parties in the best position to influence the event and financial arrangements should reflect this. In this way the Trust can jointly manage risk with all interested parties.

8.3. Reports to Board on SLAs

The Chief Executive, as the Accountable Officer, will need to ensure that regular reports are provided to the Board detailing actual and forecast income from the SLA. 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 SLAs.

STANDARDS

STANDING FINANCIAL INSTRUCTION

9. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE TRUST BOARD AND EXECUTIVE COMMITTEE AND EMPLOYEES

9.1. Remuneration and Terms of Service

- 9.1.1. In accordance with Standing Orders the Board shall establish a Remuneration Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.
- 9.1.2. The Committee shall have delegated authority from the Trust Board to determine the broad remuneration policy and performance management framework and to decide the remuneration, allowances and other terms and conditions of office for the Trust's senior managers; to monitor and evaluate the performance of individual officer members (and other senior employees); and to oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.
- 9.1.3. The Remuneration Committee Chair shall report orally to the Board after each of its meetings.
- 9.1.4. The Remuneration Committee will receive reports detailing all Trust employees who have been made redundant or taken early retirement. These reports will include the cost of the redundancy or early retirement.
- 9.1.5. The Trust will pay allowances to the Chairman and non-officer members of the Board in accordance with instructions issued by the Secretary of State for Health.

9.2. Funded Establishment

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

9.3. Staff Appointments

- 9.3.1. All new Medical and Dental Consultant posts must form part of the Division's annual Business Plan. Exceptionally the relevant Trust committee may approve business cases to grant funding for a new post in year.
- 9.3.2. For all other Staff groups, 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:
 - (a) unless authorised to do so by the Chief Executive;
 - (b) within the limit of their approved budget and funded establishment

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(c) Any bookings of agency nurses must be made via the MAPS Health Roster/Staff Bank system or on the written order of an Executive Director

9.3.3. No officer or employee of the Trust may commit the Trust to any redundancy, early retirement, or negotiated employment termination settlement without the approval in advance of the Director of Finance and Director of Workforce and Transformation subject to prevailing Treasury approval requirements.

9.3.4. Approve redundancy payments, non-contractual payments and compromise agreements.

- Total package less than £50 000 - Director of Finance and Director of Workforce and Transformation.
 - Total package exceeding £100,000 - Remuneration Committee
- These are subject to TDA rules regarding total package allowances

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

9.4. Processing Payroll

9.4.1. The Director of Finance is responsible for:

- (a) specifying timetables for submission of properly authorised time records and other notifications;
- (b) the final determination of pay and allowances;
- (c) making payment on agreed dates;
- (d) agreeing method of payment.

9.4.2. The Director of Finance will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- (c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- (d) security and confidentiality of payroll information;
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;
- (g) methods of payment available to various categories of employee and officers;
- (h) procedures for payment by cheque, bank credit, or cash to employees and officers;
- (i) procedures for the recall of cheques and bank credits;
- (j) pay advances and their recovery;
- (k) maintenance of regular and independent reconciliation of pay control accounts;
- (l) separation of duties of preparing records and handling cash;
- (m) 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.
- (n) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement
- (o) Where the payroll service has been contracted out, these instructions will be agreed between the parties concerned and documented as part of the SLA.

9.4.3. Appropriately nominated managers have delegated responsibility for:

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- (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.

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

9.4.5. The dates on which the payments of salaries and wages are to be made, including special circumstances (e.g. Christmas and other bank holidays), will be in accordance with agreed timetables, having regard to the general rule that it is undesirable to make payments in advance. Payment to an individual shall not be made in advance of the normal pay day, except as authorised by the Director of Finance to meet special circumstances and limited to the net pay due at the time of payment.

9.5. Contracts of Employment

9.5.1. The Board shall delegate responsibility to a nominated manager for:

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

9.6. Ex-Gratia Payments

9.6.1. Ex-gratia payments can only be made after approval has been obtained in accordance with schedule III of the SFI's.

9.7. Managers Responsibility

9.7.1. Managers are responsible for:

- (a) following the procedures and guidance relating to the completion and submission of payroll documentation.
- (b) submission of termination forms submitted to payroll as soon as an employee within their establishment resigns, is terminated or gives notice of retirement.
- (c) ensuring that there are appropriate systems of internal check and control in place within their directorate etc, to ensure that time records, expense claims etc. are capable of meaningful certification.

STANDING FINANCIAL INSTRUCTION

10. NON-PAY EXPENDITURE

10.1. Delegation of Authority

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

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10.1.2. The Chief Executive will set out:

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

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

10.2. Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services (see overlap with Standing Financial Instruction No. 6)

10.2.1. 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.

10.2.2. 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.

10.2.3. 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 properly authorised accounts and claims;
- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
 - (i) A list of Board employees (including specimens of their signatures) 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;

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- 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. 9, 19.2.4 below.

10.2.4. Prepayments

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

- (a) Prepayments are only permitted where the financial advantages outweigh the disadvantages;
- (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 course of 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.

10.2.5. Official orders

As a norm official orders must be generated by the Trusts Finance and Procurement System, however exceptions to this are delegated areas such as Pharmacy and Estates where orders are generated through their local IT system. All orders must adhere to the Trusts Standing Financial Instructions and NHS Terms & Conditions.

10.2.6. 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 Standing Order No. 6 and the principles outlined in the national guidance contained in HSG 93(5) Standards of Business Conduct for NHS Staff, the Code of Conduct for NHS Managers 2002 and the ABPI Code of Professional Conduct relating to hospitality/gifts from pharmaceutical/external industry.

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- (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 purchases from petty cash or a purchase card;
- (g) all orders must time and or value limited with an annual renewal unless clear advantages in achieving value for money can be demonstrated from longer term agreements.
- (h) 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";
- (i) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (j) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (k) changes to the list of employees and officers authorised to certify invoices are notified to the Director of Finance;
- (l) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance;
- (m) petty cash records are maintained in a form as determined by the Director of Finance.
- (n) No officer shall place any order with an individual to whom the officer is related or with any firm in which the officer has a financial interest without first making a declaration of interest in writing to the Trust in accordance with guidance on "Standards of Business Conduct for NHS Staff".

10.2.7. Receipting of goods and services

All departments must have arrangements in place that ensure that:

- a) Goods and services ordered are received and checked for quality and acceptability against the order specification.
- b) That a goods are receipted on the Oracle electronic finance and procurement system.

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

10.2.9. The Director of Finance is responsible for maintaining and updating a register of financial authorities.

10.3. Joint Finance Arrangements with Local Authorities and Voluntary Bodies (see overlap with Standing Order No. 9.1)

10.3.1. 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. (See overlap with Standing Order No. 9.)

10.4. Responsibilities of All Employees

10.4.1. All employees must:

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- prior to raising or authorising any requisition ensure that adequate budgetary provision exists against the budget code they are using, or they have made appropriate arrangements for virement or reporting the expected over commitment. If these checks have not been undertaken or budgetary provision does not exist, they should draw this to the attention of the signatory/line manager.
- follow the Trust's procedures when obtaining goods, works and services (e.g. Tendering for Goods and Services Procedure) and obtain best value for money,
 - (a) follow the Trust's procedures on certifying receipt of goods, works and services to enable invoices to be paid (relevant management procedures);
 - (b) and in particular note and comply with the following points:-
 - i) prepayments are permitted only in exceptional circumstances and must be approved in advance by the Director of Finance,
 - ii) all must be placed via the appropriate purchasing system for approval
 - iii) ensure that "Catalogue Items" used wherever possible,
 - iv) Budgetary provision exists, unless the transaction is specifically authorized by the Director of Finance on behalf of the Chief Executive,
 - v) not seek to place orders with firms who have made offers of gifts, rewards or benefits (see Standards of Business Conduct),
 - vi) not take goods on trial or loan where this commits the Trust to a future purchase,
 - vii) not split requisitions to avoid financial thresholds. Under no circumstances enter into any contracts, including rental and leasing agreements without support from Procurement.
 - viii) Telephone and direct orders to suppliers are not permitted

10.5. Supplies

10.5.1. The Trust Supplies department will:-

- (a) only process properly authorised requisitions and ensure that competition is (or has been) appropriately taken in accordance with the Trust's Tendering for Goods and Services Procedure;
- (b) liaise with the Director of Finance on issues regarding the systems for ordering, receipt and payment;
- (c) place sequentially numbered Purchase Orders incorporating the Trust's terms and conditions of trade.

10.6. Petty Cash

10.6.1. Purchases that will be reimbursed from petty cash are restricted in type (see Schedule II part b) and value (currently £75, see Schedule II part a) and must be supported by receipt(s) and certified by an authorised signatory. Other types of expenditure and financial limits that can be reimbursed from petty cash are listed in Schedule II to the SFIs.

10.6.2. The Director of Finance will determine record-keeping and other instructions relating to petty cash.

STANDING FINANCIAL INSTRUCTION

11. EXTERNAL BORROWING

11.1. General

- 11.1.1. The Director of Finance will advise the Board concerning the Trust's ability to pay dividend on, and repay Public Dividend Capital and any proposed new borrowing, within the limits set by the Department of Health. The Director of Finance is also responsible for reporting periodically to the Board concerning the PDC debt and all loans and overdrafts.
- 11.1.2. The Board will agree the list of employees (including specimens of their signatures) who are authorised to make short term borrowings on behalf of the Trust. This must contain the Chief Executive and the Director of Finance.
- 11.1.3. The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 11.1.4. All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position, represent good value for money, and comply with the latest guidance from the Department of Health. Any short term borrowing requirement in excess of one month must be authorised by the Director of Finance.
- 11.1.5. Any short-term borrowing must be with the authority of two members of an authorised panel, one of which must be the Chief Executive or the Director of Finance. The Board must be made aware of all short term borrowings at the next Board meeting.
- 11.1.6. All long-term borrowing must be consistent with the plans outlined in the current Annual Plan and be approved by the Trust Board.
- 11.1.7. All loans, or changes to loans, must be approved by the Director of Finance or Trust Board
- 11.1.8. Any application for a loan or overdraft will only be made by the Director of Finance or by an employee so delegated by him/her.
- 11.1.9. The Director of Finance will include any key balance sheet changes in the Finance prepared for the Trust Board. This will include changes to public dividend capital and other borrowings.

11.2. INVESTMENTS

- 11.2.1. Temporary cash surpluses must be held only in such public or private sector investments as notified by the Secretary of State and authorised by the Board.
- 11.2.2. 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.
- 11.2.3. The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

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STANDING FINANCIAL INSTRUCTION

FINANCIAL FRAMEWORKS

11.3. Director of Finance

11.3.1. The Director of Finance should ensure that members of the Board are aware of the Financial Framework. This document contains directions which the Trust must follow. It also contains directions Trust Development Authority regarding resource and capital allocation and funding to Trust's. The Director of Finance should also ensure that the direction and guidance in the framework is followed by the Trust.

STANDING FINANCIAL INSTRUCTION

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

12.1. Capital Investment

12.1.1. 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.

12.1.2. For every capital expenditure proposal the Chief Executive shall ensure:

- (a) that a business case (in line with the guidance contained within the *Capital Investment Manual*) 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;
 - (ii) appropriate project management and control arrangements;
- (a) that the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case and involved appropriate Trust personnel and external agencies in the process.

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

12.1.4. 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.

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

12.1.6. 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;
- (c) approval to accept a successful tender.

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

12.1.7. The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures shall fully take into account the delegated limits for capital schemes included in Annex C of HSC (1999) 226 and subsequent guidance issued by the Department of Health

12.2. Private Finance (see overlap with SFI No. 6, 16.10)

12.2.1. The Trust should normally test for PFI when considering capital procurement. When the Trust proposes to use finance which is to be provided other than through its Allocations, 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 Department of Health or in line with any current guidelines.
- (c) The proposal must be specifically agreed by the Board.

12.3. Asset Registers

12.3.1. The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year. Medical and ICT Equipment and will be identified and managed by the Medical Equipment and ICT departments respectively.

12.3.2. The Trust shall maintain an asset register recording fixed assets with sufficient details to enable the assets identification, type of asset, location, budget holder and asset manager.

The minimum data set to be held within these registers shall be as specified under International Financial Reporting Standards (IFRS), the Manual for Accounts and other guidance as issued by the Department of Health.

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

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- (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.

12.3.4. Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

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

12.3.6. The value of each asset shall be indexed to current values in accordance with methods specified by the Department of Health in the NHS Manual for Accounts.

12.3.7. The value of each asset shall be depreciated using methods and rates as specified by the Department of Health in the NHS Manual for Accounts.

12.3.8. The Director of Finance of the Trust shall calculate and pay capital charges as specified by the Department of Health in the NHS Manual for Accounts.

12.3.9. The financial value of a project is the total cost, including all works, furniture, equipment, fees, land and VAT. The procurement of a project in parts, such that any part is below the financial limits, is expressly forbidden.

12.4. Security of Assets

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

12.4.2. Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:

- (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.

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

12.4.4. Whilst each 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.

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

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

STANDING FINANCIAL INSTRUCTION

13. STORES AND RECEIPT OF GOODS

13.1. General position

13.1.1. A controlled store is one which is subject to formal control over access to stocks and detailed records are kept of stock, issues and receipts. Stock is subject to an annual stocktake and subject to formal valuation at the lower of cost and not realisable value. Transactions are only charged to departmental budgets when stock is issued from the store.

13.1.2. Departmental stores are unlikely to have the same level of control as controlled stores and transactions are charged to departmental budgets on receipt of goods. Stock should be subject to periodic stocktake and material differences between year-end figures notified to the Director of Finance.

13.1.3. A number of principles apply to the operation of all stores; managers of stores and stock are responsible for ensuring:-

- (a) kept to a minimum commensurate with delivery and cost effective purchasing;
- (b) subjected to annual stock take, which complies with Year End procedures and timetable issued by the Finance Department.;
- (c) valued at the lower of cost and net realizable value.
- (d) losses and the disposal of obsolete stock are reported to the Director of Finance (and Local Counter Fraud Officer/Risk Management where there is loss due to theft, criminal damage or other untoward incident). (See also SFI 12).

13.2. Control of Stores, Stocktaking, condemnations and disposal

13.2.1. 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 a designated Manager/Pharmaceutical Officer; the control of any fuel oil and coal of a designated estates manager.

13.2.2. The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager/Pharmaceutical Officer. Wherever practicable, stocks should be marked as health service property.

13.2.3. 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.

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13.2.4. 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.

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

13.2.6. The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also overlap with SFI No. 14 Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

13.3. Goods supplied by NHS Supply Chain

13.3.1. 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 Accounts Payable who shall satisfy himself that the goods have been received before accepting the recharge.

STANDING FINANCIAL INSTRUCTION

14. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

14.1. Disposals and Condemnations

14.1.1. Procedures

The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to all relevant managers. In the case of Medical and ICT equipment the notification of disposal will be received from the medical equipment or ICT equipment management databases.

14.1.2. When it is decided to dispose of a Trust asset, the Head of Department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.

14.1.3. All unserviceable articles shall be:

- (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 or other notification approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of.

14.1.3. 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.

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14.1.4. Sales to 3rd parties must be accompanied by an indemnity in accordance with Trust Disposal Procedures.

14.2. Losses and Special Payments

14.2.1. Procedures

The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.

14.2.2. 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. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the relevant LCFS and CFSMS regional team in accordance with Secretary of State for Health's Directions. The Director of Finance must notify the Counter Fraud and Security Management Services (CFSMS) and the External Auditor of all frauds.

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

- (a) the Board,
- (b) the External Auditor.

14.2.4. Following processes notified by the Department of Health and within limits delegated to it by the Department of Health, the Board shall approve the writing-off of losses.

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

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

14.2.7. The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.

14.2.8. No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.

14.2.9. All losses and special payments must be reported to the Audit Committee at every meeting.

14.2.10. Delegation of authority to approve losses and special payments is set out in schedule III.

STANDING FINANCIAL INSTRUCTION

15. INFORMATION TECHNOLOGY

15.1. Responsibilities and duties of the Director of Finance

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15.1.1. The Director of Finance, 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.

15.1.2. The Director of Finance shall need to ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.

15.1.3. The Director of Corporate Development Governance and Assurance shall publish and maintain a Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about our Trust that we make publicly available.

15.2. Responsibilities and duties of other Directors and Officers in relation to computer systems of a general application

15.2.1. 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 Director responsible for IT.

- (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.

15.3. Contracts for Computer Services with other health bodies or outside agencies

The Director of Finance shall ensure that contracts for computer services for financial applications with another health organisation or any other agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.

Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation.

15.4. Risk Assessment

The Director of Finance shall ensure that risks to the Trust arising from the use of IT are effectively identified and considered and appropriate action taken to mitigate or control risk. This shall include the preparation and testing of appropriate disaster recovery and business continuity plans.

15.5. Requirements for Computer Systems which have an impact on corporate financial systems

Where computer systems have an impact on corporate financial systems the Director of Finance 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.

STANDING FINANCIAL INSTRUCTION

16. PATIENTS' PROPERTY

16.1. General

16.1.1. 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.

16.2. Chief Executive Responsibilities

16.2.1. The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission by:

- notices and information booklets;
- hospital admission documentation and property records;
- the oral advice of administrative and nursing staff responsible for admissions,

that the Trust will not accept responsibility or liability for patients' property brought into 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.

16.3. Management of Property

16.3.1. 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.

16.3.2. Where Department of Health instructions require the opening of separate accounts for patients' moneys, these shall be opened and operated under arrangements agreed by the Director of Finance.

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16.3.3. In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.

16.3.4. Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.

16.3.5. 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.

STANDING FINANCIAL INSTRUCTION

17. ACCEPTANCE OF GIFTS BY STAFF AND LINK TO STANDARDS OF BUSINESS CONDUCT (see overlap with SO No. 6 and SFI No. 21.2.6 (d))

17.1. Director of Finance Responsibilities

17.1.1. The Director of Finance shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff. This policy follows the guidance contained in the Department of Health circular HSG (93) 5 Standards of Business Conduct for NHS Staff; the Code of Conduct for NHS Managers 2002; and the ABPI Code of Professional Conduct relating to hospitality/gifts from pharmaceutical/external industry and is also deemed to be an integral part of these Standing Orders and Standing Financial Instructions (see overlap with SO No. 6).

STANDING FINANCIAL INSTRUCTION

18. RETENTION OF RECORDS

18.1. Chief Executive responsibilities

18.1.1. The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Department of Health guidelines.

18.2. General

18.2.1. The records held in archives shall be capable of retrieval by authorised persons.

18.3. Records Destruction

18.3.1. 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.

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STANDING FINANCIAL INSTRUCTION

19. RISK MANAGEMENT AND INSURANCE

19.1. Programme of Risk Management

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.

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

19.2. Insurance: Risk Pooling Schemes administered by NHSLA

The Board shall decide if the Trust will insure through the risk pooling schemes administered by the NHS Litigation Authority or self-insure for some or all of the risks covered by the risk pooling schemes. If the Board decides not to use the risk pooling schemes for any of the risk areas (clinical, property and employers/third party liability) covered by the scheme this decision shall be reviewed annually.

19.3. Insurance arrangements with commercial insurers

19.3.1. 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:

- (1) Trust's may enter commercial arrangements for **insuring motor vehicles** owned by the Trust including insuring third party liability arising from their use;
- (2) where the Trust is involved with a consortium in a **Private Finance Initiative contract** and the other consortium members require that commercial insurance arrangements are entered into; and
- (3) where **income generation activities** take place. Income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the Trust for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage

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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.

19.4. Arrangements to be followed by the Board in agreeing Insurance cover

(1) Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority the Director of Finance shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Director of Finance shall ensure that documented procedures cover these arrangements.

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

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

SCHEDULES TO STANDING FINANCIAL INSTRUCTIONS

Schedule I

**SFI No. 4
BANK ACCOUNTS AND PGO ACCOUNTS**

SFI SECTION	Description	Maximum Amount
4.5.1	<p><i>Cheque and other non PGO signatories:</i></p> <p><u>Single signature</u></p> <p style="padding-left: 40px;"><i>Open Cheques</i> £2000</p> <p style="padding-left: 40px;"><i>Crossed Cheques</i> £25000</p> <p><u>Double Signature</u></p> <p style="padding-left: 40px;"><i>Open Cheques – any two signatories</i> £5000</p> <p style="padding-left: 40px;"><i>Crossed Cheques – any two signatories</i> £250000</p> <p style="padding-left: 40px;"><i>Crossed Cheques – Director of Finance / Chief Executive and other signatory</i> No Limit</p> <p><i>PGO Signatories</i></p> <p style="padding-left: 40px;"><i>Any two signatories</i> No limit</p> <p><i>BACS Transfer</i></p> <p style="padding-left: 40px;"><i>Requiring pre-payment review and certification of individual invoice payment by BACS transfers by any authorised signatory for cheques</i> Above £250000</p>	

SCHEDULE II

SFI SECTION	Description	Maximum Amount
8.5.1	Petty Cash payments	
	Return of Patients Cash	Up to the amount of cash deposited for safe keeping
	Payment of Patients Fares	Up to the amount of fares paid
	Return of Rental Accommodation key deposits	Up to the amount of deposit
	Cremation Fees	£750
	All other petty cash payments	£75
Part B		
SFI SECTION	Description	Maximum Amount
	Hospitality	This includes all supplies of catering, restaurant or bar bills, and purchases of food and drink from supermarkets. Hospitality must be ordered from the Trust's catering department
	Phone Cards	Mobile phones are supplied by the Trust for staff who needs them as part of their job. If someone has used their own phone for Trust business the cost of individual calls must be claimed using the Staff Expenses Claim processes.
	Postage	All postage should be submitted to the Post room to be franked.
	Staff Gifts, Flowers etc.	Gifts can only be funded by staff collections, not by the Trust.
	Staff Pay	Any extra pay for additional duties must be paid via payroll
	Staff Travel and subsistence	All costs should be claimed using the Staff Expenses Claim processes.

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SCHEDULE III**SFI NO. 14
LOSSES AND SPECIAL PAYMENTS**

Prior NHS executive approval is required to make payments or write off losses in excess of Trust funds

Description	Trust Limit £000	Summary of Internal Delegation				£000
		£000 £000	£000	£000	£000	
Write off NHS Debtors	Full Delegation	0-1 (HoD/DDoF)	1 -100 (DoF/CEO)	100+ (Board)		
Write off non NHS Debtor	Subject to DoH guidance	0-100 (DoF/CEO)	100+ (Board)			
Cash Losses (Theft, Fraud, salary Overpayments, Loss of Cash) and abandoned claims	Full Delegation	0-10 (HoD/DDoF)	10-50 (DoF)	50-100 (CEO)	100+ (Board)	
Fruitless Payments (including abandoned Capital schemes)	Full Delegation	0-50 (DDoF)	50-100 (DoF)	100-250 (CEO)	250+ (Board)	
Loss or Damage to Buildings, Property, Equipment and stock including linen	Full Delegation	0-50 (DoF)	50-100 (CEO)	100+ (Board)		
Compensation Payments under legal obligation	Full Delegation	0-100 (DoF)	100-500 (CEO)	500+ (Board)		
Extra Contractual Payments to Contractors	Full Delegation	0-50 (DoF/CEO)				
Ex gratia payments for clinical negligence and personal injuries involving negligence (i.e. negotiated or agreed settlements following legal advice)	1000 Including plaintiff costs	0-100 (CEO)	100+ (Board)			
Ex gratia payments to patients and staff for loss of personal effects; clinical negligence and	50 Including costs	0-10 (Personnel cases) (DoW&T) 0-5	10-50 (DoF/CEO)			

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Description	Trust Limit £000	Summary of Internal Delegation			
		£000 £000		£000	£000
personal injuries and most other ex gratia payments		(Loss of patient effects (HoD/DDoF)			
Extra statutory and extra regulatory payments and payments relating to maladministration	No Delegations (refer to NHS E)				

Key

- CEO – Chief executive Officer
- DoF – Director of Finance
- HoD – Head of Department
- DDoF – Deputy Director of Finance
- DoW&T – Director of Workforce and Transformation