

**THE SHREWSBURY AND TELFORD HOSPITAL NHS TRUST**  
**STANDING FINANCIAL INSTRUCTIONS**

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# 1 INTRODUCTION

## 1.1 GENERAL

1.1.1 The Code of Accountability requires that each NHS Trust shall give, and may vary or revoke, 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. These Standing Financial Instructions (SFIs) are issued in accordance with the Code. They shall have effect as if incorporated in the Standing Orders (SOs). There will be a training and communication programme administered by the Finance Director to affect these SFIs.

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 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 that apply to everyone working for the Trust and its constituent organisations, including, Trading Units and partner organisations providing shared services under service agreements. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes, to provide sound internal control. **All financial procedures must be approved by the Finance Director.**

1.1.4 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Finance Director **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 **FAILURE TO COMPLY WITH STANDING FINANCIAL INSTRUCTIONS AND STANDING ORDERS IS 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 Finance Director as soon as possible.

## 1.2 TERMINOLOGY

1.2.1 Any expression to which a meaning is given in Health Service Acts, or in Directions made under the Acts, shall have the same meaning in these instructions;

(a) "**Accountable Officer**" means the NHS Officer responsible and accountable for funds entrusted to the Trust. He shall be responsible for ensuring the proper stewardship of public funds and assets. For this Trust it shall be the Chief Executive.

(b) "**Board**" means the Board of The Shrewsbury and Telford Hospital NHS Trust;

(c) "**Budget**" means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust;

- (d) "**Budget Holder**" means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation; and
- (e) "**Chief Executive**" means the chief officer of the Trust;
- (f) "**Finance Director**" means the chief financial officer of the Trust;
- (g) "**Executive Director**" means a member of the Trust who is an officer.
- (h) "**Funds held on trust**" shall mean those funds which the Trust holds on date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under S.90 of the NHS Act 1977, as amended. Such funds may or may not be charitable.
- (i) "**Legal Adviser**" means the properly qualified person appointed by the Trust to provide legal advice.
- (j) "**Officer**" means employee of the Trust or any other person holding a paid appointment or office with the Trust.
- (k) "**Non-Executive Director**" means a member of the Trust who is not an officer of the Trust and is not to be treated as an officer by virtue of the Membership and Procedure Regulations.
- (l) "**Trust,**" means The Shrewsbury and Telford Hospital NHS Trust.

1.2.2 Wherever the title Chief Executive, Finance Director, or other nominated officer is used in these instructions, it shall be deemed to include such other director or employees who have been duly authorised to represent them.

1.2.3 Wherever the term "employee" is used and where the context permits it shall be deemed to include employees of third parties contracted to the Trust when acting on behalf of the Trust.

### 1.3 **RESPONSIBILITIES AND DELEGATION**

1.3.1 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); and
- (d) defining specific responsibilities placed on members of the Board and employees as indicated in the Scheme of Delegation document.

1.3.2 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 Powers to the Board document.

1.3.3 The Board will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Trust.

- 1.3.4 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 Health, 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.
- 1.3.5 The Chief Executive and Finance Director will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.
- 1.3.6 It is a duty of the Chief Executive to ensure that existing members of the Board and employees and all new appointees are notified of, and understand, their responsibilities within these Instructions.
- 1.3.7 The Finance Director is responsible for:
- (a) implementing the Trust's financial policies and for co-ordinating 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 Finance Director 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; and
  - (f) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties.
- 1.3.8 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; and
  - (d) conforming to the requirements of Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Delegation.
- 1.3.9 Any contractor or employee of a contractor who is empowered by the Trust to commit the Trust to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.

1.3.10 For any and all members of the Board and 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 Finance Director.

## 2 **AUDIT**

### 2.1 **AUDIT COMMITTEE**

2.1.1 In accordance with Standing Orders, the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the NHS Audit Committee Handbook (2005), which will provide an independent and objective view of internal control by:

- (a) overseeing Internal and External Audit services;
- (b) reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
- (c) review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisations' activities both clinical and non-clinical), that supports the achievement of the organisations' 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 3 months old and £5,000 with explanations/action plans;
- (g) reviewing the arrangements in place to support the Assurance Framework process prepared on behalf of the Board and advising the Board accordingly.

2.1.2 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the committee wish to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board. Exceptionally, the matter may need to be referred to the Department of Health. (To the Finance Director in the first instance.)

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

### 2.2 **FINANCE DIRECTOR**

2.2.1 The Finance Director is responsible for:

- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;
- (b) ensuring that the internal audit is adequate and meets the NHS mandatory audit standards;

- (c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption;
- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee. The report must cover:
  - (i) a clear opinion on the effectiveness of internal control in accordance with current controls assurance guidance issued by the Department of Health including for example compliance with control criteria and standards,
  - (ii) major internal financial control weaknesses discovered,
  - (iii) progress on the implementation of internal audit recommendations,
  - (iv) progress against plan over the previous year,
  - (v) strategic audit plan covering the coming three years,
  - (vi) a detailed plan for the coming year.

2.2.2 The Finance Director 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, members of the Board or employees of the Trust;
- (c) the production of any cash, stores or other property of the Trust under a member of the Board and 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 controls assurance statements in accordance with guidance from the Department of Health.

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 Finance Director must be notified immediately.

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

2.3.4 The Head of Internal Audit shall be accountable to the Finance Director. The reporting system for internal audit shall be agreed between the Finance Director, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Manual. The reporting system shall be reviewed at least every 3 years.

## 2.4 **FRAUD AND CORRUPTION**

2.4.1 In line with their responsibilities, the Trust Chief Executive and Finance Director shall monitor and ensure compliance with Secretary of State (SofS) Directions on fraud and corruption.

2.4.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the Department of Health Fraud and Corruption Manual and guidance.

2.4.3 The Local Counter Fraud Specialist shall report to the Trust Finance Director and shall work with staff in the Directorate of Counter Fraud Services and the Counter Fraud Operational Service in accordance with the Department of Health Fraud and Corruption Manual.

2.4.4 The Local Counter Fraud Specialist will provide a written report, at least annually, on counter fraud work within the Trust.

## 2.5 **EXTERNAL AUDIT**

2.5.1 The external auditor is appointed by the Audit Commission and paid for by the Trust. The Audit Committee must ensure a cost-efficient service. Should there appear to be a problem then this should be raised with the external auditor and referred on to the Audit Commission if the issue cannot be resolved.

## 3 **ALLOCATIONS, BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL, AND MONITORING**

### 3.1 **PREPARATION AND APPROVAL OF BUSINESS PLANS AND BUDGETS**

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

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

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

- (a) be in accordance with the aims and objectives set out in the Annual Business Plan, Service and Financial Framework and the Health Improvement 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; and

(e) identify potential risks.

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

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

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

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

## 3.2 BUDGETARY DELEGATION

3.2.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities, including pooled budget arrangements under Section 31 of the Health Act 1999. 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; and

(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 set by the Board.

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

3.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive.

## 3.3 BUDGETARY CONTROL AND REPORTING

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

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

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

(ii) movements in working capital;

(iii) movements in cash and capital;

(iv) capital project spend and projected outturn against plan;

(v) explanations of any material variances from plan;

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

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

3.3.2 Each Budget Holder is responsible for ensuring that:

- (a) any likely overspending or reduction of income that cannot be met by virement is not incurred without the prior consent of the Board;
- (b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement;
- (c) no permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and manpower establishment as approved by the Board;
- (d) they comply with the Trust's Budgetary Control Policy as devised by the Finance Director;

3.3.3 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Annual Business Plan, the Health Improvement Plan and a balanced budget.

#### 3.4 **CAPITAL EXPENDITURE**

3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI Section 11.)

#### 3.5 **MONITORING RETURNS**

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

### 4 **ANNUAL ACCOUNTS AND REPORTS**

4.1 The Finance Director, 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 Secretary of State certified in accordance with current guidelines; and

(c) submit financial returns to the Secretary of State for each financial year in accordance with the timetable prescribed by the Department of Health.

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

4.3 The Trust will publish an annual report, in accordance with guidelines on local accountability, and present it at a public meeting, (see Code of Accountability – Section 1.3.2 of Corporate Governance Framework). The document will comply with the Department of Health's Manual for Accounts.

## 5 **BANK ACCOUNTS**

### 5.1 **GENERAL**

5.1.1 The Finance Director 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. The Government Banking Service (GBS) provides the Trust with a full range of banking services.

5.1.2 The Board shall approve the banking arrangements.

### 5.2 **BANK AND GBS ACCOUNTS**

5.2.1 The Finance Director is responsible for:

- (a) bank accounts and GBS accounts;
- (b) establishing separate bank accounts for the Trust's non-exchequer funds;
- (c) ensuring payments made from bank or GBS 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; and
- (e) monitoring compliance with DoH guidance on the level of cleared funds.

### 5.3 **BANKING PROCEDURES**

5.3.1 The Finance Director will prepare detailed instructions, on the operation of bank and GBS accounts that must include:

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

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

5.3.3 It is the responsibility of the Finance Director to monitor the banking arrangements to ensure best value for money is obtained.

5.3.4 The Finance Director should monitor authorisation levels and check signatories to ensure thresholds and individuals meet with the ongoing needs of the Trust.

## 5.4 **TENDERING AND REVIEW**

5.4.1 The Finance Director will ensure best value/service is obtained from the banking sector where permitted to do so. Any change of banker will only occur after the completion of a formal tendering exercise.

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

### 6.1 **INCOME SYSTEMS**

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

6.1.2 The Finance Director 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 Finance Director 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 Finance Director promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

### 6.3 **DEBT RECOVERY**

6.3.1 The Finance Director 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. (See section 13.)

6.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

## 6.4 **SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

6.4.1 The Finance Director 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; and

(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, nor 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 Finance Director.

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.

6.4.5 Under no circumstances will the Trust accept cash payments in excess of 15,000 euros (approximately £10,000) in respect of any single transaction. Any attempts by an individual to effect payment above this amount should be notified immediately to the Finance Director.

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

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

7.1.1 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.

### **7.2 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.

### 7.3 A 'Patient Led NHS and 'Practice Based Commissioning''

The Department of Health has published its document 'Creating a Patient-led NHS' and 'Practice Based Commissioning' setting out the basis upon which the Government's major reform agenda will be carried forward.

#### A 'Patient-led NHS'

Every aspect of the new system is designed to create a service which is patient-led, where:

- people have a far greater range of choices and of information and guidance to help make choices;
- there a stronger standards and safeguards for patients;
- NHS organisations are better at understanding patients and their needs, use new and different methodologies to do so and have better and more regular sources of information about preferences and satisfaction.

#### What services will look like

In order to be patient-led the NHS will develop new service models which build on current experience and innovation to:

- give patients more choice and control wherever possible;
- offer integrated networks for emergency, urgent and specialist care to ensure that everyone throughout the country has access to safe, high quality care;
- make sure that all services and all parts of the NHS contribute to health promotion, protection and improvement.

#### Securing services

The NHS will develop the way it secures services for its patients. It will:

- promote more choice in acute care by offering choice to the patient both in number and type of provider;
- encourage development of new community and primary services alongside new practices;
- strengthen existing networks for emergency, urgent and specialist services;
- build on current practices in shared commissioning to create a far simpler contract management and administration system that can be professionally managed.

#### Changing the way the NHS works

The NHS needs a change of culture as well as of systems to become truly patient-led, where:

- everything is measured by its impact on patients and type of provider;
- the NHS is as concerned with health promotion and prevention as with sickness and injury;
- frontline staff have more authority and autonomy to better support the patient;
- barriers which create rigidity and inflexibility are tackled and codes of conduct and shared values are instilled into the culture.

## **Making the changes**

A Patient-led NHS needs effective organisations and incentives, with:

- a new development programme to help NHS Trusts become NHS Foundation Trusts;
- a similar structured programme to support PCTs in their development of 'Practice Based Commissioning';
- further development of Payment by Results to provide appropriate financial incentives for all services;
- greater integration of all the financial and quality incentives along with full utilization of new human resources and IT programmes

Commissioning a Patient-led NHS and Practice Based Commissioning are being rolled out by the Department of Health and full support and latest guidance may be accessed at <http://www.dh.gov.uk>

### **7.4 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.

## **8 TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE BOARD AND EXECUTIVE COMMITTEE AND EMPLOYEES**

### **8.1 REMUNERATION AND TERMS OF SERVICE**

8.1.1 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. (refer SO 5.8).

8.1.2 The Committee will:

- (a) advise the Board about appropriate remuneration and terms of service for the Chief Executive, other Executive Directors employed by the Trust and other senior employees including:
  - (i) all aspects of salary (including any performance-related elements/bonuses);
  - (ii) provisions for other benefits, including pensions and cars;
  - (iii) arrangements for termination of employment and other contractual terms;
- (b) make such recommendations to the Board on the remuneration and terms of service of officer members of the Board members (and other senior employees) to ensure they are fairly rewarded for their individual contribution to the Trust - having proper regard to the Trust's circumstances and performance and to the provisions of any national arrangements for such members and staff where appropriate;
- (c) monitor and evaluate the performance of executive directors (and other senior employees); and

- (d) advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

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

8.1.4 The Board will after due consideration and amendment if appropriate approve proposals presented by the Chief Executive for setting of remuneration and conditions of service for those employees and officers not covered by the Committee.

8.1.5 The Trust will pay allowances to the Chairman, Non-Executive Directors of the Board in accordance with instructions issued by the Secretary of State for Health.

## 8.2 FUNDED ESTABLISHMENT

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

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

## 8.3 STAFF APPOINTMENTS

8.3.1 No Executive Director 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; and
- (b) within the limit of his approved budget and funded establishment.

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

## 8.4 PROCESSING PAYROLL

8.4.1 The Finance Director 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; and
- (d) agreeing method of payment.

8.4.2 The Finance Director 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 or bank credit 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; and
- (m) a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.

8.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) submitting time records, and other notifications in accordance with agreed timetables;
- (b) completing time records and other notifications in accordance with the Finance Director's instructions and in the form prescribed by the Finance Director;
- (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 Finance Director must be informed immediately.

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

## 8.5 **EMPLOYEE EXPENSES**

8.5.1 Amount Paid. The Finance Director shall be responsible for determining the correct payment of claims for travelling and other expenses, including deduction of amounts liable to the Inland Revenue under the appropriate regulations. The Finance Director will not be liable to pay such claims where, in his opinion, it has not been possible for the certifying manager to verify the accuracy of the data.

8.5.2 Certification of claims by, or on behalf of, the Budget Manager shall be taken to mean that the certification officer is satisfied that the journeys made were authorised, that expenses claimed were properly and necessarily incurred, and that allowances are

properly payable by the Trust. The certifying manager will examine and retain all receipts before certification.

- 8.5.3 Form and Date of Claim. Eligible employee's authorised claims for reimbursement of expenses shall be on an appropriate document, which shall be in a form approved by the Finance Director. Where appropriate, completed and authorised claims shall be submitted to the Finance Director on a regular basis, in accordance with an agreed timetable and as soon as practical after the expense has been incurred. Claims for reimbursement of expenses, which relate to a period or date more than three months previous to the date of receipt of the claim form by the Finance Director, shall be accompanied by a letter detailing the reasons for such delay. Expense claims that are more than nine months previous to the date of receipt of the claim form by the Finance Director, shall, subject to the discretion of the Finance Director, not be paid.

## 8.6 **CONTRACTS OF EMPLOYMENT**

8.6.1 The Board shall delegate responsibility to a 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; and
- (b) dealing with variations to, or termination of, contracts of employment.

## 9 **NON-PAY EXPENDITURE**

### 9.1 **DELEGATION OF AUTHORITY**

9.1.1 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.

9.1.2 The Chief Executive will set out:

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

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

### 9.2 **CHOICE, REQUISITIONING, ORDERING, RECEIPT AND PAYMENT FOR GOODS AND SERVICES**

9.2.1 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 Finance Director or the Chief Executive shall be consulted.

9.2.2 The Finance Director 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.

9.2.3 The Finance Director 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 regularly reviewed;
- (b) prepare procedural instructions, where not already provided in the Scheme of Delegation or procedure notes for budget holders, 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 members/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;
    - the account is arithmetically correct;
    - the account is in order for payment.
  - (iii) A timetable and system for submission to the Finance Director 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, (except as below).
- (f) The Finance Director is responsible for ensuring, as far as possible, payments are made in accordance with the Public Sector Payment policy.

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

- (a) Prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e. cashflows must be discounted to NPV using the National Loans Fund (NLF) rate plus 2%).
- (b) the appropriate Executive Director 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 Finance Director 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); and
- (d) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the appropriate Director or Chief Executive if problems are encountered.

9.2.5 Official Orders must:

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

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

- (a) all contracts, other than for a simple purchase permitted within the Scheme of Delegation or delegated budget, leases, tenancy agreements and other commitments which may result in a liability are notified to the Finance Director in advance of any commitment being made;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU and GATT rules on public procurement and comply with the White Paper on Standards, Quality and International Competitiveness (CMND 8621);
- (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;

(see the national guidance contained in HSG 1993/5 "Standards of Business Conduct for NHS Staff" (contained in Appendix B of the Standing Orders).
- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Finance Director on behalf of the Chief Executive;

- (f) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract, purchases from petty cash or on purchase cards;
- (g) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (i) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (j) changes to the list of directors/employees and officers authorised to certify invoices are notified to the Finance Director;
- (k) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Finance Director; and
- (l) petty cash records are maintained in a form as determined by the Finance Director.

9.2.7 The Chief Executive and Finance Director 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.

9.2.8 Should a tender be required the process adopted shall be stipulated in the Standing Orders.

### 9.3 **JOINT FINANCE ARRANGEMENTS WITH LOCAL AUTHORITIES AND VOLUNTARY BODIES**

9.3.1 **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 Finance Director which shall be in accordance with these Acts.

## 10 **FINANCIAL FRAMEWORK**

10.1 The Finance Director should ensure that members of the Board and the Executive Committee are aware of the Financial Framework issued under HSC 1999/246. This document contains directions which the Trust must follow. It also contains directions to health authorities regarding resource and capital allocation and funding to Trusts. He should also ensure that the direction and guidance in the framework is followed by the Trust.

11 **CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS**

11.1 **CAPITAL INVESTMENT**

11.1.1 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; and
- (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.

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

- (a) that a business case, in line with the guidance from the Business Development Team, 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; and
  - (ii) appropriate project management and control arrangements;
  - (iii) the involvement of appropriate Trust personnel and external agencies; and
- (b) that the Finance Director has certified professionally to the costs and revenue consequences detailed in the business case.

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

The Finance Director shall assess on an annual basis the requirement for the operation of the construction industry tax deduction scheme in accordance with Inland Revenue guidance.

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

11.1.4 The approval of a capital programme shall not constitute approval for the initiation of 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 "Estate code" guidance and the Trust's Standing

Orders. The appropriate signatories shall be governed by the authorisation levels set out in Appendix A.

- 11.1.5 The Finance Director 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 1999/246.

## 11.2 PRIVATE FINANCE

- 11.2.1 The Trust should normally test for PFI when considering a capital procurement. When the Trust proposes to use finance that is to be provided other than through its Allocations, the following procedures shall apply:

- (a) The Finance Director shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector.
- (b) The proposal must be specifically agreed by the Board.
- (c) Where the sum involved exceeds delegated limits, the business case must be referred to the appropriate DoH Directorate of Health and Social Care and/or treated as per current guidelines.

## 11.3 ASSET REGISTERS

- 11.3.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Finance Director 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.

- 11.3.2 Each Trust shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be as specified in the *NHS Finance Manual* as issued by the Department of Health.

- 11.3.3 Additions to the fixed asset register must be clearly identified to an appropriate department and be validated by reference to the following (where applicable):

- (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; and
- (c) lease agreements in respect of assets held under a finance lease and capitalised.

- 11.3.4 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).

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

- 11.3.6 The value of each asset shall be valued in accordance with a modern equivalent assets valuation in accordance with methods specified by the Department of Health.

- 11.3.7 The value of each asset shall be depreciated using methods and rates in line with guidance specified by the Department of Health.
- 11.3.8 The Finance Director of the Trust shall calculate and pay capital charges as specified in the *NHS Finance Manual* issued by the Department of Health.

#### 11.4 **SECURITY OF ASSETS**

- 11.4.1 The overall control of fixed assets is the responsibility of the Chief Executive.
- 11.4.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Finance Director. This procedure shall make provision for:
- (a) recording managerial responsibility for each asset by reference to its location;
  - (b) identification of additions and disposals;
  - (c) physical security of assets;
  - (d) periodic verification of the existence of, condition of, and title to, assets recorded; and
  - (e) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 11.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Finance Director.
- 11.4.4 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 instructions.
- 11.4.5 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.
- 11.4.6 Where practical, assets should be marked as Trust property.

## 12 **TENDERING AND CONTRACT PROCEDURE**

- 12.1 **Duty to comply with Standing Financial Instructions** - The procedure for making a contract by or on behalf of the Trust shall comply with these Standing Financial Instructions
- 12.2 **EU Directives Governing Public Procurement** - European Union Directives on public sector purchasing promulgated by the Department of Health (under HSG(95)38) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Financial Instructions.
- 12.3 The Trust shall comply as far as is practicable with the requirements of the Department of Health "NHS Finance Manual" and "Estatecode" 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".

12.4 **Shropshire Healthcare Procurement Service (SHPS)** (ex Healthcare Purchasing Consortium (HPC)) - The Trust hosts a procurement service for its purchasing needs. The service operates on behalf of the NHS throughout Shropshire in order to maximise the benefits of joint purchasing power. The roles and responsibilities of the service are defined by Service Level Agreement.

12.5 **Formal Competitive Tendering** - The Trust shall ensure that competitive tenders are invited for the supply of goods, materials and manufactured articles and for the rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the DoH); for the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); and for disposals.

Where the Trust elects to invite tenders for the supply of healthcare these Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure.

12.6 **Joint Purchasing** – A single approach to tender and quotation limits should apply to all contracts which are to be placed for goods and services that are required for more than one Trust. In such instances the limits are defined in Appendix B to these SFIs.

12.7 **Exceptions and instances where formal tendering need not be applied**

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

- (a) the estimated expenditure or income does not, or is not reasonably expected to exceed the level set in the financial limits
- (b) where the supply is proposed under special arrangements negotiated by the DH in which event the said special arrangements must be complied with;

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

- (c) in very exceptional circumstances where the Chief Executive decides that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures, and the circumstances are detailed in an appropriate Trust record;
- (d) where the requirement is covered by an existing contract;
- (e) where Buying Solutions (ex PASA) agreements are in place and have been approved by the Board;
- (f) 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;
- (g) where the timescale genuinely precludes competitive tendering but failure to plan the work properly would not be regarded as a justification for a single tender;
- (h) where specialist expertise is required and is available from only one source;
- (i) 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;

- (j) there is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;
- (k) for the provision of legal advice and services providing that any legal firm or partnership commissioned by the Trust is regulated by the Law Society for England and Wales for the conduct of their business (or by the Bar Council for England and Wales in relation to the obtaining of Counsel's opinion) and are generally recognised as having sufficient expertise in the area of work for which they are commissioned.

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

- (l) where allowed and provided for in the NHS Finance Manual.

The waiving of competitive tendering procedures should not be used to avoid competition or for administrative convenience or to award further work to a consultant originally appointed through a competitive procedure.

Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded in an appropriate Trust record and reported to the Audit Committee at each meeting.

12.8 The Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, and in no case less than three firms/individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.

## 12.9 **Contracting/Tendering Procedure**

### 12.9.1 **Invitation to tender**

- (i) All invitations to tender shall state the date and time as being the latest time for the receipt of tenders.
- (ii) All invitations to tender shall state that no tender will be accepted unless:
  - (a) submitted in a plain sealed package or envelope bearing a pre-printed label supplied by the Trust (or the word "tender" followed by the subject to which it relates) and the latest date and time for the receipt of such tender addressed to the Chief Executive or nominated Manager;
  - (b) that tender envelopes/ packages shall not bear any names or marks indicating the sender. The use of courier/postal services must not identify the sender on the envelope or on any receipt so required by the deliverer.
- (iii) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.
- (iv) Every tender for building or engineering works (except for maintenance work, when Estmancode guidance shall be followed) shall embody or be in the terms of the current edition of one of the Joint Contracts Tribunal Standard Forms of Building Contract or Department of the Environment (GC/Wks) Standard forms of contract amended to comply with concode; or, when the content of the work is primarily engineering, the General Conditions of Contract recommended by the Institution of

Mechanical and Electrical Engineers and the Association of Consulting Engineers (Form A), or (in the case of civil engineering work) the General Conditions of Contract recommended by the Institute of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors. These documents shall be modified and/or amplified to accord with Department of Health guidance and, in minor respects, to cover special features of individual projects.

#### 12.9.2 Receipt and safe custody of tenders

The Chief Executive or his nominated representative will be responsible for the receipt, endorsement and safe custody of tenders received until the time appointed for their opening.

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

#### 12.9.3 Opening tenders and Register of tenders

- (i) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, they shall be opened by two senior officers/managers designated by the Chief Executive and not from the originating department.
- (ii) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender.
- (iii) The involvement of Finance Directorate staff in the preparation of a tender proposal will not preclude the Finance Director or any approved Senior Manager from the Finance Directorate from serving as one of the two senior managers to open tenders.
- (iv) All Executive Directors/members will be authorised to open tenders regardless of whether they are from the originating department provided that the other authorised person opening the tenders with them is not from the originating department.

The Trust's Company Secretary will count as a Director for the purposes of opening tenders.

- (v) Every tender received shall be marked with the date of opening and initialled by those present at the opening.
- (vi) A register shall be maintained by the Chief Executive, or a person authorised by him, to show for each set of competitive tender invitations despatched:
  - the name of all firms individuals invited;
  - the names of firms individuals from which tenders have been received;
  - the date the tenders were opened;
  - the persons present at the opening;
  - the price shown on each tender;
  - a note where price alterations have been made on the tender.

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

A note shall be made in the register if any one tender price has had so many alterations that it cannot be readily read or understood.

- (vii) 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.

#### 12.9.4 **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 Finance Director shall, as far practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the Trust.

#### 12.9.5 **Late tenders**

- (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 his 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.
- (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 his nominated officer.

#### 12.9.6 **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.

#### 12.9.7 **Tender reports to the Trust Board**

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

#### 12.9.8 **List of approved firms**

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

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

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

- (i) Invitations to tender shall be made only to firms included on the approved list of tenderers compiled in accordance with this Instruction or on the separate maintenance lists compiled in accordance with Estmancode guidance (Health Notice HN(78)147).
- ii) Firms included on the approved list of tenderers shall ensure that when engaging, training, promoting or dismissing employees or in any conditions of employment, shall not discriminate against any person because of colour, race, ethnic or national origins, religion or sex, and will comply with the provisions of the Equal Pay Act 1970, the Sex Discrimination Act 1975, the Race Relations Act 1976, and the Disabled Persons (Employment) Act 1944 and any amending and/or related legislation.
- iii) Firms shall conform at least with the requirements of the Health and Safety at Work Act and any amending and/or other related legislation concerned with the health, safety and welfare of workers and other persons, and to any relevant British Standard Code of Practice issued by the British Standard Institution. Firms must provide to the appropriate manager a copy of its safety policy and evidence of the safety of plant and equipment, when requested.

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

The Finance Director may make or institute any enquiries he deems appropriate concerning the financial standing and financial suitability of approved contractors.

The Director with lead responsibility for clinical governance will similarly make such enquiries as is felt appropriate to be satisfied as to their technical / medical competence.

#### **12.9.9 Exceptions to using approved contractors**

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

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

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

##### **12.10.1 General Position on quotations**

Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds the tendering limits set out in Appendix B.

##### **12.11 Competitive Quotations**

- (i) Quotations should be obtained from at least 3 firms/individuals based on specifications or terms of reference prepared by, or on behalf of, the Trust.
- (ii) Quotations should be in writing unless the Chief Executive or his nominated officer determines that it is impractical to do so in which case quotations may be obtained by telephone. Confirmation of telephone quotations should be obtained as soon as possible and the reasons why the telephone quotation was obtained should be set out in a permanent record.
- (iii) All quotations should be treated as confidential and should be retained for inspection.
- (iv) The Chief Executive or his nominated officer should evaluate the quotation and select the quote which gives the best value for money. If this is not the lowest quotation if payment is to be made by the Trust, or the highest if payment is to be received by the Trust, then the choice made and the reasons why should be recorded in a permanent record.

##### **12.12 Non-Competitive Quotations**

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

- (i) the supply of proprietary or other goods of a special character and the rendering of services of a special character, for which it is not, in the opinion of the responsible officer, possible or desirable to obtain competitive quotations;
- (ii) the supply of goods or manufactured articles of any kind which are required quickly and are not obtainable under existing contracts;
- (iii) miscellaneous services, supplies and disposals;
- (iv) where the goods or services are for building and engineering maintenance the responsible works manager must certify that the first two conditions of this SFI (i.e.: (i) and (ii) of this SFI) apply.

#### 12.13 **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 Finance Director.

#### 12.14 **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 may be decided by officers of the Trust provided this is within their delegated limits

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

#### 12.15 **Private Finance** - The Trust should normally test for PFI 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 as stated in Standing Financial Instructions, a business case must be referred to the appropriate DoH Directorate of Health and Social Care for approval or treated as per current guidelines.
- (c) The proposal must be specifically agreed by the Board.
- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

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

- (a) these Standing Orders;
- (b) the Trust's Standing Financial Instructions;
- (c) EU Directives and other statutory provisions;
- (d) any relevant directions including the NHS Finance Manual, Estatecode and guidance on the Procurement of Management Consultants;
- (e) such of the NHS Standard Contract Conditions as are applicable.

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.

Every contract for building and engineering works which exceeds the sum of £ (see Appendix C) shall be executed under the Common Seal of the Trust and should be embodied in a formal contract document which shall conform to the Standing Orders and Concode. This formal contract document should reflect any change in the terms and conditions of contract agreed following receipt of tenders. An official order for every contract resulting from an invitation to tender shall be issued for all building and engineering works.

- 12.17 In all contracts made by the Trust, the Board shall endeavour to obtain best value for money. The Chief Executive shall nominate an Officer who shall oversee and manage each contract on behalf of the Trust.
- 12.18 **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.
- 12.19 **Healthcare Services Agreements** - 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 a Foundation Trust, being a PBC, 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.

- 12.20 **Cancellation of Contracts** Except where specific provision is made in model Forms of Contracts or standard Schedules of Conditions approved for use within the NHS and in accordance with Standing Orders 9.2 and 9.3, 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 shall have offered, or given or agreed to give, any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any action in relation to the obtaining or execution of the contract or any other contract with the Trust, or for showing or forbearing to show favour or disfavour to any person in relation to the contracts or any other contract with the Trust, or if the like acts shall have been done by any person employed by him or acting on his behalf (whether with or without the knowledge of the contractor), 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 1889 and 1916 or other appropriate legislation.
- 12.21 **Determination of Contracts for Failure to Deliver Goods or Material** – There shall be inserted in every written contract for the supply of goods or materials a clause to secure 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.
- 12.22 **Contracts involving Funds Held on Trust** – shall do so individually to a specific named fund. Such contracts involving charitable funds shall comply with the requirements of the Charities Act.

## **13 DISPOSALS**

- 13.1 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 a collective estimated sale value of less than £100, this figure to be reviewed annually;
  - (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 DoH guidance has been issued but subject to compliance with such guidance.

## **14. IN-HOUSE SERVICES**

- 1.1 In all cases where the Board determines that in-house services should be subject to competitive tendering the following groups shall be set up:
- (a) Specification group, comprising the Chief Executive or nominated Officer/s and specialist.
  - (b) In-house tender group, comprising a nominee of the Chief Executive and technical support.
  - (c) Evaluation team, comprising normally a Specialist Officer, a Supplies Officer and a Finance Director representative. For services having a likely annual expenditure exceeding that competitive tendering value stated in Standing Financial Instructions, a Non-Executive Director should be a member of the evaluation team.
- 1.2 All groups should work independently of each other and individual Officers may be a member of more than one group but no member of the in-house tender group may participate in the evaluation of tenders.
- 1.3 The evaluation team shall make recommendations to the Board.
- 1.4 The Chief Executive shall nominate an Officer to oversee and manage the contract on behalf of the Trust.

## **15 STORES AND RECEIPT OF GOODS**

- 15.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- (a) kept to a minimum;
  - (b) subjected to annual stock take;

(c) valued at the lower of cost and net realisable value.

- 15.2 Subject to the responsibility of the Finance Director 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 Finance Director. The control of any Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of any fuel oil and coal of a designated Estates Manager.
- 15.3 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.
- 15.4 The Finance Director shall set out procedures and systems to regulate the stores, including records for receipt of goods, issues, and returns to stores, and losses.
- 15.5 Stocktaking arrangements shall be agreed with the Finance Director and there shall be a physical check covering all items in store at least once a year.
- 15.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Finance Director.
- 15.7 The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Finance Director 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 Finance Director any evidence of significant overstocking and of any negligence or malpractice (see also section 13, 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.
- 15.8 For goods supplied via the NHS Purchasing and Supplies Agency central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the Finance Director who shall satisfy himself that the goods have been received before accepting the recharge.

## 16 **DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

### 16.1 **DISPOSALS AND CONDEMNATIONS**

- 16.1.1 The Finance Director must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.
- 16.1.2 When it is decided to dispose of a Trust asset, the head of department or authorised deputy will determine and advise the Finance Director of the estimated market value of the item, taking account of professional advice where appropriate.
- 16.1.3 The appropriate signatories shall be governed by the authorisation levels set out in Appendix A.
- 16.1.4 If the Trust wishes to sell land it shall follow agreed Government procedures for the disposal of surplus public land.

- 16.1.5 The Trust shall inform the NHS Executive of planned disposals in excess of £1,000,000 in its annual business plan as the Secretary of State has a reserve power to prevent such disposals.
- 16.1.6 All unserviceable articles shall be:
- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Finance Director;
  - (b) recorded by the Condemning Officer in a form approved by the Finance Director that will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Finance Director.
- 16.1.7 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 Finance Director who will take the appropriate action.
- 16.2 **LOSSES AND SPECIAL PAYMENTS**
- 16.2.1 The Finance Director must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.
- 16.2.2 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 Finance Director or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Finance Director and/or Chief Executive. Where a criminal offence is suspected, the Finance Director must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies that may indicate fraud or corruption, the Finance Director must inform the relevant CFOS regional team in accordance with SofS Directions.
- 16.2.3 The Finance Director must notify the Department of Health Directorate of Counter Fraud Services and the External Auditor of all frauds.
- 16.2.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Finance Director must immediately notify:
- (a) the Board, and
  - (b) the External Auditor.
- 16.2.5 Within limits delegated to it by the Department of Health, the Board shall approve the writing-off of losses.
- 16.2.6 The Finance Director shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 16.2.7 For any loss, the Finance Director should consider whether any insurance claim could be made.
- 16.2.8 The Finance Director shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 16.2.9 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.

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

## 17 INFORMATION TECHNOLOGY

17.1 The Finance Director, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall:

- (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which he/she 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 he/she may consider necessary are being carried out.

17.2 The Finance Director shall satisfy him/herself 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.

17.3 The Director of Information Technology 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.

17.4 In the case of computer systems which are proposed General Applications (i.e. including those applications which the majority of NHS bodies in the locality/region wish to sponsor jointly) all responsible directors and employees will send to the Finance Director:

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

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

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

## 17.7 Risk Assessment

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

- 17.8 Where computer systems have an impact on corporate financial systems the Finance Director shall satisfy him/herself that:
- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
  - (b) data assembled for processing by financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - (c) Finance Director staff have access to such data; and
  - (d) such computer audit reviews are being carried out as are considered necessary.

## 18 PATIENTS' PROPERTY

- 18.1 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.
- 18.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission by:
- notices and information booklets,
  - 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.
- 18.3 The Finance Director 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.
- 18.4 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 Finance Director.
- 18.5 In all cases where property of a deceased patient is of a total value in excess of £5,000, or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965, the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.

- 18.6 Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.
- 18.7 Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.

## 19 FUNDS HELD ON TRUST

### 19.1 Corporate Trustee

- (1) The Trust is responsible as a corporate trustee for the management of funds it holds on trust. It must comply with Charities Commission latest guidance and best practice.
- (2) The discharge of the Trust's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.

The Finance Director shall ensure that each trust fund which the Trust is responsible for managing is managed appropriately with regard to its purpose and to its requirements.

### 19.2 Accountability to Charity Commission and Secretary of State for Health

- (1) The trustee responsibilities must be discharged separately and full recognition given to the Trust's dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for all funds held on trust.
- (2) The Schedule of Matters Reserved to the Board and the Scheme of Delegation make clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken and by whom. All Trust Board members and Trust officers must take account of that guidance before taking action.

### 19.3 Applicability of Standing Financial Instructions to funds held on Trust

- (1) In so far as it is possible to do so, most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust.
- (2) The over-riding principle is that the integrity of each Trust must be maintained and statutory and Trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

## 20 INVESTMENTS

- 20.1.1 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.
- 20.1.2 The Finance Director is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments held.
- 20.1.3 The Finance Director will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

## 21 ACCEPTANCE OF GIFTS BY STAFF

21.1 The Finance Director shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff. All Trust staff and members should comply with the Trust's Standards of Business Conduct (HR Policy 52) and the national guidance contained in HSG (93) 5 "Standards of Business Conduct for NHS Staff" (contained in Appendix A to Standing Orders)".

## 22 RETENTION OF DOCUMENTS

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

22.1.1 The documents held in archives shall be capable of retrieval by authorised persons.

22.1.2 Documents held in accordance with latest guidelines shall only be destroyed at the express instigation of the Chief Executive, records shall be maintained of documents so destroyed.

## 23 RISK MANAGEMENT

23.1 The Chief Executive shall ensure that suitable internal controls exist for all aspects of the Trust's management. Such controls should ensure the accuracy, completeness and validity of data and that all of the Trust's assets are safeguarded from misuse, inefficient use, theft, fraud and any malpractice.

23.2.1 The Chief Executive shall ensure that the Trust has a programme of risk management, in accordance with current Department of Health Controls Assurance requirements, which must be approved and monitored by the Board.

23.2.2 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) decision on 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 statement on the effectiveness of Internal Control within the Annual Report and Accounts as required by current Department of Health guidance.

23.3.1 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.

- 23.3.2 With three exceptions Trusts may not enter into insurance arrangements with commercial insurers. The exceptions are:
- (1) Trusts 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 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 NHS Litigation Authority.

- 23.3.3 Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority the Finance Director shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Finance Director shall ensure that documented procedures cover these arrangements.
- 23.3.4 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 Finance Director 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 Finance Director will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses that will not be reimbursed.
- 23.3.5 All the risk-pooling schemes require members to make some contribution to the settlement of claims (the 'deductible'). The Director Finance should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

## **24 EXTERNAL BORROWING**

- 24.1.1 The Finance Director 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 Finance Director is also responsible for reporting periodically to the Board concerning the PDC debt and all loans and overdrafts.
- 24.1.2 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 Finance Director.
- 24.1.3 The Finance Director must prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 24.1.4 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.
- 24.1.5 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 Finance Director. The Board must be made aware of all short term borrowings at the next Board meeting.

- 24.1.6 All long-term borrowing must be consistent with the plans outlined in the current LDP and be approved by the Trust Board.

## **25 TAXATION & EXCISE DUTIES**

- 25.1 The Finance Director shall ensure that the Trust's liabilities of taxation and excise duty is managed appropriately, taking full account of available concessions, through maintenance of appropriate records, the preparation and submission of required returns and recovery of deductions at source.

**AUTHORISATION LEVELS**

**APPENDIX A**

PERSONNEL	CHEQUE S/BACS/ CHAPS	CAPITAL EXPENDITURE Note 1	REVENUE EXPENDITURE Note 2	ASSET DISPOSALS	CHARITABLE EXPENDITURE
<b>BOARD (AS GROUP)</b>	<b>See Bank Mandate</b>	<£1,000,000 Note 3	>£250,000	<£1,000,000	>£100,000
<b>CHAIRMAN</b>		<£100,000 Note 4	<£100,000 Note 4	<£100,000	Nil
<b>CHIEF EXECUTIVE</b>		<£100,000 Note 4	<£100,000 Note 4	<£100,000	<£10,000
<b>FINANCE DIRECTOR</b>		<£100,000 Note 4	<£100,000 Note 4	<£100,000	<£10,000
<b>DIRECTORS</b>		Nil	<£50,000	<£5,000	Nil
<b>CENTRE CHIEFS AND CENTRE BUSINESS MANAGERS</b>		Nil	<£25,000	<£5,000	Nil
<b>ASSISTANT BUSINESS MANAGERS and HEADS OF SERVICE</b>		Nil	<£10,000	<£5,000	<£5,000 Note 5
<b>WARD MANAGER AND OPERATIONAL MANAGER</b>		Nil	<£500	Nil	Nil
<b>FINANCE DIRECTOR AND ONE CFC MEMBER</b>		N/A	N/A	N/A	<£100,000

**NOTES**

- 1 Changes to Department of Health delegated limits for capital expenditure will override any authority given above.
  - 2 Any single transaction.
  - 3 Capital approvals between £1,000,000 and £35,000,000 require Strategic Health Authority approval. Capital approvals between £35,000,000 and £100,000,000 require Department of Health approval. Capital approvals in excess of £100,000,000 require HM Treasury approval.
  - 4 Between £100,000 and £250,000 any two from Chairman, Chief Executive and Finance Director.
  - 5 Charitable Funds Approvals up to £5,000 can be approved by the Assistant Director, Financial Accounting only.
  - 6 All values are inclusive of the current rate of Value Added Tax
  - 7 CFC is the Charitable Funds Committee
- < Up to            > Greater than

**TENDERING LIMITS FOR PURCHASING**

<b><u>Matter</u></b>	<b><u>Financial Limit (inclusive of the current rate of Value Added Tax)</u></b>
Competitive Tendering (at least 6 invitations)	£135,001 and above
6 written quotations required for building and non-building contracts between	£50,001 and £135,000
3 written quotations required for building and non-building contracts between	£20,000 and £50,000
Building and engineering contracts executed under Common Seal	£1,000,000 and above
Building & Engineering works where formal contract required	£135,001 and above

<b>Document</b>	<b>Holder of Document</b>
The Code of Accountability	Director of Corporate Affairs
Scheme of Decisions Reserved to the Board	Finance Director
Scheme of Delegation	Finance Director
Reservation of Powers to the Board	Finance Director
Financial Procedures	Finance Director
Department of Health Fraud and Corruption Manual	Finance Director
Service and Financial Framework & Health Improvement Plan	Finance Director
Department of Health's Manual for Accounts	Finance Director
Department of Health's Costing Manual	Finance Director
Department of Health's Commercial Sponsorship – Ethical Standards	Finance Director
NHS National Performance Assessment Framework	Chief Executive
Trust's Terms and Conditions of Trade	Finance Director
White Paper on Standards, Quality and International Competitiveness (CMND 8621)	Finance Director
Standards of Business Conduct for NHS Staff	Head of Human Resources
CONCODE and ESTATECODE	Head of Estates
Financial Framework issued under HSC 1999/246	Finance Director
NHS Finance Manual	Finance Director
NHS Internal Audit Manual	Head of Internal Audit
Budgetary Control Policy	Finance Director
Retention of Documents HSC 1999/053	Finance Director