

Standing Financial Instructions 2019/20

CONTENTS

Definition of Terms	5
SFI1 Introduction	7
SFI2 Audit	9
2.1 Audit Committee.....	9
2.2 Director of Finance.....	10
2.3 Internal Audit.....	11
2.4 External Audit.....	12
SFI3 Fraud, Bribery and Corruption	12
SFI4 Security Management	13
SFI5 Resource Limits, Allocations, Planning, Budgets, Budgetary Control and Monitoring	13
5.1 Resource Limits.....	13
5.2 Preparation and Approval of Plans, Service Development Strategy and Budgets.....	13
5.3 Budgetary Delegation.....	14
5.4 Budgetary Control and Reporting.....	15
5.5 Capital Expenditure.....	16
5.6 Monitoring Returns.....	16
SFI6 Annual Report and Accounts	16
SFI7 Banking Arrangements	16
7.1 General.....	16
7.2 Commercial Bank and Government Banking Service Accounts.....	17
7.3 Banking Procedures.....	17
SFI8 Income, Fees and Charges, Security of Cash, Cheques and other Negotiable Instruments	18
8.1 Income Systems.....	18
8.2 Fees and Charges Other than Trust Contract.....	19
8.3 Debt Recovery.....	19
8.4 Security of Cash, Cheques and Other Negotiable Instruments.....	19
SFI9 NHS Service Agreements for Provision of Services	20
9.1 Service Level Agreements.....	20
SFI10 Terms of Service, Allowances and Payments of Members, Officers and Others	20
10.1 Remuneration and Nominations Committee.....	20
10.2 Funded Establishment.....	21

10.3 Staff Appointments	21
10.4 Processing of the Payroll.....	22
10.5 Contracts of Employment	23
10.6 Expenses.....	23
10.7 Salary Sacrifice Schemes	24
10.8 Payments to Volunteers and Lay Members	25
10.9 Payments to Other Non-Employed Officers	25
10.10 Staff Redundancy, Severance, Incentive and Retention Payments	26
SFI 11 Non-Pay Expenditure.....	26
11.1 Delegation of Authority	27
11.2 Choice, Requisitioning, Ordering, Receipt and Payment of Goods and Services	27
11.3 Joint Finance Arrangements with Local Authorities and Voluntary Bodies....	30
SFI12 External Borrowing and Investments	30
12.1 Public Dividend Capital.....	30
12.2 Investment.....	30
SFI13 Capital Investment, Private Financing, Fixed Asset Registers and Security of Assets	31
13.1 Introduction.....	31
13.2 Capital Investment.....	32
13.3 Estates Capital Schemes	32
13.4 IT Capital Schemes	34
13.5 Medical Equipment.....	34
13.6 Private Finance.....	35
13.7 Asset Registers	35
13.8 Security of Assets.....	36
SFI14 Stock, Stores and Receipt of Goods.....	37
14.9 Receipt of Goods.....	38
14.10 Issue of Stocks	38
SFI15 Disposals and Condemnations, Insurance, Losses and Special Payments	38
15.1 Disposals and Condemnations.....	38
15.2 Losses	39
15.3 Special Payments.....	40
SFI16 Procurement Procedures	42
16.3 EU Directives Governing Public Procurement.....	42

16.4 Formal Competitive Tendering	42
16.5 Contracting/Tendering Procedure	44
16.6 Authorisation of Tenders and Competitive Quotations	46
16.7 Instances where Formal Competitive Tendering or Competitive Quotation is not Required	46
16.8 Private Finance for Capital Procurement.....	46
16.9 Compliance Requirements for all Contracts.....	47
16.10 Personnel, Agency or Temporary Staff Contracts.....	47
16.11 Healthcare Services Agreements.....	47
16.12 Disposals.....	47
16.13 In-house Services.....	48
16.14 Applicability of SFIs on Tendering and Contracting to Funds Held in Trust..	48
SFI17 Patients Property	48
SFI18 Funds Held on Trust (including Charitable Funds)	50
18.1 Corporate Trustee	50
18.2 Existing Charitable Funds.....	51
18.3 New Charitable Funds	51
18.4 Source of New Funds.....	52
18.5 Investment Management.....	53
18.6 Expenditure from Charitable Funds.....	54
18.7 Banking Services.....	54
18.8 Asset Management	54
18.9 Reporting.....	55
18.10 Accounting and Audit	55
18.11 Taxation and Excise Policy.....	55
SFI19 Acceptance of Gifts and Hospitality and Link to Standards of Business Conduct.....	55
SFI20 Declarations of Interest and Link to Standards of Business Conduct	56
SFI21 Information Governance	56
21.1 Responsibilities.....	56
SFI22 Information Technology	57
SFI23 Retention of Documents	58
SFI24 Risk Management and Insurance.....	59
24.1 Programme of Risk Management	59
24.2 Insurance: Risk Pooling Schemes Administered by the NHSLA.....	59
24.3 Insurance Arrangements with Commercial Insurers	59

24.4 Arrangements to be followed by the Board in Agreeing Insurance Cover..... 60

24.5 Professional Services: Legal..... 60

Definition of Terms

Term	Definition
Accountable Officer	The Chief Executive who is accountable for the public funds entrusted to the Trust in accordance with the Accounting Officer Memorandum.
Board	The Board of Directors comprising the Chair, Executive Directors and Non-Executive Directors collectively as a unitary body.
Budget	A resource, expressed in financial or manpower terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust;"
Budget holder	The member of staff with delegated authority to manage finances (income and expenditure) for a specific area of the organisation.
Chair of the Board of Directors	The person appointed by the Secretary of State to lead the Board and to ensure that it successfully discharges its overall responsibility for the Trust as a whole. This expression will also apply to the Vice-Chair when they are acting in the Chair's absence.
Chief Executive	The chief officer of the Trust.
Committee	A committee appointed by the Board, which reports to the Board.
Company Secretary	The person appointed to act independently of the Board to provide advice on corporate governance issues to the Board and the Chair and monitor the Trust's compliance with legislation, regulation and national guidance.
Contracting & Procuring	The systems for obtaining the supply of goods, materials, manufactured items, services, building and engineering services, works of construction and maintenance and for disposal of surplus and obsolete assets.
Director	A member of the Board of Directors;
Director of Finance	The chief finance officer of the Trust.
Funds held on Trust	Those funds which the Trust holds at its date of incorporation, receives on distribution by statutory instrument, or chooses subsequently to accept under powers derived S.90 of the NHS Act 1977, as amended. Such funds may or may not be charitable.
Member	An Executive or Non-Executive member of the Board as the context permits. Member in relation to the Board does not include its Chair.
Motion	A formal proposition to be discussed and voted on during the course of the Board meeting.
Nominated Officer	An officer charged with the responsibility for discharging specific tasks within Standing Orders and Standing Financial Instructions.
Officer	An employee of the Trust or any other person holding a paid appointment or

Term	Definition
	office with the Trust.
Partner	In relation to another person, a member of the same household living together as a family unit;
Standing Financial Instructions	(SFIs) regulate the conduct of the Trusts financial matters
Standing Orders	(SOs) regulate the business conduct of the Trust
Trust	Southport & Ormskirk Hospital NHS Trust

All references to the masculine gender will be deemed to apply equally to the feminine gender when used within these instructions.

SFI1 Introduction

1.1 Purpose

- 1.1.1 These Standing Financial Instructions (SFIs) form part of the Trust's Corporate Governance Manual for the purpose of regulating the conduct of its members and officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs).
- 1.1.2 These SFIs detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that its 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 of Directors and the Scheme of Reservation and Delegation (SORD) adopted by the Trust.
- 1.1.3 These SFIs identify the financial responsibilities, which apply to everyone working for the Trust. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes.

1.2 Interpretation

- 1.2.1 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance must be sought before acting. The user of these SFIs should also be familiar with and comply with the provisions of the Trust's SOs.

1.3 Duty to report non-compliance with the Standing Financial Instructions

- 1.3.1 All Members of the Board of Directors and officers have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance and Chief Executive as soon as practicable. If the 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 them to recommend action or ratification to the Board.
- 1.3.2 **Failure to comply with the Standing Financial Instructions is a disciplinary matter, which could result in dismissal.**

1.4 Terminology

- 1.4.1 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include such other directors or employees who have been duly authorised to represent them.
- 1.4.2 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. Including nursing and medical staff and consultants practising on the Trust premises and members of staff of the PFI contractor or trust staff working the contractor under retention of employment model.

1.5 Responsibilities and Delegation

1.5.1 The Board of Directors exercises financial supervision and control by:

- a) formulating the financial strategy;
- b) requiring the submission and approval of budgets within overall income;
- c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money)
- d) ensuring appropriate audit provision; and
- e) defining specific responsibilities placed on directors and employees as indicated in the Scheme of Delegation document

1.5.2 The Board of Directors has resolved that certain powers and decisions may only be exercised by the Board of Directors in formal session. These are set out in the “Scheme of Reservation to the Board of Directors” document. The Board of Directors will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Trust.

1.5.3 Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board of Directors, and for ensuring that the Board of Directors meets its obligation to perform its functions within the available financial resources, ensuring that financial obligations and targets are met, and that an effective system of internal control is in place.

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

1.5.5 It is a duty of the Chief Executive to ensure that existing directors and employees and all new appointees are notified of and understand their responsibilities within these Instructions. All staff shall be responsible for ensuring conformity with the Standing Orders, Standing Financial Instructions and financial procedures of the Trust.

1.5.6 The Director of Finance is responsible for:

- a) implementing the Trust’s financial policies and for co-ordinating any corrective action necessary to further these policies; (The SFIs themselves do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes).
- 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 directors and employees to the Trust, the duties of the Director of Finance include:

- d) the provision of financial advice to other members of the Board of Directors, 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 financial reports as the Trust may require for the purpose of carrying out its statutory duties.

1.5.7 All directors and employees, individually and collectively, are responsible for:

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

1.5.8 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.

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

SFI2 Audit

2.1 Audit Committee

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

- a) overseeing Internal and External Audit and Counter Fraud services;
- b) reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing of significant financial reporting judgements;
- c) the monitoring of compliance with Standing Orders and Standing Financial Instructions;

- d) reviewing schedules of losses and compensation and making recommendations to the Board of Directors.
- e) reviewing the effective implementation of corporate governance measures to enable the Trust to implement best practice as set out in appropriate guidance. This will include the Assurance Framework and control related disclosure statements, for example the Annual Governance Statement and supporting assurance processes; together with any accompanying audit statement, prior to endorsement by the Board of Directors.
- f) g) review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.

2.1.2 The Board of Directors shall satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience.

2.1.3 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the committee wishes to raise, the Chair of the Audit Committee should raise the matter with the Director of Finance in the first instance or at a full meeting of the Board of Directors if still required.

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

2.2 Director of Finance

2.2.1 The Director of Finance in conjunction with the Audit Committee, ©-Updated to read: "is responsible for:-day to day

- a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal control including the establishment of an effective internal audit function;
- b) ensuring that the internal audit is adequate and meets the NHS Internal Audit Standards;
- c) ensuring that the Trust maintains adequate Counter Fraud and Corruption arrangements and deciding at what stage to involve the police in cases of fraud, 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 controls in accordance with current assurance framework guidance issued by the Department of Health including for example compliance with control criteria and standards,

- ii) major internal financial control weaknesses discovered,
- iii) progress on the implementation of internal audit recommendations,
- iv) progress against plan over the previous year,
- v) strategic audit plan,
- vi) a detailed plan for the coming year.

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

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

2.3 Internal Audit

2.3.1 The NHS Trust Accounting Officer Memorandum requires the Trust to have an internal audit function.

2.3.2 Role of Internal Audit

The role of internal audit embraces two key areas:

- The provision of an independent and objective opinion to the Accountable Officer, the Board of Directors and the Audit Committee on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives.
- The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

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 Board Assurance Framework and other assurance statements in accordance with guidance from the Department of Health.

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

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

2.3.5 The Head of Internal Audit shall be accountable to the Director of Finance. The reporting system for internal audit shall be agreed between the Director of Finance, the Audit Committee and the Head of Internal 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. Where, in exceptional circumstances, the use of normal reporting channels is thought to limit the objectivity of the audit, the Head of Internal Audit shall have access to report direct to the Chair or a Non-Executive Member of the Trust's Audit Committee.

2.3.6 Managers in receipt of audit reports referred to them, have a duty to take appropriate remedial action within the agreed time-scales specified within the report. The Director of Finance shall identify a formal review process to monitor the extent of compliance with audit recommendations. Where appropriate, remedial action has failed to take place within a reasonable period, the matter shall be reported to the Director of Finance.

2.4 External Audit

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

SFI3 Fraud, Bribery and Corruption

3.1 The Director of Finance is responsible for overseeing and ensuring compliance with the NHS Contractual requirements for countering fraud, bribery and corruption, as well as any other requirements as may be instructed by NHS Protect periodically.

- 3.2 All anti-fraud, bribery and corruption services are provided under arrangements proposed by the Director of Finance and approved by the Audit Committee, on behalf of the Board.
- 3.3 The Director of Finance will appoint a suitable person as Local Counter Fraud Specialist (LCFS). The LCFS shall report to the Director of Finance and shall work with the staff in NHS Protect, in accordance with the Department of Health Fraud and Corruption Manual.
- 3.4 The Local Counter Fraud Specialist will provide a written report and action plan to the Audit Committee, at least annually, on counter fraud and corruption work within the Trust.
- 3.5 All Members and officers have a duty to ensure Trust resources are appropriately protected from fraud, bribery and corruption.
- 3.6 All members and officers having evidence of, or reason to suspect, financial or other irregularities or impropriety in relation to these instructions to report these suspicions to the Director of Finance, Company Secretary or the LCFS or directly to NHS Protect.
- 3.7 Under no circumstances will a Member or officer commence any investigation into suspected or alleged crime, as this may compromise any further investigation.

SFI4 Security Management

- 4.1 The Director of Finance is responsible for overseeing the provision of security management arrangements compliant with Directions issued by the Secretary of State for Health on NHS security management.
- 4.2 The Director of Finance will appoint a suitable person as Local Security Management Specialist (LSMS). The LSMS shall report to the Director of Finance.
- 4.3 The Local Security Management Specialist will produce an annual assessment of security management arrangements. The outcome of the assessment, together with an action plan to address areas of weakness, will be reported to the Audit Committee.
- 4.4 All members and officers have a responsibility for ensuring that the security of Trust property and safety of staff is not compromised.

SFI5 Resource Limits, Business Planning, Budgets, Budgetary Control and Monitoring

5.1 Resource Limits

- 5.1.1 The Trust has a statutory duty not to exceed resource limits. The Chief Executive has overall responsibility for the Trust's activities and is accountable to the Board for ensuring that the Trust stays within resource limits.
- 5.1.2 The Director of Finance will:
- Provide reports to NHS Improvement in the form required.
 - Provide regular financial reports to the Board.

- Ensure money drawn against cash forecasts is required for approved expenditure only, and is drawn only at the time of need, following best practice as set out in 'Cash Management in the NHS'.
- Be responsibility for ensuring that an adequate system for monitoring financial performance is in place to enable the Trust to fulfil its statutory responsibility not to exceed its annual revenue and capital resource limits and cash forecast.

5.2 Preparation and approval of business plans / Service Development Strategy (Local Delivery Plan) and budgets

5.2.1 The Chief Executive will compile and submit to the Board of Directors an Annual Business Plan that 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.

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

- a) be in accordance with the aims and objectives set out in the Trust's annual business plan / Service Development Strategy, and the commissioners' local delivery plans;
- b) accord with workload and manpower plans;
- c) be produced following discussion with appropriate budget holders;
- d) be prepared within the limits of available funds;
- e) identify potential risks; and
- f) be based on reasonable and realistic assumptions.

5.2.3 The Director of Finance shall monitor the financial performance against budgets, periodically review it and report to the Board of Directors. Any significant variances should be reported by the Director of Finance to the Board of Directors as soon as they come to light and the Board of Directors shall be advised of action to be taken in respect of such variances.

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

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

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

5.3 Budgetary delegation

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

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

5.3.2 Delegated budget holders must not exceed the budgetary total or virement limits set by the Board of Directors.

5.3.3 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.

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

5.4 Budgetary control and reporting

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

- a) regular financial reports to the Board of Directors in a form approved by the Board of Directors after they have been scrutinised by the Finance, Performance & Investment Committee, containing:
 - i) income and expenditure to date showing trends and forecast year-end position;
 - ii) balance sheet, including movements in working capital,
 - iii) cash flow statement and details of performance within Prudential Borrowing Code.
 - iii) capital project spend and projected out-turn against plan,
 - iv) explanations of any material variances from plan/budget;
 - v) details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;

- b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
- c) investigation and reporting of variances from financial, and workload budgets;
- d) the monitoring of management action to correct variances;
- e) arrangements for the authorisation of budget transfers;
- f) advising the Chief Executive and Board of Directors of the consequences of changes in policy, pay awards and other events and trends affecting budgets and shall advise on the economic and financial impact of future plans and projects; and.
- g) review of the bases and assumptions used to prepare the budgets.

5.4.2 Each budget holder is responsible for ensuring that:

- a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board of Directors;
- b) officers shall not exceed the budget limit set;
- c) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement; and,
- d) no permanent employees are appointed without the approval of the Chief Executive other than those provided for in the budgeted establishment as approved by the Board of Directors.

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

5.5 Capital expenditure

5.5.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in Section 11.) A Project Manager will be identified who will assume responsibility for the budget relating to the scheme.

5.6 Monitoring returns

5.6.1 The Director of Finance is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation within the specified time-scales.

SFI6 Annual Accounts and Reports

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

- (a) prepare financial returns in accordance with the accounting policies and guidance given by the Department of Health and the Treasury, the Trust's accounting policies, and generally accepted accounting practice;

- (b) prepare and submit annual financial reports to the Department of Health certified in accordance with current guidelines;
- (c) submit financial returns to the Department of Health for each financial year in accordance with the timetable prescribed by the Department of Health.

The Trust's annual accounts must be audited by an auditor appointed by the Board of Directors on the recommendation of the Audit Committee. The Trust's audited annual accounts must be presented to a public meeting and made available to the public.

- 6.2 The Company Secretary, on behalf of the Trust, will prepare an Annual Report, in accordance with guidelines on local accountability. The Annual Report will be published for access by the public and presented at a public meeting. The document will comply with the Department of Health's Manual for Accounts.

SFI7 Banking Arrangements

7.1 General

- 7.1.1 The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts, including the provision of banking services and operation of accounts, including the provision and use of procurement or other card services. This advice will take into account guidance/directions issued by the Department of Health and HM Treasury.

- 7.1.2 In line with 'Cash Management in the NHS' Trusts should minimize the use of commercial bank accounts and consider using Governance Banking Service (GBS) accounts for all banking services.

- 7.1.3 The Board of Directors shall approve the banking arrangements.

7.2 Commercial Bank and Government Banking Service Accounts

- 7.2.1 The Director of Finance is responsible for:

- a) Commercial bank accounts and GBS accounts; and other forms of working capital financing that may be available from the Department of Health.
- b) Establishing separate bank accounts for the Trust's non-exchequer funds, including charitable 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 of Directors all arrangements made with the Trust's bankers for accounts to be overdrawn (together with the remedial action taken);
- e) Ensuring there are arrangements in place for the monitoring of compliance with the Department of Health guidance on the level of cleared funds; and

- f) Ensure that to action transactions governed by the bank mandates there must be two approved signatories which are listed on the mandates and one of the signatories must be the Director of Finance.

7.2.2 All accounts should be held in the name of the Trust. No officer other than the Director of Finance shall open any account in the name of the Trust or for the purpose of furthering Trust activities.

7.3 Banking procedures

7.3.1 The Director of Finance is responsible for ensuring that detailed instructions on the operation of bank and GBS accounts are prepared, which must include:

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

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

7.3.3 The Director of Finance shall approve security procedures for any cheques issued without a hand-written signature e.g. lithographed. Manually produced cheques shall be signed by the authorised officer(s) in accordance with the bank mandate.

7.3.4 All cheques shall be treated as controlled stationery, in the charge of a duly designated officer controlling their issue.

7.4 Tendering and Review

7.4.1 The Director of Finance will review the commercial banking arrangements of the Trust at regular intervals not exceeding five years to ensure they reflect best practice and represent best value for money. This will include seeking competitive tenders for the Trust's commercial banking business. This review is not necessary for GBS banking.

7.4.2 The results of the tendering exercise should be reported to the Board of Directors.

SFI8 Income, Fees and Charges, and Security of Cash, Cheques and other Negotiable Instruments

8.1 Income systems

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

8.1.2 All such systems shall incorporate, where practicable, in full the principles of internal check and separation of duties.

8.1.3 The Director of Finance is also responsible for ensuring systems are in place for the prompt banking of all monies received.

8.1.4 The Director of Finance will arrange to register with HM Revenues and Customs if required under money laundering legislation.

8.2 Fees and charges other than stated in Trust Contract.

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

8.2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.

8.2.3 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.

8.2.4 All employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

8.3 Debt recovery

8.3.1 The Director of Finance is responsible for ensuring systems are in place for the appropriate and timely recovery action on all outstanding debts, including a formal follow up procedure for all debtor accounts.

8.3.2 Where it is necessary to use the services of a professional debt recovery agency and/or the courts to recover an outstanding debt, the Trust will seek to recover the associated costs from the debtor concerned.

8.3.3 The Director of Finance will confirm any Employee(s) authorised to sign court documentation in relation to the recovery of outstanding debts on behalf of the Trust.

8.3.4 Income not received should be dealt with in accordance with losses procedures.

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

8.4 Security of cash, cheques and other negotiable instruments

8.4.1 The Director of Finance is responsible for:

- a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable; (No form of receipt which has not been specifically authorised by the Director of Finance should be issued).
- 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.

8.4.2 Official money shall not under any circumstances be used for the encashment of private cheques, nor IOUs.

8.4.3 Staff shall be informed in writing on appointment of their responsibilities and duties for the collection, handling or disbursement of cash, cheques etc.

8.4.4 All cheques, postal orders, cash etc., shall be banked promptly intact under arrangements approved by the Director of Finance.

8.4.5 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss.

8.4.6 Any loss or shortfall of cash, cheques or other negotiable instruments, however occasioned, shall be monitored and recorded within the Finance Department. Any significant trends should be reported to the Director of Finance and Internal Audit via the incident reporting system. Where there is prima facie evidence of fraud, bribery or corruption this should be reported in accordance with the Trust's Fraud and Corruption Reporting Arrangements (See Appendices) and the guidance provided by NHS Protect. Where there is no evidence of fraud or corruption the loss should be dealt with in line with the Trust's Losses and Compensations Procedures.

SFI9 NHS Service Agreements for Provision of Services

9.1 Service Level Agreements

9.1.1 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.

9.1.2 All SLAs should aim to implement the agreed priorities contained within the Annual Plan and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive should take into account a number of issues which may involve:

- 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;

- 9.1.3 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.
- 9.1.4 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.
- 9.1.5 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.

SFI10 Terms of Service, Allowances and Payment of Members, Officers and Others

10.1 Remuneration and Nominations Committee

10.1.1 In accordance with Standing Orders, the Board shall establish a Remuneration and Nominations Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

10.1.2 The Committee will:

- a) agree appropriate remuneration and terms of service for the Chief Executive and other executive directors (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) agree the remuneration and terms of service of executive directors (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 staff where appropriate;
- c) monitor and evaluate the performance of individual executive directors (and other senior employees); and
- d) oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

10.1.3 The Committee shall be accountable for taking decisions on the remuneration and terms of service of executive directors. Minutes of the Committee meetings should record such decisions.

10.1.4 The Board of Directors will consider proposals presented by the Chief Executive for setting of remuneration and conditions of service for those employees not covered by the Committee.

10.1.5 The Trust will pay allowances to the Chair and Non-Executive Members of the Board in accordance with instructions issued by the Secretary of State for Health

10.2 Funded establishment

10.2.1 The staffing plans incorporated within the annual budget will form the funded establishment.

10.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive or individual nominated within the relevant section of the Scheme of Reservation and Delegation. The Finance Department is responsible for verifying that funding is available.

10.3 Staff appointments

10.3.1 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 their approved budget and funded establishment as defined in the Scheme of Reservation and Delegation.

10.3.2 Any exceptions to SF10.3.1 must be approved in advance and in writing by the Chief Executive.

10.3.3 The Board of Directors will be asked to approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc., for employees.

10.4 Processing of the payroll

10.4.1 All employees will be paid via bank credit transfer, unless otherwise agreed with the Director of Finance.

10.4.2 The Director of Human Resources and Organisational Development and Organisational Development in conjunction with the Director of Finance is responsible for:

- a) specifying timetables for submission of properly authorised time records and other notifications;
- b) the final determination of pay and allowances; including verification that the rate of pay and relevant conditions of service are in accordance with current agreements; and

- c) making payment on agreed dates.

10.4.3 The Director of Human Resources and Organisational Development and Organisational Development 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
- h) pay advances and their recovery.

10.4.3 The Director of Finance will ensure arrangements are in place to issue instructions regarding:

- a) procedures for payment by cheque, bank credit, or cash to employees;
- b) procedures for the recall of cheques and bank credits;
- c) maintenance of regular and independent reconciliation of pay control accounts;
- d) separation of duties of preparing records and handling cash; and
- e) a system to ensure the recovery from leavers of sums of money, including overpayments, and property due by them to the Trust.

10.4.4 Appropriately nominated managers have delegated responsibility for:

- a) processing a signed copy of the contract/appointment form and such other documentation as may be required immediately upon an employee commencing duty.
- b) submitting time records, and other notifications in accordance with agreed timetables;
- c) completing time records and other notifications in accordance with the Director of Human Resources and Organisational Development and Organisational Development instructions and in the form prescribed by the Associate Director of Human Resources; and
- d) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the Director of Human Resources and Organisational Development must be informed immediately. In

circumstances where fraud might be expected this must be reported to the Director of Finance.

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

10.5 Contracts of employment

10.5.1 The Director of Human Resources and Organisational Development is responsible for:

- a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Board of Directors and which complies with employment and Health & Safety legislation; and
- b) dealing with variations to, or termination of, contracts of employment.
- c) ensuring that all volunteers and lay members receive a contract which appropriately reflects their status and entitlement, or not, to pay and/or expenses.

10.6 Expenses

10.6.1 Managers are accountable for approving appropriate expenses incurred in line with the Trust Expenses Policy, Agenda for Change rates and based on their financial delegations set out in the Scheme of Delegation.

10.6.2 Expenses are reimbursed to Employees via payroll.

10.6.3 The expenses system is only for the reimbursement of expenses associated with travel and subsistence, and should never be used to reimburse items that should have been and could have been purchased via the Trust's purchasing system.

10.7 Salary Sacrifice Schemes

10.7.1 A salary sacrifice happens when an employee gives up the right to receive part of their cash pay due under their contract of employment. The sacrifice is made in return for the Trust agreeing to provide some form of non-cash benefit (e.g., child care vouchers, car, etc). The sacrifice is achieved by varying the employee's terms and conditions of employment relating to pay.

10.7.2 Salary sacrifice is a matter of employment law not tax law. Where an employee agrees to a salary sacrifice in return for a non-cash benefit they give up their contractual right to future cash remuneration. Therefore, an employee wishing to enter into a salary sacrifice will be required to complete and sign an appropriate amendment to their employment contract.

10.7.3 The Trust may offer employees access to a range of salary sacrifice schemes. Any proposal to offer or withdraw a particular salary sacrifice scheme requires the

agreement of both the Director of Finance and the Director of Human Resources and Organisational Development.

- 10.7.4 All salary sacrifice schemes will be open to all employees of the Trust who hold either a permanent contract or a fixed term contract with more than one year remaining at the point of joining the scheme (not some schemes may be for a longer period than one year and termination before lease end may incur a penalty which is not eligible for salary sacrifice).
- 10.7.5 For all schemes an employee is required to enter into an arrangement for a finite period of time.
- 10.7.6 The law governing salary sacrifice schemes does not allow an employee to opt out of most salary sacrifice schemes before the end of the agreed term, other than in the case of an 'unforeseen life changing event'. An employee wishing to opt out of a salary sacrifice agreement before the end of its term will therefore have to sign an appropriate amendment to their employment contract and demonstrate that they meet one of the criteria laid down in law
- 10.7.7 Because of the implications for pension entitlement, tax credits and state benefits (e.g., maternity pay, sick pay, etc) employees wishing to enter into a salary sacrifice agreement will be encouraged to seek independent financial advice before entering into the agreement.
- 10.7.8 A salary sacrifice cannot reduce an employee's gross pay below the national minimum wage. Where this would occur the salary sacrifice will be restricted to an amount that reduces gross pay to the national minimum wage, and any excess will be deducted from net pay. This will be clearly highlighted to an employee before then enter into any agreement.

10.8 Payments to Volunteers and Lay Members

- 10.8.1 In accordance with tax law, volunteers and lay members can only be reimbursed, without the deduction of income tax and national insurance, for expenses incurred.
- 10.8.2 Tax law allows for this reimbursement to be:
- a) on the basis of actual costs incurred, which require supporting receipts and should be in line with agenda for change expense rates and the Trust's Expenses Policy; or
 - b) as a round sum allowance which reasonably reflects the costs that are likely to have been incurred and is not time related. Payment of an allowance on a time related basis is deemed to be payment for time and subject to income tax and national insurance.
- 10.8.3 Where it is proposed to pay a round sum allowance this should be approved in accordance with the process laid down by the Director of Finance, before an offer of payment occurs. As an exception to this, volunteers working at the Trust should submit expenses based on the Trust's Policy for the Recruitment and Management of Volunteers.

- 10.8.4 All reimbursements or expenses to volunteers and lay members should be made following the submission of a Volunteer Expenses Claims Form in line with the Trust's Policy for the Recruitment and Management of Volunteers.
- 10.8.5 Where it is proposed to pay a volunteer or lay member an involvement payment this will be classed as income by Her Majesty's Revenue & Customs (HMRC).
- 10.8.6 Some patient volunteers will be in receipt of state benefits or insurance payments. Job Centre Plus and insurance companies may consider any involvement payments made as income. Any recipients of such payments must be informed of their duty to declare the income in writing to the relevant authorities. Individuals failing to declare this income can put themselves at financial risk, their benefits or insurance payments could be suspended or stopped.
- 10.8.7 The Director of Human Resources and Organisational Development must approve all decisions to offer an involvement payment to a volunteer or lay member. Decisions to do so must be recorded in writing detailing the payment offer and the requirement upon the recipient to declare this offer in writing.

10.9 Payments to other non-employed officers

- 10.9.1 Unless specific arrangements have been made, an officer who is not an employee of the Trust (e.g., an officer on secondment to the Trust) should only receive payment from their employing organisation and not from the Trust.
- 10.9.2 This means that in addition to their employing organisation paying their salary they should also pay any expenses incurred by the office (where appropriate, and agreed, recharging them to the Trust).
- 10.9.3 The Trust should only pay costs associated with a non-employed officer that are invoiced by their employing organisation.

10.10 Staff Redundancy, Severance, Incentive and Retention Payments

- 10.10.1 Regulatory/Department of Health and/or HRM Treasury approval is required for all of the following:
- a) Redundancies (subject to a capitalised cost de-minimus);
 - b) Ten or more redundancies, irrespective of capitalised cost;
 - c) Payments in lieu of notice (subject to a de-minimus);
 - d) All special severance payments;
 - e) Financial incentive/retention payments;
 - f) All novel, contentious or repercussive cases;
 - g) Change programmes/major restructuring;

- h) Voluntary redundancy schemes;
- i) Where a decision to terminate employment has been overturned;
- j) Where a proposed settlement payment of £100,000 (at any grade); and
- k) Confidentiality clauses.

10.10.2 Advice should be sought well in advance of the need to undertake any of the above. The timescales required to obtain all necessary approvals may be considerable.

SFI11 Non-Pay Expenditure

11.1 Delegation of authority

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

11.1.2 The Chief Executive will set out:

- a) the list of managers who are authorised to place requisitions for the supply of goods and services should be updated and reviewed on an ongoing basis and annually by the Supplies Department; and
- b) where the authorisation system is computerised the list will be maintained within the computerised system and the 'signature' will be in the form of electronic authorisation in accordance with the access and authority controls maintained within the computerised system; and
- c) the maximum level of each requisition and the system for authorisation above that level.

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

11.2 Choice, requisitioning, ordering, receipt and payment for goods and services

11.2.1 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 legal advisor shall be sought. Where this advice is not acceptable to the requisitioner, the Director of Finance (and/or the Chief Executive) shall be consulted.

11.2.2 The Director of Finance shall be responsible for the prompt payment of properly authorised accounts and claims in accordance with the Better Payment Practice Code (BPPC). Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

11.2.3 The Director of Finance will:

- a) advise the Board of Directors 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 the Scheme of Reservation and Delegation 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 directors/employees (including specimens of their signatures) authorised to approve or incur expenditure. Where the authorisation system is computerised the list will be maintained within the computerised system and the 'signature' will be in the form of electronic authorisation in accordance with the access and authority controls maintained within the computerised system.
 - ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct (including for those invoices below passive approval limits stipulated within SoRD);
 - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
 - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
 - the account is arithmetically correct;
 - the account is in order for payment.
 - iii) A timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.
 - iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.

- e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received, (except as below).

11.2.4 Prepayments outside of normal commercial arrangements, for example fully comprehensive maintenance contracts, rental, insurance are only permitted where exceptional circumstances apply. In such instances:

- a) pre-payments 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.
- b) the appropriate officer in conjunction with the Procurement Department 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 their commitments;
- e) the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold);
- e) the Budget Holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Chief Executive if problems are encountered.

11.2.5 Official Orders must:

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

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

Where an officer certifying accounts relies upon other officers to do preliminary checking, they shall wherever possible, ensure that those who check delivery or execution of work act independently of those who have placed orders and negotiated prices and terms.

- 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;
- g) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- h) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash or on purchasing 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 un-competitive purchase;
- j) changes to the list of directors/employees authorised to certify invoices are notified to the Director of Finance;
- k) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance;
- l) petty cash records are maintained in a form as determined by the Director of Finance; and,
- j) orders are not required to be raised for utility bills, NHS Recharges; audit fees and ad hoc services such as private hospital fees. Payments must be authorised in accordance with the delegated limits set for non pay.

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

11.2.8 Under no circumstances should goods be ordered through the Trust for personal or private use.

11.3 Joint finance arrangements with local authorities and voluntary bodies

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

SFI12 External Borrowing and Investments

12.1 Public Dividend Capital

- 12.1.1 The Director of Finance will advise the Board concerning the Trust's ability to pay dividend on, and repay Public Dividend Capital and any proposed new borrowing, within the limits set by the Department of Health. The Director of Finance is also responsible for reporting periodically to the Board concerning the PDC debt and all loans and overdrafts.
- 12.1.2 The Board will agree the list of employees (including specimens of their signatures) who are authorised to make short term borrowings on behalf of the Trust. This must contain the Chief Executive and the Director of Finance.
- 12.1.3 The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 12.1.4 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cashflow position, represent good value for money, and comply with the latest guidance from the Department of Health.
- 12.1.5 Any short-term borrowing must be with the authority of two members of an authorised panel, one of which must be the Chief Executive or the Director of Finance. The Board must be made aware of all short term borrowings at the next Board meeting.
- 12.1.6 All long-term borrowing must be consistent with the plans outlined in the current Annual Plan and be approved by the Board.

12.2 Investment

- 12.2.1 Temporary cash surpluses must be held only in such public or private sector investments as notified by the Secretary of State and authorised by the Board.
- 12.2.2 The Director of Finance is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments held.
- 12.2.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

SFI13 Capital Investment, Private Financing, Fixed Asset Registers and Security of Assets

13.1 Introduction

- 13.1.1 Capital commitments typically cover land, buildings, equipment and IT, including:
- a) Authority to spend capital

b) Authority to enter into a leasing agreement

13.1.2 Advice should be sought from the Director of Finance if there is any doubt as to whether the particular proposal is a capital commitment requiring formal approval under SFI 13.

13.1.3 No procurement should be undertaken or commitment given to purchase from a supplier prior to approval being received. Failure to comply will be a breach of the SFIs.

13.2 Capital investment

13.2.1 Before the start of the financial year the Board is responsible for approving the annual capital plan.

13.2.2 The Director of Finance:

- a) shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities, based on the Estates Strategy and with the involvement of the Director of Finance, Medical Director, Estates Team and IT Team, and the effect of each proposal upon business plans;
- b) is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost;
- c) shall ensure that a Project Board is established for schemes over £500,000;
- d) each individual scheme is identified and has a monthly expenditure profile; and
- e) shall ensure that the capital investment is not undertaken without the availability of resources to finance all revenue consequences, including capital charges.

13.2.3 For capital expenditure proposals the Director of Finance shall ensure (in accordance with the limits outlined in the Scheme of Delegation):

- a) that a business case (in line with the guidance contained within the NHS Trust Capital Accounting Manual) is produced setting out:
 - i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs; and
 - ii) appropriate project management and control arrangements; and
 - iii) the involvement of appropriate Trust personnel and external agencies; and
- b) that the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case.

13.2.4 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of "CONCODE/Estatecode" and the NHS Trust Capital Accounting Manual.

- 13.2.5 The Director of Finance shall assess on an annual basis the requirement for the operation of the construction industry tax deduction scheme in accordance with Inland Revenue guidance.
- 13.2.6 The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 13.2.7 The approval of a capital programme shall not constitute approval for expenditure on any scheme.
- 13.2.8 The Director of Finance 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
- 13.2.9 The Director of Finance will issue a scheme of delegation for capital investment management in accordance with “CONCODE/Estatecode” and the NHS Trust Capital Accounting Manual guidance and the Trust's Standing Orders.
- 13.2.10 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

13.3 Estates Capital Schemes

- 13.3.1 Capital schemes with a total value of less than £25,000 should be managed according to normal Procurement rules (3 quotes, electronic requisition to the Deputy Financial Accountant, Purchase Order raised)
- 13.3.2 Capital schemes exceeding £25,000 must follow Procurement rules and go out to formal tender. The Project Manager has the authority to raise stage payment certificates for the main contractor appointed.
- 13.3.3 The Project Manager has the authority to sign off staged payment certificates for their own schemes up to £100,000. Certificates above this value need to be authorised by the Director of Finance.
- 13.3.4 Project Managers must engage a Quantity Surveyor where the overall scheme cost (including VAT, equipment and fees) exceeds £100,000. The role of the Quantity Surveyor is to value stage payments and to challenge and support the value for money of the agreed works costs. In addition the Quantity Surveyor should aid the Project Manager in forecasting final outturn figures for the scheme.
- 13.3.5 Where the total value of a capital scheme exceeds £500,000, it is mandatory to appoint a Project Board to oversee the project. The Project Board will include representatives from Estates, Procurement, Finance, Risk, Control of Infection, IT and main contractor.
- 13.3.6 The Project Manager will report to the Project Board on a regular basis. The Project Manager must provide forecast outturn figures to the Project Board at each meeting. If an over spend is predicted then this must be brought to the attention of the Capital

Investment Group (CIG) and approval sought for further expenditure with an explanation of why additional funds are required.

13.4 IT Capital Schemes

13.4.1 Smaller IT projects can be managed using the current controls in place, i.e., requisition and purchase order authorisation and monthly monitoring with the Deputy Financial Accountant. Projects will have a small, and less formal, Project Board to oversee, control and monitor the project.

13.4.2 Larger IT projects will have a Project Manager who will report to a Project Board on a regular basis. Purchasing controls as above will apply - requisition, purchase order authorisation and monthly monitoring with the Deputy Financial Accountant.

13.4.3 The Project Manager must provide forecast outturn figures to the Project Board at each meeting. If an over-spend is predicted then this must be brought to the attention of CIG.

13.4.3 A detailed explanation of why additional capital funding is needed must be provided to CIG.

13.5 Medical Equipment

13.5.1 CIG determines the overall capital plan each year which then goes to Trust Board for final approval.

13.5.2 The plan includes an allocation for Medical Equipment. Not all the equipment required in the year will be known at the planning stage and clinical areas need to complete a case of need to apply for capital funding.

13.5.3 The case of need must include the following:

- Details of Medical equipment required, including VAT inclusive cost and copies of any quotes obtained.
- An explanation of why the equipment is required
- Risk rating
- Clinical impact
- Details of any ongoing revenue consequences

13.5.4 Clinical areas will be invited to present their case at CIG.

13.5.5 Once capital funding has been approved, purchasing will follow the normal controls of an electronic requisition to the Deputy Financial Accountant.

13.5.6 Business cases go to the Business Development & Investment Sub-Committee (BDISC). However BDISC can only make decisions on revenue expenditure. If an approved business case has an element of capital funding then it must also go to CIG for the approval of the capital element.

13.6 Private finance

13.6.1 The Trust should normally test for PFI when considering capital procurement. When the Board proposes, or is required, to use finance provided by the private sector the following should apply:

- (a) The Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) Where the sum involved exceeds delegated limits, the business case must be referred to the appropriate DOH for approval or treated as per current guidelines.
- (c) The proposal must be specifically agreed by the Board in the light of such professional advice as should reasonably be sought in particular with regard to vires.
- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

13.7 Asset Registers

13.7.1 The Chief Executive is responsible for the assets of the Trust.

13.7.2 The Director of Finance is responsible for the maintenance of registers of assets and will determine 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 over a cycle agreed by the Audit Committee.

13.7.3 The Director of Finance is responsible for ensuring there are processes in place to define the items of equipment which will be recorded on the Asset Register. As a minimum, the minimum data set to be held within these registers shall be as specified in the Group Accounting Manual as issued by the Department of Health & Social Care.

13.7.4 Additions to the fixed Asset Register must be clearly identified to an appropriate budget holder and be validated by reference to:

- a) Properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
- b) Stores, requisitions and wages records for own materials and labour including appropriate overheads; and
- c) Lease agreements in respect of assets held under a finance lease and capitalised.

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

13.7.6 The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed Asset Registers.

13.7.7 Land and buildings assets are revalued annually by independent surveyors. Equipment and intangible assets are reviewed for signs of impairment. The value of

each asset will be adjusted to current values in accordance with methods specified in the Group Accounting Manual issued by the Department of Health & Social Care.

13.7.8 The value of each asset shall be depreciated using methods and rates as specified in the Group Accounting Manual as issued by the Department of Health & Social Care.

13.7.9 Budget holders will ensure that the respective assets for their areas are physically checked annually.

13.7.10 The Director of Finance is responsible for ensuring there are processes in place to maintain an up to date register of properties owned or leased by the Trust. This should include details of location, tenancy and custody of the deeds and lease documents.

13.7.11 The Director of Finance shall calculate and pay capital charges as specified by the Department of Health & Social Care.

13.8 Security of assets

13.8.1 The overall control of fixed assets is the responsibility of the Chief Executive advised by the Director of Finance.

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

- a) recording managerial responsibility for each asset;
- b) identification of additions and disposals;
- c) identification of all repairs and maintenance expenses;
- d) physical security of assets;
- e) periodic verification of the existence of, condition of, and title to, assets recorded;
- f) identification and reporting of all costs associated with the retention of an asset; and
- g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

13.8.3 All discrepancies revealed by verification of physical assets to fixed Asset Register shall be notified to the Director of Finance.

13.8.4 Whilst each employee has a responsibility for the security of property of the Trust, it is the responsibility of directors 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 of Directors. Any significant breach of agreed security practices must be reported to the Director of Finance, who will determine the necessary action, including reference to the Local Security Management Specialist.

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

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

SFI14 Stock, Stores and Receipt of Goods

- 14.1 Stocks are defined as those goods normally utilised in day to day activity, but which at a given point in time have not been used or consumed. There are three broad types of store:-
- a) Controlled stores - specific areas designated for the holding and control of goods;
 - b) Wards & departments- goods required for immediate usage to support operational services.
 - c) Manufactured Items - where goods and consumables are being made or processes are being applied which add to the raw material cost of the goods.
- 14.2 Such stocks should be kept to a minimum and for;
- a) controlled stores and other significant stores (as determined by the Director of Finance) should be subjected to an annual stocktake or perpetual inventory procedures; and
 - c) valued at the lower of cost and net realisable value.
- 14.3 Subject to the responsibility of the Director of Finance for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the Chief Executive. The day-to-day responsibility may be delegated by them to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance.
- 14.4 The control of any Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of any fuel oil of a designated estates manager.
- 14.5 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated manager. Wherever practicable, stocks should be marked as NHS property.
- 14.6 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses. Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.
- 14.7 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 14.8 The designated manager shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also SFI15, Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

14.9 Receipt of Goods

- 14.9.1 A delivery note shall be obtained from the supplier at the time of delivery and shall be signed by the person receiving the goods. All goods received shall be checked, by the appropriate department, as regards quantity and/or weight and inspected as to quality and specification. Instructions shall be issued to staff covering the procedures to be adopted in those cases where a delivery note is not available.
- 14.9.2 All goods received shall be entered onto an appropriate goods received/stock record (whether a computer or manual system) on the day of receipt. If goods received are unsatisfactory, the records shall be marked accordingly. Further, where the goods received are found to be unsatisfactory or short on delivery, they shall only be accepted on the authority of the designated officer and the supplier shall be notified immediately.
- 14.9.3 For goods supplied via the NHS Logistics 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 to satisfy themselves that the goods have been received. The Finance Department will make payment on receipt of an invoice. This may also apply for high-level low volume items such as stationery.

14.10 Issue of Stocks

- 14.10.1 The issue of stocks shall be supplied by an authorised requisition note and a receipt for the stock issued shall be returned to the designated officer. Where a 'topping up' system is used, a record shall be maintained as approved by the Director of Finance. Regular comparisons shall be made of the quantities issued to wards/departments etc. and explanations recorded of significant variations.
- 14.10.2 All transfers and returns shall be recorded on forms/systems provided for the purpose and approved by the Director of Finance.

SFI15 Disposals and Condemnations, Insurance, Losses and Special Payments

15.1 Disposals and condemnations

- 15.1.1 The Director of Finance is responsible for ensuring detailed procedures for the disposal of assets including condemnations, and for the recording and accounting for the disposal.
- 15.1.2 When it is decided to dispose of a Trust asset, the head of department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.
- 15.1.3 All unserviceable articles shall be:
- a) condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance;
 - b) recorded by the condemning officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the

countersignature of a second employee authorised for the purpose by the Director of Finance.

15.1.4 The condemning officer shall satisfy themselves as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who will take the appropriate action.

15.2 Losses

15.2.1 Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the Trust or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared to the generality of payments, and special notation in the accounts to bring them to the attention of Parliament.

15.2.2 The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. Trust senior management must comply with NHS contractual requirements in ensuring that suspected fraud, bribery or corruption is reported and investigated by the Trust LCFS.

15.2.3 Managing Public Money defines losses as including, but not limited to:

- a) Cash losses (physical loss of cash and its equivalents, e.g., credit cards, electronic transfers;
- b) Bookkeeping losses (un-vouched or incompletely vouched payments, including missing items or inexplicable or erroneous debit balances);
- c) Exchange rate fluctuations;
- d) Losses of pay, allowances and superannuation benefits paid to employees (including: overpayments due to miscalculation, misinterpretation or missing information; unauthorised issue and other causes)
- e) Losses arising from overpayments;
- f) Losses from failure to make adequate charges;
- g) Losses of accountable stores (through fraud, theft, arson, other deliberate act or other cause)
- h) Fruitless payments and constructive losses; and,
- i) Claims waived or abandoned (including bad debts);
- j) Losses that are subject to insurance cover should be accounted for on a net basis (i.e. after any insurance pay-out).
- k) Fruitless payments include payments for rail fares and hotels that are not required but could not be cancelled without a partial or full charge being incurred.

- 15.2.3 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 Director of Finance who will liaise with the Chief Executive or inform an officer charged with responsibility for responding to concerns involving loss confidentially. This officer will then appropriately inform the Director of Finance who will liaise with the Chief Executive.
- 15.2.4 Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud, bribery or corruption or of anomalies which may indicate fraud, bribery or corruption, the Director of Finance must inform their Local Counter Fraud Specialist who will report the incident on the NHS Protect case management database.
- 15.2.5 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial the Director of Finance must immediately notify:
- a) the Board of Directors, and
 - b) the External Auditor.
 - c) NHS Protect (if appropriate, through the Local Security Management Specialist)
- 15.2.6 Within limits delegated by the Department of Health the Board of Directors shall approve the writing-off of all losses and special payments in accordance with the Scheme of Delegation.
- 15.2.7 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 15.2.8 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 15.2.9 The Director of Finance shall maintain a *Losses and Special Payments Register* in which write-off action is recorded. All losses and special payments must be reported to the Audit Committee.

15.3 Special Payments

- 15.3.1 The Director of Finance is responsible for ensuring that detailed procedural instructions for the recording and accounting for special payments are prepared and notified to officers.
- 15.3.2 The Scheme of Delegation sets out delegated approval limits for officers to authorise special payments.
- 15.3.3 All special severance payments and retention payments require the approval of the Remuneration and Nominations Committee.
- 15.3.4 Managing Public Money defines special payments as:

- a) Extra-contractual payments: payments which, though not legally due under contract, appear to place an obligation on a public sector organisation which the

courts might uphold. Typically these arise from the organisation's action or inaction in relation to a contract. Payments may be extra-contractual even where there is some doubt about the organisation's ability to pay, e.g. where the contract provides for arbitration but a settlement is reached without it. A payment made as a result of an arbitration award is contractual;

- b) Extra-statutory and extra-regulatory payments: are within the broad intention of the statute or regulation, respectively, but go beyond a strict interpretation of its terms;
- c) Compensation payments: are made to provide redress for personal injuries (except for payments under the civil service injury benefits scheme), traffic accidents, and damage to property etc., suffered by civil servants or others. They include other payments to those in the public service outside statutory schemes or outside contracts;
- d) Special severance payments: are paid to employees, contractors and others outside of normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract; and
- e) Ex gratia payments: go beyond statutory cover, legal liability, or administrative rules, including: payments made to meet hardship caused by official failure or delay; out of court settlements to avoid legal action on grounds of official inadequacy; and, payments to contractors outside a binding contract, e.g., on grounds of hardship.

15.3.5 The Trust is committed to effective and timely investigation and response to any claim which includes allegations of clinical negligence, employee and other compensation claims. The Trust will follow the requirements and note the recommendations of the Department of Health, and the NHS Litigation Authority (NHSLA) in the management of claims. Every member of staff is expected to cooperate fully, as required, in assessment and management of each claim.

15.3.6 The Trust will seek to reduce the incidence and adverse impact of clinical negligence, employee and other litigation by :-

- Adopting prudent risk management strategies including continuous review.
- Implementing in full the NHS Complaints Procedure, thus providing an alternative remedy for some potential litigants.
- Adopting a systematic approach to claims handling in line with the best current and cost effective practice.
- Following guidance issued by the NHSLA relating to clinical negligence.
- Achieving the Care Quality Commission Fundamental Standards for Quality and Safety.
- Implementing an effective system of Quality Governance

15.3.7 The Company Secretary or equivalent is responsible for managing the claims process and informing the Board of Directors of any major developments on claims related issues.

SFI16 Procurement Procedures

16.1 The Procurement Manager is responsible to the Director of Finance for providing management, governance and assurance of the procurement function to ensure:

- a) the buying and contract management of goods, services and works is undertaken in accordance with procurement rules and the Standing Orders and Standing Financial Instructions.
- b) compliance with HM Treasury Managing Public Money (2015) which requires that all public sector organisations be able to demonstrate value for money for their expenditure.
- c) compliance as far as is practicable with the requirements of the Department of Health "Capital Investment Manual" and "Estate code" in respect of capital investment and estate and property transactions.

16.2 All expenditure is subject to the annual budget allocation and delegated limits set out in the Scheme of Delegation.

16.3 EU Directives Governing Public Procurement

16.3.1 Directives by the Council of the European Union promulgated by the Department of Health (DoH) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in the Standing Orders and Standing Financial Instructions. Procedure notes detailing EU thresholds and the differing procedures to be adopted must be maintained within the Trust.

16.4 Formal Competitive Tendering

16.4.1 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 Department of Health);
- 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.

16.4.2 Formal tendering procedures are not required where:

- (a) the estimated expenditure or income does not, or is not reasonably expected to, exceed the limit set in the Scheme of Reservation and Delegation, (this figure to be reviewed annually); or
- (b) the supply is proposed under special arrangements negotiated by the Department of Health in which event the said special arrangements must be complied with; or

- (c) regarding disposals as set out in Standing Financial Instruction 'Disposals and Condemnations'.

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

- (d) 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;
- (e) where the requirement is covered by an existing contract;
- (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 Director of Finance 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 Trust Capital Accounting 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.

The Procurement Manager and Head of Technical Services can authorise waiving of competitive procedures up to £25,000. The Director of Finance can authorise waiving of competitive tendering procedures up to £75,000. Waiving of competitive tendering procedures above £75,000 requires sign off by the Chief Executive and Director of Finance.

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.

16.4.3 Fair and Adequate Competition

Where the exceptions set out in SFI Nos. 16.4.2 apply, the Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair

and adequate competition as appropriate, and in no case less than two firms/individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.

16.4.4 Building and Engineering Construction Works

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

16.4.5 Items which subsequently breach thresholds after original approval

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

16.5 Contracting/Tendering Procedure

16.5.1 Invitation to tender

- (i) All invitations to tender shall state the date and time as being the latest time for the receipt of tenders and be published via EU-Supply website and/or Contracts Finder website.
- (ii) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.
- (iii) 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.

16.5.2 Expressions of Interest/Invitations to Tender:

Expressions of interest shall be invited via the OJEU website or Contracts Finder, the national advertising portal services for healthcare services should the appropriate value be met or no applicable Framework Agreement is sourced.

Invitations to tender shall be sent out electronically via EU-supply. Evidence of the invitation process and a full audit trail will be held electronically by EU-supply.

16.5.3 Receipt of tenders/tender opening:

EU-supply is a secure website which ensures that tenders are held in safekeeping before being opened. Access is restricted to the Trust Procurement Manager and Deputy Procurement Manager. Tender opening is restricted to the Director of Finance and Deputy Director of Finance. An audit trail is automatically generated which includes date and time of receipt.

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

16.5.5 Acceptance of formal tenders

- (i) Any discussions with a tenderer which are deemed necessary to clarify technical aspects of their tender before the award of a contract will not disqualify the tender. All clarification questions received and responses given must be recorded.
- (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.

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

The Director of Finance may make or institute any enquiries they 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.

16.6 Authorisation of Tenders and Competitive Quotations

- 16.6.1 Providing all the conditions and circumstances set out in these Standing Financial Instructions have been fully complied with, formal authorisation and awarding of a contract may be decided by the staff as defined in the Scheme of Reservation and Delegation. These levels of authorisation may be varied or changed. Formal authorisation must be put in writing. In the case of authorisation by the Board of Directors this shall be recorded in their minutes.

16.7 Instances where formal competitive tendering or competitive quotation is not required

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

- (a) the Trust shall use an appropriate Framework Agreement for procurement of all goods and services unless the Chief Executive or nominated officers deem it inappropriate. The decision to use alternative sources must be documented.
- (b) If the Trust does not use an appropriate Framework Agreement the NHS Supply Chain, North of England Commercial Procurement Collaborative or Crown Commercial Services - where tenders or quotations are not required, because expenditure is below the levels defined in the Scheme of Reservation and Delegation, the Trust shall procure goods and services in accordance with procurement procedures approved by the Director of Finance.

16.8 Private Finance for capital procurement

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

- (a) The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) Where the sum exceeds delegated limits, a business case must be referred to the appropriate Department of Health for approval or treated as per current guidelines.
- (c) The proposal must be specifically agreed by the Board of the Trust.
- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

16.9 Compliance requirements for all contracts

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

- (a) The Trust's Standing Orders and Standing Financial Instructions;
- (b) EU Directives and other statutory provisions;
- (c) any relevant directions including the NHS Trust Capital Accounting Manual, Estatecode and guidance on the Procurement and Management of Consultants;
- (d) NHS Standards of Business Conduct
- (e) such of the NHS Standard Contract Conditions as are applicable.
- (f) contracts with Trusts must be in a form compliant with appropriate NHS guidance.
- (g) 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.
- (h) In all contracts made by the Trust, the Board shall endeavour to obtain best value for money by use of all systems in place. The Chief Executive shall nominate an officer who shall oversee and manage each contract on behalf of the Trust.

16.10 Personnel and Agency or Temporary Staff Contracts

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

16.11 Healthcare Services Agreements

16.12.1 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 a trust. Such service agreements are not contracts in law and therefore not enforceable by the courts. However, a contract with a Foundation Trust, being a Public Benefits Corporation, is a legal document and is enforceable in law.

The Chief Executive shall nominate officers to commission service agreements with providers of healthcare in line with a commissioning plan approved by the Board of Directors (refer to Scheme of Reservation and Delegation).

16.12 Disposals

16.13.1 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 their nominated officer;
- (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust;
- (c) items to be disposed of with an estimated sale value of less than that defined on the Scheme of Delegation, this figure to be reviewed on a periodic basis;

- (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- (e) land or buildings concerning which DH guidance has been issued but subject to compliance with such guidance.

16.13 In-house Services

- 16.13.1 The Chief Executive shall be responsible for ensuring that best value for money can be demonstrated for all services provided on an in-house basis. The Trust may also determine from time to time that in-house services should be market tested by competitive tendering.
- 16.13.2 In all cases where the Board of Directors determines that in-house services should be subject to competitive tendering the following groups shall be set up:
- (a) Specification group, comprising the Chief Executive or nominated officer/s and specialist.
 - (b) In-house tender group, comprising a nominee of the Chief Executive and technical support.
 - (c) Evaluation team, comprising normally a specialist officer, a supplies officer and a Director of Finance representative.
- 16.13.3 All groups should work independently of each other and individual officers may be a member of more than one group but no member of the in-house tender group may participate in the evaluation of tenders.
- 16.13.4 The evaluation team shall make recommendations to the Board of Directors.
- 16.13.5 The Chief Executive shall nominate an officer to oversee and manage the contract on behalf of the Trust.

16.14 Applicability of SFIs on Tendering and Contracting to funds held in trust

- 16.15.1 These Instructions shall not only apply to expenditure from Exchequer funds but also to works, services and goods purchased from the Trust's trust funds and private resources.

SFI17 Patients' Property

- 17.1 The Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.
- 17.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission by:
- notices and information booklets,
 - 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 its premises, unless it is handed in for safe custody and a copy of an official patient's property record is obtained as a receipt.

- 17.3 The Director of Finance must ensure that there is a system for providing 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. The said instructions shall cover the necessary arrangements for withdrawal of cash or disbursement of money held in accounts of patients who are incapable of handling their own financial affairs. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.
- 17.4 A patient's property record, in a form determined by the Director of Finance shall be completed in respect of the following:
- a) property handed in for safe custody by any patient (or guardian as appropriate); and
 - b) property taken into safe custody having been found in the possessions of:
 - mentally disordered patients
 - confused and/or disorientated patients
 - unconscious patients
 - patients dying in hospital
 - patients found dead on arrival at hospital (property removed by police)
 - c) A record shall be completed in respect of all persons in category b, including a nil return if no property is taken into safe custody.
- 17.5 The record shall be completed by a member of the hospital staff in the presence of a second member of staff and the patient (or representative) where practicable. It shall then be signed by both members of staff and by the patient, except where the latter is restricted by physical or mental incapacity. Any alterations shall be validated by signature as required in the original entry on the record.
- 17.6 Where Department of Health instructions require the opening of separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance.
- 17.7 Patients' income, including pensions and allowances, shall be dealt with in accordance with current Department of Works and Pensions instructions. For long stay patients, the Chief Executive shall ensure that positive action is taken to use their funds effectively and so reduce balances accruing.
- 17.8 Refunds of cash handed in for safe custody will be dealt with in accordance with current Department of Works and Pensions instructions. Property other than cash, which has been handed in for safe custody, shall be returned to the patient as

required, by the officer who has been responsible for its security. The return shall be received by the patient or guardian as appropriate and witnessed.

- 17.9 The disposal of property of deceased patients shall be effected by the officer who has been responsible for its security, such disposal shall be in accordance with written instructions issued by the Director of Finance, in particular, where cash or valuables have been deposited for safe custody, they shall only be released after written authority has been given by the Director of Finance. Such authority shall include details of the lawful kin or other person entitled to the cash and valuables in question.
- 17.10 In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.
- 17.11 Property handed over for safe custody shall be placed into the care of the appropriate administrative staff. Where there are no administrative staff present, in which case the property shall be placed in the secure care of the most senior member of nursing staff on duty.
- 17.12 In respect of deceased patients, if there is no will and no lawful next of kin the property vests in the Crown and particulars shall, therefore, be notified to the Treasury Solicitor.
- 17.13 Any funeral expenses necessarily borne by the Trust are a first charge on a deceased person's estate. Where arrangements for burial or cremation are not made privately, any element of the estate held by the Trust may be appropriated towards funeral expenses, upon the authorisation of the Director of Finance.
- 17.14 Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.
- 17.15 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.

SFI18 Funds Held on Trust (including Charitable Funds)

18.1 Corporate Trustee

- 18.1.1 The Trust has a responsibility as a corporate trustee for the management of funds it holds on trust. Whilst the management processes may overlap with those of the organisation of the Trust, the trustee responsibilities must be discharged separately with full recognition given to its dual accountabilities to the Charity Commission.
- 18.1.2 The reserved powers of the Board of Directors and the Scheme of Delegation make clear where decisions where discretion must be exercised are to be taken and by whom.

- 18.1.3 As management processes overlap most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust.
- 18.1.4 The over-riding principle is that the integrity of each trust must be maintained and statutory and trust obligations met with adherence to general principles of financial regulatory, prudence and propriety.
- 18.1.5 Materiality must be assessed separately from exchequer activities and funds.
- 18.1.6 Charitable Funds are those gifts, donations and endowments made under the relevant charities legislation and held on trust for purposes relating to the Trust and the objectives of which are for the benefit of the NHS in England. They are administered by the Board of Directors acting as Trustees.
- 18.1.7 The Director of Finance shall ensure that each fund which the Trust is responsible for managing is managed appropriately to its purpose and to its requirements and will maintain such accounts and records as may be necessary to record and protect all transactions and funds of the Trust as trustees of non-exchequer funds, including an Investment Register.

18.2 Existing Charitable Funds

- 18.2.1 The Director of Finance shall arrange for the administration of all existing funds. A “Deed of Establishment” must exist for every fund and detailed codes of procedure shall be produced covering every aspect of the financial management of charitable funds, for the guidance of fund managers. The Deed of Establishment shall identify the restricted nature of certain funds, and it is the responsibility of fund managers, within their delegated authority, and the Charitable Funds Committee, to ensure that funds are utilised in accordance with the terms of the Deed.
- 18.2.2 The Director of Finance shall periodically review the funds in existence and shall make recommendations to the Charitable Funds Committee regarding the potential for rationalisation of such funds within statutory guidelines.
- 18.2.3 The Director of Finance shall ensure that all funds are currently registered with the Charities Commission in accordance with the Charities Act 1993 or subsequent legislation.

18.3 New Charitable Funds

- 18.3.1 The Director of Finance shall, recommend the creation of a new fund where funds and/or other assets, received for charitable purposes, cannot adequately be managed as part of an existing fund. All new funds must be covered by a Deed of Establishment and must be formally approved by the Charitable Funds Committee.
- 18.3.2 The Deed of Establishment for any new fund shall clearly identify, inter alia, the objects of the new fund, the nominated fund manager, the estimated annual income and, where applicable, the Charitable Funds Committee’s power to assign the residue of the fund to another fund contingent upon certain conditions e.g. discharge of original objects.

18.4 Sources of New Funds

18.4.1 All gifts accepted shall be received and held in the name of the Charity and administered in accordance with the Charity's policy, subject to the terms of specific funds. As the Charity can accept gifts only for all or any purposes relating to the NHS, officers shall, in cases of doubt, consult the Director of Finance before accepting any gift. Advice to the Board of Directors on the financial implications of fund raising activities by outside bodies or organisations shall be given by the Director of Finance.

18.4.2 All gifts, donations and proceeds of fund-raising activities, which are intended for the Charity's use, must be handed immediately to the Director of Finance via the Cash Office to be banked directly to the Charitable Funds Bank Account.

18.4.3 In respect of Donations, the Director of Finance shall:-

- a) provide guidelines to officers of the Trust as to how to proceed when offered funds. These will include:-
 - i) the identification of the donor's intentions;
 - ii) where possible, the avoidance of creating excessive numbers of funds;
 - iii) the avoidance of impossible, undesirable or administratively difficult objects;
 - iv) sources of immediate further advice; and
 - v) treatment of offers for personal gifts.
- b) provide secure and appropriate receipting arrangements, which will indicate that donations have been accepted directly into the appropriate fund and that the donor's intentions have been noted and accepted.

18.4.4 In respect of Legacies and Bequests, the Director of Finance shall be kept informed of and record all enquiries regarding legacies and bequests. Where required, the Director of Finance shall:-

- a) provide advice covering any approach regarding:-
 - i) the wording of wills;
 - ii) the receipt of funds/other assets from executors;
- b) after the death of a testator all correspondence concerning a legacy shall be dealt with on behalf of the Charity by the Director of Finance who alone shall be empowered to give an executor a good discharge.
- c) where necessary, obtain grant of probate, or make application for grant of letters of administration;
- d) be empowered to negotiate arrangements regarding the administration of a Will with executors and to discharge them from their duty; and

- e) be directly responsible, in conjunction with the Charitable Funds Committee, for the appropriate treatment of all legacies and bequests.

18.4.5 In respect of fund-raising, the final approval for major appeals will be given by the Board of Directors. Final approval for smaller appeals will be given by the Charitable Funds Committee. The Director of Finance shall:-

- a) advise on the financial implications of any proposal for fund-raising activities;
- b) deal with all arrangements for fund-raising by and/or on behalf of the Charity and ensure compliance with all statutes and regulations;
- c) be empowered to liaise with other organisations/persons raising funds for the Charity and provide them with an adequate discharge;
- d) be responsible for alerting the Charitable Funds Committee and the Board of Directors to any irregularities regarding the use of the Charity's name or its registration numbers; and
- e) be responsible for the appropriate treatment of all funds received from this source.

18.4.6 In respect of Trading Income (see also NHS Charitable Funds Guidance Chapter 6), the Director of Finance shall:-

- a) be primarily responsible, along with designated fund managers, for any trading undertaken by the Charity; and
- b) be primarily responsible for the appropriate treatment of all funds received from this source.

18.4.7 In respect of Investment Income, the Director of Finance shall be responsible for the appropriate treatment of all dividends, interest and other receipts from this source (see below).

18.5 Investment Management

18.5.1 The Charitable Funds Committee shall be responsible for all aspects of the management of the investment of charitable funds as delegated under the terms of the approved investment policy. The issues on which the Director of Finance shall be required to provide advice to the Charitable Funds Committee shall include:-

- a) the formulation of investment policy which meets statutory requirements (Trustee Investment Act 1961) with regard to income generation and the enhancement of capital value;
- b) the appointment of advisers, brokers and, where appropriate, investment fund managers and:-
 - i) the Director of Finance shall recommend the terms of such appointments; and for which
 - ii) written agreements shall be signed by the Chief Executive;
- c) pooling of investment resources and the preparation of a submission to the Charity Commission for them to make a scheme;

- d) the participation by the Charity in common investment funds and the agreement of terms of entry and withdrawal from such funds;
- e) that the use of assets shall be appropriately authorised in writing and charges raised within policy guidelines;
- f) the review of the performance of brokers and fund managers;
- g) the reporting of investment performance.

18.5.2 The Director of Finance shall prepare detailed procedural instructions concerning the receiving, recording, investment and accounting for Charitable Funds.

18.6 Expenditure from Charitable Funds

18.6.1 Expenditure from Charitable Funds shall be managed by the Charitable Funds Committee on behalf of the Board of Directors. In so doing the committee shall be aware of the following:-

- a) the objects of various funds and the designated objectives;
- b) the availability of liquid funds within each trust;
- c) the powers of delegation available to commit resources;
- d) the avoidance of the use of exchequer funds to discharge endowment fund liabilities (except where administratively unavoidable), and to ensure that any indebtedness to the Exchequer shall be discharged by trust funds at the earliest possible time;
- e) that funds are to be spent rather than preserved, subject to the wishes of the donor and the needs of the Trust; and
- f) the definitions of “charitable purposes” as agreed by the Department of Health with the Charity Commission.

18.6.2 Delegated authority to incur expenditure which meets the purpose of the funds are set out in the Scheme of Delegations; exceptions are as follows:-

- a) Any staff salaries/wages costs require Charitable Funds Committee approval
- b) No funds are to be “overdrawn” except in the exceptional circumstance that Charitable Funds Committee approval is granted.

18.7 Banking Services

18.7.1 The Director of Finance shall advise the Charitable Funds Committee and, with its approval, shall ensure that appropriate banking services are available in respect of administering the Charitable Funds. These bank accounts should permit the separate identification of liquid funds to each trust where this is deemed necessary by the Charity Commission.

18.8 Asset Management

18.8.1 Assets in the ownership of or used by the Trust, shall be maintained along with the general estate and inventory of assets of the Trust. The Director of Finance shall ensure:-

- a) that appropriate records of all donated assets owned by the Trust are maintained, and that all assets, at agreed valuations are brought to account;
- b) that appropriate measures are taken to protect and/or to replace assets. These to include decisions regarding insurance, inventory control, and the reporting of losses;
- c) that donated assets received on trust shall be accounted for appropriately;
- d) that all assets acquired from Charitable Funds which are intended to be retained within the funds are appropriately accounted for.

18.9 Reporting

18.9.1 The Director of Finance shall ensure that regular reports are made to the Charitable Funds Committee and Board of Directors with regard to, inter alia, the receipt of funds, investments and expenditure.

18.9.2 The Director of Finance shall prepare annual accounts in the required manner, which shall be submitted, to the Board of Directors within agreed timescales.

18.9.3 The Director of Finance shall prepare an annual trustees' report and the required returns to the Charity Commission for adoption by the Charitable Funds Committee.

18.10 Accounting and Audit

18.10.1 The Director of Finance shall maintain all financial records to enable the production of reports as above and to the satisfaction of internal and external audit.

18.10.2 Distribution of investment income to the charitable funds and the recovery of administration costs shall performed on a basis determined by the Director of Finance.

18.10.3 The Director of Finance shall ensure that the records, accounts and returns receive adequate scrutiny by internal audit during the year. They will liaise with external audit and provide them with all necessary information.

18.10.4 The Charitable Funds Committee shall be advised by the Director of Finance on the outcome of the annual audit.

18.11 Taxation and Excise Duty

18.11.1 The Director of Finance shall ensure that the Charity's liability to taxation and excise duty is managed appropriately, taking full advantage of available concessions, through the maintenance of appropriate records, budget setting, preparation and submission of the required returns and the recovery of deductions at source.

SFI19 Acceptance of Gifts and Hospitality and link to Standards of Business Conduct

19.1 The Company Secretary shall ensure that all staff are made aware of the Trust's policy on acceptance of gifts and other benefits in kind by staff.

- 19.2 The Trust's policy follows the guidance contained in the Department of Health Standards of Business Conduct for NHS Staff and is deemed to be an integral part of the Standing Orders and Standing Financial Instructions.
- 19.3 All hospitality and gifts accepted by Members and Officers will be recorded by the Company Secretary on the Register of Gifts and Hospitality and will be available for public inspection on request.

SFI20 Declarations of Interest

- 20.1 The Company Secretary shall ensure that all staff are made aware of the Trust's Policy for Management of Conflicts of Interest.
- 20.2 The Trust's policy follows the guidance contained in the Department of Health Standards of Business Conduct for NHS Staff and is deemed to be an integral part of the Standing Orders and Standing Financial Instructions.
- 20.3 All interests declared by Members and Officers will be recorded by the Company Secretary on the Register of Interests and will be published at least annually.

SFI21 Information Governance

21.1 Responsibilities

- 21.1.1 The Chief Executive is responsible for ensuring that the Trust has registered with the Information Commissioner's Office for compliance with the Data Protection Act 1998 and for ensuring that there are systems in place to ensure that information is published and maintained in accordance with the requirements of the Freedom of Information Act 2000.
- 21.1.2 The Director of Finance is primarily responsible for the accuracy and security of the financial data of the Trust in accordance with Trust's security retention and data protection policies and ensuring that adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent via transmission networks.
- 21.1.3 The Director of Finance and Associate Director of Workforce are jointly responsible for the accuracy and security of the computerised payroll data of the Trust in accordance with Trust security and data protection policies.
- 21.1.14 The Director of Finance is the Trust Senior Information Risk Officer and as such is responsible for:
- a) ensuring that necessary procedures are devised and implemented to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which they are responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998 (updated 2000) and the Computer Misuse Act 1990.
 - b) ensuring 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) ensuring that contracts for computer services 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.
- d) where another health organisation or any other agency provides a computer service, periodically seeking assurances that adequate controls are in operation.
- e) advising the Board in relation to information risk and advising how information security risks could impact upon the Trust's operations and strategic goals.

SFI22 Information Technology

- 22.1 In order to ensure compatibility and compliance with the Trust's IT Strategy, no corporate IT hardware, software or facility should be procured without the authorisation of the Director of Finance.
- 22.2 The Director of Finance is the responsible Director for Information Technology within the Trust and is responsible for:
- a) ensuring that adequate controls exist for all corporate IT services and systems deployed, to support the business requirements of the Trust.
 - b) ensuring that systems are in place to 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 business continuity and disaster recovery plans.
 - c) ensuring that adequate controls exist to enable computer operations to be separated from development, maintenance and amendment;
 - d) ensuring that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as they may consider necessary are being carried out.
- 22.3 In the case of computer systems being proposed all responsible directors and employees will send to the Director of Finance:
- 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.
- 22.4 The Director of Finance shall satisfy himself that new computerised financial systems and amendments to current computerised financial and other systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.

- 22.5 Where computer systems have an impact on corporate financial systems the Director of Finance shall satisfy himself that:
- a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
 - b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
 - c) Finance staff have access to such data; and
 - d) such computer audit reviews as are considered necessary are being carried out.
- 22.6 All contractors must agree to, and sign copies of the Trust's IT security policy before accessing any of the Trust's IT systems.

SFI23 Retention of Documents

- 23.1 All NHS records are public records under the terms of the Public Records Act 1958 section 3 (1) – (2). The Secretary of State for Health and all NHS organisations have a duty under this Act to make arrangements for the safe keeping and eventual disposal of all types of records. In addition, the requirements of the Data Protection Act 1998 and the Freedom of Information Act 2000 must be achieved.
- 23.2 The Chief Executive and senior managers are personally accountable for records management within the organisation. Additionally, the organisation is required to take positive ownership of, and responsibility for, the records legacy of predecessor organisations and/or obsolete services.
- 23.3 Under the Public Records Act all NHS employees are responsible for any records that they create or use in the course of their duties. Thus any records created by an employee of the NHS are public records and may be subject to both legal and professional obligations.
- 23.4 The Chief Executive is responsible for ensuring systems are in place for maintaining archives for all documents required to be retained under the direction contained in Department of Health guidance, 'Records Management Code of Practice'.
- 23.5 The guidelines apply to NHS records of all types (including records of NHS patients treated on behalf of the NHS in the private healthcare sector) regardless of the media on which they are held:
- Patient health records (electronic or paper based)
 - Records of private patients seen on NHS premises;
 - Accident and emergency, birth and all other registers;
 - Theatre registers and minor operations (and other related) registers;
 - Administrative records (including e.g. personnel, estates, financial and accounting records, notes associated with complaint-handling);
 - X-ray and imaging reports, output and other images;
 - Photographs, slides and other images;
 - Microform (i.e. fiche / film)
 - Audio and video tapes, cassettes, CD-ROM etc.
 - Emails;
 - Computerised records;

- Scanned records;
- Text messages (both out-going from the NHS and in-coming responses from the patient)

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

23.7 Documents held in accordance with the Records Management Code of Practice shall only be destroyed in line with the Trust's Records Management Policy. Records shall be maintained of documents so destroyed.

SFI24 Risk Management and Insurance

24.1 Programme of Risk Management

24.1.1 The Chief Executive shall ensure that the Trust has a programme of risk management, including risk appetite in accordance with current Department of Health assurance framework requirements, which must be approved by the Board of Directors and monitored by the Audit Committee.

The programme of risk management shall include:

- a) a process for identifying and quantifying risks and potential liabilities;
- b) engendering among all levels of staff a positive attitude towards the control of risk;
- c) management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk;
- d) contingency plans to offset the impact of adverse events;
- e) audit arrangements including; Internal Audit, clinical audit, health and safety review;
- f) a clear indication of which risks shall be insured;
- g) arrangements to review the Risk Management programme.

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

24.2 Insurance: Risk Pooling Schemes administered by NHSLR

24.2.1 The Board shall decide if the Trust will insure through the risk pooling schemes administered by the NHS Resolution or self-insure for some or all of the risks covered by the risk pooling schemes.

24.2.2 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.

24.3 Insurance arrangements with commercial insurers

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

- (1) Trust's may enter commercial arrangements for **insuring motor vehicles** owned by the Trust including insuring third party liability arising from their use;

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

24.4 Arrangements to be followed by the Board of Directors in agreeing Insurance cover

- 24.4.1 Where the Board decides to use the risk pooling schemes administered by NHS Resolution, the Company Secretary shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Director of Finance shall ensure that documented procedures cover these arrangements.
- 24.4.2 Where the Board decides not to use the risk pooling schemes administered by NHS Resolution for one or other of the risks covered by the schemes, the Director of Finance shall ensure that the Board is informed of the nature and extent of the risks that are self insured as a result of this decision. The Director of Finance will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed.
- 24.4.3 All the risk pooling schemes require Scheme members to make some contribution to the settlement of claims (the 'deductible'). The Director of Finance should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

24.5 Professional Services: Legal

- 24.5.1 Legal services are subject to both centralised procurement and efficiency controls.
- 24.5.2 All spend for external legal advice must be approved by the Company Secretary or equivalent.