

Royal National Hospital for Rheumatic Diseases

STANDING FINANCIAL INSTRUCTIONS

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Department Finance

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1. INTRODUCTION

1.1 General

- 1.1.1 These Standing Financial Instructions (SFIs) are issued for the regulation of the conduct of the members and officers of the Trust 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 the Trust's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board and the Scheme of Delegation (SD) adopted by the Trust.
- 1.1.3 These SFIs identify the financial responsibilities which apply to everyone working for the Trust and any constituent organisations as may apply from time to time (including Trading Units). They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the 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.
- 1.1.5 **The failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal. This will be managed under the Trust's 'Disciplinary Policy'.**
- 1.1.6 If for any reason these SFIs are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit Committee for referring action or ratification. All members of the Board and staff have a duty to disclose any non-compliance with these SFIs to the Director of Finance as soon as possible.

1.2 Terminology

- 1.2.1 Any expression to which a meaning is given in Health Service Acts, or in the Financial Directions made under the Acts, shall have the same meaning in these instructions.
- 1.2.2 Wherever the title Chief Executive, Director, or other nominated officer is used in these instructions, it should be deemed to include such other officers who have been duly authorised to represent them in their absence.

- (a) 'Board' means the Board of Directors of the Trust.

- (b) 'Budget' means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust.
- (c) 'Budget Holder' means the director or employee with delegated authority to manage finances (Income and Expenditure, or capital where applicable) for a specific area of the organisation.
- (d) 'Chief Executive' (CE) means the Chief Executive Officer of the Trust.
- (e) 'Director of Finance' (DoF) means the Chief Financial Officer of the Trust.
- (f) 'Funds held on trust' shall mean those funds which the Trust holds on date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under S.90 of the NHS Act 2006, as amended.
- (g) 'Legal Adviser' means the properly qualified person appointed by the Trust to provide legal advice.
- (h) 'Trust' means The Royal National Hospital for Rheumatic Diseases NHS Foundation Trust.

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

1.3 Responsibilities and Delegation

1.3.1 The Board exercises financial supervision and control by:

- (a) formulating the financial strategy;
- (b) requiring the submission and approval of budgets within approved allocations/overall income;
- (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money);
- (d) defining specific responsibilities placed on directors and employees as indicated in the Scheme of Delegation (SD);
- (e) ensuring that the duties of the Chief Executive as Accountable Officer are performed.

1.3.2 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal sessions. These are set out in the SD

document. All other powers have been delegated to such other committees as the Trust has established.

1.3.3 The Board will delegate responsibility for the performance and its functions in accordance with the SD document adopted by the Trust.

1.3.4 Within the SFIs it is acknowledged that the Chief Executive is ultimately accountable to the Board, and as accountable officer to the Board for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities and is accountable to the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.

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

1.3.6 It is a duty of the Chief Executive to ensure that existing directors and employees and all new appointees are notified of and understand their responsibilities within these Instructions.

1.3.7 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;
- (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 any time.

1.3.8 Without prejudice to any other functions of directors and employees to the Trust, the duties of the Director of Finance include:

- (a) the provision of financial advice to the Trust and its directors and employees;
- (b) the design, implementation and supervision of systems of Financial control to provide reasonable assurance as to the probity and regularity of transactions;
- (c) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties.

1.3.9 All directors and employees, severally and collectively, are responsible for:

- (a) the security of Trust property;

- (b) avoiding loss;
- (c) exercising economy and efficiency in the use of resources; and
- (d) conforming with the requirements of SOs, SFIs and the SD.

1.3.10 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 their duties under these SFIs.

1.3.11 For any and all directors and 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.

2. AUDIT

2.1 Audit Committee

2.1.1 In accordance with Standing Orders the Board of Directors shall establish an Audit Committee, with clearly defined terms of reference. The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control. Across the whole of the Trust's activities (both clinical and non-clinical), that supports the achievement of the Trusts objectives. The Committee is also responsible for:

- (a) overseeing Internal and External Audit services;
- (b) reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
- (c) monitoring compliance with SOs and SFIs;
- (d) reviewing schedules of losses, compensations, and settlements with staff, and making recommendations to the Board;
- (e) reviewing schedules of debtors/creditors balances over 6 months old and over a de minimus limit as defined by the Audit Committee and related explanations/action plans;
- (f) reviewing the arrangements in place to support the Assurance Framework process prepared on behalf of the Board and advising the Board accordingly.

2.1.2 Where the Audit Committee feel there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chair of the Audit Committee should immediately inform the Chief Executive and raise the matter at the next meeting of the Board. Exceptionally, the matter may need to be referred to Monitor.

2.1.3 It is the responsibility of the Director of Finance to ensure an adequate internal audit service is provided and the Audit Committee shall be involved in the selection process when an internal audit service provider is changed. They must ensure a cost-effective service is provided.

2.2 Bribery and Corruption

- 2.2.1 In line with their responsibilities, the Trust Chief Executive and Director of Finance shall monitor and ensure compliance with Directions issued by the NHS Standards for Providers on bribery and corruption.
- 2.2.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the NHS Fraud and Corruption Manual and guidance. The Director of Finance is responsible for ensuring that the Police are notified at an appropriate stage in any investigation. This shall be following advice from the Local NHS Protect Service.
- 2.2.3 The Local Counter Fraud Specialist shall report to the Trust Director of Finance and shall work with staff in NHS Protect in accordance with the NHS Fraud and Corruption Manual.
- 2.2.4 The Local Counter Fraud Specialist will provide a written report, at least annually, on counter fraud work within the Trust.
- 2.2.5 The Trust will ensure that policies and procedures for all work related to bribery and corruption are implemented. The Trust will consider the major findings of investigations and respond accordingly.
- 2.2.6 The Trust will enable the Local Counter Fraud Specialist to attend Audit Committee meetings. The Trust shall receive Local Counter Fraud Specialist reports at these meetings.

2.3 Director of Finance

- 2.3.1 The Director of Finance is responsible for:
- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control by the establishment of an internal audit function.
 - (b) ensuring that the internal audit is adequate and meets the NHS mandatory audit standards.
 - (c) deciding at what stage to involve the Police in cases of misappropriation and other irregularities.
 - (d) ensuring that an annual audit report is prepared for the consideration of the Audit Committee and the Board. The report must cover:
 - (i) a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by Monitor including for example compliance with control criteria and standards;
 - (ii) major internal financial control weaknesses discovered;
 - (iii) progress on the implementation of internal audit recommendations;

- (iv) progress against plan over the previous year;
- (v) strategic audit plan covering the coming three years;
- (vi) a detailed plan for the coming year.

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

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

2.4 Role of Internal Audit

2.4.1 Internal Audit will review, appraise and report upon:

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

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

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

2.4.4 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 agreements shall be in writing and shall comply with the guidance on reporting contained in the Government Internal Audit Standards. The reporting system shall be reviewed at least every three years.

2.5 External Audit

2.5.1 The External Auditor is appointed by the Council of Governors 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 and referred on to the Council of Governors if the issue cannot be resolved.

2.5.2 The Trust must ensure that the external auditor appointed by the Council of Governors meets the criteria of Monitor set out in the Audit Code for NHS Foundation Trust's at the date of appointment and on an on-going basis throughout the term of their appointment.

2.5.3 External audit must comply with the responsibilities and functions set out in Monitor's Audit Code for NHS Foundation Trusts and under Part 1 of the Health and Social Care Act 2003.

2.5.4 The Trust will provide the external auditor with rights of access to documents and information (including third parties), which appears, to them necessary for the purposes of their functions under Part 1 of the 2003 Act.

2.6 Security Management

2.6.1 In line with their responsibilities, the Chief Executive will monitor and ensure compliance with directions issued by the Secretary of State for Health on NHS security management.

2.6.2 The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the NHS fraud and corruption manual and guidance

2.6.3 The Trust shall nominate a Non-Executive Director to be responsible to the Board for NHS security management.

2.6.4 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Director of Finance as the Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS).

3. BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING

3.1 Preparation and Approval of Business Plans and Budgets

3.1.1 The Chief Executive will compile and submit to the Board a three year corporate plan and an annual revenue and capital operating plan, together forming the Trust's Business Plan which will take into account financial targets, forecast limits of available resources and clinical governance requirements. The Business Plan will be developed in line with guidance issued by Monitor and will contain:

- (a) the key objectives of the Trust;
- (b) a statement of the significant assumptions on which the plan is based;
- (c) details of major changes in workload, delivery of services or resources required to achieve the plan;
- (d) an annual revenue plan which the Director of Finance shall prepare. This shall detail expected income by main purchaser and the main expenditure headings.
- (e) an annual capital plan which should:
 - (i) identify all sources of funding, including charitable, for both capital and revenue,
 - (ii) the allocation of this funding to major capital schemes, rolling replacement and individual schemes and budgets where appropriate.

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

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

3.1.3 The Board shall monitor performance against budget and business plan.

3.1.4 All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled. All budget holders will sign up to their allocated budgets at the commencement of each financial year.

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

3.2 Budgetary Delegation

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

- (a) The amount of the budget;
- (b) The purpose of each budget heading;
- (c) Individual and group responsibilities;
- (d) Authorities to exercise virement;
- (e) Achievement of planned levels of service; and
- (f) Provision of regular reports.

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

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

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

3.3 Budgetary Control and Reporting

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

- (a) Monthly financial reports to the Board in an approved form containing:
 - (i) income and expenditure to date showing trends and forecast year-end position;
 - (ii) performance on cash, accounts receivable, capital expenditure against plan, Monitor risk rating and accounts payable payment performance.;
 - (iii) a statement of financial position and investment information;
 - (iv) capital project spend and projected out-turn against plan;
 - (v) explanations of any material variances from plan;

- (vi) details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation; and
 - (vii) identify potential risks.
- (b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible.
 - (c) investigation and reporting of variances from financial, workload and manpower budgets.
 - (d) monitoring of management action to correct variances.
 - (e) arrangements for the authorisation of budget transfers.

3.3.2 Each budget holder is responsible for ensuring that:

- (a) they deliver their budgets as agreed in the Annual Plan;
- (b) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;
- (b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement;
- (c) no permanent employees are appointed without the approval of the Director of Finance other than those provided for in the budgeted establishment as approved by the Board, and that all recruitment is approved through the Trust's vacancy control process;
- (d) identifying and implementing cost improvements, cost savings and income generation initiatives to achieve a return that meets the requirements of Monitor; and
- (e) effective systems exist within the directorate to ensure that all expenditure is authorised in advance of commitment (e.g. operation of authorised signatory systems) and that the individuals incurring expenditure fully understand their budgetary control responsibilities.

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

3.4 Capital Expenditure

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

3.5 Monitoring Returns

3.5.1 The Director of Finance is responsible for ensuring that the appropriate financial monitoring forms are submitted to the requisite monitoring organisations. The relevant Executive Director is responsible for ensuring that the appropriate Governance returns are submitted to the requisite monitoring organisations.

4. ANNUAL ACCOUNTS AND REPORTS

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

- (a) prepare financial returns in accordance with the accounting policies and guidance given by Monitor, the Trust's accounting policies, and International Financial Reporting Standards;
- (b) prepare and submit annual financial reports to the DH certified in accordance with current guidelines;
- (c) submit financial returns to Monitor for each financial year in accordance with the timetable prescribed by the Monitor.

4.1.2 The Trust's annual accounts must be audited by an auditor appointed by the Council of Governors in accordance with the appointment process set out in the Audit Code for NHS Foundation Trusts issued by Monitor. The Trust's audited annual accounts must be presented to a public meeting and made available to the public.

4.1.3 The Trust will publish an annual report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with Monitor's guidance.

5. BANK ACCOUNTS

5.1 General

5.1.1 The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts. This advice will take into account guidance and directions issued from time to time by Monitor.

5.1.2 The Board shall approve the banking arrangements.

5.2 Bank and Government Banking Services

5.2.1 The Director of Finance is responsible for:

- (a) bank accounts and Government Banking Service accounts;
- (b) reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn;
- (c) ensuring payments made from bank or Government Banking Service 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 within the Trust's approved working capital facility, as set out in the Trust's Prudential Borrowing Limit (together with remedial action taken); and
- (e) establishing separate bank accounts for the Trust's non-exchequer; and funds.

5.3 Banking Procedures

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

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

5.4 Tendering Review

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

5.4.2 Competitive tenders should be sought at least every 5 years. The results of the tendering exercise should be reported to the Board.

5.5 External Borrowing

5.5.1 The Director of Finance will advise the Board concerning the Trust's ability to pay interest on, and repay, both the originating capital debt and any proposed new borrowing, within the limits set by the Department of Health and the Prudential Borrowing Code.

5.5.2 The Director of Finance is also responsible for reporting periodically to the Board concerning the originating debt and all loans and overdrafts

5.5.3 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.

5.5.4 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.

5.5.5 All short term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position. All short-term borrowing requirements must be authorised by the Director of Finance.

5.5.6 All long-term borrowing must be consistent with the plans outlined in the current Business Plan.

5.5.7 The Trust also has freedom to access short-term working capital facilities, subject to an overall limit agreed with Monitor. All such short term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position.

5.6 Investments

5.6.1 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.

5.6.2 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.

5.6.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

6. INCOME FROM NON-NHS SOURCES

6.1 Income Systems

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

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

6.2 Fees and Charges

6.2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the NHS or by Statute. Independent professional advice on matters of valuation shall be taken as necessary. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the guidance in the DH's "Commercial Sponsorship – Ethical standards in the NHS" shall be followed.

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

6.2.4 Approval to enter into Non-NHS contracts where the value is up to £5,000 can be authorised by the relevant budget holder.

6.2.5 Approval to enter into Non-NHS contracts where the value is between £5,001 and £10,000 can be authorised by the relevant Executive Director.

6.2.6 Approval to enter into Non-NHS contracts where the value is between £10,001 and £50,000 needs the authorisation of the Chief Executive or Director of Finance.

6.2.7 Any contracts where the value is between £50,001 and £100,000 can be authorised by the Chief Executive.

6.2.8 Any contracts over £100,000 requires Board approval.

6.3 Debt Recovery

6.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts. Debt recovery services provided by a Shared Services Centre should be specified in a Service Level Agreement.

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

6.3.3 Income not received should be dealt with in accordance with the income procedures.

6.4 Security of Cash, Cheques and Other Negotiable Instruments

6.4.1 The Director of Finance shall be responsible for:

- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- (b) ordering and securely controlling any such stationery;
- (c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines;
- (d) prescribing systems and procedures for handling cash and cheques on behalf of the Trust.

6.4.2 Official money shall not, under any circumstances, be used for the encashment of private cheques or IOUs.

6.4.3 All cheques, postal orders, cash, etc, shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.

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

6.4.5 The Director of Finance is responsible for prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.

7. NHS CONTRACTS FOR PROVISION OF HEALTHCARE SERVICES

7.1 Commissioning

7.1.1 Service agreements with NHS providers for the supply of healthcare services shall be drawn up in accordance with the latest guidance available from the DH and administered by the Trust. Service agreements are not contracts in law and therefore not enforceable by the courts. However, a contract with a Foundation Trust, being a PBC, is a legal document and is enforceable in law.

7.1.2 The CE, as the Accountable Officer, is responsible for ensuring the Trust enters into suitable contracts or SLAs (jointly, 'contracts') with service commissioners for the provision of NHS services. This responsibility has been delegated to the Director of Finance who is responsible for commissioning NHS service agreements for the provision of services to patients in accordance with the Business Plan, and for establishing the arrangements for non contracted activity. In carrying out these functions, the Director of Finance will pay due regards to:

- (a) costing and pricing of services;
- (b) payment terms and conditions; and
- (c) amendments to NHS contracts and contracted activity.

7.2 Contract Pricing and Reporting

7.2.1 NHS contracts should comply with the most recent guidance from the DH and be so devised as to minimise risk whilst maximising the Trust's opportunity to generate income. NHS contract prices should comply with Costing and Payment by Results guidelines and the latest guidance published by NHS England.

7.2.2 The Director of Finance will need to ensure that regular reports are provided to the Board detailing actual and forecast income from the contract. This will include information on costing arrangements, any pricing of NHS contracts at marginal cost must be undertaken by the Director of Finance and reported to the Board.

7.3 Content of Contracts

7.3.1 All contracts should aim to implement the agreed priorities contained within the 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 the latest relevant guidance available from the DH, including:

- (a) the standards of service quality expected;
- (b) the relevant national service framework (if any);
- (c) the provision of reliable information on cost and volume of services;

- (d) the NHS National Performance Assessment Framework.

7.3.2 Approval for contracts must follow the following process:

- (a) Value up to £10,000: Approval by the relevant Divisional Manager and Divisional Accountant;
- (b) Value from £10,000 and up to £500,000: Approval by the Director of Finance or CE;
- (c) Value from £500,000 and up to £10,000,000: Approval by the Director of Finance and the CE;
- (d) Value over £10,000,000: Approval by the Trust Board.

7.3.3 Involving Partners and jointly managing risk

A good contract will result from a dialogue of clinicians, users, carers, public health professionals and managers. It will reflect knowledge of local needs and inequalities. This will require the Chief Executive to ensure that the Trust works with all partner agencies involved in both the delivery and the commissioning of the service required. The contract will apportion responsibility for handling a particular risk to the party or parties in the best position to influence the event and financial arrangements should reflect this. In this way the Trust can jointly manage risk with all interested parties.

8. TENDERING AND CONTRACTING PROCEDURE

8. TENDERING QUOTATION AND CONTRACTING PROCEDURE

8.1 Duty of compliance

- 8.1.1 The procedure for making all contracts by or on behalf of the Trust shall comply with these SOs and SFIs.
- 8.1.2 Directives by the Council of the European Union promulgated by the Department of Health (DH) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these SOs and SFIs.
- 8.1.3 The Trust should have policies and procedures in place for the control of all tendering activity carried out through Reverse eAuctions. For further guidance on Reverse eAuctions refer to www.ogc.gov.uk
- 8.1.4 The Trust shall comply as far as is practicable with the requirements of the Department of Health "Capital Investment Manual" and "Estate code" in respect of capital investment and estate and property transactions. In the case of management consultancy contracts the Trust shall comply as far as is practicable with Department of Health guidance "The Procurement and Management of Consultants within the NHS".

8.2 Formal Competitive Tendering and Quotations

- 8.2.1 The Trust shall ensure that competitive tenders or quotations are invited for:
- (a) the supply of goods, materials and manufactured articles;
 - (b) the rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the DH);
 - (c) for the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens);
 - (d) where the goods and services required have an expected value in total of over £15,000 including VAT.
- 8.2.2 Where the Trust elects to invite tenders for the supply of healthcare services these SOs and SFIs shall apply as far as they are applicable to the tendering procedure.
- 8.2.3 Formal tendering procedures **need not be applied** where the supply is proposed under special arrangements negotiated by the DH in which event the said special arrangements must be complied with.
- 8.2.4 Formal tendering procedures **may be waived** in the following circumstances:

- (a) 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;
- (b) where the requirement is covered by an existing contract;
- (c) where DH or OGC agreements are in place and have been approved by the Board;
- (d) 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;
- (e) 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;
- (f) where specialist expertise is required and is available from only one source;
- (g) 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;
- (h) where 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;
- (i) 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.

- (j) where allowed and provided for in the Capital Investment Manual.
- (k) where standardised products or services have been adopted by the Trust

8.2.5 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.

- 8.2.6 Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded in an appropriate Trust record and reported to the Audit Committee at each meeting.
- 8.2.7 Where the exceptions set out in Paragraph 8.2.4 apply, the Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, and in no case less than two firms/individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.
- 8.2.8 The Trust shall ensure that the firms/individuals invited to tender (and where appropriate, quote) are approved by pre-qualification. Where in the opinion of the Director of Finance it is desirable to seek tenders from firms not approved, the reason shall be recorded in writing to the Chief Executive
- 8.2.9 Competitive Tendering cannot be waived for building and engineering construction works (other than in accordance with Concode) without Departmental of Health approval.
- 8.2.10 Items estimated to be below the limits set in these SFIs for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the CE, and be recorded in an appropriate Trust record.
- 8.2.11 The Director of Finance shall ensure that waivers shall be reported to the Audit Committee.

8.3 Quotations: Competitive and non-competitive

- 8.3.1 Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed £15,000, but not exceed £49,999 (inc VAT). Formal quotation procedures need not be applied where the estimated expenditure or income does not, or is not reasonably expected to, exceed £15,000 (inc VAT).
- 8.3.2 Competitive Quotations
- (a) Quotations should be obtained from at least three firms/individuals based on specifications or terms of reference prepared by, or on behalf of, the Trust.
 - (b) Quotations should be published on the Trusts on-line quotation or tendering portals unless the Chief Executive or his nominated officer determines that it is impractical to do so in which case quotations may be obtained by telephone. Confirmation of telephone quotations should be obtained as soon as possible and the reasons why the telephone quotation was obtained should be set out in a permanent record.

- (c) Quotations obtained using the Trust on line quotation portal will be automatically opened at the nominated time and date stated at the start of the quotation procedure.
- (d) All quotations should be treated as confidential and all details of the quotation, including date and time of submission and opening date and time will be retained in the Audit section of the portal and be available for inspection.
- (e) The Chief Executive or his nominated officer should evaluate the quotation and select the quote which gives the best value for money. If this is not the lowest quotation if payment is to be made by the Trust, or the highest if payment is to be received by the Trust, then the choice made and the reasons why should be recorded in a permanent record.

8.3.3 Non-Competitive Quotations

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

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

8.3.4 No quotation shall be accepted which will commit expenditure in excess of that which has been allocated by the Trust and which is not in accordance with SFIs except with the authorisation of either the Chief Executive or Director of Finance.

Tender Procedure

8.4.1 As a public body, the Trust is legally required to adhere to the requirements of the OJEU (Official Journal of the European Union). The tendering values of OJEU change on an annual basis. Therefore, to ensure continuing compliance the Trust requires that a minimum of three tenders are required for order values over £50,000 and up to £100,000 (including VAT). A minimum of four tenders are required for orders in excess of £100,000.

Invitation to tender

- (a) All invitations to tender will be published on the Trusts on-line tendering portal and shall state the date and time as being the latest time for the receipt of tenders.

- (b) All invitations to tender or quote shall state that no tender or quote will be accepted unless submitted electronically to the secure tender receipt section of the Trust on line portal by the date and time requested.
- (c) Every tender or quotation for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.
- (d) Every tender or quote for building or engineering works shall embody or be in the terms of the current edition of one of the Joint Contracts Tribunal Standard Forms of Building Contract or 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, including NEL2 and NEL3 when applied as part of a Procure 21 or Procure 21+ process. These documents shall be modified and/or amplified to accord with Department of Health guidance and, in minor respects, to cover special features of individual projects.

8.4.2 The Chief Executive or his nominated representative will be responsible for the receipt and safe custody of tenders received until the time appointed for their opening. The date and time of receipt of each tender or quotation shall be recorded in the Audit section of the on-line portal.

8.4.3 As soon as practicable after the date and time stated as being the latest time for the receipt of tenders or quotations, they shall be opened electronically by two senior officers/managers designated by the Chief Executive and not from the originating department. The following should be noted:

- (a) A member of the Trust Board or nominated officer will be required to be one of the two persons present for the opening of tenders estimated above £5,000 (inc VAT). The rules relating to the opening of tenders and quotations will need to be read in conjunction with any delegated authority set out in the Trust's SD.
- (b) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender or quotation.
- (c) The involvement of Finance Directorate staff in the preparation of a tender proposal will not preclude the Director of Finance or any approved Senior Manager from the Finance Directorate from serving as one of the two senior managers to open tenders.
- (d) All Executive Directors/members will be authorised to open tenders regardless of whether they are from the originating department

provided that the other authorised person opening the documents with them is not from the originating department. The Trust Secretary will count as a Director for the purposes of opening tenders or quotations.

- (e) Every tender received shall be electronically marked automatically by the on-line portal with the date of opening and the name of the opening senior officers/managers.
- (f) A register shall be maintained by the CE, or a person authorised by him, to show for each set of competitive tender or quotation invitations despatched:
 - (i) the name of all firms individuals invited;
 - (ii) the names of firms individuals from which tenders have been received;
 - (iii) the date the tenders or tenders were opened;
 - (iv) the persons present at the opening;
 - (v) the price shown on each tender or quotation; and
 - (vi) a note where price alterations have been made on the documents.

A note shall be made in the register if any one tender or quotation price cannot be readily read or understood.

- (g) Incomplete tenders (those from which information necessary for the adjudication of the tender is missing) and amended tenders (those amended by the tenderer upon his own initiative either orally, in writing or electronically after the due time for receipt, but prior to the opening of other tenders) should be dealt with in the same way as late tenders.

8.4.4 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 CE.

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

8.4.6 Tenders or quotes received after the due time and date, but prior to the opening of the other tenders or quotes, may be considered only if the Chief Executive or his nominated officer decides that there are exceptional circumstances i.e. despatched in good time but delayed through no fault of the tenderer.

8.4.7 Only in the most exceptional circumstances will a tender be considered which is received after the opening of the other tenders and only then if the tenders that have been duly opened have not commenced on the process of evaluation and adjudication.

8.4.8 While decisions as to the admissibility of late, incomplete or amended tenders or quotations are under consideration, the tender documents shall

be kept strictly confidential, recorded, and held in safe custody by the Chief Executive or his nominated officer.

8.4.9 Acceptance of formal tenders

- (a) Any discussions with a tenderer which are deemed necessary to clarify technical aspects of his tender before the award of a contract will not disqualify the tender.
- (b) 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:

- (i) experience and qualifications of team members;
- (ii) understanding of client's needs;
- (iii) feasibility and credibility of proposed approach;
- (iv) 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.

- (c) 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 SFIs except with the authorisation of the CE.
- (d) The use of these procedures must demonstrate that the award of the contract was:
 - (i) not in excess of the going market rate / price current at the time the contract was awarded;
 - (ii) that best value for money was achieved.
- (e) All tenders should be treated as confidential and should be retained for inspection.

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

8.4.11 Approved suppliers

- (a) **Responsibility for approved suppliers**

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

(b) Building and Engineering Construction Works

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

(c) Financial Standing and Technical Competence of Contractors

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

8.4.12 Exceptions to using approved contractors

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

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

8.5 Authorisation of Tenders

8.5.1 Providing all the conditions and circumstances set out in these SFIs have been fully complied with, formal authorisation and awarding of a contract may be decided by the following staff to the value of the contract as follows:

Designated budget holders	up to	£5,000
Directors	up to	£10,000
Director of Finance	up to	£50,000
CE & Director of Finance	up to	£100,000
Trust Board	over	£100,000

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

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

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

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

- (a) the Trust shall use the NHS Supply Chain 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) the Trust shall use the OGC 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.
- (c) If the Trust does not use the NHS Supply Chain or OGC - where tenders or quotations are not required, because expenditure is below £15,000, the Trust shall procure goods and services in accordance with procurement procedures approved by the Director of Finance.

8.7 Compliance requirements for all contracts

8.7.1 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 SOs and SFIs;
- (b) EU Directives and other statutory provisions;

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

8.8 Personnel and Agency or Temporary Staff Contracts

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

8.9 Disposals

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

- (a) articles for which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his nominated officer;
- (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust;
- (c) items which have a realisable value to the Trust of less than £15,000;
- (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- (e) land or buildings concerning which DH guidance has been issued but subject to compliance with such guidance.

8.10 In-house Services

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

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

- (a) Specification group, comprising the Chief Executive or nominated officer/s and specialist;
- (b) In-house tender group, comprising a nominee of the Chief Executive and technical support; and
- (c) Evaluation team, comprising normally a specialist officer, a supplies officer and a Director of Finance representative. For services having a likely annual expenditure exceeding £,500,000 a non-officer member should be a member of the evaluation team.

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

8.10.4 The evaluation team shall make recommendations to the Board.

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

8.11 Applicability of SFIs on Tendering and Contracting to funds held on trust

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

8.12 Bribery Act

8.12.1 The Trust fully supports The Bribery Act 2010 and is therefore committed to ensuring it complies with the Act's standards and principles. It is therefore essential that all contractors and agents acting on the Trust's behalf confirm and demonstrate a similar commitment to help ensure that the Trust is free of bribery and corruption.

9. TERMS OF SERVICE

9.1 Remuneration and Terms of Service

9.1.1 In accordance with SOs 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. (See NHS guidance contained within the Higgs report)

9.1.2 The Committee will:

- (a) advise the Board about 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.
- (b) determine arrangements for termination of employment and other contractual terms;
- (c) monitor and evaluate the performance of individual officer members (and other senior employees);
- (d) make such recommendations to the Board on 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;
- (e) 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.
- (f) Monitor the skills and knowledge mix of the Board and make recommendations for future Executive and Non-Executive Director appointments to the Nominations Committee.

9.1.3 The Committee shall report in writing to the Board its decisions and the basis for its recommendations.

9.1.4 The Board will consider and need to approve proposals presented by the Chief Executive for the setting of remuneration and conditions of service for those employees and officers not covered by the Committee.

9.1.5 The Trust will remunerate the Chairman and Non-Executive Directors in

accordance with the codes for governance and constitution through the Remuneration and Nomination Committee led by the Council of Governors. This includes the reimbursement of fees and expenses to members of the Council of Governors..

9.2 Funded Establishment

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

9.2.2 The funded establishment of any department may not be increased without the approval of the Director of Finance.

9.3 Staff Appointments

9.3.1 No director or employee may engage, re-engage or re-grade employees, either of a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration, unless

- (a) within the limit of the approved budget and funded establishment;
- (b) authorised to do so;
- (b) it does not exceed the approved staff budget, if so, approval must be sought from the Director of Finance.

9.4 Processing of Payroll

9.4.1 The Director of Finance is responsible for:

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

9.4.2 The Director of Finance will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees;
- (c) maintenance of subsidiary records for superannuation, income tax, national insurance 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;
- (h) procedures for payment by cheque, bank credit or cash to employees;
- (i) procedures for the recall of cheques and bank credits;
- (j) pay advances and their recovery;
- (k) maintenance of regular and independent reconciliation of pay control accounts;
- (l) separation of duties for preparing records and handling cash; and
- (m) a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.

9.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) submitting time records, and other notifications in accordance with agreed timetables;
- (b) completing time records and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance; and
- (c) submitting termination forms in the prescribed form immediately upon knowing the effective date of any employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the Payroll Department must be informed immediately.

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

9.5 Contracts of Employment

9.5.1 The Board shall delegate responsibility to a manager for:

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

10. NON PAY EXPENDITURE

10.1 Delegation of Authority

10.1.1 The Board will approve the level of non-pay expenditure on an annual basis and the Director of Finance will determine the level of delegation to Budget Managers.

10.1.2 The Director of Finance will set out:

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

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

10.2 Choice, Requisitioning, Ordering, Receipt And Payment For Goods And Services

10.2.1 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Trust. In so doing, the advice of the Trust's adviser on supply shall be sought. Where this advice is not acceptable to the requisitioner, the Director of Finance (and/or the Chief Executive) shall be consulted.

10.2.2 The Director of Finance shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

10.2.3 The Director of Finance will:

- (a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; once approved, the thresholds should be incorporated in SOs and regularly reviewed;
- (b) prepare procedural instructions (where not already provided in the SD 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 certify invoices.

- (ii) Certification that:
- Goods have been duly received, examined and are in accordance with specification and the prices are correct;
 - Work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - In the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the timesheets, 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 for 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).

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

- (a) prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e. cash flows must be discounted to NPV using the National Loans Fund (NLF) rate plus 2%).
- (b) the appropriate director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments

- (c) the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed
- (d) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the appropriate Director or Chief Executive if problems are encountered.

10.2.5 Official orders must:

- (a) be consecutively numbered;
- (b) be in a form approved by the Director of Finance;
- (c) state how to obtain a copy of the Trust's terms and conditions of trade;
- (d) be held securely, issued to and used only by those duly authorised by the Chief Executive;
- (e) be authorised by a nominated Officer of the Trust;
- (f) be priced (firm or estimate) and include carriage costs if appropriate;
- (g) be in writing, using electronic means, although the authority to place verbal orders may be acceptable with the advance written authority of the Director of Finance.

10.2.6 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 SD 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 rules on public procurement;
- (c) 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; and
 - (ii) conventional hospitality, such as lunches in the course of working visits.
- (d) 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;

- (e) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract or purchases from petty cash;
- (f) 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 within one working day by an official order which is clearly marked “Confirmation Order”;
- (g) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by Monitor or Department of Health;
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (h) goods are not taken on a trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (i) changes to the list of directors/employees authorised to certify invoices are notified to the Director of Finance;
- (j) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance; and
- (k) petty cash records are maintained in a form as determined by the Director of Finance.

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

10.2.8 All requests for changes to suppliers’ bank account details will be verified as genuine by the Accounts Payable department.

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

11.1 Capital Investment

11.1.1 The Chief Executive shall:

- (a) ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon Business Plans;
- (b) be responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
- (c) ensure that the capital investment is not undertaken without the availability of resources to finance all revenue consequences, including depreciation and interest payable.

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

- (a) that a business case is produced setting out:
 - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
 - (ii) appropriate project management and controls are in place;
- (b) that the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case.

Capital business cases shall be approved as follows:

- (a) Commitment of expenditure up to £50,000: Director of Finance;
- (b) Commitment of expenditure in excess of £50,000 and up to £100,000: Chief Executive; and
- (c) Commitment of expenditure in excess of £100,000: Trust Board.

11.1.3 For capital schemes where the contracts stipulate stage payments, the Director of Finance will issue procedures for their management, incorporating the recommendations of Estatecode.

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

11.1.5 The approval of a capital programme shall not constitute approval for expenditure on any scheme. 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; and
- (c) approval to accept a successful tender.

11.1.6 The Chief Executive will issue a Scheme of Delegation for capital investment management in accordance with Estatecode guidance and the Trust's SOs.

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

11.2 Asset Registers

11.2.1 The Director of Finance is responsible for the maintenance of registers of assets, and arranging for a physical check of assets against the asset register to be conducted once a year.

11.2.2 The Trust shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be as specified by Monitor in the Annual Reporting Manual (ARM).

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

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

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

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

11.2.6 The value of each asset shall be depreciated using methods and rates as specified in the ARM issued by Monitor.

11.3 Security of Assets

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

11.3.2 Asset control procedures (including fixed assets, cash, cheques, negotiable instruments and 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.

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

11.3.4 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 Foundation Trust property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with instructions.

11.3.5 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.

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

12. STORES AND RECEIPT OF GOODS

12.1 General

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

- (a) kept to a minimum practical level;
- (b) subjected to regular stock take –perpetual and/or annual;
- (c) valued at the lower of cost and net realisable value; and
- (d) be kept as secure as practically possible.

12.2 Control

12.2.1 Subject to the responsibility of the Director of Finance for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the Chief Executive. The day to day responsibility may be delegated by him to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of Pharmaceutical stocks shall be the responsibility of a designated pharmaceutical officer; the control of fuel oil of a designated estates manager.

12.2.2 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/pharmaceutical officer. Wherever practicable, stocks should be marked as NHS property.

12.2.3 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.

12.2.4 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.

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

12.2.6 The designated manager/pharmaceutical officer shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also Section 13, Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

13. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

13.1 Disposals and Condemnations

13.1.1 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.

13.1.2 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.

13.1.3 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.

13.1.4 The Condemning Officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who will take the appropriate action.

13.2 Losses and Special Payments

13.2.1 The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. In cases involving suspected fraud, the Director of Finance must also prepare a 'fraud response plan' that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.

13.2.2 Any employee or officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Director of Finance and/or Chief Executive. Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the relevant LCFS and CFSMS regional team in accordance with Secretary of State for Health's Directions.

The Director of Finance must notify the Counter Fraud and Security Management Services (CFSMS) and the External Auditor of all frauds.

- 13.2.3 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must immediately notify:
- (a) the Board, and
 - (b) the External Auditor.
- 13.2.4 Within limits delegated to it by the Board, the Director of Finance shall approve the writing off of losses.
- 13.2.5 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in personal and company insolvencies.
- 13.2.6 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 13.2.7 The Director of Finance shall maintain a Losses and Special Payments Register in which write off action is recorded.
- 13.2.8 All losses and special payments must be reported to the Audit Committee annually.

14. INFORMATION TECHNOLOGY

14.1 Controls

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

- (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act;
- (b) ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness and timeliness of the data, as well as the efficient and effective operation of the system;
- (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
- (d) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as may be considered necessary are being carried out;
- (e) prepare and maintain an IT strategy for regular approval by the Management Board; and
- (f) ensure that all purchases of hardware/software are in compliance with the Trust's IT strategy.

14.2 System Development

14.2.1 The Chief Operating Officer shall satisfy themselves that new computer systems and amendments to current 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.

14.2.2 In the case of computer systems which are proposed General Applications (ie normally those applications which the majority of Authorities/Trusts in the cluster or nationally wish to sponsor jointly) 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.

14.2.3 The Director of Finance shall need to ensure that new financial systems and amendments to current financial systems are developed in a controlled

manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.

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

14.3 Contracts for Computer Services with other health bodies or outside agencies

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

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

14.4 Risk Assessment

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

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

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

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

14.6 Data Security and Integrity

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

15. PATIENTS' PROPERTY

15.1 Responsibilities

15.1.1 The Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.

15.1.2 The Chief Executive is responsible for ensuring:

- (a) that patients or their carers, as appropriate, are informed before or at admission by:
 - (i) notices and information booklets;
 - (ii) hospital admission documentation and property records;
 - (iii) the oral advice of administration and nursing staff responsible for admissions;
- (b) that the Trust will not accept responsibility or liability for patients' property brought into Health Service premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.

15.1.3 The Director of Finance must provide detailed written instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of patients' money in order to avoid loss.

15.1.4 Where current guidance requires the opening of separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance.

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

15.1.6 Staff should be informed, on appointment, by appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients, detailed in the patient's property policy and procedure..

- 15.1.7 Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.

16. ACCEPTANCE OF GIFTS BY STAFF AND LINK TO STANDARDS OF BUSINESS CONDUCT

- 16.1 The Trust's policy on acceptance of gifts and other benefits in kind by staff is embodied in the Trust's Policy on Fraud and Corruption.. The policy follows the guidance from DH, in particular Health Circular HSG (93) 5 'Standards of Business Conduct for NHS Staff' which is deemed to be an integral part of these SOs and SFIs.

17. RETENTION OF DOCUMENTS

- 17.1 The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with NHS guidelines.
- 17.2 The records held in archives shall be capable of retrieval by authorised persons.
- 17.3 Records held in accordance with latest NHS guidance shall only be destroyed at the express instigation of the Chief Executive. Detail shall be maintained of records so destroyed.

18. RISK MANAGEMENT AND INSURANCE

18.1 Risk Management Programme

18.1.1 The Chief Executive shall ensure that the Trust has a programme of risk management, in accordance with current NHS assurance framework requirements, which must be approved and monitored by the Board.

18.1.2 The programme of risk management shall include:

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

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

18.2 Insurance: Risk Pooling Schemes administered by NHSLA

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

18.3 Insurance arrangements with commercial insurers

18.3.1 Insurance cover for the Trust's assets (except income generation activities and motor vehicles) shall as a minimum be provided through the Property Expenses Scheme (PES) operated by the National Health Service Litigation Authority. The Director of Finance shall obtain cost effective insurance cover for motor vehicles and income generation activities. Insurance brokers may be appointed if required in accordance

with the Trust's Standing Orders governing tendering and contracting procedures, to effect such insurance cover.

18.4 Arrangements to be followed by the Board in agreeing Insurance cover

- (1) Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority the Director of Finance shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Director of Finance shall ensure that documented procedures cover these arrangements.
- (2) Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, or to source commercial insurance for those risks, 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. It shall be for the Trust Board to decide if the cost of insuring assets to a greater extent than the PES is warranted. The Director of Finance will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed.
- (3) All the risk pooling schemes require Scheme members to make some contribution to the settlement of claims (the 'deductible'). The Director of Finance should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

19. STAFF EXPENSES

- 19.1 Director of Finance shall be responsible for establishing procedures for the management of expense claims submitted by Trust employees. The Director of Finance shall arrange for duly approved expense claims to be processed through the Trust's payroll system. Expense claims shall be authorised in accordance with the Scheme of Delegation.
- 19.2 The Director of Finance shall refer to the Trust's general policies on staff expenses and may reject expense claims where there are material breaches of Trust policies. In this regard the Director of Finance shall liaise with the Chief Executive where appropriate.

20. JOINT FINANCE ARRANGEMENTS WITH LOCAL AUTHORITIES

- 20.1 Payments to and arrangements with local authorities made under the powers of sections 29 and 31 respectively of the Health Act 1999 shall comply with the procedures laid down by the Director of Finance which shall be in accordance with the Act.

21. CREDIT FINANCE ARRANGEMENTS INCLUDING LEASING COMMITMENTS

- 21.1 There are no grounds where any employee of the Trust can approve any contract or transaction which binds the Trust to credit finance commitments without the clear prior authority of the Director of Finance. This includes all Executive Directors of the Trust as well as all officers. The Board has provided the Director of Finance with sole authority to enter into such commitments, although these powers can be delegated by him/her to appropriate officers under his/her organisational control.
- 21.2 This instruction applies to leasing agreements and Hire Purchase undertaking which must be sent to the Director of Finance for prior approval. No officer of the Trust outside the organisational control of the Director of Finance has any powers to approve such commitments.

22. FUNDS HELD ON TRUST

- 22.1 Standing Orders state the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust and define how those responsibilities are to be discharged. They explain that although the management processes may overlap with those of the organisation of the Trust, the trustee responsibilities must be discharged separately and full recognition given to its dual accountabilities to the Charity Commission for charitable funds held on trust and to Monitor for all funds held on trust.
- 22.2 The reserved powers of the Board and the Scheme of Delegation make clear where decisions regarding the exercise of dispositive discretion are to be taken and by whom. All Trust officers must take account of that guidance before taking action.
- 22.3 As management processes overlap most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust.
- 22.4 The over-riding principle is that the integrity of each trust must be maintained and statutory and trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.