

STANDING FINANCIAL INSTRUCTIONS

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1. INTRODUCTION

1.1 General

1.1.1 The East London NHS Foundation Trust (“the Trust”) provides services as a public body under the Health and Social Care Act (2015).

1.1.2 The Trust (Functions) Directions 2000 issued by the Secretary of State require that each Trust shall agree Standing Financial Instructions for the regulation of the conduct of its members and officers in relation to all financial matters with which they are concerned. These directions are not mandatory on NHS Foundation Trusts, but Standing Financial Instructions are an essential aspect of internal control arrangements and are required in order for the Trust to comply with its Terms of Authorisation, Accounting Officer Memorandum, and the Board of Directors Code of Conduct. They shall have effect as if incorporated in the Standing Orders (SOs).

1.1.3 These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that the Trust's financial transactions are carried out in accordance with the law and with NHSI guidance in order to achieve probity, accuracy, economy, efficiency and effectiveness. The Standing Financial Instructions reflect the Nolan Principles of Conduct in Public Life, which are: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. They should be used in conjunction with the Schedule of Decisions Reserved to the Board and the Scheme of Delegation adopted by the Trust.

1.1.4 These Standing Financial Instructions identify the financial responsibilities which apply to everyone working for the Trust and its constituent organisations including Trading Units. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Chief Finance Officer.

1.1.5 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Chief Finance Officer must be sought before acting. The user of these Standing Financial Instructions should also be familiar with and comply with the provisions of the Trust's Standing Orders.

1.1.6 **The failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.**

1.1.7 **Overriding Standing Financial Instructions** – If for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit Committee for referring action or ratification. All members of the Board and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Chief Finance Officer as soon as possible. The Trust's Whistleblowing Policy can be used by staff to raise concerns over any issues concerned with non-compliance with the Standing Financial Instructions.

1.2 Responsibilities and delegation

1.2.1 The Trust Board

The Board exercises financial supervision and control by:

- (a) formulating the financial strategy;
- (b) requiring the submission and approval of budgets within approved allocations/overall income;
- (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money);
- (d) defining specific responsibilities placed on members of the Board and employees as indicated in the Scheme of Delegation document.

1.2.2 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the Schedule of Matters Reserved to the Board document. All other powers have been delegated to such other committees as the Trust has established.

1.2.3 **The Chief Executive and Chief Finance Officer**

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

Within the Standing Financial Instructions, it is acknowledged that the Chief Executive is ultimately accountable to the Board, and as Accounting Officer, to Parliament, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities; is responsible to the Chairman and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.

1.2.4 It is a duty of the Chief Executive to ensure that Members of the Board and, employees and all new appointees are notified of, and put in a position to understand their responsibilities within these Instructions.

1.2.5 The Chief Executive must ensure suitable recovery plans are in place to ensure business continuity in the event of a major incident taking place.

1.2.6 **The Chief Finance Officer**

The Chief Finance Officer is responsible for:

- (a) implementing the Trust's financial policies and for coordinating any corrective action necessary to further these policies;
- (b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- (c) ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the

financial position of the Trust at any time;

and, without prejudice to any other functions of the Trust, and employees of the Trust, the duties of the Chief Finance Officer include:

- (d) the provision of financial advice to other members of the Board and employees;
- (e) the design, implementation and supervision of systems of internal financial control;
- (f) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties.

1.2.7 Board Members and Employees

All members of the Board and employees, severally and collectively, are responsible for:

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

1.2.8 Contractors and their employees

Any contractor or employee of a contractor who is empowered by the Trust to commit the Trust to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.

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

2. AUDIT

2.1 Audit Committee

2.1.1 In accordance with Schedule 7 (paragraph 23) of the 2006 Act, and the Terms of Authorisation, the Constitution and Standing Orders, the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the NHSI through the "Audit Code for NHS Foundation Trusts", and the NHS Audit Committee Handbook (2014), which will provide an independent and objective view of internal control by:

- (a) overseeing Internal and External Audit services, and Counter Fraud Services;
- (b) reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
- (c) reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives;
- (d) monitoring compliance with Standing Orders and Standing Financial Instructions; and
- (e) reviewing schedules of losses and compensations;
- (f) reviewing accounting policies and procedures

2.1.2 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, adverse or qualified audit reports, failure to comply with the NHSI NHS Foundation Trust Annual Reporting Manual or if there are other important matters that the Committee wishes to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board. The matter may also need to be brought to the attention of the NHSI in accordance with the Risk Assessment Framework, and to the attention of the Council of Governors.

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

2.1.4 The Audit Committee has a responsibility for assessing the external auditors on an annual basis, both in terms of the quality of their work and the reasonableness of their fees. The Committee is then responsible for making a recommendation to the Council of Governors with regard to their reappointment or otherwise.

2.2 Chief Finance Officer

2.2.1 The Chief Finance Officer is responsible for:

- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective Internal Audit function;
- (b) ensuring that the Internal Audit is adequate and meets the NHS mandatory audit standards;
- (c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption; and
- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee. The report must cover:
 - (i) a clear opinion on the effectiveness of internal control in accordance

with current assurance framework guidance issued by the Department of Health and/or the NHSI 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; and
- (vi) a detailed plan for the coming year.

2.2.2 The Chief Finance Officer, designated auditors, the Local Counter Fraud Specialist and Local Security Management Specialist are entitled without necessarily giving prior notice to require and receive:

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

2.3 Role of Internal Audit

2.3.1 In accordance with the requirements of the Accounting Officer Memorandum, the Trust shall establish an Internal Audit function. The Audit Committee will receive and approve an Internal Audit Plan. It is the responsibility of the Chief Finance Officer to ensure that this function is in place and operates efficiently and effectively.

2.3.2 The role of Internal Audit is set out in terms of reference that are approved by the Audit Committee, and includes:

- (i) providing a full internal audit service in accordance with the standards set out in the "Government Internal Audit Manual" and other appropriate guidance updated for any mandatory requirements;
- (ii) advising the Board on the adequacy and effectiveness of the overall arrangements in place for securing adequate assurances and provide an opinion on those arrangements to support the Trust's Governance Statement;
- (iii) providing specific assurance opinions on systems reviewed as part of the internal audit plan;
- (iv) commenting upon and actively assisting in the improvement of existing systems and the implementation of new systems in order to help the Trust to maintain financial control, ensure the accuracy of financial reporting, secure their assets, limit the potential for fraud and corruption, achieve financial targets, obtain value for money, ensure security and confidence in computerised systems, and comply with statutory, NHSI and the Trust's own regulations.

- 2.3.3 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Chief Finance Officer must be notified immediately.
- 2.3.4 The Chief Internal Auditor will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chairman and Chief Executive of the Trust.
- 2.3.5 The Chief Internal Auditor shall be accountable to the Chief Finance Officer. The reporting system for internal audit shall be agreed between the Chief Finance Officer, the Audit Committee and the Chief Internal Auditor. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed at least every three years.

2.4 Role of External Audit

- 2.4.1 The Trust is required to have an external auditor and is to provide such information and facilities as are necessary for the auditor to fulfil their responsibilities under Chapter 5 of the 2006 Act.
- 2.4.2 Under Schedule 7 (paragraph 23) of the 2006 Act and the Trust's Constitution, it is the responsibility of the Council of Governors at a general meeting to appoint or remove the external auditor on behalf of the Trust.
- 2.4.3 The Terms of Authorisation require both the Trust and the external auditor to comply with the Audit Code for NHS Foundation Trusts. The Audit Committee shall ensure compliance with the National Health Service Act 2006 and the Audit Code for NHS Foundation Trusts in relation to the appointment and provision of an external audit service.
- 2.4.4 The External Auditor is appointed through a formal process by the Council of Governors and paid for by the Trust. The terms relevant to the engagement of the external auditor are set out in a letter of engagement agreed between the Council of Governors and the external auditor.
- 2.4.5 The Audit Committee must ensure that the Trust receives an independent but cost-effective service. If there are any problems relating to the service provided by the External Auditor, then this should be raised initially with the External Auditor and referred on to the Council of Governors, and ultimately the NHSI if the issue cannot be resolved.
- 2.4.6 Subject to annual assessment by the Audit Committee, the Council of Governors may re-appoint the external auditors for the following year without the need for a formal selection process. However, in accordance with the Audit Code for NHS Foundation Trusts, a market testing exercise will be undertaken as a minimum every 5 years.
- 2.4.7 The external auditor will submit an annual audit letter to the Audit Committee and the Board.
- 2.4.8 External audit responsibilities (in compliance with the requirements of the NHSI) are

to:

- (a) Be satisfied that the accounts comply with the directions provided, i.e. that the accounts comply with the financial operating guidance for NHS Foundation Trusts.
- (b) Be satisfied that the accounts comply with the requirements of all other provisions contained in, or having effect under, any enactment which is applicable to the accounts e.g. IFRS.
- (c) Be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.
- (d) Comply with guidance given by the NHSI as to the standards, procedures and techniques to be adopted, i.e. to comply with the 'Audit Code for Foundation Trusts'.
- (e) Consider the issue of a public interest report.
- (f) Certify the completion of the audit.
- (g) Express an opinion on the accounts.
- (h) To refer the matter to the NHSI if the Trust, or a director or employee of the Trust, makes or is about to make decisions involving potentially unlawful action likely to cause a loss or deficiency.

2.4.9 External auditors will ensure that there is a minimum of duplication of effort between them, Internal Audit and other relevant regulators e.g. the NHSI Care Quality Commission.

The auditors will discharge this responsibility by:

- (a) Reviewing the statements made by the Chief Executive as part of the Annual Governance Report and making a negative statement within the audit opinion if the Annual Governance Report is not consistent with their knowledge of the Trust.
- (b) Reviewing the results of the work of relevant assurers, for example the Care Quality Commission, to determine if the results of the work have an impact on their responsibilities
- (c) Undertaking any other work that they feel necessary to discharge their responsibilities.

2.4.10 The Trust will provide the external auditor with every facility and all information which he may reasonably require for the purposes of his functions.

2.4.11 External auditors will at all times be expected to comply with relevant industry and governmental standards. For the purpose of using the external auditors to provide non-audit services this includes compliance with regulations from the National Audit Office, presently contained in Auditor Guidance Note (AGN01). The Audit Committee chair will be notified of and consulted on any potential

engagements with the auditors for non-audit work prior to the Trust contracting for such engagements.

2.5 Fraud and Corruption

- 2.5.1 In line with their responsibilities, the Trust Chief Executive and Chief Finance Officer shall monitor and ensure compliance with the NHS standard commissioning contract which requires all organisations providing NHS services to put in place and maintain appropriate counter fraud arrangements.
- 2.5.2 The Bribery Act 2010 introduced a new corporate offence and individual offences as defined in 8.1.1 of these Standing Financial Instructions. All staff and contractors must be made aware of the Act to ensure compliance. Any breach of the Act may result in criminal proceedings being commenced.
- 2.5.3 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) as specified by the NHS Fraud and Corruption Manual and guidance. The Chief Finance Officer shall prepare a “Counter Fraud Policy and Response Plan” that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.
- 2.5.4 The Local Counter Fraud Specialist shall report to the Trust Chief Finance Officer and shall work with staff at NHS Counter Fraud Authority in accordance with the NHS Counter Fraud and Corruption Manual.
- 2.5.5 The Local Counter Fraud Specialist will normally attend Audit Committee meetings and provide regular reports to the Committee on counter fraud work within the Trust. The Local Counter Fraud Specialist will also provide an annual report to the Audit Committee.

2.6 Security Management

- 2.6.1 In line with their responsibilities, the Trust Chief Executive will monitor and ensure compliance with the NHS standard commissioning contract which requires all organisations providing NHS services to put in place and maintain appropriate security management arrangements.
- 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 Standard Contract.
- 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 Corporate Affairs (the Security Management Director) and the appointed Local Security Management Specialist (LSMS).
- 2.6.5 The Director of Corporate Affairs shall prepare a “Security Policy” that sets out measures to protect staff, visitors, premises and assets in accordance with the directions and national strategy.

3. FINANCIAL TARGETS

- 3.1 The Trust is required to meet such financial targets as are specified by the NHSI, either under the initial Licence or subsequently. These specifically include the requirement to:
- (i) restrict income from private patient charges in any year, as a proportion of the Trust's total income for that year, to the percentage specified in the Licence;
 - (ii) remain a going concern at all times as defined by relevant accounting standards in force from time to time.
- 3.2 Whilst there is no specific target regulating overall revenue performance in Foundation Trusts (e.g. a requirement to break even year on year), the NHSI has the power to intervene in the Trust's affairs and potentially to revoke its Licence where financial viability is seriously compromised.
- 3.3 The Chief Executive has overall executive responsibility for the Trust's activities and in this capacity is responsible for ensuring that the Trust maintains its financial viability and meets any specific financial targets set by the NHSI. In this capacity the Chief Executive is responsible for setting appropriate internal targets in order to ensure financial viability and to ensure compliance with financial duties as set out by the Trust's Licence.
- 3.4 The Chief Finance Officer is responsible for:
- (i) advising the Board and Chief Executive on progress in meeting these targets, recommending corrective action as appropriate;
 - (ii) ensuring that adequate systems exist internally to monitor financial performance;
 - (iii) managing the cashflow and external borrowings of the Trust in order to remain financially viable; and
 - (iv) providing the NHSI with such financial information as is necessary to monitor the financial viability of the Trust, in accordance with the Risk Assessment Framework, including exception reporting of unplanned significant reductions in income or significant increases in costs.
- 3.5 The Trust shall establish a Finance, Business and Investment Committee, with clearly defined terms of reference and following guidance from the NHSI, which will have overall objectives to:
- (i) Scrutinise current financial performance and future financial plans;
 - (ii) Review finance and business risks;
 - (iii) Monitor that decisions involving finance are properly made;
 - (iv) Promote good financial practice throughout the Trust; and
 - (v) Review cash management and investment of surplus cash.

4. BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL, AND MONITORING

4.1 Preparation and Approval of Business Plans and Budgets

4.1.1 Under Schedule 7 (paragraph 26) of the 2006 Act and the Constitution, the Trust is required to provide the NHSI with information concerning its forward plans for each financial year. In this respect, the Board has a duty to consult with the Council of Governors, who are responsible for providing the Board with its views on those forward plans.

4.1.2 The Chief Executive will therefore compile and submit to the Board and the Council of Governors an Annual Plan in accordance with guidance issued by the NHSI, and which takes into account financial targets and forecast limits of available resources. The Annual Plan will contain:

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

4.1.3 Once approved by the Board, the Chief Executive will be responsible for submitting the Annual Plan to the NHSI. The Chief executive is also responsible for ensuring on behalf of the Board that the Council of Governors is consulted on any major changes to the Annual Plan in year, and that these are reported to the NHSI.

4.1.4 Prior to the start of the financial year the Chief Finance Officer 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 Plan;
- (b) accord with workload and manpower plans;
- (c) be produced following discussion with appropriate budget holders;
- (d) be prepared within the limits of available funds;
- (e) identify potential risks.

4.1.5 The Chief Finance Officer shall monitor financial performance against budget and plan, periodically review them, and report to the Board.

4.1.6 All budget holders must provide information as required by the Chief Finance Officer to enable budgets to be compiled.

4.1.7 All budget holders will sign up to their allocated budgets at the commencement of each financial year. The Chief Executive will review any instances of allocated budgets not being signed up in order to resolve the matter, and will inform the Board of any unresolved material issues.

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

- 4.1.9 The Finance, Business and Investment Committee will (before submission to the Board):
- (i) review the budget control framework, including budget setting and budget maintenance guidelines;
 - (ii) scrutinise proposed budgets and recommend adoption of final budgets by the Board;
 - (iii) review the Trust's annual and strategic business plans.

4.2 Budgetary Delegation

4.2.1 The Chief Finance Officer (on behalf of the Chief Executive) may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:

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

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

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

4.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Finance Officer (on behalf of the Chief Executive).

4.2.4 The agreed budgetary delegation limits for the Trust are detailed in Appendix 1.

4.3 Budgetary Control and Reporting

4.3.1 The Chief Finance Officer will devise and maintain systems of budgetary control. These will include:

- (a) monthly financial reports to the Board in a form approved by the Board containing:
 - (i) income and expenditure to date showing trends and forecast year-end position;
 - (ii) movements in working capital;
 - (iii) movements in cash and capital;
 - (iv) financial and overall risk rating and risk assessment;
 - (v) long-term projections;

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

4.3.2 Each Budget Holder is responsible for ensuring that:

- (a) they remain within their budget allocation;
- (b) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;
- (c) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement;
- (d) no permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and manpower establishment as approved by the Board.

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

4.3.4 The Chief Finance Officer is responsible for advising the Chief Executive and the Board on the financial consequences of any changes in policy, pay awards and other events impacting on budgets and will also advise on the financial implications of future plans and developments proposed by the Trust.

4.4 Capital Expenditure

4.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI 13). The delegation limits for capital expenditure are detailed in Appendix 1.

4.5 Monitoring Returns

4.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the NHSI in accordance with the Licence and the Risk Assessment Framework.

- 4.5.2 The Chief Executive, on behalf of the Trust, is also responsible for ensuring that the Trust contributes to standard national NHS data flows which are required for NHS policy development/funding decisions as well as performance assessment by the Care Quality Commission.

5. ANNUAL ACCOUNTS AND REPORTS

- 5.1 In accordance with Schedule 7 (paragraph 25) of the 2006 Act and the Constitution, the Trust must keep accounts, and in respect of each financial year must prepare annual accounts, in such form as the NHSI may, with the approval of HM Treasury, direct. These responsibilities will be carried out by the Chief Finance Officer who, on behalf of the Trust, will:
- (a) prepare financial returns in accordance with the NHSI NHS Foundation Trust Annual Reporting Manual, the Trust's accounting policies, and International Financial Reporting Standards;
 - (b) prepare and submit annual financial reports to the Board and the Council of Governors, certified in accordance with current guidelines;
 - (c) lay a copy of the annual accounts, and any report of the external auditor on them, before Parliament, and subsequently to send copies to the NHSI, in accordance with the timetable prescribed by the NHSI
- 5.2 The Trust's annual accounts must be audited by an auditor appointed by the Council of Governors. The Trust's audited annual accounts must be presented to a public meeting of the Council of Governors and made available to the public.
- 5.3 In accordance with Schedule 7 (paragraph 26) of the 2006 Act, the Trust will also prepare an annual report which, after approval by the Board, will be presented to the Council of Governors and made available to the public. The document will comply with the NHSI NHS Foundation Trust Annual Reporting Manual.

6. BANK ACCOUNTS

6.1 General

- 6.1.1 The Chief Finance Officer 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 issued from time to time by the NHSI.
- 6.1.2 The Board shall approve the banking arrangements.

6.2 Bank Accounts

- 6.2.1 The Chief Finance Officer is responsible for:
- (a) bank accounts;

- (b) establishing separate bank accounts for the Trust's charitable funds;
- (c) ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made;
- (d) reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn.

6.2.2 No officer other than the Chief Finance Officer will open any bank account in the name of the Trust or relating to any activities of the Trust.

6.3 Banking Procedures

6.3.1 The Chief Finance Officer will prepare detailed instructions on the operation of bank accounts which must include:

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

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

6.4 Tendering and Review

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

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

7. INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER FINANCIAL INSTRUMENTS

7.1 Income Systems

7.1.1 The Chief Finance Officer is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due, notwithstanding whether this function is delivered inhouse or through shared financial services. In this capacity, the Chief Finance Officer will establish systems in order to ensure that timely and appropriate invoices are raised for income due under the terms of contracts with NHS commissioners.

7.1.2 The Chief Finance Officer is also responsible for the prompt banking of all monies received.

7.2 Fees and Charges

- 7.2.1 The Trust will price its service contracts with NHS commissioners according to national tariffs published by the Department of Health. In areas where national tariff arrangements do not apply, the Trust shall follow the Department of Health's advice in the "Costing" Manual in setting prices for NHS service contracts.
- 7.2.2 The Chief Finance Officer is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.
- 7.2.3 All employees must inform the Chief Finance Officer promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

7.3 Debt Recovery

- 7.3.1 The Chief Finance Officer is responsible for the appropriate recovery action on all outstanding debts, notwithstanding whether this function is delivered in-house or through shared financial services.
- 7.3.2 Income not received should be dealt with in accordance with losses procedures.
- 7.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

7.4 Security of Cash, Cheques and other Financial Instruments

- 7.4.1 The Chief Finance Officer is responsible for:
- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
 - (b) ordering and securely controlling any such stationery;
 - (c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines;
 - (d) prescribing systems and procedures for handling cash and financial instruments on behalf of the Trust.
- 7.4.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 7.4.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Chief Finance Officer.
- 7.4.4 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.
- 7.4.5 To minimise the risk of money laundering (see 'Money Laundering Guidance') under no circumstances will the Trust accept cash payments in excess of £10,000 (or such

other denominated currency) in respect of any single transaction. Any attempts by an individual to effect payment above this limit should be notified immediately to the Chief Finance Officer.

8. TENDERING AND CONTRACTING PROCEDURE

8.1 Duty to comply with Standing Orders and Standing Financial Instructions

8.1.1 The procedure for making all contracts by or on behalf of the Trust shall comply with these Standing Orders and Standing Financial Instructions (except where Standing Order No. 3.13 Suspension of Standing Orders is applied).

8.1.2 The Bribery Act 2010 introduced;

- Two general offences of bribery – 1) Offering or giving a bribe to induce someone to behave, or to reward someone for behaving, improperly and 2) requesting or accepting a bribe either in exchange for acting improperly, or where the request or acceptance is itself improper;
- A new corporate offence of negligently failing by a company or limited liability partnership to prevent bribery being given or offered by an employee or agent on behalf of that organisation.

8.1.3 All personnel involved in tendering and contacting activities must be aware of the Bribery Act 2010 and must ensure that all dealings with other organisations and their staff do not bring them in breach of the Act that could leave them open to criminal proceedings being commenced.

8.1.4 The Trust shall ensure that no sector of any market (public, private, third sector/social enterprise) is given an unfair advantage in the design or conduct of any tender process.

8.1.5 Non-Discrimination

- (a) The subject matter and the scope of the contract opportunity should be described in a non-discriminatory manner. The Trust should utilise generic and/or descriptive terms, rather than the trade names of particular products or processes or their manufacturers or their suppliers.
- (b) All participants in a tender process should be treated equally and all rules governing a tender process must apply equally to all participants.

8.1.6 Advertisement of Contract Opportunities Where a formal tender process is required then:

- (a) where a contract opportunity falls within the Regulations and a process compliant with the Regulations is required, an OJEU (Official Journal of the European Union) Notice should be placed and the EU tendering procedures followed; or
- (b) without prejudice where a contract opportunity does not fall within the

Regulations the Trust shall utilise Contracts Finder as a minimum, and any other form of advertising for such contract opportunity that is sufficient to enable potential providers to access appropriate information about the contract opportunity so as to be in a position to express an interest;

8.2 EU Directives Governing Public Procurement

8.2.1 Directives by the Council of the European Union promulgated by the Department of Health (DH) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Orders and Standing Financial Instructions.

8.3 NHSI guidance, Capital Investment Manual and other guidance

8.3.1 The Trust shall consider the NHSI "Risk Evaluation for Investment Decisions by NHS Foundation Trusts" and any other relevant NHSI guidance.

8.3.2 The Trust shall comply as far as is practicable with the requirements of the Monitor NHS Foundation Trust Capital Accounting Manual and DOH Estate code in respect of capital investment and estate and property transactions.

8.3.3 Any prospective purchase of items or services that involve the processing of personally identifiable data must be referred to the Data Protection Officer in order to comply with the General Data Protection Regulations as incorporated into the Data Protection Act (2015). The Data Protection Officer will direct prospective purchasers to follow the respective procedure.

8.4 Formal Competitive Tendering

8.4.1 General Applicability

The Trust shall ensure that competitive tenders are invited for:

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

8.4.2 Health Care Services

Where the Trust elects to invite tenders for the supply of healthcare services these Standing Orders and Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure and need to be read in conjunction with Standing Financial Instruction No. 9.

8.4.3 Exceptions and instances where formal tendering procedures **need not be applied** are where:

- (a) the estimated expenditure or income for the product or service area across the Trust, over a Trust financial year or period of contract does not, or is

reasonably not expected to, exceed £50,000 inclusive of VAT (note that for purchases between £10,000 and £50,000 three competitive quotations are required);

- (b) the supply is proposed under special arrangements negotiated by the DH in which event the said special arrangements must be complied with;
- (c) regarding disposals as set out in Standing Financial Instructions No. 15;

Formal tendering procedures **may be waived** by the Chief Finance Officer (or nominated Deputy) in the following circumstances:

- (d) in very exceptional circumstances where the Chief Finance Officer decides that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures, and the circumstances are detailed in an appropriate Trust record;
- (e) where a consortium arrangement is in place and a lead organisation has been appointed to carry out tendering activity on behalf of the consortium members;
- (f) where the timescale genuinely precludes competitive tendering, but note, failure to plan the work properly would not be regarded as a justification for a single tender;
- (g) where specialist expertise is required and is available from only one source, or where the product is unique and the supply base is monopolistic;
- (h) when the task is essential to complete the project, and arises as a consequence of a recently completed project and engaging different providers for a new task would be inappropriate;
- (i) where there is a clear clinical or operational benefit to be gained from maintaining continuity of supply, including where the requirement is covered by an existing contract. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;
- (j) 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 Chief Finance Officer will ensure that any fees paid are reasonable and within commonly accepted rates for the costing of such work.

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

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

Where it is decided by the Chief Finance Officer 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.

8.4.4 Fair and Adequate Competition

Where the exceptions set out in SFI Nos. 8.1 and 8.5.3 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.

8.4.5 List of Prospective Firms for Quotation Purposes.

To ensure competitive and non-competitive quotations are achieved in timely manner and achieve best value for money, the Trust Procurement function will seek to maintain a list of prospective suppliers where practicably possible.

8.4.6 **Items which subsequently breach thresholds after original approval**

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

8.5 Contracting/Tendering Procedure

8.5.1 Invitation to tender

All invitations to tender shall state that no tender will be accepted unless published using the Trust's nominated e-tendering system. If tender responses are unable to be published electronically the following procedure should be followed:

Every invitation to tender must require each bidder to give a written undertaking, not to engage in collusive tendering or other restrictive practice and not to engage in canvassing the Trust, its employees or officers concerning the contract opportunity tendered.

- (i) All invitations to tender shall state the date and time as being the latest time for the receipt of tenders.
- (ii) All invitations to tender shall state that no tender will be accepted unless:
 - (a) submitted in a plain sealed package or envelope bearing a pre-printed label supplied by the Trust (or the word "tender" followed by the subject to which it relates) and the latest date and time for the receipt of such tender addressed to the Chief Executive or nominated Manager; [unless submitted via electronic tendering]
 - (b) that tender envelopes/ packages shall not bear any names or marks indicating the sender. The use of courier/postal services must not identify the sender on the envelope or on any receipt so required by

the deliverer.

- (iii) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.
- (iv) Every tender for building or engineering works (except for maintenance work, when Estmancode guidance shall be followed) shall embody or be in the terms of the current edition of one of the Joint Contracts Tribunal Standard Forms of Building Contract or Department of the Environment (GC/Wks) Standard forms of contract amended to comply with concode; or, when the content of the work is primarily engineering, the General Conditions of Contract recommended by the Institution of Mechanical and Electrical Engineers and the Association of Consulting Engineers (Form A), or (in the case of civil engineering work) the General Conditions of Contract recommended by the Institute of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors. These documents shall be modified and/or amplified to accord with Department of Health guidance and, in minor respects, to cover special features of individual projects.

8.5.2 Receipt and safe custody of tenders

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

All tenders will be received electronically via the Trusts e-tendering system. A full audit trail should be available to scrutinise when each tender was opened by the nominated officer.

In the event that tenders cannot be received electronically then the date and time of receipt of each tender shall be endorsed on the tender envelope/package by the Chief Finance Officer or his/her nominated representative.

8.5.3 Opening tenders and Register of tenders

- (i) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, they shall be opened by two senior officers/managers designated by the Chief Executive and not from the originating department.
- (ii) An executive director will be required to be one of the two approved persons present for the opening of tenders estimated above EU thresholds. The rules relating to the opening of tenders will need to be read in conjunction with any delegated authority set out in the Trust's Scheme of Delegation.
- (iii) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender.
- (iv) The involvement of Finance Directorate staff in the preparation of a tender proposal will not preclude the Chief Finance Officer or any approved Senior Manager from the Finance Directorate from serving as one of the two senior managers to open tenders.

- (v) All Executive Directors will be authorised to open tenders regardless of whether they are from the originating department provided that the other authorised person opening the tenders with them is not from the originating department.

The Trust Secretary will count as an Executive Director for the purposes of opening tenders.

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

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

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

- (viii) Incomplete tenders, i.e. those from which information necessary for the adjudication of the tender is missing, and amended tenders i.e., those amended by the tenderer upon his own initiative either orally or in writing after the due time for receipt, but prior to the opening of other tenders, should be dealt with in the same way as late tenders. (Standing Order No. 8.6.5 below).
- (ix) For electronic tenders - a full electronic record of the tenders received will be available in accordance with the agreed parameters of the system.

A tender number will be allocated to each contract tendered by the nominated person and issued to the Procurement lead of the Trust. Internal tender numbers will then be referred to in each contract tendered.

A tender number will be allocated to each contract tendered by the nominated person and issued to the Procurement lead of the Trust. Internal tender numbers will then be referred to in each contract tendered.

8.5.4 Admissibility

- i) If for any reason the designated officers are of the opinion that the tenders received are not strictly competitive (for example, because their numbers are insufficient or any are amended, incomplete or qualified) no contract shall be awarded without the approval of the Chief Executive.
- (ii) Where only one tender is sought and/or received, the Chief Executive and Chief Finance Officer shall, as far practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the Trust.

8.5.5 Late tenders (including errors and omissions)

- (i) Tenders received after the due time and date, but prior to the opening of the other tenders, may be considered only if the Chief Executive or his nominated officer decides that there are exceptional circumstances i.e. dispatched in good time but delayed through no fault of the tenderer such as a fault with the e-tendering website.
- (ii) Only in the most exceptional circumstances will a tender be considered which is received after the opening of the other tenders and only then if the tenders that have been duly opened have not left the custody of the Chief Executive or his nominated officer or if the process of evaluation and adjudication has not started.
- (iii) While decisions as to the admissibility of late, incomplete or amended tenders are under consideration, the tender documents shall be kept strictly confidential, recorded, and held in safe custody by the Chief Executive or his nominated officer.
- (iv) Should tenders received be subject to obvious errors or omissions that materially distort the tender, at the discretion of the Chief Executive or nominated officer, resubmission if a revised tender document may be accepted subject to (iii) above.
- (v) Accepted late tenders will be reported to the board.

8.5.6 Acceptance of formal tenders

- (i) Any discussions with a tenderer which are deemed necessary to clarify technical aspects of his tender before the award of a contract will not disqualify the tender.
- (ii) The most economically advantageous tender (MEAT), if payment is to be made by the Trust, or the highest, if payment is to be received by the Trust, shall be accepted unless there are good and sufficient reasons to the contrary. Such reasons shall be set out in either the contract file, or other appropriate record.

It is accepted that for professional services such as management consultancy, the lowest price does not always represent the best value for money. Other factors affecting the success of a project include:

- (a) experience and qualifications of team members;
- (b) understanding of client's needs;
- (c) feasibility and credibility of proposed approach; and
- (d) ability to complete the project on time.

Where other factors are taken into account in selecting a tenderer, these must be clearly recorded and documented in the contract file, and the reason(s) for not accepting the lowest tender clearly stated.

- (iii) No tender shall be accepted which will commit expenditure in excess of that which has been allocated by the Trust and which is not in accordance with these Instructions except with the authorisation of the Chief Executive.
- (iv) The use of these procedures must demonstrate that the award of the contract was:
 - (a) not in excess of the going market rate / price current at the time the contract was awarded; and
 - (b) that best value for money was achieved.
- (v) All tenders should be treated as confidential and should be retained for inspection.

8.5.7 Tender reports to the Trust Board

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

8.6 Quotations: Competitive and non-competitive

8.6.1 General Position on quotations

Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed £10,000 (inc. VAT) but not exceed £50,000 (inc. VAT).

8.6.2 Competitive Quotations

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

8.6.3 Non-Competitive Quotations

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

- (i) the supply of proprietary or other goods of a special character and the

rendering of services of a special character, for which it is not, in the opinion of the responsible officer, possible or desirable to obtain competitive quotations;

- (ii) the supply of goods or manufactured articles of any kind which are required quickly and are not obtainable under existing contracts;
- (iii) miscellaneous services, supplies and disposals; and
- (iv) where the goods or services are for building and engineering maintenance the responsible works manager must certify that the first two conditions of this SFI (i.e.: (i) and (ii) of this SFI) apply.

8.6.4 Quotations to be within Financial Limits

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

8.7 Authorisation of Tenders and Competitive Quotations

8.7.1 Providing all the conditions and circumstances set out in these Standing Financial Instructions have been fully complied with, formal authorisation and awarding of a contract may be decided by the staff authorised to open the tenders in accordance with 8.6.3.

8.7.2 Formal authorisation must be put in writing, and may be reviewed by the Audit Committee and Trust Board.

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

8.8.1 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 Government Procurement Solutions, SBS Commercial Procurement Solutions and other Collaborative Procurement Partners for the procurement of all goods and services unless the Chief Executive or nominated officers deem it inappropriate. The decision to use alternative sources must be documented.
- (b) If the Trust does not use the Government Procurement Solutions or SBS Commercial Procurement Solutions - where tenders or quotations are not required, because expenditure is below £7,500, the Trust shall procure goods and services in accordance with procurement procedures approved by the Chief Finance Officer.

8.9 Private Finance for capital procurement

8.9.1 The Trust may market-test for PFI (Private Finance Initiative funding) when considering a capital procurement. When the Board proposes, or is required, to use

finance provided by the private sector the following should apply:

- (a) The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) The Trust must comply with the NHSI “Roles and Responsibilities in the approval of NHS Foundation Trust PFI schemes” and consider the “Risk Evaluation for Investment Decisions by NHS Foundation Trusts”.
- (c) Where the sum exceeds the thresholds set out in the Risk Assessment Framework, the proposal must be submitted to the NHSI. The NHSI does not have any role in approving such plans, but it will consider the impact on the Trust’s financial risk rating.
- (d) The proposal must be specifically agreed by the Board of the Trust.
- (e) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

8.10 Compliance requirements for all contracts

8.10.1 The Board may only enter into contracts on behalf of the Trust within its statutory powers and shall comply with:

- (a) The Trust’s Constitution, Terms of Authorisation, Standing Orders and Standing Financial Instructions;
- (b) EU Directives and other statutory provisions;
- (c) any relevant guidance published by the NHSI and the Department of Health including the Capital Investment Manual, Estate code and guidance on the Procurement and Management of Consultants;
- (d) such of the NHS Standard or Model Contract Conditions as are applicable.
- (e) 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.
- (f) 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.

8.11 Personnel and Agency or Temporary Staff Contracts

8.11.1 The Deputy Chief Executive (the executive director responsible for human resources) shall nominate officers with delegated authority to enter into contracts of employment, regarding staff, agency staff or temporary staff service contracts.

8.12 Service Contracts (see SFI No. 9)

8.12.1 Service contracts with NHS commissioners for the supply of healthcare services shall be drawn up in accordance with the NHS Model Contract and administered by the Trust.

8.13 Disposals

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

- (a) any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his nominated officer;
- (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust;
- (c) items to be disposed of with an estimated sale value of less than £7,500, this figure to be reviewed on a periodic basis;
- (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- (e) land or buildings concerning which DH guidance has been issued but subject to compliance with such guidance.

8.14 In-house Services

8.14.1 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.

8.14.2 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.
- (c) Evaluation team, comprising normally a specialist officer, a supplies officer and a Chief Finance Officer representative. For services having a likely annual expenditure exceeding EU thresholds, a non-executive director should be a member of the evaluation team.

8.14.3 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.

8.14.4 The evaluation team shall make recommendations to the Board.

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

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

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

8.16 Employment of specialist external consultants

8.16.1 In general the employment of specialist external contractors must comply with these SFIs. Trust staff employing such individuals or companies must refer to the "Employment of specialist external contractors" procedure.

9. NHS CONTRACTS FOR PROVISION OF SERVICES

9.1 Service Contracts

9.1.1 The Chief Executive, as the Accounting Officer, is responsible for ensuring the Trust enters into suitable legally binding Service Contracts with NHS commissioners for the provision of both the mandatory services specified in the Terms of Authorisation and also other services. On behalf of the Chief Executive, the Chief Finance Officer will lead on the agreement of contracts with commissioners.

9.1.2 All service contracts should aim to implement the agreed priorities contained within the Annual Plan. In discharging this responsibility, the Chief Finance Officer should take into account:

- the standards of service quality expected, including those published by the Secretary of State under Section 46 of the 2006 Act;
- the relevant national service frameworks and guidelines published by the National Institute of Clinical Excellence;
- national tariffs published by the Department of Health or other agreed local pricing mechanisms where national tariffs do not apply;
- the need to provide ancillary and other supporting services essential to the delivery of the healthcare involved;
- the provision of reliable information on cost, quality and volume of services;
- previously agreed developments or investments plans;

9.1.3 The Finance, Business and Investment Committee will review service contracts with the Trust's main commissioners.

9.2 Involving Partners and jointly managing risk

9.2.1 A good service 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 service 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.

9.3 Reports to Board on service contracts

- 9.3.1 The Chief Executive, as the Accounting Officer, will need to ensure that regular reports are provided to the Board detailing actual and forecast income from the service contracts.

10. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF DIRECTORS AND EMPLOYEES

10.1 Remuneration and Terms of Service

- 10.1.1 In accordance with the Constitution and the Standing Orders the Board shall establish a Remuneration Sub-Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.
- 10.1.2 The Trust will pay allowances to the Chairman and non-executive directors of the Board in accordance with instructions issued by the Council of Governors.

10.2 Funded Establishment

- 10.2.1 The manpower plans incorporated within the annual budget will form the funded establishment.
- 10.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive or suitably authorised officers.

10.3 Staff Appointments

- 10.3.1 No director or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or agree to changes in any aspect of remuneration:
- (a) unless authorised to do so by the Chief Executive;
 - (b) within the limit of their approved budget and funded establishment; or
 - (c) for executive directors, unless agreed by the Appointments & Remuneration Committee.
- 10.3.2 No director or employee may hire agency staff unless they remain within the limit of their approved budget.

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

10.4 Processing Payroll

- 10.4.1 The Deputy Chief Executive is responsible, notwithstanding whether this function is delivered in-house or through shared financial services, for:

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

- 10.4.2 The Chief Finance Officer and/or the Deputy Chief Executive will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- (c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- (d) security and confidentiality of payroll information;
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;
- (g) methods of payment available to various categories of employee and officers;
- (h) procedures for payment by cheque, bank credit, or cash to employees and officers;
- (i) procedures for the recall of cheques and bank credits;
- (j) pay advances and their recovery;
- (k) maintenance of regular and independent reconciliation of pay control accounts;
- (l) separation of duties of preparing records and handling cash;
- (m) a system to ensure that staff who are starting/leaving employment are added/removed to/from the payroll on a timely basis;
- (n) a system to ensure the recovery from those leaving the employment of the Trust of sums of money and property due by them to the Trust.

- 10.4.3 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 Chief Finance Officer's instructions and in the form prescribed by the Chief Finance Officer;
 - (c) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, the Chief Finance Officer must be informed immediately.
- 10.4.4 Regardless of the arrangements for providing the payroll service, the Chief Finance Officer and the Deputy Chief Executive shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

10.5 Contracts of Employment

- 10.5.1 The Board shall delegate responsibility to the Deputy Chief Executive for:
- (a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Board and which complies with employment legislation;
 - (b) dealing with variations to, or termination of, contracts of employment;
 - (c) maintaining a full minimum data set for each employee or contract worker.

11. NON-PAY EXPENDITURE

11.1 Delegation of Authority

- 11.1.1 The Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to budget managers.
- 11.1.2 The Chief Executive will set out:
- (a) the list of managers who are authorised to place requisitions for the supply of goods and services;
 - (b) the maximum level of each requisition and the system for authorisation above that level.
- 11.1.3 The Chief Executive will also be responsible for ensuring that the Trust has clearly established arrangements for the purchase of goods and services.
- 11.1.4 The Chief Executive will also be responsible for ensuring that the Trust makes

optimum use of corporate, national or regional contracts for the acquisition of goods or services, in order to ensure best value for money.

11.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services

11.2.1 Requisitioning

11.2.1.1 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 Chief Finance Officer shall be consulted. Requisitions must therefore be directed through the Trust's official contracts negotiated by or on behalf of the Trust, where available.

11.3 System of Payment and Payment Verification

11.3.1 The Chief Finance Officer shall be responsible for the payment of accounts and claims, notwithstanding whether this function is delivered in-house or through shared financial services. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

11.3.2 The Chief Finance Officer will:

- (a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in Standing Orders and Standing Financial Instructions and regularly reviewed;
- (b) prepare procedural instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds;
- (c) be responsible for the 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 and employees (including specimens of their signatures) authorised to requisition, receipt and certify invoices.
 - (ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct;
 - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials

have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;

- where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
- the account is arithmetically correct;
- the account is in order for payment.

(iii) A timetable and system for submission to the Chief Finance Officer or shared service manager of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.

(iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.

- (e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received. The only exceptions are set out in SFI No. 11.3.2 below.

11.3.3 Prepayments

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).
- (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 Chief Finance Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold);
- (d) The budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Chief Executive if problems are encountered.

11.3.4 Official Orders must:

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

11.3.5 Duties of Managers and Officers

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

- (a) all contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Chief Finance Officer in advance of any commitment being made;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement;
- (d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
 - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars; and
 - (ii) conventional hospitality, such as lunches in the course of working visits;

(This provision needs to be read in conjunction with Standing Order No. 6 and the Trust's Standards of Business Conduct Policy);

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Chief Finance Officer on behalf of the Chief Executive;
- (f) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash and any other specific areas agreed by the Chief Finance Officer;
- (g) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (i) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (j) changes to the list of employees and officers authorised to certify invoices are notified to the Chief Finance Officer;
- (k) the maximum balance limit for petty cash boxes is restricted in value in accordance with the instructions issued by the Chief Finance Officer;
- (l) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Chief Finance Officer; and

- (m) petty cash records are maintained in a form as determined by the Chief Finance Officer.
- (ii) The Chief Executive and Chief Finance Officer 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 Estate Code Health Building note 00-08. The technical audit of these contracts shall be the responsibility of the relevant Director.

12. TREASURY MANAGEMENT

12.1 External borrowing

12.1.1 As a Foundation Trust, the Trust has freedom to access capital (i.e. borrow externally) subject to three constraints:

- (i) a prudential borrowing limit agreed with the NHSI and reviewed annually;
- (ii) prohibition on the use of protected assets as security for borrowing; and
- (iii) any additional degree of scrutiny required by financial institutions.

12.1.2 The Trust's prudential borrowing limit, as approved by the NHSI under the terms of the Prudential Code, applies to the total debt liability of the organisation. The Prudential Code requires external debt to be kept within designated limits, taking account of affordability in terms of capacity to generate operating revenue to service debt.

12.1.3 The prudential borrowing limit is primarily intended to regulate access to finance for small to medium sized projects. For larger scale PFI projects, the Trust must comply with the NHSI "Roles and Responsibilities in the approval of NHS Foundation Trust PFI schemes". It is the responsibility of the Chief Executive, on behalf of the Trust, to ensure that these requirements are complied with.

12.1.4 The Trust also has freedom to access short-term working capital facilities, subject to an overall limit agreed with the NHSI. All short term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position. Working capital facilities will be reviewed by the Finance, Business and Investment Committee on an annual basis.

12.1.5 The Chief Finance Officer is responsible for ensuring that:

- (i) the Trust operates within the framework provided by the Prudential Code when making decisions regarding capital investment/external borrowing, specifically by providing appropriate advice to the Board on affordability/serviceability of debt;
- (ii) the Trust operates at all times within the prudential borrowing limit set by the NHSI and the Board receives regular reports on the overall indebtedness of the Trust as against that limit (including quarterly ratio analysis in accordance with the Prudential Code;
- (iii) all long term borrowing is consistent with the Trust's strategic plans;

- (iv) the Trust operates within the working capital facility limit set by the regulator; and
- (v) detailed internal procedures are in place to regulate external borrowing, from short term working capital to long term debt, and from initial application through to monitoring and repayment.

12.1.6 The Board will agree the list of employees who are authorised to make short term or long term borrowings on behalf of the Trust. This must contain the Chief Executive and the Chief Finance Officer.

12.2 Cash Investments

12.2.1 Under the terms of the 2006 Act and the Constitution, the Trust may invest money (other than money held by it as a Trustee) for the purposes of or in connection with its functions. This may include investment by forming or participating in forming bodies corporate or by otherwise acquiring membership of bodies corporate.

12.2.2 The Chief Finance Officer is responsible for advising the Finance Business and Investment Committee and the Board on investments and shall report periodically to the Finance, Business and Investment Committee and the Board concerning the performance of investments held.

12.2.3 The Chief Finance Officer will prepare detailed procedural instructions on the operation of investment accounts, including authorisation procedures, and on the records to be maintained.

The Finance, Business and Investment Committee will:

- (i) monitor adequate safeguards on investment of funds;
- (ii) review draft cash management and investment policies, taking account of the NHSI “Managing Operating Cash in NHS Foundation Trusts” , recommend their approval by the Board, and test compliance with such policies;
- (iii) recommend to the Board any drawdown of working capital facility or prudential borrowing limits;
- (iv) review investment performance and risk; and
- (v) approve any investments with a term of three months or more and any investments over £5,000,000.

12.2.4 The Board will:

- (i) approve cash management and investment policies; and
- (ii) approve any drawdown of working capital facility or prudential borrowing limits

12.3 Cash flow monitoring

12.3.1 The Chief Finance Officer is responsible for managing and monitoring the overall cash flow of the Trust and for providing reports to the Board. These reports will include:

- (i) a comparison of month end outturn with the plan; and
- (ii) a rolling 12 month projection of month end cash balances.

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

13.1 Capital Investment

13.1.1 The Chief Executive (through the Capital Projects Steering Group):

- (a) shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans. For major capital investments, the Trust shall consider the NHSI “Risk Evaluation for Investment Decisions by NHS Foundation Trusts”;
- (b) shall ensure that detailed procedures for the development and management of capital projects are in place, and are complied with;
- (c) shall ensure that an appropriate proposal is prepared for every capital expenditure development (other than projects defined as “minor”) in accordance with procedures referred to in (b), and that adequate project management and control arrangements are in place;
- (d) is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
- (e) shall ensure that the capital investment is not undertaken without consideration of the availability of resources to finance all revenue consequences, including capital charges.

13.1.2 The Finance, Business and Investment Committee will review capital development procedures referred to above to assess whether adequate systems are in place to ensure that financial considerations are properly incorporated within capital investment decisions.

13.1.3 For every capital expenditure proposal in excess of £1,000,000 the Chief Executive shall ensure:

- (a) that a business case (in line with the NHSI “Risk Evaluation for Investment Decisions by NHS Foundation Trusts”, and taking account of the guidance contained within the *Capital Investment Manual*) is produced setting out:
 - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
 - (iii) the involvement of appropriate Trust personnel and external agencies; and
 - (ii) appropriate project management and control arrangements;
- (b) that the Chief Finance Officer has certified professionally to the costs and revenue consequences detailed in the business case;

- (c) that the Chief Executive or Director of Operations has indicated endorsement of the operational assumptions;
- (d) that for capital investments in excess of £1,000,000, the business case is submitted to the Finance, Business and Investment Committee for consideration of the financial implications, prior to submission to the Board for approval.
- (e) in accordance with the Risk Assessment Framework, that for capital investments defined as “major”, the transaction is reported to the NHSI for consideration of their impact on the financial risk rating, prior to approval by the Board.

A summary of delegated limits for capital expenditure is set out in Appendix 1.

- 13.1.4 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of “Estatecode”.
- 13.1.5 The Chief Finance Officer shall assess on an annual basis the requirement for the operation of the construction industry tax deduction scheme in accordance with Inland Revenue guidance.
- 13.1.6 The Chief Finance Officer shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 13.1.7 The approval of a capital programme shall not constitute approval for expenditure on any scheme.

The Chief Executive shall issue to the manager responsible for any scheme:

- (a) specific authority to commit expenditure;
- (b) authority to proceed to tender (see overlap with SFI No. 8.6); and
- (c) approval to accept a successful tender (see overlap with SFI No. 8.6).

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

- 13.1.8 The Chief Finance Officer shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.
- 13.1.9 The Chief Executive shall ensure that any capital proposal, irrespective as to the capital cost, must be reviewed by the Finance, Business and Investment Committee if the impact of that capital proposal has a material impact on the Trust's financial risk rating, or of there are other material risks to the Trust.
- 13.1.10 **Service developments** - The Chief Executive will ensure that any service development proposal, irrespective of capital or other cost, will be reviewed by the Finance Business and Investment Committee if the impact of that proposal has a

material impact on the Trust's financial risk rating, or if there are other material risks to the Trust.

13.2 Private Finance (see SFI No. 8.10)

13.3 Asset Registers

13.3.1 The Chief Finance Officer is responsible for the maintenance of registers of assets, in accordance with guidance issued by the NHSI arranging for a physical check of assets against the asset register to be conducted once a year. The physical check of Land and Buildings is paramount, for Plant, Equipment Furniture and Fittings only material items (valued over £7500) should be physically checked.

13.3.2 The Trust shall maintain an asset register recording fixed assets under both classifications of "protected" and "unprotected", in accordance with the NHSI "Protection of Assets: Guidance for NHS Foundation Trusts" The minimum data set to be held within these registers shall be as specified in the NHSI NHS Foundation Trust Annual Reporting Manual.

13.3.3 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;
- (c) lease agreements in respect of assets held under a finance lease and capitalised.

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

13.3.5 The Chief Finance Officer shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.

13.3.6 The value of each asset shall be calculated in accordance with methods specified in the NHSI NHS Foundation Trust Annual Reporting Manual.

13.3.7 The value of each asset shall be depreciated using methods and rates as specified in the NHSI NHS Foundation Trust Annual Reporting Manual.

13.3.8 The Chief Finance Officer of the Trust shall ensure that depreciation and dividend charges and payments associated with capital schemes are included in financial forecasts and plans.

13.4 Security of Assets

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

13.4.2 Asset control procedures (including fixed assets, cash, cheques and negotiable

instruments, and also including donated assets) must be approved by the Chief Finance Officer. This and related procedures 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 (see also 13.3.1);
- (f) identification and reporting of all costs associated with the retention of an asset;
- (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments; and
- (h) data controls for information assets.

13.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Chief Finance Officer.

13.4.4 Whilst each employee and officer has a responsibility for the security of property of the Trust, it is the responsibility of Board members and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with agreed procedures.

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

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

14. STORES AND RECEIPT OF GOODS

14.1 General position

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

- (a) kept to a minimum;
- (b) subjected to annual stock take; and
- (c) valued at the lower of cost and net realisable value.

14.2 Control of Stores, Stocktaking, condemnations and disposal

- 14.2.1 Subject to the responsibility of the Chief Finance Officer 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 Chief Finance Officer. The control of any Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of any fuel oil and coal of a designated estates manager.
- 14.2.2 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager/Pharmaceutical Officer. Wherever practicable, stocks should be marked as health service property.
- 14.2.3 The Chief Finance Officer shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 14.2.4 Stocktaking arrangements shall be agreed with the Chief Finance Officer and there shall be a physical check covering all items in store at least once a year.
- 14.2.5 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Chief Finance Officer.
- 14.2.6 The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Chief Finance Officer 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 Chief Finance Officer any evidence of significant overstocking and of any negligence or malpractice (see also overlap with SFI No. 15.1 Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

14.3 Goods supplied by NHS Supply Chain

- 14.3.1 For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note and maintain a record of this using the Trusts finance and procurement systems.

15. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

15.1 Disposals and Condemnations

Under the Terms of Authorisation, the approval of the NHSI is required prior to the disposal of any protected assets (above any “deminimus” limit where specified). There are no external restrictions on the disposal of other assets provided that the proceeds are used to further the Trust’s public interest objectives.

15.1.1 Procedures

The Chief Finance Officer must prepare detailed procedures for the disposal of

assets including condemnations, and ensure that these are notified to managers. These procedures should take account of the requirements set out above.

- 15.1.2 When it is decided to dispose of a Trust asset, the Head of Department or authorised deputy will determine and advise the Chief Finance Officer of the estimated market value of the item, taking account of professional advice where appropriate.
- 15.1.3 All unserviceable articles shall be:
- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Chief Finance Officer; and
 - (b) recorded by the Condemning Officer in a form approved by the Chief Finance Officer 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 Chief Finance Officer.
- 15.1.4 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 Chief Finance Officer who will take the appropriate action.
- 15.1.5 For asset disposal in excess of £500,000, the proposal shall be submitted to the Finance, Business and Investment Committee for advice prior to submission to the Board for approval.

15.2 Losses and Special Payments

15.2.1 Procedures

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

- 15.2.2 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 Chief Finance Officer or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Chief Finance Officer and/or Chief Executive. Where a criminal offence is suspected, the Chief Finance Officer 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 Chief Finance Officer must inform the relevant LCFS.
- 15.2.3 The Audit Committee will be notified of all frauds.
- 15.2.4 For material losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Chief Finance Officer must immediately notify:
- (a) the Audit Committee;
 - (b) the Local Security Management Specialist; and
 - (c) the External Auditor.

- 15.2.5 On behalf of the Board, the Audit Committee shall approve the writing-off of material losses. The Chief Finance Officer shall approve the writing-off of all immaterial losses. Board approval must be sought for the write off of any capital expenditure in excess of £250,000.
- 15.2.6 The Chief Finance Officer shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 15.2.7 For any loss, the Chief Finance Officer should consider whether any insurance claim can be made.
- 15.2.8 The Chief Finance Officer shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 15.2.9 All material losses and special payments must be reported to the Audit Committee.

16. INFORMATION TECHNOLOGY

Under the Terms of Authorisation, the Trust is required to participate in the national programme for information technology, in accordance with any guidance issued by the NHSI. This requirement extends to the Chief Finance Officer in fulfilling his/her responsibilities for the computerised financial data of the Trust as set out below.

The responsibilities of the Trust in relation to other classes of data are set out in the Trust's Information Governance policies and procedures. This section therefore only refers to the Information Technology insofar as it relates to the finance function.

16.1 Responsibilities and duties of the Chief Finance Officer

- 16.1.1 The Chief Finance Officer, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall:
 - (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which the Director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;
 - (b) ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
 - (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment; and
 - (d) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Director may consider necessary are being carried out.
- 16.1.2 The Chief Finance Officer 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.

- 16.1.3 The Deputy Chief Executive (the executive director responsible for Information Management and Technology) shall publish and maintain a Freedom of Information

(FOI) Publication Scheme, or adopt a model Publication Scheme approved by the Information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about our Trust that we make publicly available.

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

- 16.2.1 In the case of computer systems which are proposed General Applications (i.e. normally those applications which the majority of Trust's in the Region wish to sponsor jointly) all responsible directors and employees will send to the Chief Finance Officer:

- (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; and
- (c) The opinion of the Data Protection Officer, and other subject matter experts as indicated, on the suitability of risk associated with that system.

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

- 16.3.1 The Chief Finance Officer 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.

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

16.4 Risk Assessment

- 16.4.1 The Deputy Chief Executive 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:

- (a) the preparation and testing of appropriate disaster recovery plans; and
- (b) the opinion of the Data Protection Officer, and other subject matter experts as indicated, on the suitability of risk associated with that system.

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

16.5.1 Where computer systems have an impact on corporate financial systems the Chief Finance Officer shall need to be satisfied that:

- (a) systems acquisition, development and maintenance are in line with all corporate policies covering the use and security of Information Management and Technology assets and services;
- (b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
- (c) Subject to data protection controls, the Chief Finance Officer's staff have access to such data; and
- (d) such computer audit reviews as are considered necessary are being carried out.

17. PATIENTS' PROPERTY

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

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

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

17.3 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.

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

17.5 Where good practice guidance (e.g. Department of Health guidance to NHS Trusts) require the opening of separate accounts for patients' moneys, these shall be opened and operated under arrangements agreed by the Chief Finance Officer.

17.6 In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the

Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.

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

17.8 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.

18. FUNDS HELD ON TRUST

18.1 Corporate Trustee

18.1.1 The Standing Orders outlines the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust, along with SFI 18.2 that defines the need for compliance with Charities Commission latest guidance and best practice.

18.1.2 The discharge of the Trust's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.

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

18.2 Accountability to Charity Commission and Parliament

18.2.1 The trustee responsibilities must be discharged separately and full recognition given to the Trust's dual accountabilities to the Charity Commission for charitable funds held on trust and to Parliament for all funds held on trust.

18.2.2 The Schedule of Matters Reserved to the Board and the Scheme of Delegation make clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken and by whom. All Trust Board members and Trust officers must take account of that guidance before taking action.

18.3 Applicability of Standing Financial Instructions to funds held on Trust

18.3.1 In so far as it is possible to do so, most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust. (See overlap with SFI No 12.2.1).

18.3.2 The over-riding principle is that the integrity of each Trust must be maintained and statutory and Trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

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

- 19.1 The Trust Secretary (on behalf of the Chief Executive) shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff (Standards of Business Conduct Policy). This policy follows the guidance contained in the Department of Health circular HSG (93) 5 'Standards of Business Conduct for NHS Staff' (the guidance contained within this document referring to the 'Prevention of Corruption Acts 1906 and 1916' has been superseded by the 'Bribery Act 2010') and is also deemed to be an integral part of these Standing Orders and Standing Financial Instructions. Staff should make themselves aware of, and comply with, the Bribery Act 2010, the Code of Conduct for NHS Managers 2002, and the ABPI Code of Professional Conduct relating to hospitality/gifts from pharmaceutical / external industry.

20. RETENTION OF RECORDS

- 20.1 The Deputy Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Department of Health guidelines.
- 20.2 The records held in archives shall be capable of retrieval by authorised persons.
- 20.3 Records held in accordance with latest Department of Health guidance shall only be destroyed in accordance with the Trust's Record Keeping Policy and the Records Retention and Disposal Schedule. Detail shall be maintained of records so destroyed.

21. RISK MANAGEMENT AND INSURANCE

21.1 Programme of Risk Management

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

The programme of risk management shall include:

- a) a process for identifying and quantifying risks and potential liabilities;
- b) engendering among all levels of staff a positive attitude towards the control of risk;
- c) management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk;
- d) contingency plans to offset the impact of adverse events;
- e) audit arrangements including; Internal Audit, clinical audit, information

governance, health and safety review;

- f) a clear indication of which risks shall be insured; and
- g) arrangements to review the Risk Management programme.

21.1.2 The existence, integration and evaluation of the above elements will assist in providing a basis to make a Statement on the effectiveness of Internal Control (Governance Statement) within the Annual Report and Accounts as required by current NHSI guidance.

21.2 Insurance: Risk Pooling Schemes administered by NHSLA

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

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

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

21.3.2 Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, the Chief Finance Officer shall ensure that the Board is informed of the nature and extent of the risks that are self-insured as a result of this decision. The Chief Finance Officer 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.

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

The Chief Finance Officer shall:

- (i) be responsible for arranging all cover as may be determined by the Board;
- (ii) be informed promptly of any event which may involve the Trust in a claim, or intended activity, which may involve a risk which has not already been covered;
- (iii) for any loss, consider whether a claim can be made against the appropriate insurance policy or scheme; and
- (iv) carry out an annual review of insurance cover.

APPENDIX 1: FINANCIAL DELEGATION LIMITS

1. Revenue and capital expenditure

- 1.1 These Standing Financial Instructions require that annual revenue and capital budgets are prepared for approval by the Board on an annual basis, and that budgetary delegation limits are set.
- 1.2 At the start of the financial year, the Board will:
- (i) approve a financial plan for the year;
 - (ii) approve details of budgets to be delegated to budget holders;
 - (iii) approve levels of provisions and reserves identified in the financial plan. These will cover, inter alia, inflation, planned developments grouped by their nature, planned savings and a general contingency for unplanned developments and costs.
- 1.3 In accordance with these Standing Financial Instructions, the Chief Executive may:
- (i) approve expenditures against provisions and reserves identified in the financial plan. All such approvals will:
 - (a) be reported to the Board by the Chief Finance Officer
 - (b) be backed by documentary evidence signed by the Chief Executive and the Chief Finance Officer (who in signing is confirming that the expenditure is both appropriate and consistent with the Trust's financial plans and procedures)
 - (ii) approve increases in the real terms cost of revenue or capital developments identified specifically in the financial plans of the Trust, provided that the cost increase can be funded within one of the approved provisions or reserves.
 - (iii) seek in year variations from the Board to the limits on provisions and reserves.
 - (iv) vire expenditure between approved revenue budgets and between capital budgets and identify savings for re-allocation, provided that variations that involve a significant change in Trust policy or reduction in services to patients are presented to the Board for approval.
 - (v) adjust approved budgets and development schemes for inflation, provided that additional costs can be met from the Inflation Reserve. It is expected that the Chief Executive will delegate this responsibility to the Chief Finance Officer, who will adjust budgets as appropriate for other events outside the control of managers, e.g. taxation changes.
 - (vi) exercise virement of the Trust's resources between years, after taking advice from the Chief Finance Officer.
- 1.4 Virement limits are as follows:
- (i) amounts in excess of £1,000,000 will require the approval of the Board;

- (ii) amounts in excess of £500,000, but less than £1,000,000 will require the approval of the Chief Executive;
- (iii) amounts in excess of £10,000 but less than £500,000 will require the approval of the appropriate director, in conjunction with the Chief Finance Officer (or nominated Deputy);
- (iv) amounts less than £10,000 may be approved by both the appropriate budget managers.

2. Purchase orders

- 2.1 The Chief Finance Officer shall ensure that there is a record of financial limits for purchase orders in accordance with a scheme of delegation approved by the Chief Finance Officer.

3. Tendering Limits

- 3.1 The following limits will apply:

Expenditure range	Action required
Up to £10,000 (Inc. VAT)	Quotation to be attached to the requisition obtained by requisitioner or Procurement Department.
£10,001 to £50,000 (inc. VAT)	A minimum of 3 competitive quotations, (Advertised on Contracts Finder, if value is over £25,000 excl. VAT).
£50,001 (inc. VAT) to EU threshold*	Formal tender procedure, advertised as a minimum on Contracts Finder
Above EU threshold	Formal tender procedure within the European Union

*EU Threshold £181,302 (Excl. VAT) for service contracts, and £4,551,413 (Excl. VAT) for works contracts, as at 1 January 2018)

4. Charitable funds

- 4.1 The following limits will apply for the authorisation of Charitable Funds expenditure:

Expenditure range	Responsibilities
Up to £1,000	Budget holder
£1,001 to £5,000	Budget holder and Chief Finance Officer
Above £5,000	Charitable Funds Committee

5. Cheque signing

Expenditure range	Responsibilities
Up to £100,000	Chief Finance Officer or nominated deputy
Above £100,001	Chief Finance Officer or nominated deputy and executive director

6. Minimum entry limit for new assets or grouped assets

Limit: £5,000

7. Disposal of property of deceased patients

Expenditure range	Responsibilities
Up to £5,000	Chief Finance Officer (against form of indemnity)
Above £5,001	Chief Finance Officer (against probate/letters of administration)

8. Limits per authorised payments from petty cash

Expenditure range	Responsibilities
Up to £50	Petty cash signatories
Above £50	Chief Finance Officer or nominated deputy

9. Delegated limits for petty cash boxes

Balance range	Responsibilities
Up to £250	Local Finance Manager
Above £250	Chief Finance Officer or nominated deputy

10. Delegated limits for approval of capital projects

9. Delegated limits for approval of capital projects

Expenditure range	Responsibilities
Up to £1,000,000	Capital Projects Steering Group
Above £1,000,000	Trust Board (via Finance, Business and Investment Committee)