

## Standing Financial Instructions

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<b>1.</b>	<b>INTRODUCTION</b>	6
1.1	General	6
1.2	Responsibilities and delegation	7
<b>2.</b>	<b>AUDIT</b>	9
2.1	Audit Committee	9
2.2	Chief Finance Officer	10
2.3	Role of Internal audit	11
2.4	Role of External Audit	13
2.5	Fraud and Corruption	14
2.6	Security Management	16
<b>3.</b>	<b>FINANCIAL TARGETS</b>	17
<b>4.</b>	<b>BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL, AND MONITORING</b>	18
4.1	Preparation and Approval of Business Plans and Budgets	18
4.2	Budgetary Delegation	19
4.3	Budgetary Control and Reporting	20
4.4	Capital Expenditure	21
4.5	Monitoring Returns	21
<b>5.</b>	<b>ANNUAL ACCOUNTS AND REPORTS</b>	22
<b>6.</b>	<b>BANK ACCOUNTS</b>	22
6.1	General	22
6.2	Bank accounts	22
6.3	Banking Procedures	23
6.4	Tendering and review	23
<b>7.</b>	<b>INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER FINANCIAL INSTRUMENTS</b>	23
7.1	Income Systems	23
7.2	Fees and Charges	24
7.3	Debt Recovery	24
7.4	Security of Cash, Cheques and other Financial Instruments	24
<b>8.</b>	<b>TENDERING AND CONTRACTING PROCEDURE</b>	25
8.1	Duty to comply with Standing Orders and Standing Financial Instructions	25
8.2	Statutory Legislation and Guidance Governing Public Procurement	26
8.3	NHSE and other guidance	26
8.4	Formal Competitive Tendering	27
8.5	Contracting/Tendering Procedure	35
8.6	Quotations: Competitive and non-competitive	39
8.7	Authorisation of Tenders and Competitive Quotations	44
8.8	Instances where formal competitive tendering or competitive quotation is not required	44
8.9	Private Finance for capital procurement	44
8.10	Compliance requirements for all contracts	45
8.11	Personnel and Agency or Temporary Staff Contracts	45
8.12	Service Contracts	45
8.13	Disposals	45
8.14	In-house services	46
8.15	Applicability of SFIs on Tendering and Contracting to funds held on	47

	Trust	
8.16	Employment of specialist external consultants	47
8.17	Social Value and Sustainability in Procurement	47
8.18	New Models of Care Contracts	47
<b>9.</b>	<b>NHS CONTRACTS FOR PROVISION OF SERVICES</b>	47
9.1	Service Contracts	47
9.2	Involving Partners and jointly managing risk	48
9.3	Reports to Board on service contracts	48
9.4	Responsibilities	48
<b>10.</b>	<b>TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF DIRECTORS AND OFFICERS</b>	50
10.1	Remuneration and Terms of Service	50
10.2	Funded Establishment	50
10.3	Staff Appointments	50
10.4	Processing Payroll	51
10.5	Contracts of Employment	52
<b>11.</b>	<b>NON-PAY EXPENDITURE</b>	52
11.1	Delegation of Authority	52
11.2	Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services	53
11.3	System of Payment and Payment Verification	53
<b>12.</b>	<b>TREASURY MANAGEMENT</b>	57
12.1	External borrowing	57
12.2	Cash Investments	58
12.3	Cash flow monitoring	59
<b>13.</b>	<b>CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSETS REGISTERS AND SECURITY OF ASSETS</b>	59
13.1	Capital Investment	59
13.2	Private Finance (see SFI No. 8.9)	61
13.3	Leases	61
	Asset Registers	62
13.4	Security of Assets	63
<b>14.</b>	<b>STORES AND RECEIPT OF GOODS</b>	64
14.1	General position	64
14.2	Control of Stores, Stocktaking, condemnations and disposal	64
14.3	Goods supplied by NHS Supply Chain	65
<b>15.</b>	<b>DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS</b>	65
15.1	Disposals and Condemnations	65
15.2	Losses and Special Payments	67
<b>16.</b>	<b>INFORMATION TECHNOLOGY</b>	68
16.1	Responsibilities and duties of the Chief Finance Officer	68
16.2	Responsibilities and duties of other Directors and Officers in relation to computer systems of a general application	69
16.3	Contracts for Computer Services with other health bodies or outside agencies	69
16.4	Risk Assessment	69
16.5	Requirements for Computer Systems which have an impact on	69

	corporate financial systems	
<b>17.</b>	<b>PATIENTS' PROPERTY</b>	70
<b>18.</b>	<b>FUNDS HELD ON TRUST</b>	71
18.1	Corporate Trustee	71
18.2	Accountability to Charity Commission and Parliament	71
18.3	Applicability of Standing Financial Instructions to funds held on Trust	71
<b>19.</b>	<b>ACCEPTANCE OF GIFTS BY STAFF AND LINK TO STANDARDS OF BUSINESS CONDUCT</b>	72
<b>20.</b>	<b>RECORDS MANAGEMENT</b>	72
<b>21.</b>	<b>RISK MANAGEMENT AND INSURANCE</b>	72
21.1	Programme of Risk Management	72
21.2	Insurance: Risk Pooling Schemes administered by NHR	73
21.3	Arrangements to be followed by the Board in agreeing Insurance cover	73
<b>22.</b>	<b>FREEDOM OF INFORMATION AND INFORMATION DATA REQUESTS</b>	74
<b>APPENDIX 1 – FINANCIAL DELEGATION LIMITS</b>		75
1.	Revenue and capital expenditure	75
2.	Purchases within budgets	76
3.	Tendering Limits	77
4.	Charitable Funds	77
5.	Cheque signing	77
6.	Minimum entry limit for new assets or grouped assets	78
7.	Disposal of property of deceased patients	78
8.	Limits per authorised payments from petty cash	78
9.	Delegated limits for petty cash boxes	78
10.	Delegated limits for capital projects	78
11.	Disposal of assets/equipment	79
12.	Contract Sign-Off Limits	79
13.	Delegated limits for debt write-offs	79
14.	Delegated limits for losses and special payments	79

## 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 NHS England (NHSE) 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); and
- (d) defining specific responsibilities placed on members of the Board, Executive Team and officers as indicated in the Scheme of Delegation.

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**

The Chief Executive may, within reason, 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 the Secretary of State, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities; is responsible to the Chair 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, officers 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 may, within reason, delegate their detailed responsibilities, but they remain accountable for overall financial control.

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 officers of the Trust, the duties of the Chief Finance Officer include:

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

### 1.2.7 **Board Members and Officers**

All members of the Board and officers, 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 officers**

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 officers who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board and officers 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 NHSE 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;
- (g) reviewing the information prepared to support the annual governance declaration statements prepared on behalf of the Chief Executive, as Accountable Officer.

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 NHSE NHS Foundation Trust Annual Reporting Manual or if there are other important matters that the Committee wishes to raise, the Chair 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 NHSE 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 Public Sector Internal Audit Standards;
- (c) ensuring that there is effective liaison with the relevant Local Counter Fraud Specialist on all suspected cases of fraud and corruption and all anomalies which may indicate fraud or corruption before any action is taken;
- (d) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption; and
- (e) 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 NHSE 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.
  - (f) ensuring that the Head of Internal Audit is sufficiently qualified and experienced to perform that role,

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, NHSE and the Trust's own regulations.

2.3.3 Internal Audit will review, appraise and report upon:

- the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
- the adequacy and application of financial and other related management controls;
- the suitability of financial and other related management data;
- the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
  - waste, extravagance, inefficient administration,
  - poor value for money or other causes.

Internal Audit will also report on any irregularities that may be indicative of fraud or bribery.

2.3.4 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.

2.3.5 The Head of Internal Audit shall develop and maintain an internal audit strategy for providing the Chief Executive with an objective evaluation of; and opinions on the effectiveness of the Trust's risk management, control and governance arrangements.

2.3.6 The Head of Internal Audit shall ensure that the audit team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience needed to deliver the internal audit plan in line with the Public Sector Internal Audit Standards.

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

2.3.8 The Head of Internal Audit 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 Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the Public Sector 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 NHSE 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 NHSE) 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 NHSE 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) refer the matter to the NHSE 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 NHSE 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 any relevant guidance issued by the DHSC or NHS Counter Fraud Authority on fraud and corruption in the NHS.

- 2.5.2 The Bribery Act 2010 introduced a new corporate offence and individual offences as defined in 8.1.2 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 Chief Finance Officer is responsible for the promotion of counter fraud measures within the Trust, and in that capacity, will ensure that the Trust co-operates with the NHS Counter Fraud Authority to enable them to efficiently and effectively carry out their functions in relation to the prevention, detection and investigation of fraud in the NHS.
- 2.5.4 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 that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.
- 2.5.5 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.
- 2.5.6 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.
- 2.5.7 The Chief Finance Officer will ensure that the Local Counter Fraud Specialist:
- - keeps full and accurate records of any instances of fraud and suspected fraud;
  - reports to the Board any weaknesses in fraud-related systems and any other matters which may have fraud-related implications for the Trust;
  - has all necessary support to enable him to efficiently, effectively and promptly carry out his functions and responsibilities, including working conditions of sufficient security and privacy to protect the confidentiality of his work;
  - receives appropriate training and support; and
  - participates in activities which NHS Counter Fraud Authority is engaged, including national anti-fraud measures.

- 2.5.8 The Chief Finance Officer must, subject to any contractual or legal constraints, require all Trust Officers to co-operate with the Local Counter Fraud Specialist and, in particular, that those responsible for human resources disclose information which arises in connection with any matters (including disciplinary matters) which may have implications in relation to the investigation, prevention or detection of fraud.
- 2.5.9 Any Officer discovering or suspecting a loss of any kind must either immediately inform the Chief Executive and the Chief Finance Officer or the Local Counter Fraud Specialist, who will then 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, but if the case involves suspicion of fraud, and corruption or of anomalies that may indicate fraud or corruption then the particular circumstances of the case will determine the stage at which the police are notified; but such circumstances should be referred to the Local Counter Fraud Specialist.

## **2.6 Security Management**

- 2.6.1 The Chief Executive is responsible for the security of officers and people engaged in activities for the purposes of the functions of the Trust. They are responsible for security management matters and the promotion of security management measures.
- 2.6.2 The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) in accordance with any guidance issued by DHSC.
- 2.6.3 The Chief Executive will ensure that the Trust's Local Security Management Specialist receives appropriate training in connection with security management measures in order to meet the requirements and objectives set out by DHSC or Secretary of State (Home Office).
- 2.6.4 The Trust shall nominate a Non-Executive Director or non-officer member to promote security management work at Board level.
- 2.6.5 The Chief Executive will ensure that the Trust has effective arrangements in place to ensure that:
- breaches of security and weakness in security-related systems are reported as soon as practicable to the
    - Local Security Management Specialist;
    - Audit and Risk Committee; and
    - Auditor,



- any confidentiality of information relevant to the investigation of breaches of security is protected; and
- where possible, the Trust recovers money lost through breaches of security.

2.6.6 The Local Security Management Specialist and the Chief Executive will, at the beginning of each financial year, prepare a written work plan outlining the Local Security Management Specialist's projected work for that financial year.

2.6.7 The Local Security Management Specialist shall be afforded the opportunity to attend Audit and Risk Committee meetings and other meetings of the Board of Directors, or its Committees, as required.

### **3. FINANCIAL TARGETS**

3.1 The Trust is required to meet such financial targets as are specified by the NHSE, 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), NHSE 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 NHSE. 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 NHSE 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 NHSE, 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 NHSE 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 NHSE, 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 NHSE. 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 NHSE.

4.1.4 On an annual basis 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) will be distributed before the start of the financial year subject to external or emergency factors that may result in delays in the annual planning process;
  - (c) accord with workload and manpower plans;
  - (d) be produced following discussion with appropriate budget holders;
  - (e) be prepared within the limits of available funds;
  - (f) 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 to 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 their budget 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/availability 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) regular 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) 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 officers 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 budgetary delegation, budgetary control 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 Finance Officer, on behalf of the Chief Executive, is responsible for ensuring that the appropriate monitoring forms are submitted to NHSE, Integrated Care Systems and any other regulatory authority 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 NHSE 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 NHSE 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 send copies to NHSE, in accordance with the timetable prescribed by NHSE

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 NHSE 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/directions issued from time to time by NHSE.

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; and
  - (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; and
  - (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 Benchmarking for commercial accounts should be undertaken at least every five years. The results of the tendering exercise should be reported to the Board. Where benchmarking indicates the Trust is not achieving best value, alternative banking arrangements should be sought in line with Procurement requirements.

## **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 in-house 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 ensuring a system is in place 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 officers 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 as soon as practicable.

## **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 officers whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
  - (d) prescribing systems and procedures for handling cash and 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 contracting 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, a Find a Tender Service (FTS) Notice should be placed, and the PCR 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 Statutory Legislation and Guidance Governing Public Procurement

8.2.1 The Trust may only enter into contracts which align with the statutory powers delegated to it by the Secretary of State. The main legislation that applies to procurement activity are Public Contract Regulations 2015 (PCR) which govern public procurement.

8.2.2 These regulations are supported by statutory guidance published by the Government. This includes statutory guidance published by the Department of Health and Social Care, NHSE and Procurement Policy Notes (PPNs) published by the Cabinet Office or Crown Commercial Services. Please note that this list is not exhaustive, and any regulation or statutory guidance which is applicable to procurement and contracting shall have effect as if incorporated in these SFIs.

8.2.3 Any changes in legislation or statutory guidance that will impact on the procedures set out within these SFIs will be reviewed by the Trust Procurement Team to ensure compliance in procurement practice.

## 8.3 NHSE and other guidance

8.3.1 The Trust shall consider the NHSE "Risk Evaluation for Investment Decisions

by NHS Foundation Trusts” and any other relevant NHSE guidance.

8.3.2 The Trust shall comply as far as is practicable with the requirements of NHSE and DHSC 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 (2018). 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 re-tendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the DHSC);
- 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.

The Board shall regularly review and shall at all times maintain and ensure the capacity and capability of the Trust to provide the mandatory goods and services referred to in its Terms of Authorisation and related schedules.

For the purpose of these SFI's the definition of a Contract is a voluntary, deliberate, and legally binding agreement between two or more competent parties. Contracts are usually written but may be spoken or implied, and generally have to do with employment, sale or lease, or tenancy.

A contractual relationship is evidenced by (1) an offer, (2) acceptance of the offer, and a (3) valid (legal and valuable) consideration. Each party to a contract acquires rights and duties relative to the rights and duties of the other parties. However, while all parties may expect a fair benefit from the contract (otherwise courts may set it aside as inequitable) it does not follow that each party will benefit to an equal extent.

The Chief Executive is responsible for ensuring the Trust enters into suitable legally binding agreements with service commissioners for the provision of NHS services. This responsibility has been delegated to the Chief Financial Officer who is responsible for commissioning NHS service agreements for the provision of services to patients in accordance with the Business Plan and for establishing the arrangements for non contracted activity. In carrying out these functions, the Chief Financial Officer will pay due regards to:

- a. The costing and pricing of services (in accordance with the National Tariff or otherwise) and the activity / volume of services planned;
- b. The standards of service quality expected;
- c. Payment terms and conditions;
- d. Amendments to NHS contracts and contracted activity;
- e. The relevant national service framework, if any; and
- f. Any other matters relating to contracts of a legal or non-financial nature.

NHS contracts should comply with the most recent guidance from the DHSC and be so devised as to minimise risk whilst maximising the Trust's opportunity to generate income.

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

The Chief Finance Officer must ensure that the process undertaken to cost procedures provided at the Trust as part of the annual reference cost collection adheres to the guidance published by the DHSC annually. The Trust's process must be reported to Audit Committee to provide assurance that the submission will accurately represent the cost of each procedure,

#### Content of Healthcare Commissioning Contracts

All agreements should aim to implement the agreed priorities contained within the relevant plans and wherever possible, be based upon integrated care pathways to reflect expected patient experience.

Where the Trust makes arrangements for the provision of services by non-NHS providers, the Chief Financial Officer is responsible for ensuring that the agreements put in place have due regard to the quality and the cost-effectiveness of the services provided.

Where the Trust enters into a relationship with another organisation for the supply or

receipt of other services (clinical or non-clinical), the responsible Officer should ensure that an appropriate contract is present and signed by both parties. The Associate Director of Contracts & Procurement will provide professional advice on the structure and content on this type of contract and should approve the contract before being signed by the delegated Officer.

Contracts should be reviewed and agreed on an annual basis or as determined by the term of the agreement if shorter than one year, so as to ensure value for money.

8.4.3 There are some exceptional circumstances where obtaining competitive tenders for a requirement is not possible. Where competition is genuinely absent or the procurement regulations do not apply, an exemption from SFIs may be granted (and therefore a tender waiver will NOT be required) in the following circumstances:

- Some examples could include where price is controlled by Central Government Regulations or must be purchased from a supplier holding exclusive rights of manufacture, supply, authorship, editorial, publication or distribution and where no generic equivalent exists.
- For the avoidance of doubt this would include NHS to NHS agreements, NHS to any applicable UK governing bodies agreements (i.e. such as the Department of Education, full list to be found here: <https://www.gov.uk/government/organisations>), NHS to Local Authorities (i.e. such as one of the London borough councils), or where supply is proposed under special arrangements negotiated by the DHSC in which event the said special arrangements must be complied with.
- It also includes where the estimated expenditure or income for the product or service does not, or is reasonably not expected to, exceed £50,000 inclusive of VAT (note that for purchases between £10,000 and £25,000 two competitive quotations are required, inclusive of VAT, and for purchases between £25,000 and £50,000 three competitive quotations are required, inclusive of VAT).
- Furthermore, multiple quotations and/or waivers are NOT required for expenditure in relation to the following items:
  - (a) Rent;
  - (b) Professional Body Membership
  - (c) Payments to official UK Government bodies
  - (d) Statutory Payments (i.e. TV Licences)
  - (e) Payments to other NHS bodies
- Other circumstances where formal competition need not be applied (and therefore a waiver is NOT required) where:

- National public sector or NHS agreements including NHS Supply Chain are in place and have been approved by the DHSC;
- The requirement is to attend a seminar, conference or similar unique event;
- A commissioning body is market testing the whole business to ensure value for money and the Trust requires a partner or subcontractor to respond to the invitation to tender. The selection of the partner by the Trust need not be separately completed;
- The requirement is for the securing of a named individual on a temporary basis to fulfil a role and where substitution of another resource is not acceptable. In this case this does not constitute a procurement but the nominated Officer must still ensure value for money;
- The supply is proposed under special arrangements negotiated by the DHSC, which the Trust is required by the Independent Regulator to comply with;
- The requirement is covered by an existing contract and the additional expenditure does not either constitute a material difference (e.g. change of scope, or increase in value of 20% of more), or result in a shift in the economic balance of the contract in favour of the contractor;
- The expenditure relates to agency pay however internal governance and authorisation will apply;
- A direct award to a supplier on a national or regional framework is permissible and recommended according to the rules of the framework. On these occasions a recommendation report will require authorisation. The Trust will be required to demonstrate in the report, with supporting evidence, that a direct award offers value for money and is in the best interests of the Trust;
- A consortium arrangement is in place and a lead organisation has been appointed to carry out tendering activity on behalf of the consortium members.

It also includes disposals as set out in Standing Financial Instructions No. 15.

Formal tendering procedures **may be waived** by the Chief Finance Officer in the following circumstances (this means that an approved waiver applies to all subcontracts entered into by the Trust which are valued at over £10,000 incl VAT)::

- 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;
- a Contract modification has not been included for in the original procurement. Where the contract being varied is subject to the Regulations, any modification must be in line with Regulation 72 of Public Contract Regulations. Where the regulations do not apply for any reason (such as on a below threshold contract), the principles of the Regulations will be adhered to, in particular that modifications do not seek to circumvent the Regulations or these rules;
- 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;
- where specialist expertise is required and is available from only one source, or where the product is unique and the supply base is monopolistic;
- 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;
- 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;

- 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.
- 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.

Waivers must be documented using the online form within the Trust Procurement's intranet page maintained by the Procurement Team. 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.

Staff must consult with the Procurement Team prior to raising a waiver to take advice as to whether or not a waiver is an appropriate course of action. Any waiver which is raised without first consulting with the Procurement Team will be automatically rejected.

All waiving of variation of competitive tendering/quotation procedures shall be reported to the Audit Committee highlighting all waivers over £10,000 in line with waivers approved by the Chief Financial Officer.

In circumstances after market engagement has been conducted, where the specified number of quotations/tenders cannot be obtained (e.g. where there is a limited number of suppliers), the reasons for receiving a lower number of quotations/tenders must be recorded in the recommendation report, in this event, a tender waiver will not be required.



#### **8.4.4 Breach Process**

Where it is identified that a staff member of the Trust has commissioned goods or services outside the process prescribed in SFIs, the breach of SFIs must be formally recorded through the completion of a retrospective requisition. The retrospective requisition will be reviewed by the Procurement Team and the Chief Finance Officer to identify the subsequent action that may be required. The identified actions will then be formally shared with the staff member concerned via a formal letter. All identified breaches of SFIs will be reported to the Audit Committee. The retrospective requisition detailing the SFI breach must be approved by the Chief Finance Officer before the retrospective requisition can be approved by the Procurement Team to generate a Purchase Order.

#### **8.4.5 Fair and Adequate Competition**

Where the exceptions set out in SFIs 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 a 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.

#### **8.4.7 Contract Extensions**

Contract extensions are only permitted if they are put in place before the contract expiry date and where the proposed extension is in accordance with the contract terms. Prior to seeking approval from the relevant decision maker Staff must establish whether the extension will support the Trust to achieve best value. This process must be recorded in writing.

Any contract extension must be approved by, and dealt with by, the relevant authorised decision maker, based on the annual value of the contract. The Procurement Team must be consulted if the extension relates to a procurement that is over £50,000 (inc. VAT).

All extensions to any Trust contracts must be in writing and reported to

Procurement in order that the Contract Register can be updated.

All extensions must be reviewed and approved by the Chief Finance Officer. Staff must consult with the Procurement Team prior to agreeing with a supplier to extend a contract. Any extension which is agreed without first consulting with the Procurement Team will be automatically rejected.

#### **8.4.8 Contract Modifications/Variations**

All Contract modifications must be carried out within the scope of the original contract. Contract variations that materially affect or change the scope of the original contract are not allowed.

Minor contract variations can only be approved up to the maximum limits as set out in the public procurement regulations, currently 10% for goods and services and 15% for works, unless otherwise permitted under the Public Contract Regulations. The limits for approval are set out in the scheme of delegation.

Where contract modifications are required beyond what is classified as a 'minor' contract variation above, a waiver will be required.

All contract variations must be in writing and signed by both the Trust and the provider except where different provisions are made within the contract documentation.

The Procurement Team must be consulted on contract modifications that relate to procurements over £50,000 (inc. VAT).

Where appropriate (taking into account any change in contract value, contract term etc.) contract modifications must be reported to Procurement in order that the Contract Register can be updated.

A new procurement is required in case of material change where one or more of the following conditions are met:

- a. The variation introduces conditions which, had they been part of the initial procurement exercise, would have allowed for the admission of other tenderers than those initially selected or for the acceptance of an offer other than that originally accepted or would have attracted additional participants in the procurement procedure;
- b. The variation increases the value of the contract or the framework agreement substantially in favour of the provider in a manner which was not provided for in the initial contract or framework agreement;
- c. The modification extends the scope of the contract or framework agreement considerably.

All modifications must be reviewed and approved by the Chief Finance Officer. Staff must consult with the Procurement Team prior to agreeing with a supplier to modify a contract. Any modification which is agreed without first consulting with the Procurement Team will be automatically rejected.

#### **8.4.8 Abandoning Procurements**

Procurements can only be abandoned and / or re-tendered for proper justifiable reasons e.g. receipt of non-compliant tenders so genuine competition cannot be obtained or funding is withdrawn, and such proposed action must be subject to a formal decision by the Chief Finance Officer following advice from the Procurement Team. Staff cannot make a decision to abandon a procurement without first consulting with the Procurement Team.

### **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 or its 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 Concede; 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 PCR 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 them, 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 ).
- (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 their 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 their 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 of 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 the 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). Quotations will be required on a per Purchase Order (PO) basis.

Where no existing contract or approved framework agreement exists for procurements with an estimated value of under £10,000 (inc. VAT), staff must seek a minimum of a single written quotation. Quotations will be required on a per Purchase Order (PO) basis.

To ensure that the requirements around aggregation under Regulation 6 of the PCRs 2015 are adhered to, the Procurement Team will monitor spend incurred against each supplier engaged by the Trust during any given financial year. Once the aggregated spend for any supplier exceeds £30,000 (incl. VAT) within any given financial year, the Procurement Team will review the spend and demand for goods and/or services from the supplier and determine, with approval from the Chief Finance Officer, the appropriate procurement route to pursue to ensure a compliant contract is procured before the total aggregated spend value reaches over £50,000 (incl. VAT).

#### 8.6.2 Competitive Quotations

- (i) Where no existing contract or approved framework agreement exists, quotations should be obtained from at least 2 or 3 firms/individuals based on specifications or terms of reference prepared by, or on behalf of, the Trust. This is for purchase values between £25,000 (incl. VAT) and £50,000 (incl. VAT). For purchase values between £10,000 (incl. VAT) and £25,000 (incl. VAT), quotations should be obtained from at least 2 firms/individuals. Quotations will be required on a per Purchase Order (PO) basis.
- (ii) To ensure that the requirements around aggregation under Regulation 6 of the PCRs 2015 are adhered to, the Procurement Team will monitor spend incurred against each supplier engaged by the Trust during any given financial year. Once the aggregated spend for any supplier exceeds £30,000 (incl. VAT) within any given financial year, the Procurement Team will review the spend and demand for goods and/or services from the supplier and determine, with approval from the Chief Finance Officer, the appropriate procurement route to pursue to ensure a compliant contract is procured before the total aggregated spend value reaches over £50,000 (incl. VAT).
- (iii) 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.
- (iv) All quotations should be treated as confidential and should be retained for inspection.



- (v) 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.

Once a supplier is selected an order will be issued specifying the goods, works and/or services to be provided and the price and terms of payments. Proof of pricing will need to be attached to any requisition raised to ensure timely processing.

#### 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.

#### 8.6.5 Procurements between £50,000 and the PCR Threshold

Where no existing contract or approved framework agreement exists competition is required for procurements valued at or above £50,000 but below the current threshold under Public Contract Regulations (PCRs). A formal tender exercise will need to take place, and where there are sufficient numbers of providers, at least three written tenders will be invited.

These tenders (unless it is a requirement of a Third Part Agreement that another portal must be used) be invited by publishing either an open or a restricted tendering opportunity (restricted meaning that only selected suppliers are invited to tender) on the Trust's E-Procurement system.

If an open advert is placed on the Trust's E-Procurement System for a procurement worth £10,000 or more the option to publish on Contracts Finder must be selected. Should the interface between the Trust's E-Procurement System and Contracts Finder be unavailable for any reason, it is a requirement that the opportunity is still published on Contracts Finder which can be found at <https://www.gov.uk/contracts-finder>.

All completed procurements that result in the award of a contract and be registered on Contracts Finder and reported to Procurement to be included in the Trust's Contract Register. Failure to report this information and public on Contracts Finder will lead to the Trust being in breach of data transparency legislation.

#### 8.6.6 Procurements over the PCR Threshold

Where no existing provider or approved framework agreement exists, competition is required for procurements valued over the PCR Thresholds. In all such circumstances appropriate advice must be sought from the Trust's Procurement Team

Tenders must be invited by publishing either a restricted opportunity inviting a minimum of four tenders or, an open opportunity through the Trusts E-Procurement system. Staff should only procure through a restricted opportunity when they have sufficient knowledge of the market to enable them to take this view, and shall record how that approach will achieve best value.

Staff must consult with the Procurement Team and seek advice prior to the beginning of any procurement which seeks to use any other permitted procurement route under Public Contract Regulations. For the avoidance of doubt, this includes the use of Competitive Dialogue, the competitive procedure with negotiation, a dynamic purchasing system or innovative partnership procedures each as described in the Public Contract Regulations.

If an open advert is placed on the Trusts E-Procurement System (Atamis) for an above threshold tender, the option to publish on Contracts Finder must be selected. Should the interface between the Trusts E-Procurement System and Contracts Finder be unavailable for any reason the opportunity must still published on Contracts Finder which can be found at <https://www.gov.uk/contracts-finder>.

All FTS contract notices must also be published on Contracts Finder.

Staff should note there are specific rules in the Public Contract Regulations covering Contracts for Social and other specific services. These include certain health, social, education and other services. Above the threshold, these services must be procured following the placement of an FTS contract notice or prior information notice and using a selection process that follows the principles of transparency and equal treatment and in particular covers the

following:

- Conditions for participation must be clear
- Time limits must be clear
- The award procedure must be clear

Advice must always be sought from the Procurement Team to ascertain whether the service you are procuring needs to be advertised in accordance with the public contract regulations and how a procurement for these services should be run.

Staff conducting above threshold procurements of goods, works and services should note that they must consider dividing contracts into lots and justify any decision not to do so in either the procurement documents or any award report and that all procurement documents must be published at the time that the FTS Contract notice is published in accordance with the Public Contract Regulations.

In circumstances after market engagement has been conducted, where the specified number of quotations/tenders cannot be obtained (e.g. where there is a limited number of suppliers), the reasons for receiving a lower number of quotations/tenders must be recorded in the recommendation report and in this event a tender waiver will not be required.

#### 8.6.7 Procurements under the new Provider Selection Regime (PSR)

The PSR applied to the arrangement of health care and public health services arranged by relevant authorities and irrespective of who the provider is (i.e., whether the service is provided by NHS providers, other public sector bodies, local authorities, or providers within the voluntary, community, social enterprise (VCSE) and independent sectors). The PSR will not apply to goods and non-health care services (such as medicines, medical equipment, cleaning, catering, business consultancy services and social care), unless arranged as part of mixed procurement.

The Trust can follow three different provider selection processes to award contracts for health care services under the PSR:

1. direct award processes (direct award process A, direct award process B and direct award process C)
2. most suitable provider process
3. competitive process.

The PSR decision-making processes are set out in Regulation 6. This regime must be applied whenever relevant authorities are making decisions about awarding contracts for health care services.

## **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 must be provided to the Chief Finance Officer via a completed Contracts Award Recommendation Report, and if approved, the Report must be signed off by said Director before the Contract can be formally awarded.
- 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 £10,000 (incl. VAT), 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) Where the sum involved exceeds delegated limits, the business case must be referred to the NHSE for approval or treated as per current guidelines.
  - (c) The proposal must be specifically agreed by the Board of the Trust in light of such professional advice as should reasonably be sought in particular with regard to vires.

- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

## **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) Statutory and other legislative provisions;
- (c) Any relevant guidance published by the NHSE 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 Chief People Officer 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 £5,000, this figure to be reviewed on a periodic basis;
- (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- (e) land or buildings concerning which DHSC 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 PCR threshold, 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.

## **8.17 Social Value and Sustainability in Procurement**

8.17.1 The Trust has a duty to consider the economic, environment and social benefits of their approaches to procurement before any the process starts. This includes ensuring that activity complies with the Trust's Green Plan.

8.17.2 All tenders which are evaluated on the basis of Price and Quality must contain an appropriate weighting for Social Value considerations (with 10% weighting as a minimum, as mandated by the PCR).

8.17.3 Staff must always consider whether the procurement would be of interest to local suppliers and/or third sector organisations and, if it would, ensure that such organisations are invited to provide a quotation or tender.

## **8.18 New Models of Care Contracts**

8.18.1 The establishment of new care models requires new, simpler, more outcome focused contractual forms. Other than core primary care services, all NHS-funded healthcare services must be commissioned using the NHS Standard Contract, irrespective of provider or service.

8.18.2 Where the Trust enters into a new models of care contract, whereby the Trust is acting in the capacity as both commissioner and provider, the Chief Finance Officer or Executive Director of Integrated Care (as the nominated Directors) will be the authorised signatory for the Trust in relation to the contracts which require the Trust to act in a commissioner capacity. The Chief Finance Officer will be the authorised signatory on the same arrangement where the Trust is acting in the capacity as a provider.

## **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 DHSC 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**

The Chief Finance Officer, on behalf of 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.

## **9.4 Responsibilities**

9.4.1 The approval limits for new services are as follows: -



- Chief Finance Officer will approve services up to £199,999
- The Executive Management Team (oversight of at least 3 members including Chief Executive Officer and Chief Finance Officer) will approve all services from £200,000 to £749,999
- The Finance Business and Investment Committee will approve all services from £750,000 to £1,999,999
- The Board shall approve all services over £2,000,000.

9.4.2 The Chief Finance Officer shall provide up to date advice on:

- Standard NHS contractual terms and conditions, issued by the Department of Health and Social Care;
- Costing and pricing of services;
- Payment terms and conditions;
- Amendments to contracts, SLAs and extra-contractual arrangements.

9.4.3 The Chief Finance Officer shall ensure that all SLAs and other contractual and extra contractual arrangements:

- Are devised so as to limit the risk to the Trust, whilst enabling opportunities to generate income;
- Are financially sound; and that any contractual arrangement pricing at marginal cost are approved by the Chief Finance Officer and reported to the Board.
- The Chief Finance Officer is responsible for ensuring that systems and processes are in place to record patient activity, raise invoices and collect monies due under the agreement for the provision of healthcare services.

9.4.4 The Chief Finance and Resources Officer shall produce regular reports, to the Board or its Committees detailing the Trust's forecast financial performance.

9.4.5 Budget holders with responsibilities for managing delivery against service agreements must ensure they understand and use the contract monitoring information for the financial management of their service areas.

## **10. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF DIRECTORS AND OFFICERS**

### **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 Chair 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 in excess of its financial envelope.

10.2.3 The approval limits for posts in excess of the agreed funded establishment either permanent or temporary are as follows:

- Chief Finance Officer or nominated officer will approve requests up to £199,999;
- The Executive Management Team (oversight of at least 3 members including Chief Executive Officer and Chief Finance Officer) will approve requests from £200,000 to £749,999;
- The Finance, Business and Investment Committee will approve requests from £750,000-£1,999,999 ;
- The Board shall approve all services over £2,000,000.

### **10.3 Staff Appointments**

10.3.1 No director or officer may engage, re-engage, or re-grade officers, either on a permanent or temporary nature, or agree to changes in any aspect of remuneration unless authorised to do so by the Chief People Officer and Chief Finance Officer; and within the limit of the approved Budget and funded establishment.

10.3.2 No director or officer may engage, re-engage, either on a permanent or temporary nature, or hire agency staff, unless within the limit of the approved

budget and funded establishment.

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

#### **10.4 Processing Payroll**

- 10.4.1 The Chief Finance Officer 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 save for those determined by the Remuneration Committee;
- (c) making payment on agreed dates;
- (d) agreeing method of payment.

- 10.4.2 The Chief Finance Officer will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of officers 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 officers;
- (h) procedures for payment by cheque, bank credit, or cash to 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 officers 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 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 Chief People Officer for:

- (a) ensuring that all officers 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 holders.

11.1.2 The Chief Executive will set out:

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

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. A Purchase to Pay system will be used for expenditure on 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.

11.1.5 The approval limits for funding requests in excess of current budgeted levels are as follows:

- Chief Finance Officer or nominated officer will approve requests up to £199,999;
- The Executive Management Team (oversight of at least 3 members including Chief Executive Officer and Chief Finance Officer) will approve requests from £200,000 to £749,999;
- The Finance, Business and Investment Committee will approve requests from £750,000 to £1,999,999;
- The Board shall approve all requests over £2,000,000.

## **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 seek the best value for money for the Trust. In so doing, the advice of the Trust's Procurement Team shall be sought in advance of selecting any items or services. 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 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 officers 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 officers regarding the handling and payment of accounts within the Finance Department.

- (e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received, except as below
- (f) prepare and issue procedures regarding Value Added Tax.

### 11.3.3 Prepayments

Prepayments should be avoided where possible, however, it is recognised that for some goods and services, e.g. utilities and licences they will be required. Prepayments over a year 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 and the contractual provisions to be put in place which will safeguard the Trust's financial position;
- (c) the Chief Finance Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the UK legislative 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 (other than for a simple purchase permitted within 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 legislation 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 officers, 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 - and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order" and approved by a budget holder;
- (h) orders are not disaggregated, split or otherwise placed in a manner devised so as to avoid the financial thresholds set out in the Scheme of Delegation or statute;
- (i) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;



- (j) changes to the list of Directors 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 the and Estate Code . 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 NHSE 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 NHSE 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 NHSE "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 NHSE. 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 NHSE 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 officers 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 cash management and investment policies, taking account of the NHSE "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**

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

## **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 NHSE “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 £750,000 the Chief Executive shall ensure:

- (a) that a business case (in line with guidance provided by DHSC) is produced setting out:
  - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
  - (ii) appropriate project management and control arrangements;
  - (iii) the involvement of appropriate Trust personnel and third parties; and
- (b) that the Chief Finance Officer has certified professionally the costs and revenue consequences detailed in the business case;
- (c) that the Chief Executive or Chief Operating Officer has indicated endorsement of the operational assumptions;
- (d) In accordance with the Risk Assessment Framework, that for capital investments defined as “major”, the transaction is reported to the NHSE for consideration of their impact on the financial risk rating, prior to approval by the Board.

The approval limits for capital schemes is as follows:

- Capital Programme Steering Group (oversight of at least 3 members including Chief Operating Officer and Chief Finance Officer) will approve requests from £5,000 to £749,999;
- The Finance, Business and Investment Committee will approve requests from £750,000 to £1,999,999;
- The Board shall approve all requests over £2,000,000.

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 HM Revenue and Customs 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 the annual capital programme by the Board shall constitute approval for expenditure against that scheme, to the value authorised.

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

- (a) specific authority to commit expenditure;
- (b) authority to proceed to tender; and
- (c) approval to accept a successful tender.

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. These procedures shall fully take into account any guidance or best practice advice issued by the DHSC or NHSE regarding investment decisions by NHS Trusts.

13.1.9 **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.

## **13.2 Private Finance (see SFI No 8.9)**

### **13.3 Leases**

13.3.1 Due to the introduction of IFRS 16, new or renewed leases of over 12 months in length should sit within the process for capital expenditure.

13.3.2 The acquisition of any new lease or renewal of existing leases must be supported by a property report. The content should be determined by the materiality of the consideration or lease payments and any contentious issues, but must contain:

- Details of the consideration or lease payments;
- Details of the period of the lease;
- Details of the required accounting treatment;
- Annual running costs of the property;
- Funding sources within the Trust of both capital and revenue aspects of the acquisition;

- The results of property and ground surveys;
- Professional advice taken and the resultant cost;
- Details of any legal agreement entered into;
- Any restrictive covenants that exist on the property; and
- Planning permission.

13.3.3 Any property acquisition under lease should be in accord with DHSC guidance.

13.3.4 Approval to undertake a new lease contract or renewal should be obtained in line with the Scheme of Delegation.

13.3.5 All leases must be reviewed by the Legal Department

13.3.6 The approval limits for entering into leases will be based upon the total charge to capital.

### **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 NHSE 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 should be physically checked.

13.3.2 The Trust shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be as specified in the NHSE 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) notification of project completion by the relevant project manager who is responsible for ensuring properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
- (b) purchase and installation of equipment;
- (c) stores, requisitions and wages records for own materials and labour including appropriate overheads;
- (d) lease agreements in respect of assets held under a 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). Where assets are disposed of, best value must be achieved in consideration of the same principles as when procuring them.
- 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 NHSE 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 NHSE 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.
- 13.3.9 The Chief Finance Officer shall calculate and pay capital charges as specified in the NHSE NHS Foundation Trust Annual Reporting Manual.

#### 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
  - (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 officers 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 officers in accordance with the procedure for reporting losses.
- 13.4.6 Where practical, assets should be marked as Trust property.
- 13.4.7 The Trust's property must not be used by officers for private purposes nor removed from the normal workplace except as specifically authorised by senior management/officers.

## **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 officer by the Chief Executive. The day-to-day responsibility may be delegated by them to departmental officers 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 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 Trust's finance and procurement systems.
- 14.3.2 The Trust shall use the NHS Supply Chain for procurement of all goods and services unless the Chief Executive or nominated officers deem it inappropriate. The decision to use alternative sources must be documented.
- 14.3.3 If the Trust does not use NHS Supply Chain for a particular requirement or NHS Supply Chain do not supply the goods, services or works that the Trust requires, then the Trust shall procure the requirement in question in accordance with the procedures set out in these SFIs.

## **15. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

### **15.1 Disposals and Condemnations**

Under the Terms of Authorisation, the approval of the NHSE 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 disposals shall be in accordance with these SFIs and the Scheme of Delegation.

15.1.4 Competitive tendering or quotation procedures shall not apply to the disposal of: -

- 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
- obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust;
- items to be disposed of with an estimated sale value of less than £5,000; or
- items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract.

15.1.5 Disposals of businesses, business units etc, must be determined by the Board and subject to recommendation from the Chief Executive supported by a statement from the Chief Finance Officer setting out the financial implications.

15.1.6 Disposal of serviceable assets, mainly land, buildings and equipment, will be subject to the capital procedure and limits set out in the Scheme of Delegation. All material transactions will be determined by the Board and subject to a recommendation from the Chief Executive supported by a statement from the Chief Finance Officer setting out the financial implications.

15.1.7 All unserviceable articles shall be:

- (a) condemned or otherwise disposed of by an officer 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 officer authorised for the purpose by the Chief Finance Officer.

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

## **15.2 Losses and Special Payments**

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

15.2.2 Any 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 The Board shall delegate its responsibility to approve the writing-off of losses and to authorise special payments in accordance with the Scheme of Delegation.

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 risk pooling or 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 No special payments exceeding delegated limits shall be made without the prior approval of the Board, or contrary to any guidance or best practice advice issued by the DHSC.

15.2.10 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 NHSE. 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 they are responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 2018 and any other relevant legislation;
- (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 Chief Finance Officer may consider necessary are being carried out.

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

## **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 Health Service bodies in the region wish to sponsor jointly) all responsible directors and officers 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.

that the Trust will not accept responsibility or liability for patients' property brought into Health Service premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.

17.3 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 officers 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.

17.4 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 Officers 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 OFFICERS 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. This policy follows the guidance provided by the DHSC on 'Standards of Business Conduct for NHS Staff'. All Officers are subject to the provision of the Staff Code of Conduct which sets out the rules which apply to the acceptance of gifts and hospitality. Nothing may be accepted by officers which would constitute a breach of the provisions of the Bribery Act 2010.

## **20. RECORDS MANAGEMENT**

- 20.1 The Chief Executive shall be responsible for the management of all NHS records by the Trust, regardless of the media on which they are held.
- 20.2 The Chief Executive shall ensure that the Trust adopts information governance arrangements which comply with the principles and guidelines contained in the DHSC guidance.
- 20.3 The records held in archives shall be capable of retrieval by authorised persons.
- 20.4 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 DHSC guidelines, 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 officers 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 Trust's risk management programme.

21.1.2 The Chief Executive will be responsible for ensuring that 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 NHSE guidance.

## **21.2 Insurance: Risk Pooling Schemes administered by NHSR**

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

## **22. FREEDOM OF INFORMATION AND INFORMATION DATA REQUESTS**

- 22.1 The Chief Executive shall publish and maintain a 'freedom of information 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 that the Trust makes publicly available.

## **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 Finance Officer 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 which has been reviewed by the Chief Finance Officer (who 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 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,

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. Individual purchases within existing budgets – (via invoice or purchase order approval on the finance system)**

<b>Expenditure range</b>	<b>Responsibilities</b>
Up to £10,000	Budget Holder Director of People Participation Assistant Director of Assurance Associate Director of Research Associate Director of Performance Associate Director of Information Governance Associate Director of Mental Health Law Associate Director of Safeguarding
Up to £25,000	Financial Controller Head of Service Assistant Director of Estates, Facilities and Capital Associate Director of People and Culture Associate Director of Legal Affairs Chief Pharmacist Director of Corporate Governance Deputy Director of Operations
Up to £50,000	Deputy Director of Estates, Facilities and Capital Deputy Director of People and Culture Deputy Borough Director NCEL Provider Collaborative Deputy Programme Director Associate Director of Innovation and Transformation Director of Nursing Clinical Director Associate Director – Contracts and Procurement
Up to £100,000	Borough Director NCEL Provider Collaborative Programme Director Chief Technical Officer - Digital Director of Estates and Facilities
Up to £250,000	Executive Director Associate Director of Finance
Unlimited	Chief Executive Officer Chief Finance Officer

The above relates to the payment of invoices and raising of purchase orders and not the decision to spend.

### 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 Team.
£10,001 to £25,000 (inc. VAT)	A minimum of 2 competitive quotations, (Advertised on Contracts Finder).
£25,001 to £50,000 (inc. VAT)	A minimum of 3 competitive quotations, (Advertised on Contracts Finder).
£50,001 (inc. VAT) to PCR threshold*	Formal tender procedure, advertised as a minimum on Contracts Finder, with a minimum of 3 bids. Alternatively, a minimum of 4 quotes is required if a formal tender process is not followed, however formal tendering will only be waived in such an instance if deemed appropriate by the Associate Director of Contracts & Procurement and the Chief Financial Officer.
Above EPCR threshold	Formal tender procedure as per the PCRs, to be published via FTS.

\*PCR Threshold £139,688.00 (incl. VAT) for service contracts, and £5,372,609 (Excl. VAT) for works contracts, as at 1 January 2024.

### 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
up to £5,000	Chief Financial Officer
Above £5,000	Charitable Funds Operational Committee

### 5. Cheque signing

Expenditure range	Responsibilities
Up to £99,999	Associate Director of Finance
Above £100,000	Chief Finance Officer

6. **Minimum entry limit for new assets or grouped assets**

Limit: £5,000

7. **Disposal of property of deceased patients**

<b>Expenditure range</b>	<b>Responsibilities</b>
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**

<b>Expenditure range</b>	<b>Responsibilities</b>
Up to £100	Petty cash signatories
Above £100	Associate Director of Finance

9. **Delegated limits for petty cash boxes**

<b>Balance range</b>	<b>Responsibilities</b>
Up to £250	Local Finance Manager
Above £250	Associate Director of Finance

10. **Delegated limits for approval of capital projects (including entering into leases)**

<b>Expenditure range</b>	<b>Responsibilities</b>
Up to £50,000	Urgent approval can be given by the Associate Director of Finance
Up to £749,999	Capital Projects Steering Group
£750,000 to £1,999,999	Finance, Business and Investment Committee
Above £2,000,000	Trust Board

## 11. Disposal of assets/equipment

<b>Expenditure range (higher of replacement price or net book value)</b>	<b>Responsibilities</b>
Up to £1,000	Chief Technical Officer - Digital Director of Estates and Facilities
Up to £25,000	Associate Director of Finance
Up to £100,000	Chief Finance Officer
£100,000-£749,999	Executive Management Team/ or CPSG
£750,000-£1,999,999	Finance, Business and Investment Committee
<b>Over £2,000,000</b>	<b>Board</b>

## 12. Contract Sign-off limits

<b>Expenditure Range</b>	<b>Responsibilities</b>
Up to £50,000	Associate Director of Commercial Development
Above £50,000	Chief Finance Officer or nominated deputy

The above roles are the only members of Trust staff that are authorised to sign-off on all income and supplier contracts that are entered into by the Trust.

For all contract award recommendation reports, only the Chief Finance Officer is authorised to review and sign-off on behalf of the Trust.

## 13. Delegated limits for debt write-offs

<b>Expenditure Range</b>	<b>Responsibilities</b>
Up to £50,000	Associate Director of Finance
£Up to £499,999	Chief Finance Officer
Over £500,000	Finance, Business and Investment Committee

## 14. Delegated limits for losses and special payments

<b>Expenditure Range</b>	<b>Responsibilities</b>
Up to £25,000	Associate Director of Legal Affairs
Up to £95,000	Chief Financial Officer
Over £95,000	Chief Executive

