

Standing Financial Instructions (SFIs)

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1. Introduction

- 1.1 These Standing Financial Instructions have been developed as a harmonised document that apply across all three acute trusts in Mid and South Essex (Basildon and Thurrock University Hospitals NHS Foundation Trust, Mid Essex Hospital Services NHS Trust and Southend University Hospitals NHS Foundation Trust) to support and enable the collaborative working between the three organisations as part of a contractual joint venture (CJV).
- 1.2 It is important to note that whilst these SFIs are common to all three trusts, each organisation ultimately remains an independent statutory body with its own Trust Board and associated governance responsibilities. Whilst approval of these SFIs and any subsequent amendments is delegated to the Joint Working Board, the individual Trust Boards remain ultimately accountable for financial governance and financial performance.
- 1.3 These Standing Financial Instructions shall have effect as if incorporated in the Standing Orders of the NHS Trust/Foundation Trust.
- 1.4 These SFIs detail the financial responsibilities, policies and procedures adopted by the NHS Trust/Foundation Trust. They are designed to ensure that the Trust's financial transactions are carried out. They are designed to ensure that financial transactions are carried out in accordance with the law and Government policy, in order to achieve probity, accuracy, economy, efficiency and effectiveness. The SFIs should be used in conjunction with the Scheme of Delegation adopted by the Trust.
- 1.5 The SFIs identify the financial responsibilities that apply to everyone working for the Trust and any associated organisations. They do not provide detailed procedural advice and therefore should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Site Director of Finance.
- 1.6 Should any difficulties arise regarding the interpretation of application of any of the SFIs, then the advice of the Site Director of Finance should be sought before action is taken. The user of these SFIs should also be familiar with and comply with the Trust's Standing Orders.
- 1.7 Failure to comply with SFIs is a disciplinary matter which will be handled in accordance to the Trust's conduct and capability policy (or equivalent). Where a breach constitutes a criminal offence, the matter may be subject to a criminal investigation and will be handled in accordance with the Trust's Anti Fraud and Bribery policy and relevant legislation.

1.8. Overriding SFIs – if for any reason these SFIs are not complied with, full details of the non-compliance, any justification for non-compliance and the circumstances leading to the incidence of non-compliance shall be reported to the next formal meeting of the Audit Committee (significant issues of non-compliance shall be reported immediately to the Chairman of the Audit Committee). All directors and staff have a duty to disclose any non-compliance with these SFIs to the Site Director of Finance or to the Chief Financial Officer as soon as possible

2. Terminology

2.1. Any expression to which a meaning is given in Health Service Acts, or in Directions made under the Acts, shall have the same meaning in these SFIs; and in addition:

- a) **“Board of Directors”, “Board” or “Trust Board”** means the Board of Directors as constituted in accordance with the constitution of the Trust, comprising the Chair, executive directors and non-executive directors;
- b) **“Budget”** means a resource, expressed in financial terms, approved by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust;
- c) **“Budget Holder”** means the Director or employee with delegated authority to manage budgets (income and expenditure) for a specific area of the organisation;
- d) **“Chief Executive”** means the chief officer of the Trust. The chief officer is also the accountable officer (with respect to an NHS Trust) and the accounting officer (with respect to NHS Foundation Trusts);
- e) **“Chief Finance Officer”** means the executive director with responsibility for financial management and performance. The Chief Finance Officer is a voting Board member;
“Chief HR Director” means the executive director with responsibility for human resources and workforce. The Chief HR Director is a non-voting Board member
- f) **“Committee”** means a committee created and appointed by the Board of Directors, to whom responsibilities are delegated;
- g) **“Contractual Joint Venture”** means the legally binding agreement between the three acute trusts in Mid and South Essex which took effect on 1st January 2017. This CJV provides a formal framework for the trusts to work collaboratively and to establish governance structures in common;
- h) **“Council of Governors”** means the Council of Governors established in accordance with the Constitution of each NHS Foundation Trust;

- i) **“Divisional Clinical Director”** means the individual appointed as the clinical leader of a particular clinical division within the Trust;
- j) **“Executive Director”** means a Director of the Trust who is an officer and a member of the Trust Board. In this context, all executive directors are members of the Joint Executive Group. Directors who serve in the site leadership teams are not executive directors, except for the Managing Director.
- k) **“Finance Committee”** means the committee of each Trust Board to which the responsibility for oversight of financial performance and financial governance is delegated. Each Trust has its own finance committee, with some variations in title and remit.
- l) **“Finance Committees in Common”** or **“Joint Finance Committee”** refers to the simultaneous meetings in common of the finance committees of each trust. The Finance Committees in Common meet quarterly, with a primary focus upon financial strategy and the delivery of financial sustainability across the three trusts
- m) **“Group Head of Corporate Finance”** refers to the senior manager who is responsible for the provision of group-wide financial services under a service level agreement to the individual trusts. This postholder directly reports to the Chief Financial Officer with “dotted line” accountability to the Directors of Finance for the delivery of financial services.
- n) **“Joint Executive Group”** is the collective term for those individuals who are executive directors, and the Executive Board members, of Basildon and Thurrock University Hospitals NHS Foundation Trust, Mid Essex Hospital Services NHS Trust and Southend University Hospital NHS Foundation Trust
- o) **“Joint Working Board”** means the monthly meetings in common of the committees of each trust to which the trusts have delegated the majority of their decision-making powers and governance responsibilities as part of the CJV. The JWB comprises all members of the JEG, alongside the Chair and two non-executive directors from each trust.
- p) **“Local Counter Fraud Specialist – LCFS”** means the specialist advisor appointed by each trust, in compliance with the Directions to NHS bodies on counter fraud measures (2004), to oversee and advise the Audit Committee and the Board on the proactive measures needed to mitigate the risk of fraud and to support the conduct of reactive investigations into cases of suspected fraud
- q) **“Local Security Management Specialist – LSMS”** means the specialist advisor appointed by each trust to oversee and advise the trust on its approach to security management and the mitigation of security-related risks.

- r) **“NHS Counter Fraud Authority”** means the special health authority charged with identifying and preventing fraud and other economic crime within the NHS and the wider health group.
- s) **“NHS Improvement” or “NHSI”** means the bodies corporate known as Monitor and the NHS Trust Development Authority who operate under the name of NHS Improvement/NHSI. These organisations are the statutory regulators of NHS Foundation Trusts and NHSI Trusts respectively;
- t) **“NHS Foundation Trust”** means a public benefit corporation established under the Health and Social Care (Community Health and Standards) Act 2003 to provide NHS services. NHS Foundation Trusts are directly accountable to Parliament and are regulated by NHS Improvement. In the context of these SFIs, the term refers to Basildon and Thurrock University Hospitals NHS Foundation Trust and Southend University Hospital NHS Foundation Trust.
- u) **“NHS Trust”** means an NHS body established under the National Health Service and Community Care Act 1990 for the purposes of providing NHS services. NHS Trusts are directly accountable to the Secretary of State for Health and are regulated by NHS Improvement. In the context of these SFIs, the term refers to Mid Essex Hospital Services NHS Trust.
- v) **“Non-Executive Director”** means a Director of the Trust who is not an employee of the Trust. In the case of the NHS Foundation Trusts, a Non-Executive Director (NED) must be a member of the public/patient constituency of the Foundation Trust or where the Trust includes a medical school, (s)he exercises functions for the purposes of that University. In the case of the NHS Trust, a NED is a Director who is not an officer of the Trust and who is not to be treated as an officer by virtue of the Membership and Procedure Regulations.
- w) **“Site Director of Finance”** means a member of the site leadership team who is responsible for day-to-day management of the Trust’s finances and for the implementation of the SFIs. The Site Director of Finance is not an executive director. He or she is professionally accountable to the Chief Finance Officer and managerially accountable to the Managing Director;
- x) **“Site leadership team”** means the team of directors who are responsible for the day-to-day management of the Trust and the delivery of its objectives. The site leadership team is led by a Managing Director. Members of the site leadership team are not Trust Board members; nor do they hold executive responsibility.

3. Responsibilities and Delegation

3.1. **The Board of Directors**

3.1.1. The Board exercises financial supervision and control through its governance processes and procedures and through the system of internal control. The Board exercises this control by:

- a) formulating the financial strategy;
- b) requiring the submission and approval of annual budgets within the parameters of the financial strategy;
- c) defining and approving essential features in respect of important procedures, as referenced in this document, and financial systems (including the need to obtain value for money);
- d) defining specific responsibilities in the Scheme of Delegation document;

3.1.2. The Board has resolved that it may only exercise certain powers and decisions in formal session. These are set out in the Standing Orders. All other powers have been delegated to such other committees as the Trust has established.

3.2. **The Chief Executive and the Chief Finance Officer**

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

3.2.2. Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board and, as Accountable/Accounting Officer, to Parliament (through the Secretary of State in the case of an NHS Trust), for ensuring that the Board meets its obligations to perform its functions within the available financial resources.

3.2.3. The Chief Executive has overall executive responsibility for the Trust's activities; is responsible to the Chairman and to the Board of each Trust for ensuring that's its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.

3.2.4. It is a duty of the Chief Executive to ensure that Board members, current employees and new appointees are notified of, and understand, their responsibilities arising from these SFIs.

3.3. The Chief Finance Officer

3.3.1. The Chief Finance Officer is responsible for:

- a) Implementing the Trust's financial policies and for co-ordinating any correction action necessary to implement and refine these policies;
- b) Maintaining an effective system of internal financial control, including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- c) Ensuring that sufficient records are maintained to show and explain the Trust's transactions in order to disclose, with reasonable accuracy, the financial position of the Trust at any time;

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

- d) the provision of advice on the financial matters of the Trust to the Directors and to employees;
- e) the design, implementation and supervision of systems of internal financial control and financial governance;
- 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; and
- g) conforming to the requirements of NHSI, the Terms of Authorisation (for the NHS Foundation Trusts), Constitution, Standing Orders, SFIs, financial procedures and the Scheme of Delegation

3.4. Board Members and Employees

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

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

3.5. **Contractors**

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

3.6. **Record keeping**

3.6.1. For any directors, Board members and employees who carry out a financial function, the form in which financial records are kept and the manner in which individuals discharge their duties must be to the satisfaction of the Chief Finance Officer and in accordance with current policies and procedures.

4. Audit

4.1. **The Audit Committee**

4.1.1. In accordance with the Constitution and the Standing Orders, the Trust Board shall formally establish an Audit Committee, with clearly defined and regularly reviewed terms of reference, following best practice guidance from the NHS Audit Committee Handbook (2011) and, in the case of the NHS Foundation Trusts in accordance with the Audit Code and Code of Governance issued by NHSI, to obtain and provide assurance to the Board on the systems of internal control by:

- a) overseeing internal and external audit services;
- b) reviewing financial systems;
- c) monitoring compliance with the Standing Orders, the SFIs and the Scheme of Delegation;
- d) reviewing the financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;
- e) reviewing schedules of losses and special payments and making recommendations to the Board;
- f) reviewing the information prepared to support the Board Assurance Framework and the Annual Governance Statement and advising the Board accordingly;
- g) reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control across the

totality of the organisation's clinical and non-clinical activities, in support of the Trust's objectives;

- h) overseeing the LCFS function and compliance with NHS Counter Fraud Authority Standards for Providers.

4.1.2. Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are important matters that the Committee wishes to raise, its Chair should raise the matter at a full meeting of the Board of Directors. Exceptionally following discussion with the Chief Finance Officer, the matter may need to be referred to NHSI.

4.1.3 It is the responsibility of the Chief Finance Officer to ensure that an adequate internal audit service is provided and that the Audit Committee is involved in the selection process when/if an internal audit provider is changed.

4.2. **Chief Finance Officer**

4.2.1. The Chief Finance Officer is responsible for:

- a) ensuring that 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 service meets the mandatory NHS audit standards;
- c) deciding at what stage to involve the Police in cases of misappropriation and other irregularities not involving fraud or corruption, and in conjunction with the LCFS and NHS Counter Fraud Authority in cases of fraud, bribery or corruption;
- d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee on behalf of the Board of Directors. 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 or NHSI including, for example, compliance with control criteria and standards;
 - ii) addressing any major internal control weaknesses that have been identified;
 - 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) detailed plan for the coming year.

4.2.2. The Chief Finance Officer, the Site Director of Finance, designated auditors, the Local Counter Fraud Specialist (LCFS) and the Local Security Management Specialist (LSMS) 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 of Directors or employees of the Trust;

c) the production of any cash, stores or other property of the Trust under the control of a Board member or employee; and

d) explanations concerning any matter under investigation.

4.3. **Role of Internal Audit**

4.3.1. Internal Audit will review, appraise and report upon :

a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;

b) the adequacy and application of financial and other related management controls;

c) the suitability and integrity of financial and other management data;

d) the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from fraud and other offences, waste, extravagance, inefficient administration, poor value for money or other causes;

e) the Assurance Statements in accordance with guidance from NHSI and the Department of Health

4.3.2. Whenever any matter arising 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 and the matter referred to the LCFS;

4.3.3. The LCFS will be notified where the internal audit function identifies an inadequacy of poor application of financial and other management controls which may present a risk or fraud or bribery occurring.

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

4.3.4. The Head of Internal Audit / Chief Internal Auditor is accountable to the Site Director of Finance and 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 / Chief Internal Auditor. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed at least every three years.

4.4. **External Audit**

4.4.1. The Trust's external auditor is appointed by Public Sector Audit Appointments Ltd (in the case of NHS Trusts) and by the Council of Governors (in the case of NHS Foundation Trusts). The Audit Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the external auditor, these should be addressed in accordance with the Audit Code for NHS Foundation Trusts or to Public Sector Audit Appointments Ltd (the successor body to the Audit Commission) in the case of NHS Trusts.

4.4.2. The Trust must ensure that the appointed external auditor meets the criteria within the Audit Code for NHS Foundation Trusts at the date of their appointment and on an ongoing basis throughout the term of their appointment. External audit responsibilities 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 and for NHS 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. UK Generally Accepted Accounting Practice (UK GAAP.)

(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 NHSI as to the standards, procedures and techniques to be adopted
- (e) consider the issue of a public interest report
- (f) certify the completion of the audit
- (a) express an opinion on the accounts
- (b) Provide assurance, to the level defined by NHSI, on the Quality Report.

External auditors will ensure that there is a minimum of duplication of effort between themselves, Internal Audit and other relevant regulators e.g. NHSI, Care Quality Commission. The auditors will discharge this responsibility by:

- (a) reviewing the statements made by the Chief Executive as part of the Annual Governance Statement and making a negative statement within the audit opinion if the Annual Governance Statement 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.

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

5. Fraud and Corruption

- 5.1. The Chief Executive and Chief Financial Officer have overall responsibility for ensuring that there are sound systems of internal control (e.g., procedures, guidance notes and effective supervision) to minimise the opportunities for fraud, bribery and corruption within the day-to-day business of the Trusts and their contractors. This responsibility extends to ensuring that policies and procedures for all work related to fraud and bribery are implemented and that the findings from investigations and proactive counter fraud work are acted upon accordingly;
- 5.2. In line their responsibilities, the Chief Executive and the Chief Finance Officer will monitor and ensure compliance with the National Standard Contract and the NHS Counter Fraud Authority Standards for Providers;
- 5.3. The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by NHS Counter Fraud Authority guidance;
- 5.4. The LCFS shall report to the Site Directors of Finance and to the Chief Finance Officer and shall work with staff in the NHS Counter Fraud Authority in accordance with NHS Counter Fraud Authority standards;
- 5.4. **Fraud** : any person who dishonestly makes a false representation to make a gain for themselves or another, or who dishonestly fails to disclose to another person information which he is under a legal duty to disclose, or commits fraud by abuse of position including any offence as defined in the Fraud Act 2006;
- 5.5. **Bribery** : giving or receiving a financial or other advantage in connection with the “improper performance” of a position of trust, or a function that is expected to be performed impartially or in good faith.
- 5.6. Where the organisation is engaged in commercial activity, it could be considered guilty of a corporate bribery offence if an employee, agent, subsidiary or any other person acting on its behalf bribes another person, intending to obtain or retain business or an advantage in the conduct of business for the organisation and it cannot demonstrate that it has adequate procedures in place to prevent these activities.
- 5.7. The adequate procedures that the Trusts are required to have in place to prevent bribery being committed on their behalf are informed by six principles:
 - Proportionate procedures;
 - Top-level commitment;
 - Risk assessment;
 - Due diligence;
 - Communication (including training);

- Monitoring and review.
- 5.8. The LCFS will provide a written response and attend the Audit Committee to present at least annually on counter fraud work within the Trusts.
 - 5.9. The Trusts will complete a Self-Review Tool, inclusive of a summary of the counter fraud, bribery and corruption work conducted over the previous twelve months, for submission to the NHS Counter Fraud Authority;
 - 5.10. The Site Directors of Finance, in discussion with the Chief Finance Officer, must prepare a fraud response plan that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it;
 - 5.11. All suspected incidents of potential fraud, bribery or corruption should be reported to the Trusts' Local Counter Fraud Specialist, either directly (contact details can be found on the Trusts' internet pages) or by contacting the National Fraud and Corruption reporting line by telephoning 0800 028 40 60. Calls are treated in confidence and callers can remain anonymous. Concerns can also be reported online at www.cfa.nhs.uk/reportfraud.
6. Security Management
- 6.1. In line with their responsibilities, the Chief Executive will monitor and ensure compliance with Directions issued by the National Standard Commissioning Contract on NHS security management;
 - 6.2. The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the National Standard Commissioning Contract guidance on NHS security management;
 - 6.3. The Trust shall prepare a Security Policy which sets out measures to protect staff, patients, visitors and Trust assets;
 - 6.4. The Trust shall nominate a Non-Executive Director to oversee the Trust's security management arrangements who will report on this matter to the Board;
 - 6.5. The Chief Executive has overall responsibility for controlling and co-ordinating security. However, key tasks are delegated to the LSMS and to the Non-Executive Director nominated under 6.4.

7. Annual Plan, Budgets, Budgetary Control and Monitoring

7.1. **Finance Committee**

7.1.1. One of the key roles of this Committee is to assess and monitor the Annual Plan and financial performance of the Trust, providing assurance on these matters to the Board.

7.2. **Preparation, Approval and Submission of Annual Plan and Budgets to NHSI**

7.2.1. The Chief Executive and the Chief Finance Officer will submit to the Board an Annual Plan which takes into account finance, governance and commissioner requested services. 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;
- c) a summary financial plan; and
- d) such other requirements as may be determined by NHSI

The Annual Plan will be submitted to NHSI in line with their deadline and guidance and declaration requirements.

7.2.2. Prior to the start of the financial year, the Chief Finance Officer will, on behalf of the Chief Executive and in discussion with the Site Director of Finance, prepare and submit budgets in line with the Annual Plan for approval by the Board. Such budgets will :

- a) be in accordance with the aims and objectives set out in the Annual Plan;
- b) accord with workload and workforce plans;
- c) be produced following discussion with appropriate budget holders, the site leadership teams and the joint executive group;
- d) identify potential risks

7.2.3. The Chief Finance Officer shall monitor financial performance against budget and Annual Plan, periodically reviewing them, and report to the Board;

7.2.4. All Budget Holders must provide information as required by the Chief Finance Officer and Site Director of Finance to enable budgets to be compiled;

7.2.5. All Budget Holders will agree their allocated budgets at the commencement of each financial year;

7.2.6. The Chief Finance Officer and the Site Director of Finance have a responsibility to ensure that adequate training is delivered on an ongoing basis to budget holders to enable them to manage budgets successfully.

7.3. **Budgetary Delegation**

7.3.1. The Chief Executive will delegate the management of a budget to permit the performance of a defined range of activities;

7.3.2. The Chief Executive, Joint Executive Group, Divisional Clinical Directors and delegated Budget Holders must not exceed the budgeted levels of expenditure approved by the Board;

7.3.3. Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive and Chief Finance Officer.

7.4. **Budgetary Control and Reporting**

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

- (a) monthly financial reports to the Joint Working Board, the Finance Committee and on a quarterly basis to the Trust Board in a form approved by the Board
- (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.

7.4.2. Each Budget Holder is accountable for all income, expenditure and cost improvement plans within their area of responsibility. All Budget Holders must ensure that:

- (a) they remain within their budget allocation,
- (b) any likely overspending or reduction of income 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; and

- (d) no permanent employees are appointed without the approval of a Director, with advice from the vacancy control group, other than those provided for within the available resources and manpower establishment as approved by the Board,
- (e) they determine appropriately all fees and charges other than those determined by the Department of Health or by Statute,
- (f) they identify and implement cost improvements and income generation initiatives in accordance with the requirements of the Annual Plan.

7.5. **Capital Expenditure**

- 7.5.1. The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in Section 15.)
- 7.5.2 Capital expenditure is generally defined as expenditure on items with a use of more than one year and a cost in excess of £5,000.
- 7.5.3 Capital budgets are separate from revenue budgets and revenue budgets cannot be used for capital expenditure.
- 7.5.4 The Finance Committee maintains responsibility for review of schemes above a value as defined in the Scheme of Delegation.

7.6. **Monitoring Returns**

- 7.6.1. The Chief Executive is responsible for ensuring that the appropriate monitoring returns are submitted to NHSI;
- 7.6.2. The internal monitoring of the Trust's and departmental/divisional operating/business plans will take place through performance reviews in a manner and time period as determined by the Chief Executive and the Managing Directors as appropriate.

8. Annual Report and Accounts

- 8.1 The Chief Finance Officer, on behalf of the Trust, will:
 - (a) prepare annual accounts in accordance with the accounting policies agreed by the Board and financial reporting guidance given by NHSI and generally accepted accounting practice;
 - (b) prepare and submit annual financial reports to NHSI, certified in accordance with current guidelines.

- 8.1. The Trust will publish an annual report and accounts, in accordance with guidelines, and present it at the appropriate Council of Governors' meeting. The document will comply with NHSI guidance and generally accepted practice for disclosures in annual reports and a copy submitted to NHSI.
- 8.2. An external auditor appointed by the Council of Governors must audit the Trust's Annual Report and Accounts.
- 8.3. The Trust will lay a copy of the Annual Report and Accounts, and any audit report on them, before Parliament. The Annual Report and Accounts cannot be disclosed to the public (even in draft form) before they have been laid before Parliament.
- 8.4. The Chief Finance Officer and the Site Director of Finance, on behalf of the Trust will prepare and submit other in-year accounts as may be required by NHSI from time to time.

9. Bank Accounts

9.1. **General**

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

9.2. **Treasury Management**

- 9.2.1. The Site Director of Finance is responsible for treasury management and reporting to the Finance Committee in this regard.

9.3. **Banking Procedures**

- 9.3.1. The Site Director of Finance will prepare detailed instructions on the operation of bank accounts.
- 9.3.2. The Site Director of Finance must advise the Trust's bankers in writing of the conditions under which each account will be operated.
- 9.3.3. All accounts shall be held in the name of the Trust. Only the Site Director of Finance or the Chief Finance Officer can open any bank account in the name of the Trust.

9.4. Review of Banking Facilities

9.4.1. The Site Director of Finance will review the banking arrangements of the Trust at regular intervals to ensure they reflect best practice and represent best value for money.

9.4.2. Competitive tenders should be sought at least every 5 years.

10. Income, Fees and Charges and Security of Cash, Cheques and Other Financial Instruments

10.1. Income Systems

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

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

10.2. Fees and Charges

10.2.1. The Trust shall follow the Department of Health's national tariff system for Payment by Results (PBR).

10.2.2. Fees and charges other than those within PBR or set by statute remain the responsibility of Budget Holders.

10.2.3. Independent professional advice on matters of valuation shall be taken as necessary. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered, the guidance in the Department of Health's Commercial Sponsorship – Ethical standards in the NHS shall be followed.

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

10.3. Credit Control

10.3.1. The Site Director of Finance is responsible for an effective credit control system incorporating procedures for recovery of all outstanding debts due to the Trust. Income not received should be dealt with in accordance with losses procedures. (See

section 17. Overpayments should be detected (or preferably prevented) and recovery initiated.

10.4. Security of Cash, Cheques and other Financial Instruments

10.4.1. The Site Director of Finance is responsible for:

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

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

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

10.4.4. 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. (subject to procedures regarding Patient's Property).

11. Contracts for Provision of Services

- 11.1. The Chief Executive, as the Accounting/Accountable Officer, is responsible for ensuring the Trust enters into suitable service contracts with service commissioners for the provision of services in line with guidance from NHSI.
- 11.2. The Chief Executive is responsible for reporting performance to the Board against those agreed contracts. This may be delegated to another director or executive director in the Scheme of Delegation.
- 11.3. In carrying out these functions, the Chief Executive should take into account the advice of the Chief Finance Officer regarding:
 - a) costing and pricing of services;
 - b) payment terms and conditions;
 - c) amendments to contracts and extra-contractual arrangements; and
 - d) payment by results
- 11.4. Contracts should be devised so as to minimise risk whilst maximising the Trust's opportunity to generate income.
- 11.5. Prices should match national tariff where appropriate and locally agreed prices where applicable.
- 11.6. The Site Director of Finance, in discussion with the Chief Finance Officer, shall produce regular reports detailing acute and forecast income (linked to activity) with a detailed assessment of the impact of variable elements of income.
- 11.7. The Site Director of Finance shall oversee and approve cash flow forecasts and the collection of cash.
- 11.8. The Chief Executive shall ensure that legal advice is obtained to support contractual arrangements where appropriate

12. Allowances and Payments of Directors of the Board

12.1 **REMUNERATION & NOMINATION COMMITTEE**

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

12.2 FUNDED ESTABLISHMENT

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

12.2.2. The funded establishment of any department is the responsibility of individual Budget Holders and must only be varied as defined within the Trust's Scheme of Responsibility, Authority and Decision.

12.2.3. All Budget Holders must remain within their funded establishment unless prior consent has been granted by the Board or the committee or executive to whom authority has been delegated in the Scheme of Delegation or officer to whom authority has been delegated in the Scheme of Delegation.

12.3 STAFF APPOINTMENTS

12.3.2. No Director, Executive Director or employee may engage, re-engage, or re-grade employees, on a permanent or fixed term contract without following the procedures determined by the Human Resources Department.

12.3.3. The hiring of temporary/agency staff must comply with the Trust's Workforce procedures.

12.4 PROCESSING OF PAYROLL

12.4.2. The Site Director of Finance is responsible for:

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

12.4.3. The Site Director of Finance will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- (c) maintenance of subsidiary records for pension, income tax, national insurance and other authorised deductions from pay;
- (d) security and confidentiality of payroll information;
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act 1998 and the General Data Protection Regulation;
- (g) methods of payment available to various categories of employees and officers;
- (h) procedures for payment by bank credit, and exceptionally by cheque or cash to employees and officers;
- (i) procedures for the recall of cheques and bank credits
- (j) pay advances and their recovery;
- (k) maintenance of regular and independent reconciliation of pay control accounts;
- (l) separation of duties of preparing records and handling cash; and
- (m) a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.

12.4.4. Appropriately nominated managers have delegated responsibility for:

- (a) submitting electronic time records, and other notifications in accordance with agreed timetables;
- (b) completing electronic time records and other notifications in accordance with the Site Director of Finance's instructions and in the form prescribed by the Site Director of Finance; and
- (c) submitting termination and change forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's change, 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 or is absent without authorised leave, the Site Director of Finance must be informed immediately.

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

12.5. **Contracts of Employment**

12.5.1. The Board shall delegate responsibility to the Chief HR Director for :

- (a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Board and which complies with employment legislation; and
- (b) dealing with variations to, or termination of, contracts of employment.
- (c) maintaining a full minimum data set for each employee or contract worker e.g. name, start date, ethnic origin, address, age, gender etc.

13. Non-Pay Expenditure

13.1. **Delegation of Authority**

The Board will approve the level of non-pay expenditure on an annual basis. The Chief Executive will determine the level of delegation to budget managers. Budget Holders may appoint nominees who must be approved by the Site Director of Finance. The Budget Holder remains responsible for the actions of nominees when they act in place of the Budget Holder. The approval of the relevant director is required for all budget adjustments within the trust's financial plan. Board approval is required for changes which will impact upon delivery of the trust's financial plan

The Chief Finance Officer will set out:

- (a) the list of managers who are authorised to place requisitions for the supply of goods and services; and

- (b) the maximum level of each requisition and the system for authorisation above that level.

13.1.1. The Chief Finance Officer shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

13.1.2. Expenditure approval thresholds are as follows :

- Up to £100k – approval delegated to the relevant site director;
- Up to £250k – approval delegated to the Managing Director or the relevant executive director;
- Up to £0.5m – approval delegated to the relevant joint executive **plus** either the Chief Executive or the Chief Finance Officer;
- Up to £1m *per Trust* – approval delegated to Chief Executive and Chief Finance Officer (acting together);
- Over £1m – approval by Trust Board;
- Over £1.5m in aggregate – approval delegated to Joint Working Board.

13.2. **Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services**

13.2.1. The delegated officer, in considering the item to be supplied (or the service to be performed) shall seek advice from procurement to obtain the best value for money for the Trust. Consideration must be given to any existing contracts or commitments.

13.2.2. The Site Director of Finance shall be responsible for establishing systems for ordering and receipting of goods that have been requisitioned.

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

13.2.4. The Chief Finance Officer will:

- (a) advise the Board regarding the thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds shall be incorporated in the Scheme of Responsibility, Authority and Decision and regularly reviewed;

- (b) prepare procedural instructions [where not already provided in the Scheme of Responsibility, Authority and Decision or procedure notes for budget holders] on the obtaining of goods, works and services incorporating the thresholds;
- (c) be responsible for the prompt payment of all properly authorised accounts and claims;
- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
 - (i) A list of Directors/employees (including specimens of their signatures) authorised to certify invoices.
 - (ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct;
 - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the 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 Site Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.
- (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.
- (e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received, (except as below).

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

- (a) prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e. cashflow must be discounted to NPV using the National Loans Fund (NLF) rate plus 2%).
- (b) the appropriate Director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments;
- (c) the Site Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold); and
- (d) the Budget Holder is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the appropriate Director or the Managing Director if problems are encountered.

13.2.6. Before any order can be placed the appropriate procurement procedures must be followed. Failure to follow policy could result in contracts being declared ineffective and the Trust could be liable to substantial penalties. Anyone in any doubt about the required procedures must contact the procurement department for support.

13.2.7. The value of any order shall consider best procurement practice and therefore shall include consideration of bulk discounts and supply contract lengths. The value of the purchase shall exclude VAT but must include any associated capital and revenue costs. Where the purchase is for an item used regularly but no formal contract for a quantity is agreed then the value will be based on the estimate of 12 months' supply.

13.2.8. The value of the proposed requirement shall determine the most appropriate procurement method. Each method is the minimum required for each level of value but if it is believed that better value might be obtained from using a higher level this is allowed.

13.2.8.1. The thresholds for each level are set out in the Scheme of Responsibility, Authority and Decision.

13.2.8.2. Some key quotation and tender limits have already been harmonised across the three trusts. These are :

- Up to £7,499 – verbal quote only
- £7,500 to £24,999 – at least two written quotes required
- £25,000 to £74,999 – at least 4 written quotes required
- £75,000 to OJEU limit – formal tender required

13.2.8.3. NB - OJEU thresholds are different for the three Trusts with the two FTs having higher limits

13.2.8.4. The tendering and quotation limits and the expenditure approval thresholds set out in section 13.2.8.2 and 13.1.2 relate to the **actual cost to the organisation**. Some items of expenditure will incur VAT charge to the Trusts. Where VAT is not reclaimable this will need to be factored into the thresholds as this is a total cost to the organisation. Where VAT is reclaimable, this need not be included in the cost when applying these limits and thresholds. Advice on which items are VAT reclaimable and which are not can be obtained from the Finance Departments.

13.3. Waivers

13.3.1. Tendering or quotation procedures may be waived in accordance with the limited reasons provided in section 10.3 of the Standing Orders and will be subject to scrutiny by the Audit Committee.

13.4. In House Services

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

- (a) Specification group, comprising the Chief Executive or nominated officer(s) and specialist(s).
- (b) In-house tender group, comprising a nominee of the Chief Executive and technical support.
- (c) An evaluation group, normally comprising a specialist officer, a procurement officer or advisor and the Site Director of Finance or his/her representative. For services having a likely annual expenditure exceeding £1 million or otherwise, as directed by the Finance Committee, a non-executive Director may be a member of the evaluation team.

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

13.4.3. The evaluation group shall make recommendations to the Investment Committee or equivalent.

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

13.4.5. Official Orders:

- (a) must be uniquely identified by use of an internally approved process;
- (b) must be in a form approved by the Site Director of Finance;

- (c) must state the Trust's terms and conditions of trade (unless e-mailed or faxed when the Trust's terms and conditions that were issued to the supplier when being placed on the approved supplier list or on a contract will apply); and
- (d) may be transmitted by a system of Electronic Data Interchange (EDI) approved by the Site Director of Finance.

13.4.6. Managers and officers must ensure that they comply fully with the guidance and limits specified by the Site Director of Finance and that:

- (a) all contracts (other than for simple purchases permitted within the Scheme of Responsibility, Authority and Decision or delegated budget), leases, tenancy agreements and other commitments which may result in a liability extending beyond the current Annual Plan are notified to the Site Director of Finance in advance of any commitment being made;
- (b) contracts and purchases above specified thresholds are advertised and awarded in accordance with Trust Procurement procedures and EU rules on public procurement.
- (c) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to Directors or employees, other than:
 - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
 - (ii) conventional hospitality, such as lunches in the course of working visits;
- (d) no order is placed for any item or items for which there is no budget provision unless authorised by the Site Director of Finance or the Chief Finance Officer on behalf of the Chief Executive;
- (e) all goods, services, or works are ordered on an official order except, bookings for conferences, seminars or training courses where payment is

required with the booking, and purchases from petty cash or on purchase cards;

- (f) verbal orders must only be issued very exceptionally - by an employee designated by the Site Director of Finance and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- (g) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (h) drugs, blood factors, X-ray contrast media and medical gases shall only be ordered in a system approved by the Chief Pharmacist. This includes free of charge items, clinical trial material and named patient drugs/special products, unless specifically authorised by the Chief Pharmacist.
- (i) purchase of all IT equipment and systems must be approved by the Responsible Director, Head of IT or their delegated officer.
- (j) purchase of all equipment used to aid manual handling must comply with Health & Safety requirements.
- (k) purchase of electrical medical equipment must be made from a range of suppliers approved by the other non-medical electrical equipment will be the responsibility of the Estates Capital Investment Group (or equivalent) where the value of the equipment exceeds £5K If the medical equipment is below £5K then key stakeholders should be consulted to review and identify the equipment that offers best value to meet the clinical requirement.
- (l) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase or impact on existing contractual purchase commitments;
- (m) all proposed trials must be approved by the general Manager, Divisions Governance Lead, Finance and procurement. A purchase order must be raised to cover all trial stock to ensure traceability of the purchase of the goods even if the goods are supplied free of charge. All trials must be evaluated and documented to demonstrate the outcome. Procurement guidelines for trials must be followed before the trial equipment, goods or materials are delivered to the Trust.

- (n) changes to the list of Directors/employees and officers authorised to certify invoices are notified to the Site Director of Finance;
- (o) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Site Director of Finance;
- (p) petty cash records are maintained in a form as determined by the Site Director of Finance;
- (q) all invoices are authorised and goods received documentation is provided in a timely manner, in order to facilitate prompt settlement of supplier accounts.

13.4.7. The Chief Executive and the Chief Finance Officer shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with current guidance.

14. External Borrowing and Investments

14.1. **EXTERNAL BORROWING**

- 14.1.1. The Chief Executive and Chief Finance Officer will agree the list of employees (including specimens of their signatures) who are authorised to make borrowings on behalf of the Trust. This must be reported to the Finance Committee and the Board.
- 14.1.2. The Site Director of Finance must prepare detailed procedural instructions on the management of the Trust's working capital arrangements in line with NHSI guidance.
- 14.1.3. All long-term borrowing must be consistent with the plans outlined in the current Annual Plan and be approved by the Board. This included borrowing from NHS Improvement
- 14.1.4. Key objectives will be that all external borrowing and other long-term liabilities are within prudent and sustainable levels, capital expenditure plans are affordable and management decisions are taken in accordance with professional good practice. The Prudential Borrowing Limit will be defined by NHSI based on its Annual Plan and in line with the Prudential Borrowing Code.

14.2.INVESTMENTS

14.2.1. Temporary cash surpluses may be held only in public or private sector investments in accordance with the Managing Operating Cash Policy, Board and Monitor guidance.

14.2.2. The Chief Finance Officer is responsible for advising the Board on investments and shall report periodically to the Board via the Finance Committee concerning the performance of investments held.

14.2.3. The Site Director of Finance will, in discussion with the Chief Finance Officer, prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

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

15.1. Capital Investment

15.1.1. The Finance & Resources Committee is responsible for reviewing all capital schemes with a value in excess of the limit set in the Scheme of Reservation and Delegation. The Finance Committee is also responsible for business cases with a cost implication in excess of the limit set on the Scheme of Reservation and Delegation.

15.1.2. The Chief Finance Officer:

- (a) shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans;
- (b) is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and budget; and
- (c) shall ensure that the capital investment is not undertaken without appropriate confirmation of purchaser(s) support and the availability of resources to finance all revenue consequences, including capital charges.

15.1.3. For every capital expenditure proposal over the financial limit set out in the Scheme of Responsibility, Authority and Decision document the Chief Finance Officer shall ensure:

- (a) that a business case is produced setting out:

- (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
 - (ii) appropriate project management and control arrangements;
 - (iii) the involvement of appropriate Trust personnel and external agencies.
- (b) that the Site Director of Finance has reviewed the costs and revenue consequences detailed in the business case.

15.1.4. For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management.

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

15.1.6. Prior to the start of a financial year the Chief Finance Officer in discussion with the Site Director of Finance will, on behalf of the Chief Executive prepare and submit a capital expenditure programme for approval by the Board. Expenditure against the capital expenditure programme is authorised in accordance with the procurement procedures.

15.1.7. The Chief Executive will issue a Scheme of Responsibility, Authority and Decision for capital investment management in accordance with guidance and the Trust's Standing Orders.

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

15.2. **Strategic Investment**

15.2.1. The Trust should normally test a range of financial options available when considering major capital procurement. When the Board proposes to use a chosen method of financing the following procedures should apply:

- (a) The Chief Executive shall demonstrate that consideration of all capital procurement options has been undertaken and the recommended method of financing represents value for money.

- (b) Where the sum involved exceeds delegated limits compliance with approval processes that are expected and agreed with any funding services.

15.3. Leasing and Purchases by Deferred Payment

15.3.1. The permission of the Site Director of Finance must be obtained in advance where goods or services are to be obtained on deferred payment terms (including hire purchase, leasing, extended credit) involving either the delay of part of the payment into a future financial year or the incurring of additional charges beyond the cash price of the goods or services. Also refer to section 14.1 - External Borrowings.

15.3.2. The Site Director of Finance shall establish procedures to ensure value for money is properly assessed in any such deferred payment proposal.

15.4. Asset Registers

15.4.1. The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Chief Finance Officer and the Site Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year.

15.4.2. The Trust shall maintain an asset register recording fixed assets under both classifications of "protected" and "unprotected". Guidance is contained within NHSI's 'Protection of assets' a guide for NHS Foundation Trusts and in the Financial Manual issued by the Department of Health in the case of NHS Trusts. The minimum data set to be held within these registers shall be sufficient to ensure the efficient preparation of monitoring and accounting returns to NHSI.

15.4.3. Registers of other assets such as electrical equipment or IT hardware may be kept by departments for the purposes of service management but do not constitute asset registers for the purposes of this section.

15.4.4. Additions to the fixed asset register must be clearly identified to an appropriate Budget Holder and be validated by reference to:

- (a) properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;

- (b) stores, requisitions and wages records for own materials and labour including appropriate overheads; and
- (c) lease agreements in respect of assets held under a finance lease and capitalised.

15.4.5. Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate). Authority to dispose of assets is detailed in the Scheme of Reservation, Authority and Decision and the disposal itself must be in accordance with the Trust Disposal Policy.

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

15.4.7. The value of each appropriate class of asset shall be re-valued to current values in accordance with methods specified in International Financial Reporting Standards.

15.4.8. The value of each asset shall be depreciated using methods and rates as agreed by the Board as part of the accounting policies.

15.4.9. The Site Director of Finance of the Trust shall calculate and pay dividends on Public Dividend Capital as specified in the Financial Reporting Manual issued by Monitor.

15.5. **Security of Assets**

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

15.5.2. The Chief Finance Officer must approve asset control procedures (including fixed assets, cash, cheques and financial instruments, and also including donated assets). This procedure shall make provision for:

- (a) recording managerial responsibility for each asset;
- (b) identification of additions and disposals;
- (c) identification of all repairs and maintenance expenses;
- (d) physical security of assets;
- (e) periodic verification of the existence of, condition of, and title to, assets recorded;

- (f) identification and reporting of all costs associated with the retention of an asset; and
- (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

15.5.3. All discrepancies (other than minor movements in location of assets) revealed by verification of physical assets to fixed asset register shall be notified to the Site Director of Finance.

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

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

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

15.6. **Disposal of Assets**

15.6.1. Competitive tendering or quotation procedures shall not apply to the disposal of:

- (a) any asset 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 policy of the Trust and the Scheme of Responsibility, Authority and Delegation;
- (c) items with an estimated threshold sale value falling within that contained within the Scheme of Responsibility, Authority and Delegation;
- (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 specific guidance has been issued, but subject to compliance with such guidance.

15.6.2. The Site Director of Finance must prepare detailed procedures for the disposal of unprotected assets including condemnations, and ensure that these are notified to managers. ('Protected' and 'unprotected' assets as defined in the Foundation Trust's License and further guidance issued by NHSI).

15.6.3. When it is decided to dispose of a Trust unprotected asset, the head of department or authorised deputy will determine and advise the Site Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.

All unserviceable articles shall be:

- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Site Director of Finance and as defined within the Scheme of Responsibility, Authority and Decision;
- (b) recorded by the responsible officer, in an approved form, which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose.

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

15.6.5. Disposal of assets that lead to cessation/compromise of a protected service must be with the prior approval of NHSI, via the Trust Board of Directors.

16 Stock and Receipt of Goods

16.1 Stock, defined in terms of controlled stock and departmental stock (for immediate use) should be:

- (a) kept to a minimum;

- (b) subjected to annual stock take (as a minimum);
 - (c) where stock levels are held on a computer system, valuation will be by the First In First Out (FIFO) inventory system or average pricing. Stock controlled by manual systems will be valued at current purchase price.
- 16.2 Subject to the responsibility of the Chief Finance Officer for the systems of control, overall the Chief Executive shall delegate responsibility for the control of stock to employees. He/She may delegate the day-to-day responsibility to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Site Director of Finance. The control and security of any Pharmaceutical stocks shall be the responsibility of the designated Chief Pharmacist who is also the Accountable Officer for Controlled Drugs; the control and security of any fuel oil and coal of a designated Estates Manager.
- 16.3 The responsibility for security arrangements and the custody of keys for all other stores and locations shall be clearly defined in writing by the designated manager. Wherever practicable, stocks should be marked as health service property.
- 16.4 The Site Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 16.5 Stocktaking arrangements shall be agreed with the Site Director of Finance and there shall be a physical check covering all items in store at least once a year.
- 16.6 Where a complete system of stock control is not justified, alternative arrangements shall require the approval of the Site Director of Finance.
- 16.7 The designated Budget Holder shall be responsible for a system approved by the Site Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The Designated Officer shall report to the Site Director of Finance any evidence of significant overstocking and of any negligence or malpractice. Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.
- 16.8 For goods supplied via the NHS Supply Chain (logistical Procurement), the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the Site Director of Finance's delegated officer who shall satisfy himself that the goods have been received before accepting the charge. Any unresolved discrepancy shall be notified to the Site Director of Finance's delegated officer who shall ensure that any discrepancy is reflected in the settlement of any recharge. All goods delivered to the Trust must have a valid purchase order number, the Trust operates a strict no order no pay policy, where goods have been delivered to stores without a valid purchase order number, the authorised procurement

person reserves the right to withhold deliveries to the designated department until the relevant paperwork has been effected.

17. Losses and Special Payments

- 17.1 The Chief Finance Officer will, in discussion with the Site Director of Finance, prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.
- 17.2 Any employee or officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Site Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss confidentially. This officer will then appropriately inform the Site Director of Finance and/or Chief Executive. Where a criminal offence is suspected, the Site Director of Finance must immediately inform the Local Security Management Specialist (LSMS) and police if theft or arson is involved. In cases of fraud, bribery or ~~and~~ corruption, or of anomalies which may indicate fraud, bribery or corruption, the Site Director of Finance must inform the ‡ LCFS in accordance with National Standard Commissioning Contract guidance.
- 17.3 All fraud investigations will be reported to the NHS Counter Fraud Authority and the Audit Committee.
- 17.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if not material, the Site Director of Finance must immediately notify:
- the Board
 - the Local Security Management Specialist and
 - the External Auditor.
- 17.5 The Site Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 17.6 For any loss, the Site Director of Finance should consider whether any insurance claim can be made.

17.7 The Site Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.

18. Financial Information System

18.1 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 he/she is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;

(b) ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;

(c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;

(d) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as he/she may consider necessary are being carried out.

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

18.3 In the case of computer systems which are proposed General Applications (i.e. including those applications which the majority of NHS bodies in the Region wish to sponsor jointly) all responsible Directors and employees will send to the Chief Finance Officer:

(a) details of the outline design of the system;

- (b) in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement.
- 18.4 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.
- 18.5 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.
- 18.6 Where computer systems have an impact on financial systems the relevant responsible officer, Chief Information Officer and Chief Finance Officer shall satisfy themselves that:
 - (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
 - (b) the integrity of the finance system is not compromised by the interface of other systems;
 - (c) data assembled for processing by financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
 - (d) Directorate of Finance staff have access to such data; and
 - (e) such computer audit reviews are being carried out as are considered necessary.

18.7. Freedom of Information

18.7.1. The Chief Executive shall ensure that the Trust publishes and maintains a Freedom of Information (FOI) Publication Scheme, or adopts a model Publication Scheme approved by the Information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about the Trust that is made publicly available.

18.8. Risk Assessment

18.8.1. The Chief Executive and the Chief Finance Officer shall ensure that risks to the Trust arising from the use of the finance related system are effectively identified and considered and appropriate action taken to mitigate or control risk. This shall include the preparation and testing of appropriate business continuity plans.

19. Patients' Property

19.1. 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.

19.2. 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, (***notices are subject to "sensitivity" guidance***)
- hospital admission documentation and property records,
- the oral advice of administrative and nursing staff responsible for admissions,

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

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

19.4. 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.

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

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

19.7. Patients' monies lodged with the Trust's bankers for safe keeping must comply with latest 'Money Laundering' guidance from HM Treasury.

20. Funds Held on Trust (Charitable Funds)

20.1. The Standing Orders state the Trust's responsibilities as a corporate trustee for the management of funds received by the Trust Charity and define how those responsibilities are to be discharged. They explain that although the management processes may overlap with those of the organisation of the Trust, the trustee responsibilities must be discharged separately and full recognition given to its accountabilities to the Charity Commission. The trustee must ensure Compliance with the Charities Commission latest guidance and best practice.

20.2. The Scheme of Responsibility, Authority and Decision makes clear where decisions regarding the exercise of dispositive discretion are to be taken and by whom. Directors and officers must take account of that guidance before taking action. The Chief Finance Officer is responsible for preparing procedures for managing charitable funds including procedures for receiving gifts, donations, legacies, fund raising activities, banking and cashiering, payments, investment, security of funds and investments, choice of funds, recording transactions and preparing accounts.

20.3. As management processes overlap, most of the sections of these Standing Financial Instructions will apply to the management of charitable funds.

20.4. The over-riding principle is that the integrity of each charitable fund must be maintained and statutory and trust obligations met.

21. Acceptance of Gifts by Staff

21.1. The Chief Finance Officer 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 should follow the guidance contained in the Bribery Act 2010. To support this, the Trust has in place a Hospitality Policy that guides officers and should be adhered to in all business dealings with organisations and people outside of the Trust.

22. Retention of Records

- 22.1.** The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Department of Health guidelines, currently 'Records Management' (published April 2006).
- 22.2.** The records held in archives shall be capable of retrieval by authorised persons.
- 22.3.** Records held in accordance with 'Records Management' (published April 2006) shall only be destroyed at the express instigation of the Chief Executive. Audit trails shall be maintained of records so destroyed.

23. Risk Management

- 23.1.** The Chief Executive shall ensure the Trust has suitable risk management arrangements, in accordance with current Audit Committee Handbook, Care Quality Commission and NHSI requirements, which must be approved and monitored by the Board.
- 23.2.** The detailed procedure which covers the key components of risk management shall include:
- a) a process for identifying and quantifying risks and potential liabilities;
 - b) engendering among all levels of staff a positive attitude towards the control of risk;
 - c) management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk;
 - d) contingency plans to offset the impact of adverse events;
 - e) audit arrangements including internal audit, clinical audit, health and safety review;
 - f) a clear indication on which risks shall be insured;
 - g) actions to review the risk management arrangements.

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

- 23.3.** The Board shall decide if the Trust will insure through the risk pooling schemes administered by the NHS Litigation Authority, purchase liability insurance from commercial insurers, self insure schemes or a combination of these options for some or all of the risks covered by the risk pooling. If the Board decides not to use the risk pooling schemes for any of the risk areas (clinical, property and employers/third party liability) covered by the scheme this decision shall be reviewed annually.
- 23.4.** Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority or purchase liability insurance from commercial insurers the Chief Finance Officer shall ensure that the arrangements entered into are appropriate and complementary to the risk management arrangements. The Chief Finance Officer shall ensure that documented procedures cover these arrangements.
- 23.5. Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, the Chief Finance Officer shall ensure that the Board is informed of the nature and extent of the risks that are commercially covered or self insured as a result of this decision. The Site Director of Finance will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses, which will not be reimbursed.
- 23.6. All the risk pooling schemes require 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.