

## STANDING FINANCIAL INSTRUCTIONS

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## 1. INTRODUCTION

### 1.1 General

- 1.1.1 These Standing Financial Instructions (SFIs) are issued in accordance with the Trust's Standing Orders (SOs) of the Board of Directors. They shall have effect as if incorporated in the Standing Orders of the Trust.
- 1.1.2 These SFIs detail the financial responsibilities, policies and procedures to be adopted by the Trust. They are designed to ensure that the Trust's financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board of Directors and the Scheme of Delegation adopted by the Trust.
- 1.1.3 These SFIs identify the financial responsibilities that 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 Finance Director or delegated officer.**
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Finance Director **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.
- 1.1.5 **FAILURE TO COMPLY WITH STANDING FINANCIAL INSTRUCTIONS AND STANDING ORDERS IS A DISCIPLINARY MATTER WHICH COULD RESULT IN DISMISSAL.**
- 1.1.6 **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 of Directors and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Finance Director as soon as possible.

## 1.2 Terminology

- 1.2.1 Any expression to which a meaning is given in the National Health Service Act 1977, National Health Service and Community Care Act 1990, the Health and Social Care (Community Health and Standards) Act 2003, National Health Service Act 2006 and other Acts relating to the National Health Service or in the Financial or other Regulations made under the Acts or in the Authorisation or Constitution shall have the same meaning in this interpretation and in addition:

**“Accountable Officer”** means the Officer responsible and accountable for funds entrusted to the Trust. He/she shall be responsible for ensuring the proper stewardship of public funds and assets. In accordance with the Act, this shall be the Chief Executive.

**“Authorisation”** means the authorisation of the Trust by NHS Improvement, the Independent Regulator of NHS Foundation Trusts.

**“Board of Directors”** means the Chair, non-executive directors and the executive directors appointed in accordance with the Trust’s Constitution.

**“Budget”** means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust.

**“Budget Holder”** means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation.

**“Chair”** is the person appointed in accordance with the Constitution to lead the Board of Directors and the Board of Governors. The expression “the Chair” shall be deemed to include the Vice-Chair of the Trust if the Chair is absent from the meeting or is otherwise unavailable.

**“Chief Executive”** means the chief officer of the Trust.

**“Commissioning”** means the process for determining the need for and for obtaining the supply of healthcare and related services by the Trust within available resources.

**“Committee”** means a committee appointed by the Board of Directors.

**“Committee Members”** means a person formally appointed by the Board of Directors to sit on or to chair specific committees.

**“Constitution”** means the constitution of the Trust as approved from time to time by NHS Improvement.

**“Contracting and Procuring”** means the system for obtaining the supply of goods, materials, manufactured items, services, building and engineering

services, works of construction and maintenance and for disposal of surplus and obsolete assets.

**“Finance Director”** means the chief finance officer of the Trust.

**“Executive Director”** means a director who is an officer of the Trust appointed in accordance with the Constitution. For the purposes of this document, “Director” shall not include an employee whose job title incorporates the word Director but who has not been appointed in this manner.

**“Funds Held on Trust”** shall mean those funds which the Trust holds at its date of incorporation, receives on distribution by statutory instrument, or chooses subsequently to accept under powers derived from the National Service Act 2006.

**“Legal Adviser”** means the properly qualified person appointed by the Trust to provide legal advice.

**“Nominated Officer”** means an officer charged with the responsibility for discharging specific tasks within Standing Orders and Standing Financial Instructions.

**“Non-Executive Director”** means a director who is not an officer of the Trust and who has been appointed in accordance with the Constitution. This includes the Chair of the Trust.

**“Officer”** means employee of the Trust or any other person who exercises functions for the purposes of the Trust other than solely as a Staff Governor or non-executive Director of the Trust.

**“SFIs”** means Standing Financial Instructions.

**“SOs”** means Standing Orders.

**“Trust”** means Harrogate and District NHS Foundation Trust.

**“Vice-Chair”** means the non-executive director appointed by the Board of Governors to take on the duties of Chair if the Chair is absent for any reason.

1.2.2 Wherever the title Chief Executive, Finance Director, or other nominated officer is used in these instructions, it shall be deemed to include such other director or employees who have been duly authorised to represent them.

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

### 1.3 Responsibilities and Delegation

1.3.1 The Board of Directors 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 of Directors and employees as indicated in the Scheme of Delegation document.

1.3.2 The Board of Directors has resolved that certain powers and decisions may only be exercised by the Board of Directors in formal session. These are set out in the 'Reservation of Powers to the Board of Directors' document.

1.3.3 The Board of Directors will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Trust.

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

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

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

1.3.7 The Finance Director is responsible for:

- (a) implementing the Trust's financial policies and for co-ordinating any corrective action necessary to further these policies;
- (b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating

the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;

- (c) ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Trust at any time.

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

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

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

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

1.3.9 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.

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

## 2 AUDIT

### 2.1 Audit Committee

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

- (a) reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Trusts activities (both clinical and non-clinical ) that supports the achievements of the Trusts objectives.
- (b) ensuring there is an effective internal audit function established by management that meets mandatory NHS Internal Audit Standards, liaises appropriately with external audit and provides appropriate, independent assurance to the Audit Committee, Chief Executive and Board.
- (c) reviewing the work and findings of the External Auditor appointed by the Board of Governance and considering the implications and management's response to their work.
- (d) reviewing the findings of the other significant assurance functions both internal and external to the Trust and considering the implications to the governance of the organisation.
- (e) reviewing the Annual Report and Financial Statements before submission to the Board.

2.1.2 Where the Audit Committee feel there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the committee wish to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board of Directors. Exceptionally, the matter may need to be referred to NHS Improvement, the Independent Regulator of FTs.

2.1.3 It is the responsibility of the Finance Director to ensure an adequate internal audit service is provided and the Audit Committee shall be involved in the selection process when there is a proposal to review the provision of internal audit services.

### 2.2 Finance Director

2.2.1 The Finance Director is responsible for:

- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;

- (b) ensuring that the internal audit is adequate and meets the NHS mandatory audit standards;
- (c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption;
- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee and 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 including for example compliance with control criteria and standards,
  - (ii) major internal 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,
  - (iv) a detailed plan for the coming year.

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

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

## 2.3 Role of Internal Audit

2.3.1 Internal Audit will systematically review, evaluate and report, in accordance with their risk-based plan, on risk management, internal control and governance arrangements. These arrangements comprise the policies, procedures and operations in place to:

- (a) establish and monitor the achievement of the organisation's objectives.

- (b) identify, assess and manage the risks to achieving the organisations objectives.
- (c) ensure the economical, effective and efficient use of resources.
- (d) ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
- (e) safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- (f) ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

2.3.2 Whenever a matter arises that 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 Finance Director must be notified immediately.

2.3.3 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chairman and Chief Executive of the Trust. The Head of Internal Audit has the right to report directly to the Chief Executive of the Board of Directors if, in his/her opinion, the circumstances warrant this course of action.

2.3.4 The Head of Internal Audit shall be accountable to the Finance Director. The reporting system for internal audit shall be agreed between the Finance Director, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Manual. The reporting system shall be reviewed at least every 3 years.

2.3.5 The reporting process agreed is that the Internal Audit department will issue a formal written audit report to the appropriate managers and Executive Directors at the conclusion of each piece of audit work, within an appropriate timescale.

2.3.6 A summary of reports and an annual report will be presented to the Audit Committee.

## **2.4 Fraud and Corruption**

2.4.1 In line with their responsibilities, the Trust Chief Executive and Finance Director shall monitor and ensure compliance *with NHS Protect Standards for providers - Fraud, bribery and corruption.*

2.4.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as required by NHS Protect Standards for providers – Fraud, bribery and corruption and the NHS Anti-fraud manual.

2.4.3 The Local Counter Fraud Specialist shall report to the Trust Finance Director and shall work with staff in NHS Protect in accordance with the NHS Anti-fraud manual.

## **2.5 External Audit**

2.5.1 The external auditor is appointed by the Board of Governors from an approved list recommended by the Board of Directors and paid for by the Trust. The Audit Committee must ensure a cost-efficient service. Should there appear to be a problem then this should be raised with the external auditor and referred on to the Board of Governors. If the issue cannot be resolved by the Board of Governors it should be reported to NHS Improvement.

## **2.6 Security Management**

2.6.1 The Chief Operating Officer will monitor and ensure compliance with Directions issued directly by the Secretary of State for Health or NHS Protect on NHS security management. The Local Security Management Specialist (LSMS) will report annual to the Audit Committee on the Security Management work plan.

### **3 BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL, AND MONITORING**

#### **3.1 Preparation and Approval of Business Plans and Budgets**

3.1.1 The Chief Executive will compile and submit to the Board of Directors an annual business plan which takes into account financial targets and forecast limits of available resources. The annual business plan will contain:

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

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

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

3.1.3 The Finance Director shall monitor financial performance against budget and business plan, periodically review them, and report to the Board of Directors.

3.1.4 All budget holders must provide information as required by the Finance Director to enable budgets to be compiled and monitoring reports to be prepared.

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

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

#### **3.2 Budgetary Delegation**

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

- (a) the amount of the budget;

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

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

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

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

### **3.3 Budgetary Control and Reporting**

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

- (a) monthly/quarterly financial reports to the Board of Directors in a form approved by the Board of Directors containing:
  - (i) income and expenditure to date showing trends and forecast year-end position;
  - (ii) movements in working capital;
  - (iii) capital project spend and projected outturn against plan;
  - (iii) explanations of any material variances from plan;
  - (iv) details of any corrective action where necessary and the Chief Executive's and/or Finance Director'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.

3.3.2 Each Budget Holder is responsible for ensuring that:

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

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

### **3.4 Capital Expenditure**

3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI Section 10.)

### **3.5 Monitoring Returns**

3.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation e.g. NHS Improvement (the Independent Regulator of NHS Foundation Trusts).

## **4 ANNUAL ACCOUNTS AND REPORTS**

- 4.1 The Finance Director shall prepare and submit Annual Accounts in accordance with directions given by NHS Improvement. These directions, giving instructions regarding the methods and principles according to which the Accounts are to be prepared, together with instructions as to the form and content of the Accounts are contained within NHS Improvement's FT Annual Reporting Manual (FT ARM). This manual is the reference text used for completion of the Trust's Annual Accounts.
- 4.2 The Annual Accounts must be formally approved by the Board of Directors.
- 4.3 Following the external audit, the Accounts of the Trust, together with the auditor's report upon them, must be made available to the public.
- 4.4 A public meeting must be held at which the following must be presented:
- (a) the Annual Report of the Trust,
  - (b) the audited Accounts of the Trust and the related auditor's report,
  - (c) the audited Accounts of the funds held on trust and the related auditor's report, and
  - (d) any auditor's report in the public interest.

The meeting should be held no later than the 30 September following the end of the year to which the Accounts relate.

The content of the Annual Report is also prescribed in NHS Improvement's FT ARM.

## **5 BANK AND GBS ACCOUNTS, INVESTMENT AND EXTERNAL BORROWING**

### **5.1 General**

5.1.1 The Finance Director 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 NHS Improvement's guidance/directions.

5.1.2 The Board of Directors shall approve the banking arrangements.

### **5.2 Bank and GBS Accounts**

5.2.1 The Finance Director is responsible for:

- (a) All Government Banking Service (GBS) and commercial bank accounts held in the Trust's name, no bank accounts are to be opened in the Trust's name without the prior authorisation of the Finance Director;
- (b) establishing separate bank accounts for the Trust's charitable funds;
- (c) ensuring payments made from GBS accounts do not exceed the amount credited to the account except where arrangements have been made; and
- (d) reporting to the Board of Directors all instances where bank accounts may become or have become overdrawn (together with the remedial action taken).

### **5.3 Banking and Investment Procedures**

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

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

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

#### **5.4 Investments**

5.4.1 The Finance Director will comply with the Trust Treasury Management Policy, as approved by the Board of Directors, when borrowing and investing surplus funds.

#### **5.5 External Borrowing**

5.5.1 The Finance Director will advise the Board concerning the Trust's ability to pay interest on, and repay, both Public Dividend Capital and any proposed borrowing.

5.5.2 Any application for a loan or overdraft will only be made by the Finance Director or by an employee so delegated by him/her.

5.5.3 All short term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position. Any short term borrowing requirement must be authorised as outlined in the bank mandate.

5.5.4 All long term borrowings must be consistent with the plans outlined in the current Business Plan. Any long term borrowing not included in the current Business Plan must be approved by the Board of Directors.

#### **5.6 Review of Banking Services**

5.6.1 The Finance Director should monitor performance of banking services providers to ensure that they reflect best practice and represent best value for money.

5.6.2 The Finance Director will report at least every 5 years on the review of banking services to the Audit Committee.

## **6 INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

### **6.1 Income Systems**

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

### **6.2 Fees and Charges**

- 6.2.1 The Trust shall follow the latest national guidance on Payment by Results when entering into contracts for patient services.
- 6.2.2 The Finance Director is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by Statute/national tariff. 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.
- 6.2.3 The Finance Director shall determine the appropriate charges or fees for the provision of non-NHS services provided to commercial organisations.
- 6.2.4 It is the responsibility of all employees to inform the Finance Director promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions. Where an invoice is required ALL invoice requests must be sent to the Finance Department, no wards or departments are authorised to send their own "invoices".

### **6.3 Debt Recovery**

- 6.3.1 All staff have an overriding responsibility to collect fees due for the provision of chargeable services thus ensuring the minimisation of debts.
- 6.3.2 The Finance Director is responsible for the appropriate recovery action on all outstanding debts.
- 6.3.3 Income not received should be dealt with in accordance with losses procedures. (See section 12.)

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

## **6.4 Security of Cash, Cheques and other Negotiable Instruments**

6.4.1 The Finance Director is responsible for:

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

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

6.4.3 All cheques, postal orders, cash etc., shall be banked promptly unless the weekly value of receipts is less than £100 (**but not less than once a month**) and intact. Disbursements shall not be made from cash received, except under arrangements approved by the Finance Director.

6.4.4 The holders of safe keys shall not accept 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 NHS SERVICE CONTRACTS FOR PROVISION OF SERVICES**

- 7.1 The Chief Executive, as the accountable officer, is responsible for ensuring the Trust enters into suitable legally binding service contracts with service commissioners for the provision of NHS services. All service contracts should aim to implement the agreed priorities contained within the Trust's Business Plan. In discharging this responsibility, the Chief Executive should take into account:
- the licence from NHS Improvement
  - the standards of service quality expected;
  - the relevant national service framework (if any);
  - the provision of reliable information based on Payment by Results and HRGs
  - the National Institute of Clinical Excellence
  - the National Standard Local Action – Health and Social Care Standards and Planning Framework
  - that service contracts build, where appropriate, on existing partnership arrangements;
  - that service contracts are based on integrated care pathways.
- 7.2 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.
- 7.3 The Chief Executive, as the accountable officer, will need to ensure that regular reports are provided to the Board of Directors detailing actual and forecast income from the service contract. This will include information on costing arrangements, which increasingly should be based upon case mix adjusted measures including Healthcare Resource Groups (HRGs). The service contract will also meet the minimum standards of the Payment by Results requirements.

## **8 TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE BOARD OF DIRECTORS AND EMPLOYEES**

### **8.1 Remuneration and Terms of Service**

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

8.1.2 The Remuneration Committee will:

- (a) advise the Board of Directors about appropriate remuneration and terms of service for the Chief Executive, other Executive Directors employed by the Trust and other senior employees including:
  - (i) all aspects of salary (including any performance-related elements/bonuses);
  - (ii) provisions for other benefits, including pensions and cars;
  - (iii) arrangements for termination of employment and other contractual terms;
- (b) make such recommendations to the Board of Directors on the remuneration and terms of service of officer members of the Board of Directors (and other senior employees) to ensure they are fairly rewarded for their individual contribution to the Trust – having proper regard to the Trust's circumstances and performance and to the provisions of any national arrangements for such members and staff where appropriate; and
- (c) advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

8.1.3 The Committee shall report in writing to the Board of Directors the basis for its recommendations. The Board of Directors shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of executive directors. Minutes of the Board of Directors' meetings should record such decisions.

8.1.4 The Board of Directors will after due consideration and amendment if appropriate approve proposals presented by the Chief Executive for setting of remuneration and conditions of service for those employees not covered by the Committee.

8.1.5 The Trust will pay allowances to the Chairman and Non-Executive Directors of the Board of Directors said allowances will be approved by the Board of Governors.

## **8.2 Funded Establishment**

8.2.1 The work force plans of the Trust will be reconciled with the funded establishments on expenditure budgets, to ensure affordability of appropriate staffing levels.

8.2.2 The funded establishment of any department may not be varied recurrently without the approval of the Chief Executive, on the advice of the Director of Workforce and Organisational Development.

## **8.3 Staff Appointments**

8.3.1 No Executive Director or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:

- (a) unless authorised to do so by the Chief Executive; and
- (b) within the limit of his approved budget and funded establishment.

8.3.2 The Board of Directors will approve policies/procedures presented by the Director of Workforce and Organisational Development for the determination of commencing pay rates, condition of service, etc, for employees.

## **8.4 Processing Payroll**

8.4.1 The Finance Director is responsible for:

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

8.4.2 The Finance Director will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- (c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;

- (d) security and confidentiality of payroll information;
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;
- (g) methods of payment available to various categories of employee and officers;
- (h) procedures for payment by cheque or bank credit 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
- (m) a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.

8.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) submitting time records and other notifications in accordance with agreed timetables;
- (b) completing time records and other notifications in accordance with the Finance Director's instructions and in the form prescribed by the Finance Director; and
- (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 Finance Director must be informed immediately.
- (d) taking responsibility for managing staff costs within the available resources and engaging staff in accordance with Trust policies and procedures.

8.4.4 Regardless of the arrangements for providing the payroll service, the Finance Director 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.

## **8.5 Contracts of Employment**

8.5.1 The Board of Directors shall delegate responsibility to the Director of Workforce and Organisational Development for:

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

## **9 NON-PAY EXPENDITURE**

### **9.1 Delegation of Authority**

9.1.1 As part of the approval of annual budgets, the Board of Directors will approve the level of non-pay expenditure and the Chief Executive will determine the level of delegation to budget managers as part of the budget management framework.

9.1.2 The Chief Executive will set out:

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

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

### **9.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services**

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

9.2.2 The Finance Director 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.

9.2.3 The Finance Director will:

- (a) advise the Board of Directors regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in standing orders and regularly reviewed;
- (b) prepare procedural instructions 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 Board 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 Finance Director of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts (where providing good value for money) 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).

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

- (a) prepayments are only permitted where the budget holder is satisfied that the financial advantages outweigh the disadvantages. Examples of typical prepayments would include lease payments and maintenance contract payments.
- (b) the Finance Director 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
- (c) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the appropriate Director or Chief Executive if problems are encountered.

9.2.5 Official orders must:

- (a) be consecutively numbered;
- (b) be in a form approved by the Finance Director;
- (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.

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

- (a) all contracts, leases, tenancy agreements and other commitments which may result in a liability are notified to the Finance Director in advance of any commitment being made;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU and GATT rules on public procurement and comply with the White Paper on Standards, Quality and International Competitiveness (CMND 8621);
- (c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health/NHS Improvement;
- (d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
  - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;

- (ii) conventional hospitality, such as lunches in the course of working visits;

(See the Trust's Gift and Hospitality Policy).

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Finance Director 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 or purchases from petty cash;
- (g) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (i) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (j) changes to the list of directors/employees and officers authorised to certify invoices are notified to the Finance Director;

### **9.3 Petty Cash**

9.3.1 Purchases that will be reimbursed from petty cash are restricted in value and by type, in accordance with instructions issued by the Finance Director.

9.3.2 All reimbursements must be supported by receipt(s) and certified by an authorised signatory.

9.3.3 Petty cash records are maintained in a form as determined by the Finance Director.

### **9.4 Building and Engineering Transactions**

9.4.1 The Finance Director shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions are appropriate. Whilst the Chief Operating Officer will ensure that the same contract and property transactions comply with the guidance contained within Strategic framework for the efficient management of healthcare estates and facilities.

## 9.5 Tendering Procedure (also see appendix one)

9.5.1 The trust shall ensure that competitive tenders are invited for the supply of goods, materials, manufactured articles and services; for the design, construction and maintenance of buildings and engineering works; and for disposals.

9.5.2 The waiving of competitive tendering procedures should not be used to avoid competition or administration convenience or to award further work to a consultant originally appointed through a competitive process. However formal tendering procedures may be waived by officers to whom powers have been delegated by the Chief Executive where;

(a) the estimated expenditure or income does not, or is not reasonably expected to, exceed £25,000; or

(b) where the supply is proposed under special arrangements / contracts negotiated by DOH Procurement(or equivalent national contracting organisation), NHS Supply Chain(or equivalent national contracting organisation), North of England NHS Procurement Collaborative(or equivalent regional contracting organisation), Crown Commercial Services(or equivalent pan government procurement organisation)or locally by the Trust, in which the special arrangements / contracts must be complied with; or

(c) the timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender; or

(d) specialist expertise is required and is available from only one source; or

(e) the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate; or

(f) there is clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering; or

(g) where provided for in the Department of Health's Capital Investment Manual.

(h) for building schemes over £1,000,000 (either a single or combined scheme) the Department of Health's National Framework Agreement NHS ProCure 21+ will be the normal procurement route for both publicly funded schemes and PFI.

9.5.3 Where it is decided that competitive tendering is not applicable and should be waived by virtue of (c) to (f) above, the fact of the waiver and the reasons

should be documented and reported to the Chief Executive, Finance Director and Audit Committee.

- 9.5.4 All invitations to tender should be 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, materials or undertake the service required.
- 9.5.5 The firms/individuals invited to tender (and where appropriate quote) should be selected as set out in the tendering procedures incorporated in Appendix one.

## **9.6 Quotation**

- 9.6.1 Quotations are required where the formal tendering procedures are waived under 9.5.2 (a) or (c) and where the intended expenditure or income exceeds, or is reasonably expected to exceed £10,000.
- 9.6.2 All quotations should be treated as confidential and should be retained for inspection.
- 9.6.3 The Chief Executive or his nominated officer should evaluate the quotations and select the one which gives best value for money. If this is not the lowest, then this fact and the reasons why the lowest quotation was not chosen should be in a permanent record.
- 9.6.4 Where tenders or quotations are not required, because expenditure is below £5,000 the Trust shall procure goods and services in accordance with procurement procedures approved by the Board of Directors.
- 9.6.5 The Chief Executive shall be responsible for ensuring the best value for money can be demonstrated for all services provided under contract or in-house. The Board of Directors may also determine from time to time that in-house services should be market tested by competitive tendering. (Standing Order 9)
- 9.6.6 The competitive tendering or quotation procedure shall not apply to the disposal of:
  - (a) Items with an estimated sale value of less than £10,000;
  - (b) Any matter in respect of which a fair price can be obtained only by negotiation or sale by auction;
  - (c) Obsolete or condemned articles and stores; which may be disposed of in accordance with the supplies policy of the Trust.

## **10 CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS**

### **10.1 Capital Investment**

10.1.1 The Chief Executive or nominated 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 to cost; and
- c) shall ensure that the capital investment is not undertaken without the availability of resources to finance all revenue consequences, including capital charges.

10.1.2 For every capital expenditure proposal the Chief Executive or nominated 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; and
  - (ii) appropriate project management and control arrangements;
  - (iii) the involvement of appropriate Trust personnel and external agencies; and
- (b) that the Finance Director has certified professionally to the costs and revenue consequences detailed in the business case.
- (c) For projects over £200,000 the production of a full business case or outline is at the discretion of the Finance Director, with advice from the Planning Department.

10.1.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of the "Strategic framework for the efficient management of healthcare estates and facilities". The Finance Director shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

10.1.4 The approval of the capital investment programme shall not constitute approval for the initiation of expenditure on any scheme.

10.1.5 The Deputy Director of Planning shall issue to the manager responsible for any scheme:

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

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

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

- (a) be designed to ensure that each project stays within estimated/budgeted costs at each milestone;
- (b) be issued to project managers and other employees/persons involved in capital projects;
- (c) incorporate simple checklists designed to ensure that important requirements are complied with on each project.

## **10.2 Private Finance (including leasing)**

10.2.1 Operating leases must be signed by the Finance Director or nominated officer.

10.2.2 When the Trust proposes to use finance, the following procedures shall apply:

- (a) The Finance Director shall demonstrate that the use of private finance represents value for money.
- (b) The proposal must be specifically agreed by the Board of Directors.
- (c) Any finance lease must be agreed and signed by the Finance Director.
- (d) The Trust will submit a business case for the capital loan.

### **10.3 Asset Registers**

10.3.1 The Chief Executive is responsible for the maintenance of Registers of Assets, taking account of the advice of the Finance Director concerning the form of any register and the method of updating, and arranging for a physical check of assets.

10.3.2 The Trust shall maintain an Asset Register recording fixed assets. The minimum data set to be held within these registers shall be determined by the Trust ensuring compliance with NHS Improvement's FT ARM.

10.3.3 Additions to the Fixed Asset Register must be clearly identified by 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.

10.3.4 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).

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

10.3.6 The value of each asset shall be depreciated using methods and rates in accordance with NHS Improvement's FT ARM.

10.3.7 The Finance Director of the Trust shall calculate and pay dividends on Public Dividend Capital in accordance with NHS Improvement's FT ARM.

### **10.4 Security of Assets**

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

10.4.2 Asset control procedures (for purchased assets and donated assets) must be approved by the Finance Director. These procedures shall make provision for:

- (a) recording of 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 all costs associated with the retention of an asset.

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

10.4.4 Whilst each employee and officer has a responsibility for the security of property of the Trust, it is the responsibility of Board 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 of Directors. Any breach of agreed security practices must be reported in accordance with instructions.

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

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

10.4.7 Equipment and other assets may be loaned to or from the Trust. Employees and managers must ensure that the Trusts management procedure is followed, in particular conditions attaching to the loan are documented and the assets identified. Assets loaned to the Trust must not be entered in the Trust's asset register.

## 11 STORES AND RECEIPT OF GOODS

- 11.1 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;
  - (c) valued at the lower of cost and net realisable value.
- 11.2 Subject to the responsibility of the Finance Director for the systems of control, overall responsibility for the control of stores shall be delegated to the Trust's Head of Procurement and Supply. The day-to-day responsibility may be delegated by Head of Procurement and Supplies to departmental employees and stores managers/keepers. The control of any Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of any fuel oil and coal shall be the responsibility of a designated Estates Manager and the control of any Theatres stocks shall be the responsibility of a designated Theatres Manager. The day to day responsibility for the community loan stores/wheelchairs shall be delegated to the appropriate Operation Director/Manager.
- 11.3 A number of principles apply to the operation of all stores; managers of stores and stock are responsible for ensuring that:-
- (a) stocks are kept to a minimum, commensurate with delivery and cost effective purchasing;
  - (b) delegation of responsibility must be clearly defined and recorded. The Finance Director may require access to the record in writing;
  - (c) the designated manager must be responsible for security arrangements; the custody of keys etc must be clearly defined in writing;
  - (d) security measures, including marking as Trust property, must be commensurate with the value and attractiveness of the stock;
  - (e) stocktaking arrangements are agreed with the Finance Director and a physical check undertaken at least once a year;
  - (f) the system of store control, including receipt and checking of delivery notes etc, is agreed with the Finance Director;
  - (g) there is a system, approved by the Finance Director, for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. Procedures for the disposal

of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods;

- (h) any evidence of significant overstocking and of any negligence or malpractice shall be reported to the Finance Director;
- (h) losses and the disposal of obsolete stock are reported to the Finance Director.

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

11.5 For goods supplied via the NHS Supply Chain 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 (the delivery notes should be retained by the authorised person).

## **12 DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

### **12.1 Disposals and Condemnations**

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

12.1.2 When it is decided to dispose of a Trust asset, the head of department or authorised deputy will determine and advise the Finance Director of the estimated market value of the item, taking account of professional advice where appropriate. The Finance Director shall ensure that the arrangements for the sale of disposable assets maximise the income to the Trust.

12.1.3 All unserviceable articles shall be:

- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Finance Director;
- (b) recorded by the Condemning Officer in a form approved by the Finance Director that will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Finance Director.

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

### **12.2 Losses and Special Payments**

12.2.1 The Finance Director must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. The Finance Director must also prepare a Fraud and Corruption Policy that sets out the action to be taken both by the persons detecting a suspected fraud and those persons responsible for investigating it.

12.2.2 Any employee or officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Finance Director or inform an officer charged with responsibility for responding to concerns involving loss confidentially. This officer will then appropriately inform the Finance Director and/or Chief Executive. When an employee discovers or suspects fraud or corruption it must be immediately reported to the Trust's Local Counter Fraud Specialist –

telephone no. (01904) 725145. Alternatively, employees can contact the NHS Fraud and Corruption Reporting Line (0800) 028 4060. Where a criminal offence is suspected, the Finance Director must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies that may indicate fraud or corruption, the Finance Director or Local Counter Fraud Specialist must inform the relevant CFOS regional team in accordance with Secretary of State's Directions.

12.2.3 The Finance Director or Local Counter Fraud Specialist must notify the NHS Counter Fraud Service and both the Internal and External Auditor of all frauds.

12.2.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Finance Director must immediately notify:

- (a) the Board of Directors,
- (b) the External Auditor, and
- (c) the Head of Internal Audit.

12.2.5 The delegated limits for approval of all losses and special payments are set out in section 4 of SFI delegated limits. Authorising officers must undertake fuller reviews of systems to reduce the risk of similar losses occurring in the future and seek advice where they believe a particular case raises issues of principle

12.2.6 For any loss, the Finance Director should consider whether any insurance claim could be made.

12.2.7 The Finance Director shall maintain a Losses and Special Payments Register in which write-off action is recorded. This register will be reviewed by the Audit Committee on an annual basis.

12.2.8 No special payments exceeding delegated limits advised by the Department of Health (see Scheme of Delegation for details) shall be made without the prior approval of the Board of Directors.

### **12.3 Bankruptcies, Liquidation and Receiverships**

12.3.1 The Finance Director shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.

12.3.2 When a bankruptcy, liquidation or receivership is discovered, all payments should cease pending confirmation of the bankruptcy etc. As a matter of urgency, a statement must be prepared listing the amounts due to and from the Trust.

## 13 COMPUTERISED FINANCIAL SYSTEMS

- 13.1 The Finance Director, 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.
- 13.2 The Finance Director shall satisfy him/herself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.
- 13.3 In the case of computer systems which are proposed General Applications (i.e. normally those applications which the majority of NHS bodies in the locality/region wish to sponsor jointly) all responsible directors and employees will send to the Finance Director:
- (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.
- 13.4 The Finance Director 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.

- 13.5 Where another health organisation or any other agency provides a computer service for financial applications, the Finance Director shall periodically seek assurances that adequate controls are in operation.
- 13.6 Where computer systems have an impact on corporate financial systems the Finance Director shall satisfy him/herself that:
- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
  - (b) data assembled for processing by financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - (c) Finance Director staff have access to such data; and
  - (d) such computer audit reviews are being carried out as are considered necessary.

## 14 PATIENTS' PROPERTY

14.1 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.

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

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

that the Trust will not accept responsibility or liability for patients' property brought into 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.

14.3 The Finance Director 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 patient's money in order to maximise the benefits to the patient.

14.4 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.

14.5 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.

14.6 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.

14.7 Where a deceased patient is intestate and there is no lawful next-of-kin, details of any monies or valuables should be notified to the Treasury Solicitor.

14.8 Any funeral expenses necessarily borne by the Trust in respect of a deceased patient shall be reimbursed from any of the patient's monies held by the Trust.

## 15 CHARITABLE FUNDS

### 15.1 Introduction

15.1.1 Charitable funds are those funds which are held in the name of the Trust separately from other funds and which arise principally from gifts, donations, legacies and endowments made under the relevant charities legislation.

15.1.2 Standing Orders state the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust and define how those responsibilities are to be discharged. They explain that although the management processes may overlap with those of the organisation of the Trust, the trustee responsibilities must be discharged separately and full recognition given to its dual accountabilities to the Charity Commission for charitable funds held on trust and to the *Secretary of State* for all funds held on trust.

15.1.3 The reserved powers of the Board of Directors and the Scheme of Delegation make 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. SFIs are intended to provide guidance to persons who have been delegated to act on behalf of the corporate trustee.

15.1.4 As management processes overlap most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust. This section covers those instructions which are specific to the management of funds held on trust.

15.1.5 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.

### 15.2 Income

15.2.1 All gifts and donations accepted shall be received and held in the name of the Trust's registered charity and administered in accordance with the Trust's policy, subject to the terms of the specific charitable fund.

15.2.2 All managers/employees who receive enquiries regarding legacies shall keep the Finance Director, or person nominated by him, informed and shall keep an appropriate record. After the death of a benefactor all correspondence concerning a legacy shall be dealt with on behalf of the Trust by the Finance Director.

15.2.3 The Finance Director shall advise the Corporate Trustee (the Trust's Board of Directors) on the financial implications of any proposal for material fund raising activities which the Trust may initiate, sponsor or approve. Should clarification be required about materiality please contact the Finance Director.

15.2.4 New charitable funds will only be opened where the wishes of benefactors cannot be accommodated within existing funds and in all cases must comply with the requirements of the Charity Commission.

### **15.3 Expenditure**

15.3.1 All expenditure from charitable funds, with the exception of legitimate expenses of administering and managing those funds must be for the benefit of the NHS.

15.3.2 Expenditure of any charitable funds shall be conditional upon the goods and services being within the terms of the appropriate charitable fund and upon the proviso that the expenditure does not result in further payments by the Trust which have not been agreed and funded.

### **15.4 Investments**

15.4.1 Charitable funds shall be invested by the Finance Director in accordance with the Trust's policy and statutory requirements.

15.4.2 In managing the investments the Trust shall take due account of the written advice received from its duly appointed Investment Advisors.

## **16 ACCEPTANCE OF GIFTS BY STAFF**

- 16.1 The Finance Director 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 *Department of Health* Standards of Business Conduct for NHS Staff.

## **17 RETENTION OF DOCUMENTS**

- 17.1 The Chief Executive shall be responsible for maintaining archives for all documents required to be retained in accordance with Department of Health guidelines “Records Management: NHS Code of Practice” (currently product numbers 270422/1 & 291514/2).
- 17.2 The documents held in archives shall be capable of retrieval by authorised persons.
- 17.3 All the above shall be in compliance with the requirements of the Freedom of Information act and the Trusts policy for document management and retention.

## **18 RISK MANAGEMENT AND INSURANCE**

18.1 The Chief Executive shall ensure that the Trust has a programme of risk management, in accordance with the terms of the licence issued by NHS Improvement. This programme will be approved and monitored by the Board of Directors.

18.2 The programme of risk management shall include:

- a) a process for identifying and quantifying principal risks and potential liabilities, existing controls, additional controls as identified in the corporate risk register;
- b) engendering among all levels of staff a positive attitude towards the control of risk as described in the Trust Risk Management Strategy;
- 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) review arrangements including; external audit, internal audit, clinical audit, health and safety review;
- f) monitor progress against the standards for better health;
- g) receive and review annual plan at Board of Directors.

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 within the Annual Report and Accounts as required by the guidance issued by NHS Improvement.

18.3 The Board of Directors shall review the insurance arrangements for the Trust.

## **Appendix one.**

### **Intermediate And Small Capital Schemes Tendering Procedure**

#### **Invitation To Tender**

1. All invitations to tender on a formal competitive basis shall state that no tender will be considered for acceptance unless submitted in either:
  - a. a plain, sealed package bearing a pre-printed label supplied by the Trust (or bearing the word 'Tender' followed by the subject to which it relates and the latest date and time for the receipt of such tender); or
  - b. In a special envelope supplied by the Trust to prospective tenderers and the tender envelopes/packages shall not bear any names or marks indicating the sender.
2. Every tender for goods, materials, manufactured articles supplies as part of a works contract and services shall embody such of the main contract conditions as may be appropriate in accordance with the contract forms.
3. Every tender for building and engineering works, shall embody or be in the terms of the current edition of the appropriate Joint Contracts Tribunal (JCT) or other E.C.C. (Procure 21+) standard forms of contract amended to comply with the "Strategic framework for the efficient management of healthcare estates and facilities". When the content of the works is primarily engineering, tenders shall embody or be in the terms of the General Conditions of Contract recommended by the Institutions of Mechanical Engineers and the Association of Consulting Engineers (Form MF1) or, in the case of civil engineering work, the General Conditions of Contract recommended by the Institution of Civil Engineers. The standard documents should be amended to comply with the Strategic framework for the efficient management of healthcare estates and facilities and, in minor respects, to cover special features of individual projects.
4. Every tender for goods, materials, services (including consultancy services) or disposals shall embody such of the NHS Standard Contract Conditions as are applicable. Every tenderer must have given or give a written undertaking not to engage in collusive tendering or other restrictive practice.
5. When tenders are invited the Deputy Director of Planning will forward a list of the prospective tenderers to the Chief Executive or an officer nominated by them showing the closing time and date(s) for each. In the instance that these tenders are not in relation to the Capital Design Team, then the Chief Operating Officer will forward the list accordingly.

#### **Receipt, Safe Custody And Record Of Formal Tenders**

6. Formal competitive tenders shall be addressed to the Chief Executive.

7. The date and time of receipt of each tender shall be endorsed on the unopened tender envelope/package.
8. The Chief Executive shall designate an officer or officers, not from the originating department, to receive tenders on his behalf and to be responsible for their endorsement and safe custody until the time appointed for their opening, and for the records maintained in accordance with the following.

### **Opening Formal Tenders**

9. As soon as practical after the date and time stated as being the latest time for the receipt of tenders they shall be opened in the presence of two members of the Directors group or of one member and one officer from those nominated by the Chief Executive and not from the originating department.
10. Every tender received shall be endorsed with the date of opening and signed by two of those present at the opening.
11. A permanent record shall be maintained to show for each set of competitive tender invitations despatched:
  - a. the names of firms/individuals invited;
  - b. the names of and the number of firms/individuals from which tenders have been received;
  - c. the total price(s) tendered;
  - d. closing date and time;
  - e. date and time of opening;

The record shall be signed by the persons present at the opening.

12. Except as in Section 13 below, a record shall be maintained of all price alterations on tenders, i.e. where a price has apparently been altered, and the final price shown shall be recorded. Every price alteration appearing on a tender and the record should be initialled by two of those present at the opening.
13. A report shall be made on the record if, on any one tender, price alterations are so numerous as to render the procedure at Section 12 unreasonable.

### **Admissibility And Acceptance Of Formal Tenders**

14. In considering which tender to accept, if any, the designated officers shall have regard to whether value for money will be obtained by the Trust and whether the number of tenders received provides adequate competition. In cases of doubt they shall consult the Chief Executive.

15. Tenders received after the due time and date may be considered only if the Chief Executive or nominated officer decides that there are exceptional circumstances, e.g. where significant financial, technical or delivery advantages would accrue, and is satisfied that there is no reason to doubt the bona fides of the tenders concerned. The Chief Executive or nominated officer shall decide whether such tenders are admissible and whether re-tendering is desirable. Re-tendering may be limited to those tenders reasonably in the field of consideration in the original competition. If the tender is accepted the late arrival of the tender should be reported to the Board at its next meeting.
16. Technically late tenders (i.e. those despatched in good time but delayed through no fault of the tenderer) may be regarded as having arrived in due time.
17. In complete 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) should be dealt with in the same way as late tenders.
18. Where examination of tenders reveals errors which would affect the tender figure, the tenderer is to be given details of such errors and afforded the opportunity of confirming or withdrawing his offer.
19. Necessary discussions with a tenderer of the contents of his tender, in order to elucidate technical or other points before the award of a contract, need not disqualify the tender.
20. While decisions as to the admissibility of late, incomplete, or amended tenders are under consideration and while re-tenders are being obtained, the tender documents shall be kept strictly confidential and held in safe custody by the designated officer.
21. Where only one tender/quotation is received the Trust shall, as far as practicable, ensure that the price to be paid is fair and reasonable.
22. The most economically advantageous tender/quotation 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 and such reasons shall be set out in a permanent record.
23. All Tenders should be treated as confidential and should be retained for inspection.

## **Lists Of Approved Firms**

24. The Trust shall compile and maintain, and the Chief Operating Officer shall keep, lists of approved firms and individuals from whom tenders may be invited, and shall keep these under review. The lists shall be selected from all firms which have applied for permission to tender provided that:
  - a. in the case of building, engineering and maintenance works, the Chief Executive is satisfied on their capacity, conditions of labour, etc, and that the Finance Director is satisfied that their financial standing is adequate (see detailed Financial Procedures).
  - b. In the case of the supply of goods, materials and related services, and consultancy services the Chief Executive or the nominated officer is satisfied as to their technical competence etc, and that the Finance Director is satisfied that their financial standing is adequate.
25. In the case of building, engineering and maintenance works, the trust shall arrange to review the list, not less frequent than every fifth year, as described in the Strategic framework for the efficient management of healthcare estates and facilities.
26. If in the opinion of the Chief Executive or the Finance Director it is impractical to use a list of approved firms/individuals (for example where specialist services or skills are required and there are insufficient suitable potential contractors on the list), the Chief Executive should ensure that appropriate checks are carried out as to the technical and financial capability of firms invited to tender or quote.
27. A permanent record should be made of the reasons for inviting a tender or quote other than from an approved list.