

**MAIDSTONE AND TUNBRIDGE WELLS NHS TRUST**

# **Standing Financial Instructions**

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## Section      Content

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## **SECTION A**

## INTERPRETATION AND DEFINITIONS FOR STANDING FINANCIAL INSTRUCTIONS

Save as otherwise permitted by law, at any meeting the Chairman of the Trust Board shall be the final authority on the interpretation of Standing Financial Instructions (on which they should be advised by the Chief Executive or Trust Secretary).

Any expression to which a meaning is given in the National Health Service Act 1977, National Health Service and Community Care Act 1990 and other Acts relating to the National Health Service or in the Financial Regulations made under the Acts shall have the same meaning in these Standing Financial Instructions and in addition:

**"Accountable Officer"** means the NHS Officer responsible and accountable to parliament for funds entrusted to the Trust. The officer shall be responsible for ensuring the proper stewardship of public funds and assets in accordance with the requirements of HM Treasury guidance Managing Public Money. For this Trust it shall be the Chief Executive.

**"ADO / ADNS"** means Associate Director of Operations (ADO) or Associate Director for Nursing Services (ADNS)

**"Associate Non-Executive Director"** means a person appointed to advise the Trust Board, in a similar role to that of a Non-Executive Director, but for which the role carries no formal position on the Trust Board. Therefore, although an Associate Non-Executive Director can attend Board meetings and contribute fully to the issues being considered, they are not able to vote on any matters, should this be required.

**"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", or "Budget Manager" or "Cost Centre Manager"** means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation.

**"CCG"** means Clinical Commissioning Group, responsible for commissioning many NHS funded services under the Health and Social Care Act 2012

**"Chairman of the Trust Board"** is the person appointed by the Secretary of State for Health to lead the Board and to ensure that it successfully discharges its overall responsibility for the Trust as a whole. The expression "the Chairman of the Trust Board" shall be deemed to include the Vice-Chairman of the Trust Board if the Chairman 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 or sub-committee created and appointed by the Trust.

**"Committee members"** means persons formally appointed by the Board to sit on or to chair specific committees. The members of a Committee should be those required to be present at meetings of that Committee

**"Contracting and procurement"** means the systems 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.

**"Director"** means an Executive or Non-Executive Director of the Board as the context permits. The inclusion of the word "Director" in a staff member's job title does not mean that they automatically meet the definition of being a "Director" for the context of these SFIs.

**"Director of Finance"** means the Chief Financial Officer of the Trust.

**"Establishment Order"** means The Maidstone and Tunbridge Wells National Health Service Trust (Establishment) Order 2000.

**"Executive Director"** means a member of the Trust Board who is either an officer of the Trust or is to be treated as an officer by virtue of regulation 1(3) of The National Health Service Trusts (Membership and Procedure) Regulations 1990 (i.e. the Chairman of the Trust or any person nominated by such a Committee for appointment as a Trust Board member). Executive Directors are expected to be present at, and participate in, meetings of the Trust Board.

**"Executive Team"** means the group of employees who collectively have managerial control over the major activities of the Trust, and who influence the operations of the Trust as a whole rather than the decisions of individual directorates or departments. For this Trust, this will be the Chief Executive, the Deputy Chief Executive, the Chief Nurse, the Chief Operating Officer, the Director of Finance, the Director of Workforce and Communications and the Medical Director.

**"Funds held on trust"** shall mean those funds which the Trust holds on date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under S.90 of the NHS Act 1977, as amended. Such funds may or may not be charitable.

**"Membership and Procedure Regulations"** means The National Health Service Trusts (Membership and Procedure) Regulations (SI 1990/2024) and subsequent amendments.

**"Nominated officer"** means an officer charged with the responsibility for discharging specific tasks within Standing Orders and/or Standing Financial Instructions.

**"Non-Executive Director"** means a formal member of the Board who is not an officer of the Trust and is not to be treated as an officer by virtue of regulation 1(3) of the Membership, Procedure and Administration Arrangements Regulations. All non-Executive Directors have voting rights at the Trust Board, but Non-Executive Director posts are public appointments and not jobs and are therefore not subject to the provisions of employment law.

**"Non-voting Board Member"** means a Trust Board Member who is not entitled to exercise voting rights at the Trust Board.

**"Officer"** means employee of the Trust or any other person holding a paid appointment or office with the Trust.

**"Senior Information Risk Owner (SIRO)"** is an Executive Director or Senior Management Board Member who will take overall ownership of the Organisation's Information Risk Policy, act as champion for information risk on the Board and provide written advice to the Accounting Officer on the content of the Organisation's Statement of Internal Control in regard to information risk. The SIRO implements and leads the Information Governance (IG) risk assessment and management processes within the Organisation and advises the Board on the effectiveness of information risk management across the Organisation. The SIRO for this Trust is the Chief Nurse.

**"Scheme of Delegation"** means the Reservation of Powers and Scheme of Delegation, which states which decisions will be reserved to the Trust Board only, and which decisions will be delegated (and to whom).

**"Senior Manager"** means an officer holding a senior managerial or senior clinical role with management responsibilities. For this Trust this includes Directors and Associate / Deputy / Assistant Directors and their direct reports, and Clinical Directors and Consultants. However, please note that for the purposes of reporting "Senior Managers" remuneration (In accordance with Section 234b and Schedule 7a of the Companies Act, as required by NHS Bodies), a "Senior Manager" is considered to be defined as "Those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS body. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or departments". For this Trust, and for this purpose, the definition of "Senior Manager" only applies to Trust Board Members.

**"SD"** means Scheme of Delegation

**"SFIs"** means Standing Financial Instructions.

**"SLA"** means Service Level Agreements

**"SOs"** means Standing Orders.

**"Standing Orders Set"** means the Standing Orders, Standing Financial Instructions and Reservation of Powers and Scheme of Delegation. Unlike NHS

Foundation Trusts, NHS Trusts do not have a “Constitution”, but the “Standing Orders Set” can be considered as the closest equivalent to such a Constitution.

**“TDA”** means the NHS Trust Development Authority, which monitors the performance of NHS Trusts and supports their journey towards Foundation Trust status

**TME”** means the Trust Management Executive which is the senior management committee of the Trust.

**"The Trust"** means Maidstone and Tunbridge Wells NHS Trust.

**"Trust Board"** means the Chairman, Executive Directors and Non-Executive Directors collectively as a body.

**“Trust Board Member”** (or “Board Member”) means an individual regarded as being a member of the Trust Board. The influence (or potential influence) exerted by the individual is the key determinant, rather than their ability to vote at Board meetings. Trust Board members are those that are expected to be at each Board meeting (and sit at the Board table), and contribute fully to each agenda item. For this Trust, Trust Board Members comprise the Chairman of the Trust Board, Non-Executive Directors, the Executive Team, and the Director of Infection Prevention and Control. Please note however that the provisions in these Standing Orders relating to voting (SO 3.12) only apply to “Voting Board Members” (see below).

**"Trust Secretary"** means a person appointed to act independently of the Trust Board to provide advice on corporate governance issues to the Board and the Chairman, and monitor the Trust’s compliance with the law, Standing Orders, and Department of Health guidance.

**"Vice-Chairman "** means the Non-Executive Director appointed by the Chairman of the Trust Board to take on the Chairman’s duties if the Chairman is absent for any reason.

**“Voting Board Member”** means a Trust Board Member who is entitled to exercise voting rights at the Trust Board.

## SECTION B - STANDING FINANCIAL INSTRUCTIONS

### 1. INTRODUCTION

#### 1.1 General

- 1.1.1 These Standing Financial Instructions (SFIs) are issued in accordance with the Trust (Functions) Directions 2000 issued by the Secretary of State which require that each Trust shall agree Standing Financial Instructions for the regulation of the conduct of its members and officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs).
- 1.1.2 These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that the Trust's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Reservation of Powers and Scheme of Delegation adopted by the Trust.
- 1.1.3 These Standing Financial Instructions identify the financial responsibilities which apply to everyone working for the Trust and its constituent organisations including Hosted Services. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Director of Finance 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 **The failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.**
- 1.1.6 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 and Governance Committee for referring action or ratification. **All members of the Board and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible.**
- 1.1.7 The Director of Finance shall ensure that detailed procedures and systems are prepared and maintained relating to all sections of these SFIs. These procedures, in effect form part of these Standing Financial Instructions.
- 1.1.8 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include such other directors or employees who have been duly authorised to represent them, except in respect of Banking Arrangements (See section 6)

- 1.1.9 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.

## **1.2 Responsibilities and Delegation**

### **1.2.1 The Trust Board**

The Board exercises financial supervision and control by:

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

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

### **1.2.3 The Chief Executive and Director of Finance**

The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control. However, the financial performance of the Trust is a key objective for all senior managers, including clinicians, and forms part of the Trust's performance management processes to ensure formal and effective accountability for delivery of budgets.

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

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

### **1.2.5 The Director of Finance**

The Director of Finance is responsible for:

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

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

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

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

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

#### 1.2.6 **Trust Board Members and Employees**

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

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

#### 1.2.7 **Contractors and their employees**

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

- 1.2.8 For all members of the Trust Board and any employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board and employees discharge their duties must be to the satisfaction of the Director of Finance and in line with the Records Management: NHS Code of Practice.



## **2. AUDIT**

### **2.1 Audit and Governance Committee**

- 2.1.1 In accordance with Standing Orders, the Trust Board shall formally establish an Audit and Governance Committee, with clearly defined terms of reference and following guidance from the NHS Audit Committee Handbook (2014), which will provide an independent and objective view of internal control by:
- (a) overseeing Internal and External Audit services;
  - (b) reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
  - (c) review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives;
  - (d) monitoring compliance with Standing Orders and Standing Financial Instructions;
  - (e) reviewing and approving schedules of losses, write offs and compensations, and making recommendations to the Board, as required;
  - (f) Reviewing the arrangements in place to support the Board Assurance Framework process and advising the Board accordingly.
- 2.1.2 Where the Audit and Governance Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the Chairman of the Audit and Governance Committee should raise the matter at a full meeting of the Trust Board. Exceptionally, the matter may need to be referred to the Department of Health (and if so, to the Director of Finance in the first instance).
- 2.1.3 It is the responsibility of the Director of Finance to ensure an adequate Internal Audit service is provided and the Audit and Governance Committee shall be involved in the selection process when/if an Internal Audit service provider is changed.

### **2.2 Director of Finance**

- 2.2.1 The Director of Finance is responsible for:
- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective Internal Audit function;
  - (b) ensuring that the Internal Audit is adequate and meets the Public Sector Internal Audit Standards;
  - (c) 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 and Governance Committee. The report must cover:
    - (i) a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by the Department of Health 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;
    - (vi) a detailed plan for the coming year.
- 2.2.2 The Director of Finance or designated auditors are entitled without necessarily giving prior notice to require and receive:
- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
  - (b) access at all reasonable times to any land, premises or members of the Board or employee of the Trust;
  - (c) the production of any cash, stores or other property of the Trust under a member of the Board and an employee's control; and
  - (d) explanations concerning any matter under investigation.

## **2.3 Role of Internal Audit**

- 2.3.1 Internal Audit will review, appraise and report upon:
- (a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
  - (b) the adequacy and application of financial and other related management controls;
  - (c) the suitability of financial and other related management data;
  - (d) the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
    - (i) fraud and other offences;
    - (ii) waste, extravagance, inefficient administration;
    - (iii) poor value for money or other causes.
- 2.3.2 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.
- 2.3.3 The Head of Internal Audit will normally attend Audit and Governance Committee meetings and has a right of access to all Audit and Governance



Committee members, the Chairman of the Trust Board and Chief Executive of the Trust.

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

## **2.4 External Audit**

- 2.4.1 The External Auditors were previously appointed by the Audit Commission. With its abolition from 1<sup>st</sup> April 2015, arrangements have been put into place to transfer its functions. The management of the existing audit contracts have transferred to Public Sector Audit Appointments Ltd as a transitional body prior to the establishment of Local Auditor Panels who will in future advise on auditor appointments. If there are any problems relating to the service provided by the External Auditor, then this should be raised with the External Auditor and referred on to the PSAA Ltd if the issue cannot be resolved. Health bodies will move to the new audit framework in 2017/18 under the Local Audit and Accountability Act 2014. NHS Trusts will select and appoint their own auditors and directly manage their contracts for the audits for the financial year starting 1<sup>st</sup> April 2017, with the legislation requiring that the auditors are appointed by 31<sup>st</sup> December 2016. The Audit and Governance Committee must ensure a cost-efficient service.
- 2.4.2 Prior approval must be sought from the Audit and Governance Committee for each discrete piece of additional work awarded to the external auditors.

## **2.5 Fraud and Corruption**

- 2.5.1 In line with their responsibilities, the Trust Chief Executive and Director of Finance shall monitor and ensure compliance with the NHS Standard Contract regarding the implementation and maintenance of appropriate counter fraud, bribery and corruption arrangements.
- 2.5.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the Department of Health Fraud and Corruption Manual and guidance.
- 2.5.3 The Local Counter Fraud Specialist shall report to the Trust Director of Finance and shall work with staff in NHS Protect in accordance with the Department of Health Fraud and Corruption Manual.
- 2.5.4 The Local Counter Fraud Specialist will provide a written report, at least annually, on counter fraud work within the Trust.

## **2.6 Security Management**

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

2.6.2 The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary of State for Health guidance on NHS security management.

2.6.3 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS). For this Trust the SMD is the Chief Operating Officer.

## **2.7 Health Informatics Service (HIS)**

2.7.1 Following the change in status of the HIS so that it is no longer a separate hosted service, the HIS Management Board is a normal part of the Trust's corporate management structure and is therefore subject to all the standard requirements of the Trust.

## **3. SECTION NOT USED**

## **4. ALLOCATIONS, PLANNING, BUDGETS, BUDGETARY CONTROL, AND MONITORING**

### **4.1 Preparation and Approval of Plans and Budgets**

- 4.1.1 The Chief Executive will compile and submit to the Board an Annual Plan (AP) which takes into account financial targets and forecast limits of available resources. The AP will contain:
- (a) a statement of the significant assumptions on which the plan is based;
  - (b) details of major changes in workload, delivery of services or resources required to achieve the plan.
- 4.1.2 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit budgets for approval by the Trust Board. Such budgets will:
- (a) be in accordance with the aims and objectives set out in the AP
  - (b) accord with workload and workforce plans;
  - (c) be produced following discussion with appropriate budget holders;
  - (d) be prepared within the limits of available funds;
  - (e) identify potential risks.
- 4.1.3 The Director of Finance shall monitor financial performance against budget and plan, periodically review them, and report to the Finance Committee and Trust Board.
- 4.1.4 All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled.
- 4.1.5 All budget holders will ensure that they understand their allocated budgets and raise any issues immediately on receipt of new financial year allocations. If no issues are raised then budgets will be deemed to be accepted by the budget holder.
- 4.1.6 The Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage their allocations successfully.
- 4.1.7 The Director of Finance will publish annually a budget holder guidance manual to ensure all budget holders understand their responsibilities and to provide practical guidance.

### **4.2 Budgetary Delegation**

- 4.2.1 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;
  - (f) the provision of regular reports.
- 4.2.2 The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board.
- 4.2.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement.
- 4.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive, as advised by the Director of Finance.

### **4.3 Budgetary Control and Reporting**

- 4.3.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:
- (a) monthly financial reports to the Finance Committee and Trust Board in a form approved by the Finance Committee and Board containing:
    - (i) income and expenditure to date showing trends and forecast year-end position;
    - (ii) movements in working capital;
    - (ii) Movements in cash and capital;
    - (iii) capital project spend and projected outturn against plan;
    - (iv) explanations of any material variances from plan;
    - (vi) details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;
  - (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 workforce budgets;
  - (d) monitoring of management action to correct variances; and
  - (e) arrangements for the authorisation of budget transfers.
  - (f) holding a record of authorised budget holders (see section 12.2.5 d(ii))
- 4.3.2 Each Budget Holder is responsible for ensuring that they:
- (a) Participate fully in the Business and Financial planning process
  - (b) Review, understand and validate the financial position of the Trust for their specific area of responsibility on a monthly basis
  - (c) Ensure that they operate within their agreed budgets
  - (d) Ensure any potential or actual variation to plan including overspending or reduction of income is notified to the Board via delegated authority.

- (e) The above (d) includes ensuring all potential or actual financial risks are identified to the Directorate Management Team and to Finance Managers in advance of them arising, or as soon as the Budget Holder becomes aware of the issue, whether this is on potential overspending or income shortfall. This may include the financial aspects of issues relating to patient safety or quality of service as highlighted to the appropriate executive officer and committee.
- (f) Ensure the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised
- (g) Ensure all changes to workforce are in line with Section 11 of this document
- (h) All developments, services changes, investments (revenue, capital or funded through charitable funds), or other proposals that increase the Trust's costs or incomes must be tested and approved through the Trust's business case process. This includes adherence to the relevant delegated limits which are currently:
  - a. Cases up to £500k require approval by the TME
  - b. Cases of £500k or over require approval by the Trust Finance Committee
  - c. Cases of £1million or over require Trust Board Approval
  - d. Cases of £5m or over require Trust Development Authority approval for capital investments, or equivalent managed service or leased equipment, IT or Property arrangements (where the whole life cost is the determinant).
- (i) Ensure that a Business Case is submitted and subsequently approved in line with Trust requirements, before any additional expenditure not identified during the Business Planning process, is incurred.
- (j) Respond on a timely and appropriate basis to all queries raised on financial performance and monitoring. This includes attendance at review meetings, providing or validating documentation and any other reasonable requests
- (k) Adhere to Trust procurement policies in respect to non pay purchases including those outlined in Section 8 of this document.

- 4.3.3 Budget Holders are reminded of the requirement to adhere to the SFIs and the duty to disclose non-compliance – See SFI reference 1.1.5 and 1.1.6
- 4.3.4 The Chief Executive is responsible for identifying and implementing a financial recovery plan, including cost improvements and income generation initiatives in accordance with the requirements of the Annual Plan and a balanced budget.
- 4.3.5 The Cost Improvement Programme (CIP) will go through a Quality Impact Assessment process in order to ensure any issues around patient safety and / or quality of service are understood and agreed by the relevant committee.

#### **4.4 Capital Expenditure**

4.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure (the particular applications relating to capital are contained in SFI 15).

4.4.2 Capital Assets should not be purchased from revenue funding.

#### **4.5 Monitoring Returns**

4.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation, in accordance with the timetable set.

## **5. ANNUAL ACCOUNTS AND REPORTS**

### **5.1 The Director of Finance**, on behalf of the Trust, will:

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

**5.2** The Trust's annual accounts must be audited by an auditor appointed by the Audit Commission or successor body (see 2.4.1). The Trust's audited annual accounts must be presented to a public meeting and made available to the public.

**5.3** The Trust will publish an Annual Report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with the Department of Health's Manual for Accounts.

## **6. BANK AND GOVERNMENT BANKING SERVICE**

### **6.1 General**

- 6.1.1 The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts. This advice will take into account guidance/ Directions issued from time to time by the Department of Health. In line with NHS Trust Development Authority (TDA) published cash management guidance, Trusts should minimize the use of commercial bank accounts and utilise Government Banking Service accounts for the majority of banking services.
- 6.1.2 The Trust Board shall approve the banking arrangements, following a recommendation from the Finance Committee.

### **6.2 Bank and Government Banking Service**

- 6.2.1 The Director of Finance is responsible for:
- (a) bank accounts and Government Banking Service (GBS) accounts;
  - (b) establishing separate bank accounts for the Trust's non-exchequer funds;
  - (c) ensuring payments made from bank or GBS accounts do not exceed the amount credited to the account except where arrangements have been made;
  - (d) reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn.
  - (e) monitoring compliance with TDA cash management guidance on the level of cleared funds in commercial accounts.

### **6.3 Banking Arrangements**

- 6.3.1 The Director of Finance will prepare detailed instructions on the operation of bank and GBS accounts, which must include:
- (a) the conditions under which each bank and GBS account is to be operated;
  - (b) those authorised to sign cheques or other orders drawn on the Trust's accounts.
- 6.3.2 The Director of Finance must advise the Trust's bankers in writing of the conditions under which each account will be operated

### **6.4 Tendering and Review**

- 6.4.1 The Director of Finance will review the commercial banking arrangements of the Trust at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for the Trust's commercial banking business. The exception is where Government Banking Service is used for the majority of services and the charges levied by commercial banking providers are well within the tender threshold.



- 6.4.2 Competitive tenders, where required under 6.4.1, should be sought at least every five years. The results of the tendering exercise should be reported to the Finance Committee and Trust Board. This review is not necessary for GBS accounts.

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

### **7.1 Income Systems**

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

### **7.2 Fees and Charges**

- 7.2.1 The Trust shall follow the Department of Health's and Monitor's established costing guidance in setting prices for NHS Service Level Agreements.
- 7.2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Monitor/NHS England jointly published national tariffs or by Statute. Independent professional advice on matters of valuation shall be taken as necessary. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the guidance in the Trust code of Conduct Policy and the Department of Health's Commercial Sponsorship – Ethical standards in the NHS shall be followed (see also Appendix 6 of Standing Orders).
- 7.2.3 All employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

### **7.3 Debt Recovery**

- 7.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.
- 7.3.2 Any income not received should be dealt with in accordance with losses procedures.
- 7.3.3 All overpayments of salary should be identified by the Manager or Employee and notified to the Trust immediately. Failure to do so could constitute Fraud. When identified, recovery will be initiated immediately in line with the Trust overpayment policy.

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

- 7.4.1 The Director of Finance is responsible for:
  - (a) approving the form of all receipts, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
  - (b) ordering and securely controlling any such stationery;
  - (c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of

safes or lockable cash boxes, the procedures for keys, and for coin operated machines;

- (d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.
- 7.4.2 All official Trust cash or cheques, revenue and charitable, received within any Ward or Department, must be passed intact to the Trust cashiers for banking at the earliest opportunity. Subsequent expenditure must follow Trust policy (refer section 12).
- 7.4.3 Official money shall not under any circumstances be used for the encashment of private cheques or "IOUs".
- 7.4.4 Cash receipts over £1,000 must receive authority from the finance department prior to their acceptance in order to reduce risk of accepting fraudulent currency or potentially supporting money laundering.
- 7.4.4 All cheques, postal orders, cash etc, shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.
- 7.4.5 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.

## **8. TENDERING AND CONTRACTING PROCEDURE**

### **8.1 Duty to comply with Standing Orders and Standing Financial Instructions**

The procedure for making all contracts by or on behalf of the Trust shall comply with these Standing Orders and Standing Financial Instructions (except where Standing Order No. 3.13 Suspension of Standing Orders is applied) and the Procurement strategy. All tendering and quotation procedures shall be administered by the Trust procurement department or other authorised department.

### **8.2 EU Directives Governing Public Procurement**

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

### **8.3 Reverse eAuctions and other e procurement techniques**

The Trust should have policies and procedures in place for the control of all tendering activity carried out through Reverse eAuctions and other “e” procurement techniques. For further guidance on Reverse eAuctions refer to the Cabinet Office website.

### **8.4 Capital Investment Manual and other Department of Health Guidance**

The Trust shall comply, as far as is practicable with the requirements of the Department of Health ‘Capital Investment Manual’, ‘Estatecode’ and the Trust Development Authority Capital Regime and Investment Business case approvals guidance’ in respect of capital investment and estate and property transactions. In the case of management consultancy contracts the Trust shall comply with the Trust Development Authority guidance on Consultancy spending controls to NHS Trusts (see Annex C)

## **8.5 Formal Competitive Tendering**

### **8.5.1 General Applicability**

The Trust shall ensure that competitive tenders are invited for:

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

## 8.5.2 Health Care Services

Where the Trust elects to invite tenders for the supply of healthcare services these Standing Orders and Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure and need to be read in conjunction with Standing Financial Instruction No. 9 and No. 10

## 8.5.3 Exceptions and instances where formal tendering need not be applied

Formal tendering procedures need not be applied where:

- (a) expenditure or income does not, or is not reasonably expected to, exceed £49,999 excluding VAT
- (b) where the supply is proposed under special arrangements negotiated by the DH in which event the said special arrangements must be complied with;
- (c) regarding disposals as set out in Standing Financial Instructions No. 17

d) Formal tendering procedures may be waived in the following circumstances:

- in very exceptional circumstances where the Chief Executive decides that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures, and the circumstances are detailed in an appropriate Trust record;
- where the requirement is covered by an existing contract;
- where Crown Commercial Services (CCS) , London Procurement Partnership (LPP), or other approved national/regional contracts or NHS Supply Chain framework agreements are in place;
- where a consortium or partnership arrangement is in place and a lead organisation has been appointed to carry out tendering activity on behalf of the consortium or partner members;
- where the timescale genuinely precludes competitive tendering, but failure to plan the work properly would not be regarded as a justification for a single tender;
- where specialist expertise is required and is genuinely available from only one source; This would include specialist original equipment manufacturer (OEM) parts, maintenance and repairs.
- there is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;
- where the market has been tested and insufficient number of tenders have been received;
- using clinicians currently employed by the Trust for initiatives such as waiting list reduction or Trust private patient work due to the benefits that entails, however the Trust should still ensure that value for money is being received in these arrangements. Any such

arrangements must comply with TDA and Trust guidance if the payment arrangement is 'off payroll'.

- (e) for the provision of legal advice and services providing that any legal firm or partnership commissioned by the Trust is regulated by the Law Society for England and Wales for the conduct of their business (or by the Bar Council for England and Wales in relation to the obtaining of Counsel's opinion) and are generally recognised as having sufficient expertise in the area of work for which they are commissioned.

The Director of Finance will ensure that any fees paid are reasonable and within commonly accepted rates for the costing of such work.

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

8.5.4 The waiving of competitive tendering procedures should not be used to avoid competition or for administrative convenience or to award further work to a consultancy originally appointed through a competitive procedure unless meeting the criteria of 8.5.3(a).

8.5.5 Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded in an appropriate Trust record and reported to the next available Audit and Governance Committee.

#### **8.5.6 Fair and Adequate Competition**

Where the exceptions set out in SFI No. 8.5.3 apply, the Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, and in no case less than three firms/individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required. Practically, to ensure three returns, best practice suggests inviting at least five bidders to tender.

#### **8.5.7 Building and Engineering Construction Works**

Competitive Tendering may only be waived in accordance with the criteria set out in 8.5.3.

#### **8.5.8 Items which subsequently breach thresholds after original approval**

Items estimated to be below the limits set in this Standing Financial Instruction for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the Chief Executive, and be recorded in an appropriate Trust record. The budget holder is required to advise the Procurement department, in writing where this is the case and the Procurement department will include in reporting to the Audit and Governance Committee

#### **8.5.9 Splitting Orders**

Orders may not be split for administrative or other purposes to avoid the tendering thresholds. The requirement for quotation or tender should be based, in all cases for the life of the arrangement as proposed at the outset. When determining the value of the expenditure, Budget holders must consider

the aggregation of entire spend of the arrangement, as planned, which may cover more than one financial year

Contracts for equipment maintenance and repair would generally be viewed as an annual contract due to potential changes to service requirements and would not be viewed as a split order.

Orders which, following investigation are found to have been split to avoid tendering processes shall be recorded in an appropriate Trust record and reported to the next available Audit and Governance Committee.

## **8.6 Contracting/Tendering Procedure**

### **8.6.1 Invitation to tender**

- (i) All invitations to tender shall state the date and time as being the latest time for the receipt of tenders.
- (ii) All written invitations to tender shall state that no tender will be accepted unless:
- (iii) submitted in a plain sealed package or envelope bearing a pre-printed label supplied by the Trust (or the word “tender” followed by the subject to which it relates) and the latest date and time for the receipt of such tender addressed to the Chief Executive or nominated Manager;  
(b) that tender envelopes/ packages shall not bear any names or marks indicating the sender. The use of courier/postal services must not identify the sender on the envelope or on any receipt so required by the deliverer. All procurement instigated Tenders will be issued via the electronic tendering system administered by the London Procurement Partnership (LPP) ‘Due North’ or Crown Commercial Solutions (CCS) All bid submissions will be submitted via these systems with no manual tenders accepted.
- (iv) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable
- (v) Every tender for building or engineering works shall embody or be in the terms of the current edition of one of the recognised forms of contract relevant to the scope of works being undertaken.

E.g. Construction works - National Engineering Contracts (NEC3) or Joint Contract Tribunal (JCT) suites of documents. Engineering plant - Institution of Mechanical Engineers, The Institution of Electrical Engineers and the Association of Consulting Engineers (Form MF/1). Civil engineering work- the General Conditions of contract recommended by the Institute of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors (GC works 1).

These documents shall be modified in accordance with Department of Health guidance and, in minor respects, to cover special features of individual projects. Tender based on other forms of contract may be



used only after prior consultation with the Director of Estates & Facilities Management.

### **8.6.2 Receipt and safe custody of tenders**

All procurement generated tenders are received via the electronic portal and cannot be accessed until the deadline for receipt has passed. For manual tenders the Chief Executive, or his nominated representative not from the originating department, will be responsible for the receipt, endorsement and safe custody of tenders received until the time appointed for their opening.

### **8.6.3 Opening tenders and Register of tenders**

- (i) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, the electronic portal will be accessed by nominated officers within the procurement team who will download all tenders received within the deadline. For manual tenders they shall be opened by two senior officers/managers designated by the Chief Executive and not from the originating department. One of these senior officers should be the Head of Procurement or their nominated deputy
- (ii) The electronic tendering portal closes at the deadline and will not accept any attempt to file a tender after this deadline. For manual tenders rules relating to the opening of tenders will need to be read in conjunction with any delegated authority set out in the Trust's Scheme of Delegation.
- (iii) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender.
- (iv) The involvement of Finance Directorate staff in the preparation of a tender proposal will not preclude the Director of Finance or any approved Senior Manager from the Finance Directorate from serving as one of the two senior managers to open tenders.
- (v) All Members of the Board and the Trust Secretary will be authorised to open tenders regardless of whether they are from the originating department provided that the other authorised person opening the tenders with them is not from the originating department.
- (vi) Every tender received via the electronic tendering portal shall be automatically marked with the date of opening and who has accessed the tender. For manual tenders these will be initialled by those present at the opening.
- (vii) The system will hold a full record of all tender activity for electronic tenders. For manual tenders, a register shall be maintained by a person authorised by the Chief Executive' to show for each set of competitive tender invitations despatched:
  - the name of all suppliers invited or expressed an interest;
  - the names of suppliers from which tenders have been received and those that have opted out;
  - the date the tenders were received;



- the date the tenders were opened and for manual tenders, the persons present at the opening;  
for manual tenders, the price shown on each tender;  
for manual tenders, a note where price alterations have been made on the tender.

For manual tenders, each entry to this register shall be signed by those present.

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

- (viii) Incomplete tenders, i.e. those from which information necessary for the adjudication of the tender is missing, and amended tenders i.e., those amended by the tenderer upon his own initiative either orally or in writing after the due time for receipt will not be permitted by the electronic system., but for manual tenders, prior to the opening of other tenders, should be dealt with in the same way as late tenders. (SFI No. 8.6.5 below).

#### **8.6.4 Admissibility**

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

#### **8.6.5 Late tenders**

- (i) The electronic tendering system will not allow late submission of any tender under any circumstances. Written Tenders received after the due time and date, but prior to the opening of the other tenders, may be considered only if the Chief Executive or his nominated officer decides that there are exceptional circumstances i.e. despatched in good time but delayed through no fault of the tenderer.
- (ii) Only in the most exceptional circumstances will a written tender be considered which is received after the opening of the other tenders and only then if the tenders that have been duly opened have not left the custody of the Chief Executive or his nominated officer or if the process of evaluation and adjudication has not started.
- (iii) While decisions as to the admissibility of late, incomplete or amended tenders are under consideration, the tender documents shall be kept strictly confidential, recorded, and held in safe custody by the Chief Executive or his nominated officer.

#### **8.6.6 Acceptance of formal tenders**

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

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

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

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

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

#### **8.6.7 Tender reports to the Trust Board**

Reports to the Trust Board will be made on an exceptional circumstance basis only, prompted by a request from the Director of Finance, Chief Executive or Chairman of the Trust Board.

#### **8.6.8 List of approved firms (see SFI No. 8.5.3 Building and Engineering construction works).**

##### **(a) Responsibility for maintaining list**

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

via the electronic tendering process the approved supplier framework forms part of the tendering portal.

**(b) Approved list of contractors**

- (i) Invitations to tender shall be made only to firms included on the approved list of tenderers compiled in accordance with this Instruction. For tenders managed via the electronic tendering process the approved supplier framework forms part of the tendering portal.
- ii) Firms included on the approved list of tenderers shall ensure that when engaging, training, promoting or dismissing employees or in any conditions of employment, shall not discriminate against any person because of colour, race, ethnic or national origins, religion or sex, and will comply with the provisions of the Equal Pay Act 1970 (amended 2003), the Sex Discrimination Act 1975 (amended 2003), the Race Relations Act 1976 (amended 2000), and the Disability Discrimination Act 1995 and any amending and/or related legislation.
- iii) Firms shall conform at least with the requirements of the Health and Safety at Work Act and any amending and/or other related legislation concerned with the health, safety and welfare of workers and other persons, and to any relevant British Standard Code of Practice issued by the British Standard Institution. Firms must provide to the appropriate manager a copy of its safety policy and evidence of the safety of plant and equipment, when requested.

**c) Financial Standing and Technical Competence of Contractors**

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

**8.6.9 Exceptions to using approved contractors**

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

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

**8.7 Quotations: Competitive and non-competitive**

**8.7.1 General Position on quotations**

**Written** quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is

reasonably expected to exceed £10,000, but not exceed £49,999 excluding VAT. Where three written quotations cannot be obtained then a single tender waiver form will be required to be completed and authorised in line with the Scheme of Delegation. These should be reported to the next Audit and Governance Committee.

#### **8.7.2 Competitive Quotations**

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

#### **8.7.3 Non-Competitive Quotations**

Competitive quotation procedures may be waived in the circumstances set out in section 8.5.3(d) but must be supported by a non-competitive quotation in writing and a single tender waiver.

#### **8.7.4 Quotations to be within Financial Limits**

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

### **8.8 Authorisation of Tenders and Competitive Quotations**

- 8.8.1 Providing all the conditions and circumstances set out in these Standing Financial Instructions have been fully complied with, formal authorisation and awarding of a contract may be decided by the officers detailed in the Scheme of Delegation
- 8.8.2 These levels of authorisation may be varied or changed and need to be read in conjunction with the Trust Board's Scheme of Delegation.
- 8.8.3 Formal authorisation must be put in writing. In the case of authorisation by the Trust Board this shall be recorded in their minutes.

## **8.9 Instances where formal competitive tendering or competitive quotation is not required**

Where competitive tendering or a competitive quotation is not required where expenditure is genuinely expected to be below £10,000, the Trust shall procure goods and services in accordance with procurement procedures approved by the Director of Finance. Designated Budget Managers are expected to secure value for money.

## **8.10 Private Finance for capital procurement (see overlap with SFI No. 15)**

The Trust should normally market-test for PFI (Private Finance Initiative funding) when considering a major capital procurement, or as in accordance with current TDA and Department of Health guidance. When the Trust Board proposes, or is required, to use finance provided by the private sector the following should apply:

- (a) The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) Where the sum exceeds delegated limits, a business case must be referred to the appropriate Department of Health for approval or treated as per current guidelines.
- (c) The proposal must be specifically agreed by the Board of the Trust.
- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

## **8.11 Compliance requirements for all contracts**

The Trust Board may only enter into contracts on behalf of the Trust within the statutory powers delegated to it by the Secretary of State and shall comply with:

- (a) The Trust's Standing Orders and Standing Financial Instructions;
- (b) EU Directives and other statutory provisions;
- (c) any relevant directions including the Capital Investment Manual, Estatecode and guidance on the Procurement and Management of Consultants; and with the Trust Development Authority guidance on Consultancy spending controls to NHS Trusts (see Annex C)
- (d) such of the NHS Standard Contract Conditions as are applicable.
- (e) contracts with Foundation Trusts must be in a form compliant with appropriate NHS guidance.
- (f) Where appropriate contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited.
- (g) In all contracts made by the Trust, the Board shall endeavour to obtain best value for money by use of all systems in place. The

Chief Executive shall nominate an officer who shall oversee and manage each contract on behalf of the Trust.

## **8.12 Personnel and Agency or Temporary Staff Contracts**

The Chief Executive shall nominate officers with delegated authority to enter into contracts of employment, regarding staff, agency staff or temporary staff service contracts. Procurements in this category must adhere to the Trust and Trust Development Authority (TDA) guidance on Consultancy spending controls and Agency spending and price capping controls and Trust off payroll guidance where applicable

## **8.13 Healthcare Services Agreements (see overlap with SFI No. 9)**

- 8.13.1 Service agreements with NHS providers for the supply of healthcare services shall be drawn up in accordance with the NHS and Community Care Act 1990 and administered by the Trust. Service agreements are not contracts in law and therefore not enforceable by the courts. However, a contract with a Foundation Trust, being a Public Benefit Corporation, is a legal document and is enforceable in law.
- 8.13.2 The Chief Executive shall nominate officers to commission service agreements with providers of healthcare in line with the Trust's agreed policy.

## **8.14 Disposals (See overlap with SFI No. 17)**

- 8.14.1 Competitive Tendering or Quotation procedures shall not apply to the disposal of:
  - (a) any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his nominated officer;
  - (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the procurement strategy of the Trust;
  - (c) items to be disposed of with an estimated sale value of less than £10,000 this figure to be reviewed on a periodic basis;
  - (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
  - (e) land or buildings concerning which DH and TDA guidance has been issued but subject to compliance with such guidance.
- 8.14.2 Prior to any decision on disposal the book value of the asset should be obtained from the Financial Services Department. In the event that a loss on disposal is expected, this must be approved by the Director of Finance prior to disposal
- 8.14.3 Disposals of fixed assets, whether by sale, exchange, scrapping, loss or otherwise, shall be notified to the Director of Finance as soon as they take place and must follow the arrangements set out in Section 17 of the SFIs.

## **8.15 In-house Services**



- 8.15.1 The Chief Executive shall be responsible for ensuring that best value for money can be demonstrated for all services provided on an in-house basis. The Trust may also determine that in-house services should be market tested periodically by competitive tendering.
- 8.15.2 In all cases where the Board determines that in-house services should be subject to competitive tendering the following groups shall be set up:
- (a) Specification group, comprising the Chief Executive or nominated officer/s and specialist.
  - (b) In-house tender group, comprising a nominee of the Chief Executive and technical support.
  - (c) Evaluation team, comprising normally a specialist officer, a procurement officer and a Director of Finance Representative. For services having a likely contract expenditure exceeding £500,000, a non-Executive Director should be a part of the evaluation team.
- 8.15.3 All groups should work independently of each other and individual officers may be a member of more than one group but no member of the in-house tender group may participate in the evaluation of tenders.
- 8.15.4 The evaluation team shall make recommendations to the Board.
- 8.15.5 The Chief Executive shall nominate an officer to oversee and manage the contract on behalf of the Trust.
- 8.16 Applicability to Trust and to Funds held on Trust and Other Private Resources**
- These Instructions shall apply to Exchequer funds and to works, services and goods purchased from the Maidstone and Tunbridge Wells NHS Trust Charitable fund and other private resources.

## **9. NHS SERVICE AGREEMENTS FOR PROVISION OF SERVICES (see overlap with SFI No. 8.13)**

### **9.1 Service Level Agreements (SLAs)**

- 9.1.1 The Chief Executive, as the Accountable Officer, is responsible for ensuring the Trust enters into suitable Service Level Agreements (SLA) with service commissioners for the provision of NHS services.

All SLAs should aim to implement the agreed priorities contained within the Annual Plan and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive should take into account:

- the standards of service quality expected;
- the relevant national service framework (if any);
- the provision of reliable information on cost and volume of services;
- the NHS TDA Accountability Framework;
- Information Governance requirements;
- that SLAs build where appropriate on existing Joint Investment Plans;
- that SLAs are based on integrated care pathways.

- 9.1.2 The Finance Director will ensure that all SLAs will be reviewed annually to ensure that they remain fit for purpose taking into consideration any notice periods for changes.

- 9.1.3 All SLAs must be signed by all parties.

## **9.2 Involving Partners and jointly managing risk**

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

## **9.3 Reports to Board on SLAs**

The Chief Executive as the Accountable Officer will ensure that regular reports are provided to the Board detailing actual and forecast income from commissioner SLAs through the finance reporting. This will include information on costing arrangements, which increasingly should be based upon Healthcare Resource Groups (HRGs). Where HRGs are unavailable for specific services, all parties should agree a common currency for application across the range of SLAs.

## **9.4 Partnerships**

The Director of Finance is responsible for ensuring that any partnerships that the Trust may have are identified through an annual review and that partnership agreements are put in place reflecting the arrangements. These arrangements should be routinely monitored by senior management to ensure they are operating as intended and meeting their objectives. The



Director of Finance will maintain a register of partnerships, which will be reviewed by the Audit and Governance Committee annually. The financial performance of partnerships will be monitored by the Director of Finance and the results shared with partners and acted upon.

## **9.5 Hosting of Services**

- 9.5.1 The Director of Finance will ensure a business case is prepared, for review by the Finance Committee, and approval by the Trust Board, to support any proposed hosting of services to other organisations. The business case should include a cost benefit analysis and identify financial and operational risks to Maidstone and Tunbridge Wells NHS Trust, together with any legal implications. Following approval, hosted services should only be provided once a signed Service Level of Agreement is in place with all member organisations. All costs incurred by the Trust in hosting a service shall be recoverable from member organisations, including corporate overhead.
- 9.5.2 The hosted service(s) should fully comply with the Trust's Standing Financial Instructions/Standing Orders and other core procedures established within the Trust unless specifically agreed in writing by the Trust Chief Executive. Contracts will be signed with other organisation members of the hosted service(s) which should stipulate the members financial and other responsibilities/commitments, both whilst a member of the hosted service(s) and if they leave following termination of the agreement.
- 9.5.3 The Trust currently has no hosted service to which 9.5.1 and 9.5.2 apply.
- 9.5.4 Services used by the Trust but hosted by another body will follow the Standing Financial Instructions / Standing Orders and other procedures as set by the host body.

## **10 SECTION NOT USED**

This section is not currently applicable to Maidstone and Tunbridge Wells NHS

## **11. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE TRUST BOARD AND EXECUTIVE COMMITTEE AND EMPLOYEES**

### **11.1 Remuneration and Terms of Service (see overlap with SO No. 4 appointment of committees and sub committees)**

- 11.1.1 In accordance with Standing Orders the Trust Board shall establish a committee to consider remuneration and terms of service, with clearly defined Terms of Reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting. For this Trust this is the “Remuneration and Appointments Committee”.
- 11.1.2 The Committee’s duties, membership and authority will be described in Terms of Reference, which will be reviewed annually, and approved by the Trust Board (also annually). This will include the requirement to review the appointment of Executive Directors and other staff appointed on Very Senior Manager (VSM) contracts, to ensure such appointments have been undertaken in accordance with Trust Policies
- 11.1.3 The Committee shall record in writing the basis for its decisions. The Trust Board shall however remain accountable for the Committee’s decisions on the remuneration and terms of service covered under its Terms of Reference
- 11.1.4 The Trust Board will consider and need to approve proposals presented by the Chief Executive for the setting of remuneration and conditions of service for those employees and officers not covered by the Remuneration and Appointments Committee (and which are not covered by nationally agreed Terms and Conditions.
- 11.1.5 The Trust will pay allowances to the Chairman and non-officer members of the Board in accordance with instructions issued by the Secretary of State for Health.

## **11.2 Funded Establishment**

- 11.2.1 The workforce plans incorporated within the annual budget will form the funded establishment.
- 11.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive via delegated authority.

## **11.3 Staff Appointments**

- 11.3.1 No officer or Member of the Trust Board 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 unless:
  - (a) within their approved budget and funded establishment,
  - (b) authorised to do so by the Chief Executive via the scheme of delegation and in accordance with the agreed approval process (e.g. Recruitment panel authorisations); and
  - (c) managed through the Trust’s recruitment or staff bank departments
  - (d) compliant with DH, TDA or other relevant regulatory guidance
- 11.3.2 The Remuneration and Appointments Committee will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc., for employees.

## **11.4 Processing Payroll**

**11.4.1 The Director of Workforce and Communications** 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;
- (d) agreeing method of payment.
- (e) appropriate (contracted) terms and conditions

**11.4.2 The Director of Workforce and Communications in conjunction with the Director of Finance** will issue instructions regarding:

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

**11.4.3 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 local instructions and in the form prescribed by the Director of Workforce and Communications;
- (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 Director of Workforce and Communications must be informed immediately.

(d) see overlap with budget holder responsibilities SFI section 4.3.

11.4.4 **Individual Employees / Officers** have responsibility for checking their payslips and ensuring that any discrepancies of over or underpayment are reported to their line manager immediately. See also section 7.3.3

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

## 11.5 Contracts of Employment

11.5.1 The Trust Board shall delegate responsibility to the Director of Workforce and Communications for:

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

## 11.6 Redundancy and Early Retirements

11.6.1 The Remuneration and Appointments Committee will approve individual non-Board redundancy packages up to £100,000. Approval must be sought prior to any formal communication being made with an employee.

11.6.2 Individual non-Board redundancy packages in excess of £100,000 will be approved by the Trust Remuneration and Appointments Committee and will require additional approval from the Trust Development Authority's Remuneration and Appointments Committee in accordance with the TDA 2015-16 Accountability Framework.

11.6.3 All contractual severance payments to the Chief Executive or Executive Directors shall be approved by the Trust's Remuneration and Appointments Committee and the NHS Trust Development Authority's Remuneration Committee.

11.6.4 All non-contractual severance payments will require Treasury approval in addition to that of Trust and TDA Remuneration Committees.

11.6.5 In the event that severance payments are considered to include "novel or unusual" elements. These will normally require Treasury approval, in addition to the Trust and TDA Remuneration Committees.

## 11.7 Agency Procurement

- 11.7.1 The use of agency staffing should be kept to the minimum required to maintain agreed operational capacity. Any agency requests must be made in accordance with Trust procedures and using recognised framework agencies.
- 11.7.2 Agency procurement must comply with nationally published regulations eg. Guidance from the Trust Development Authority

## **12. NON-PAY EXPENDITURE**

### **12.1 Delegation of Authority**

- 12.1.1 The Trust Board will approve the level of non-pay expenditure (Revenue, Capital and Charitable Funds) on an annual basis and the Chief Executive will determine the level of delegation to budget managers.

12.1.2 The Chief Executive will set out:

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

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

**12.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services (see overlap with Standing Financial Instruction No. 8)**

**12.2.1 Requisitioning**

The requisitioner, in choosing the item to be supplied (or the service to be performed), shall always obtain the best value for money for the Trust. In so doing, the advice of the Trust's procurement department or other specialist advisor (e.g. IT or estates) shall be sought.

12.2.2 All purchases (NHS and trade) should have a purchase order made with the formal involvement of the Procurement Department (for goods and services), the Estates Department (for specialised maintenance and services and capital items), Chief Pharmacist for Pharmacy supplies and the Human Resources department for Agency staff and other recruitment related expenditure.

12.2.3 A list of any authorised exceptions to the requirement to raise a purchase order is held within the procurement department

**12.2.4 System of Payment and Payment Verification**

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

**12.2.5 The Director of Finance will:**

- (a) agree with the Trust Board the thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in the Standing Financial Instructions and regularly reviewed;
- (b) prepare procedural instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds;
- (c) be responsible for the 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) Authorised Signatory Register - A list of Board Directors and budget holders (including specimens of their signatures) authorised to approve orders and certify invoices. See overlap with SD section 3.3.4(f)

(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 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. The only exceptions are set out in SFI No. 12.2.6 below.

### 12.2.6 Prepayments

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

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



the appropriate Director or Chief Executive if problems are encountered.

#### **12.2.7 Official orders**

Official Orders must:

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

#### **12.2.8 Purchases from Petty Cash**

Purchases from petty cash are restricted in value to less than £25.00 per claim unless advance authority is given by the Financial Services Team. There are also restrictions in respect of the type of purchase and Petty cash may be used for specified or emergency use only subject to the following:-

- a. minor emergency purchases approved in advance by procurement
- b. Emergency spending as part of the Emergency planning and business continuity standards authorised by the Emergency Planning team
- c. reimbursement of Patient travel
- d. reimbursement of small balances of patient monies (see patient property policy)
- e. no reimbursement of expenses for staff (including uniforms) or volunteers may be made from petty cash under any circumstances
- f. no reimbursement for any electronic or electrical items may be made from petty cash as these items could form a health and safety risk if procured outside official channels
- g. Instances where expenditure has been split to fall below petty cash thresholds will be reported to the Director of Finance
- h. failure to adhere to the requirements of section 12.2.8 may result in claims being refused

#### **12.2.9 Duties of Managers and Officers**

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

- (a) all contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement (see section 8.2)

- (c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with the Trust Development Authority guidance on Consultancy spending controls to NHS Trusts.
- (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;

(This provision needs to be read in conjunction with Standing Order No. 7.4 and the principles outlined in the national guidance contained in HSG 93(5) "Standards of Business Conduct for NHS Staff" (SO Appendix 6) and the Bribery Act 2010 and associated Government guidance); More detailed guidance is available in the Trust Code of Conduct policy.

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- (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 (see k below);
- (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 at the earliest opportunity and clearly marked "Confirmation Order";
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds or delegated limits See overlap with section 8.5.9;
- (i) Where orders are amended, authorisation at the appropriate level must be sought in advance of the amended order being issued
- (j) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (k) changes to the list of employees and officers authorised to certify invoices are held in an appropriate record.

12.2.10 The Chief Executive and Director of Finance shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within Estatecode and other Department of Health Guidance. The technical audit of these contracts shall be the responsibility of the relevant Director.

### **12.3 Joint Finance Arrangements with Local Authorities and Voluntary Bodies (see overlap with Standing Order No. 9.1)**

- 12.3.1 Payments to local authorities and voluntary organisations made under the powers of section 28A of the NHS Act shall comply with procedures laid down by the Director of Finance which shall be in accordance with these Acts. (See overlap with Standing Order No. 9.1)

## **13. EXTERNAL BORROWING, FINANCING AND INTERIM SUPPORT**

### **13.1 Borrowing & Interim support**

- 13.1.1 The Director of Finance will advise the Trust Board concerning the Trust's ability to pay dividend on, and repay Public Dividend Capital; and likewise its ability to repay principal and interest on any proposed new borrowing or interim support, whether Capital Support Loan, Revolving Working Capital Support Facility, or Interim Revenue Support Loan, within the borrowing limits set by the Trust Development Authority (TDA) and the Department of Health (DH). The Director of Finance is also responsible for reporting periodically to the Finance Committee and Trust Board concerning the PDC debt and all loans, support and overdrafts.

- 13.1.2 The Board will agree the list of employees (including specimens of their signatures) who are authorised to make short term borrowings on behalf of the Trust. This must contain the Chief Executive and / or the Director of Finance.
- 13.1.3 The Director of Finance must prepare detailed procedural instructions concerning applications for interim support and overdrafts.
- 13.1.4 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cashflow position, represent good value for money, and comply with the latest guidance from the TDA and Department of Health.
- 13.1.5 Any short-term borrowing drawdown must be with the authority of two members of an authorised panel, one of which must be the the Director of Finance or authorised deputy. The Revolving Working Capital Facility must be set up in accordance with the requirements of the TDA. The Finance Committee and Trust Board must be made aware of all short term borrowings at their next - available meetings.
- 13.1.6 All long-term borrowing must be consistent with the plans outlined in the current Annual Plan and be approved by the Trust Board, and meet the requirements as currently set out by the Trust Development Authority and Department Health.

## **13.2 Investments**

- 13.2.1 Temporary cash surpluses must be held only in such public or private sector investments as notified by the Secretary of State and authorised by the Board.
- 13.2.2 The Director of Finance is responsible for advising the Trust Board on investments and shall report periodically to the Finance Committee and Trust Board concerning the performance of investments held.
- 13.2.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained

## **14. SECTION NOT USED**



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

### **15.1 Capital Investment**

#### **15.1.1 The Chief Executive**

- (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) shall ensure that the capital investment is not undertaken without confirmation of commissioner(s) support, where applicable, and the availability of resources to finance all revenue consequences, including capital charges.

#### **15.1.2 For every capital expenditure proposal the Chief Executive shall ensure:**

- (a) that a business case (in line with the regulatory guidance contained within the Capital Investment Manual, the Treasury Green book, International Financial Reporting Standards, TDA Capital Regime and Investment Business Case Approvals Guidance for NHS Trusts and other applicable guidance) 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) the involvement of appropriate Trust personnel and external agencies;
  - (ii) appropriate project management and control arrangements;
- (b) that the Trust Management Executive, Finance Committee and/or Trust Board has approved the business case in accordance with delegated limits after suitable review and challenge;
- (c) that any other external requirements have been fulfilled e.g. NHS TDA authorisation limits including temporary changes to delegated limits;
- (d) for projects over £500k the relevant Business Case requires Finance Committee approval; Trust Board approval is required for projects of £1million and over; for projects over £5m Trust Development Authority approval is required.

#### **15.1.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of "Estatecode".**

#### **15.1.4 The Director of Finance shall assess on an annual basis the requirement for the operation of the construction industry tax deduction scheme in accordance with Inland Revenue guidance.**

#### **15.1.5 The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised capital budget.**

#### **15.1.6 The approval of a capital programme shall not constitute approval for expenditure on any specific scheme.**

- 15.1.7 The Chief Executive will issue a scheme of delegation for capital investment management in accordance with "Estatecode" guidance, TDA Capital Regime and Investment Business Case Approvals Guidance for NHS Trusts and the Trust's Standing Orders.
- 15.1.8 The Chief Executive shall issue through delegation to the manager responsible for any scheme:
- (a) specific authority to commit expenditure;
  - (b) authority to proceed to tender (see overlap with SFI No. 8.5);
  - (c) approval to accept a successful tender (see overlap with SFI No. 8.8).
- 15.1.9 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.
- 15.1.10 Prioritisation of the capital programme will take account of the Trust's commitment to the sustainable use of resources and look favourably on any plans that reduce the use of energy and other natural resources, minimise the production of waste and contribute to the sustainable development of the wider community.

## **15.2 HIS Capital Projects**

- 15.2.1 Following the change in arrangements regarding the status of the HIS as a "hosted" service within MTW, it will now be subject to the same process of capital bidding, review, prioritisation and approval processes as any other Directorate within the Trust. The Managing Director of the HIS will be responsible for ensuring that a project programme incorporating HIS's capital expenditure requirements is drawn up each year for agreement by the HIS Management Board as part its business planning submission within the Trust overall process.
- 15.2.2 Before work can commence on any HIS project the Director will ensure that:
- a) Capital and revenue funding has been fully agreed by the Trust and SLA partners as appropriate;
  - b) Where assets are to be procured and owned, a business case must be submitted in accordance with the Trust policies for approval in the agreed format. Approval will be in accordance to the Trust and TDA delegated limits (see 15.1.2(d))

## **15.3 Private Finance (see overlap with SFI No. 8.10)**

- 15.3.1 The Trust should normally test for PFI when considering major capital procurement, or as directed by current Department of Health guidance. When the Trust proposes to use finance which is to be provided other than through its Allocations, the following procedures shall apply:

- (a) The Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector.
- (b) Where the sum involved exceeds delegated limits, the business case must be referred to the Department of Health or in line with any current guidelines.
- (c) The proposal must be specifically approved by the Trust Board.

## **15.4 Asset Registers**

- 15.4.1 The Trust's asset register is an integral part of the Trust's asset management information and along with relevant financial information will be used in actively managing the asset base of the Trust. The Chief Executive is responsible for the maintenance of up to date registers of assets, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating, and arranging for a physical verification 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. The minimum data set to be held within these registers shall be as specified in the guidance issued by the Department of Health.
- 15.4.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:
  - (a) properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
  - (b) stores, requisitions and timesheets for own materials and labour including appropriate overheads;
  - (c) lease agreements in respect of assets held under a finance lease and capitalised.
- 15.4.4 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).
- 15.4.5 A sales invoice must be raised in respect of all disposals by sale, to ensure correct VAT accounting
- 15.4.6 The Director of Finance 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 asset shall be indexed, if appropriate, to represent current values in accordance with guidance issued by the Department of Health and TDA.
- 15.4.8 The value of each asset shall be depreciated using appropriate methods and rates with reference to Department of Health and TDA guidance.
- 15.4.9 The Director of Finance of the Trust shall calculate and pay capital charges as specified in guidance issued by the Department of Health and TDA.



15.4.10 An annual housekeeping exercise of the asset register should be undertaken in respect of fully depreciated assets

## **15.5 Security of Assets**

15.5.1 The overall control of Trust assets is the responsibility of the Chief Executive

15.5.2 Each department and ward is responsible for establishing and maintaining registers of its high risk and business critical assets under £5,000 in value, and periodically reviewing and updating the records. Evidence of these registers and the processes of maintaining them will be required to comply with the requirements of the Standards for Providers (Security Management).

15.5.3 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:

- (a) recording managerial responsibility for each asset;
- (b) identification of additions and disposals;
- (c) identification of all repairs and maintenance expenses;
- (d) physical security of assets;
- (e) periodic verification of the existence of, condition of, remaining useful life, and title to, assets recorded;
- (f) identification and reporting of all costs associated with the retention of an asset;
- (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- (h) all disposals or losses of assets must be recorded and reported in line with the requirements set out in SFI section 17.

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

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

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

Where practical, assets should be marked as Trust property

## **16. STORES AND RECEIPT OF GOODS**

### **16.1 General position**

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

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

### **16.2 Control of Stores, Stocktaking, condemnations and disposal**

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

16.2.2 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager/Pharmaceutical Officer. Wherever practicable, stocks should be marked as Trust property.

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

16.2.4 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store, that are classified as 'stock', at least once a year, in accordance with agreed processes.

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

16.2.6 The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also overlap with SFI No. 17 Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

### **16.3 Goods supplied by NHS Supply Chain**

16.3.1 For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note notifying Procurement of any discrepancies.

## **16.4 Consignment Stock**

- 16.4.1 Consignment Stocks are those items that remain the property of the supplier until used, but that are available on site for practical reasons
- 16.4.2 Any consignment stock held must have been approved in accordance with the delegation of authority and must be kept to an agreed minimum level. Consignment stock held must not be included in the Trust's stock values but separate detailed records must be kept
- 16.4.3 It is the responsibility of the Clinical Director to ensure that SFI 16.4.2 is followed.

## **17. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS (see overlap with SFI 8 and SFI 2.5 Fraud & Corruption)**

### **17.1 Disposals and Condemnations**

#### **17.1.1 Procedures**

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

17.1.2 When it is decided to dispose of a Trust asset, the Head of Department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate and the net book value at the time of proposed disposal.

17.1.3 All unserviceable articles shall be:

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

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

### **17.2 Losses and Special Payments**

#### **17.2.1 Procedures**

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

17.2.2 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 Director of Finance or Deputy Directors of Finance of all the details relating to the loss. . Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the relevant Local Counter Fraud Service in accordance with Secretary of State for Health's Directions.

17.2.3 The Director of Finance must notify the Local Counter Fraud Specialist and the External Auditor of all frauds.

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

- (a) the Trust Board (at its next available meeting),
- (b) the External Auditor.

- 17.2.5 Within limits delegated to it by the Department of Health, the Audit and Governance Committee shall approve the writing-off of losses on behalf of the Board.
- 17.2.6 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations
- 17.2.7 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 17.2.8 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 17.2.9 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.
- 17.2.10 Compensation payments to Chief Executives or Directors reporting to the Chief Executive require approval of the Trust's Remuneration and Appointments' Committee and the Trust Development Authority's Remuneration Committee. In the event the payment includes novel or unusual elements it may require Treasury approval (see SFI 11.6)
- 17.2.11 All losses and special payments must be reported periodically to the Audit and Governance Committee.

## **18. INFORMATION TECHNOLOGY**

### **18.1 Responsibilities and duties of the Senior Information Risk Owner (SIRO)**

18.1.1 The Senior Information Risk Owner, 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 financial data, programs and computer hardware for which the Director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;
- (b) ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
- (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
- (d) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Director may consider necessary are being carried out.

18.1.2 The Senior Information Risk Owner shall need to ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.

### **18.2 Responsibilities and duties of other Directors and Officers in relation to computer systems of a general application**

18.2.1 In the case of computer systems which are proposed for general applications and those applications which the majority of Trusts in the TDA South area wish to sponsor jointly, all responsible directors and employees will send to the Trust's Director of Health Informatics for submission and approval by the ICT Steering Group the following:

- (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.

18.2.2 The Director of Health Informatics shall publish and maintain a Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority and compliance to this is a statutory requirement. It describes the classes or types of information about our Trust that we make publicly available.

### **18.3 Contracts for Computer Services with other health bodies or outside agencies**

- 18.3.1 The Director of Health Informatics 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.
- 18.3.2 Where another health organisation or any other agency provides a computer service for financial applications, the Director of Health Informatics shall periodically seek assurances that adequate controls are in operation.

### **18.4 Risk Assessment**

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

### **18.5 Requirements for Computer Systems which have an impact on corporate financial systems**

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

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

### **18.6 Standard of Non-Financial Records**

The Director of Health Informatics shall be responsible for ensuring that non-financial records are adequate for contractual and management purposes.

### **18.7 Security and Integrity of Records**

The Director of Health Informatics shall be responsible for implementing all necessary systems to ensure the security and integrity of the records in which this data (Financial and Non-Financial) is held. Records will be maintained in accordance with the Records Management: NHS Code of Practice.

## **19. PATIENTS' PROPERTY**

### **19.1 Safe Custody of Patients' Property**

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 Liability for Patients' Property**

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 Procedures for Patients' Property**

19.3.1 The Chief Nurse 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.

19.3.2 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

### **19.4 Bank accounts for Patients' Property**

Where Department of Health instructions require the opening of separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance.

### **19.5 Restricted Use of Patients' Property**

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.

### **19.6 Deceased Patients**

19.6.1 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.

- 19.6.2 Where a patient, dying intestate and without lawful kin, leaves property in the hands of the Trust, the Director of Finance shall report the facts to the Treasury Solicitor. Where the net estate after payment of all known liabilities and collection of all known assets amounts to £200 or less, the money can be retained as a contribution towards expenses. The Trust will not accept responsibility for any assets in the hands of any other person or organisation.
- 19.6.3 The burial or cremation of deceased patients for whom no other arrangements are possible shall be undertaken by the Trust and the cost thereof recovered as a first charge against the patient's property, if any.

## **20. FUNDS HELD ON TRUST (INCLUDING CHARITABLE FUNDS)**

### **20.1 Corporate Trustee**

- (1) Standing Order No. 2.8 outlines the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust,
- (2) The discharge of the Trust's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.
- (3) The Director of Finance shall ensure that each trust fund which the Trust is responsible for managing is managed appropriately with regard to its purpose and to its requirements.
- (4) All Fund Holders are required to comply with the Charitable Fund Policy and Procedure

### **20.2 Accountability to Charity Commission and Secretary of State for Health**

- (1) The trustee responsibilities must be discharged separately and full recognition given to the Trust's dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for all funds held on trust.
- (2) The Schedule of Matters Reserved to the Board and the Scheme of Delegation make clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken and by whom. All Trust Board members and Trust officers must take account of that guidance before taking action.

### **20.3 Applicability of Standing Financial Instructions to funds held on Trust**

- (1) In so far as it is possible to do so, most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust. (See overlap with SFI No 8.16).
- (2) The over-riding principle is that the integrity of each Trust must be maintained and statutory and Trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

- 21. **ACCEPTANCE OF GIFTS BY STAFF (see overlap with Trust Gifts, hospitality, sponsorship and interests policy and procedure and SO No. 7, SO Appendix 6)**
- 21.1 Detailed guidance on the acceptance of gifts by staff is contained in the Trust Gifts, hospitality, sponsorship and interest's policy and procedure (see Annex D)

## 22. SECTION NOT USED

## **23. RETENTION OF RECORDS**

- 23.1** The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Department of Health guidelines.
- 23.2 The records held in archives shall be capable of retrieval by authorised persons.
- 23.3 Information Asset Owners, as delegated by the Chief Executive, are responsible for ensuring the appropriate retention and subsequent disposal of records in line with Records Management: NHS Code of Practice.23.4 Detail shall be maintained of records destroyed.

## **24. RISK MANAGEMENT AND INSURANCE**

### **24.1 Programme of Risk Management**

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

The programme of risk management shall include:

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

The existence, integration and evaluation of the above elements will assist in providing a basis to make the Annual Governance Statement that is published with the Annual Report and Accounts as required by current Department of Health guidance.

### **24.2 Insurance: Risk Pooling Schemes administered by NHSLA**

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

### **24.3 Insurance arrangements with commercial insurers**

24.3.1 There is a general prohibition on entering into insurance arrangements with commercial insurers. There are, however, three exceptions when Trust's may enter into insurance arrangements with commercial insurers. The exceptions are:

- (1) Trust's may enter commercial arrangements for insuring motor vehicles owned by the Trust including insuring third party liability arising from their use;
- (2) where the Trust is involved with a consortium in a Private Finance Initiative contract and the other consortium members require that commercial insurance arrangements are entered into; and
- (3) where income generation activities take place. Income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the Trust for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from the Litigation Authority. In any case of doubt concerning a Trust's powers to enter into commercial insurance arrangements the Director of Finance should consult the Department of Health.

### **24.4 Arrangements to be followed by the Trust Board in agreeing Insurance cover**

- (1) Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority the Chief Nurse shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Chief Nurse shall ensure that documented procedures cover these arrangements.
- (2) Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, the Chief Nurse shall ensure that the Trust Board is informed of the nature and extent of the risks that are self-insured as a result of this decision. The Chief Nurse will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed.
- (3) All the risk pooling schemes require Scheme members to make some contribution to the settlement of claims (the 'deductible'). The Director of Finance should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

## Annex A

### Procedures supporting the Standing Financial Instructions CE= Chief Executive; DoF= Director of Finance; DWC=Director of Workforce and Communications; CN=Chief Nurse

Paras.	Procedure	Lead
1.2.5 (b)	Ensuring detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions.	DoF
6.3.1	Prepare detailed instructions on the operation of bank and GBS accounts	DoF
7.3.2	Bad Debts to be dealt with in accordance with Losses and Special payments procedures	DoF
7.4.1.(c)	The security of keys, and for coin operated machines;	DoF
7.4.1 (d)	Prescribing systems and procedures for handling cash and negotiable securities	DoF
Section 8	Tendering and Contracting	DoF
9.4	Development and maintenance of a register to monitoring Partnerships	DoF
9.5	Development of a Business case supporting any proposed hosting of services provided to other organisations	DoF
11.3.2	Determination of starting pay rates, condition of service, etc., for employees.	DWC
11.4.2 (h)	Procedures for payment by cheque, bank credit or cash	DWC/DoF
11.4.2 (i)	Procedure for the recall of cheques and bank credits	DWC/DoF
11.4.5	Payroll: Audit Review Procedures	DWC/DoF
12.1.3	Professional Advice for the supply of goods and services	DoF
12.2.4	Instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds	DoF
12.2.4 (d) (iv)	Instructions to employees regarding the handling and payment of accounts within the Finance Department	DoF
12.2.7.(k)	Instructions Restrictions of purchases from petty cash in terms of value and by type of purchase.	DoF
12.3.1	Payments to Local Authorities & Voluntary Organisations under Section 28A	DoF
13.1.3	Applications for loans and overdrafts.	DoF
13.2.3	The operation of investment accounts and on the records to be maintained.	DoF
15.1.3	Capital Projects: Stage payments	CE
15.1.5	Regular reporting of Capital expenditure and commitment against authorised expenditure	DoF
15.1.6	Issue a scheme of delegation for capital investment management	CE
15.1.9	The financial management, including variations to contract, of capital investment projects and valuation for accounting purposes	DoF
15.4.5	Approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers	DoF
15.5.2	Asset Control	DoF
15.5.3	Reporting of breaches of agreed security practices	DoF
16.2.3	Set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.	DoF
16.2.6	Procedures for the disposal of obsolete stock shall follow the	DoF



Paras.	Procedure	Lead
	procedures set out for disposal of all surplus and obsolete goods.	
17.1.1	Detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers	DoF
17.2.1	Prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers	DoF
18.1.1 (a)	Devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's financial data, programs and computer hardware	CN
19.3.1	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)	CN
19.4	Where Department of Health instructions require the opening of separate accounts for patients' moneys, these shall be opened and operated under agreed arrangements.	DoF
24.4.(1)	Use the risk pooling schemes administered by the NHS Litigation Authority	CN
24.4 (2)	Management of any claims arising from third parties and payments in respect of uninsured	CN
24.4 (3)	Ensure documented procedures to cover the management of claims and payments below the deductible in risk pooling schemes	DoF

**NB:** “1.1.7 The Director of Finance shall ensure that detailed procedures and systems are prepared and maintained relating to all sections of these SFIs. These in effect form part of these Standing Financial Instructions”.

**Annex B**
**Financial Limits contained within the Standing Financial Instructions**

<b>Section B Para.</b>	<b>Limit</b>	<b>£</b>
4.3.2(h)	For revenue developments over £500k the relevant Business Case requires Finance Committee approval. Trust Board approval is required for cases of £1million and over. For revenue developments or investments over £5m whole life costs involving managed service or lease arrangements (for equipment, IT, property), the relevant Business Case requires the approval of the Trust Development Authority	Up to £500,000 TME £500,000 & over FC £1,000,000 & over Trust Board £5,000,000 & over TDA
8.9	Local procurement procedures will operate for items requisitioned and expected to be below £10,000 (Purchase Orders required for all purchases see para. 12.2). Designated Budget Managers are expected to secure value for money	10,000 exc VAT
8.7.1	3 Written Quotations are required where intended expenditure/income is reasonably expected to be between	10,001 and 49,999 exc VAT
8.5.3 (a)	Formal Tendering is required if income or expenditure is reasonably expected to exceed	49,999 exc VAT
8.8.1	Authorisation of Tenders or Competitive quotations Head of Procurement and one of Deputy Director of Finance Above plus one Executive Director Above plus Chief Executive or Trust Board	(exc VAT) Up to 49,999 50,000 – 249,999 250,000 – 500,000 Greater than 500,000
8.14.1 (c)	Competitive Tendering not required if income from disposal is expected to be less than	10,000
8.15.2 (c)	Where tenders include in-house submissions, Non-Executive Director should sit on evaluation teams if contract expenditure is likely to exceed	500,000
11.6.1	The Trust Remuneration Committee approve individual non Board contractual redundancy packages up to	100,000
11.6.2	Trust Remuneration Committee and Trust Development Authority (TDA) Remuneration Committee to approve individual non Board redundancy packages in excess of	100,000
11.6.3	All contractual severance payments to the Chief Executive or Executive Directors must be approved by the Trust's Remuneration Committee and the NHS Trust Development Authority's Remuneration Committee.	
11.6.4/5	Non contractual severance payments and payments of a novel or unusual nature require the approval of the Trust and TDA Remuneration Committees as above and will require Treasury approval.	
12.2.5	Prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e. cash flows must be discounted to NPV using the National Loans Fund (NLF) rate	NLF + 2%
12.2.8	Purchases from petty cash are restricted in per claim unless advance authority is given by the Financial Services Team	25.00
15.1.2d	For projects over £500k the relevant Business Case requires Finance Committee approval; if £1million or over Trust Board approval is required.	£500,000 & over FC £1,000,000 & over Trust Board
15.1.2 (d)	For projects over £5m the relevant Business Case requires the approval of the Trust Development Authority	5,000,000

Section B Para.	Limit	£
19.6.1	Value above which Probate or Letters of Administration required if patient property held exceeds	5,000
19.6.1	Forms of indemnity required if deceased patients property fall below	5,000
19.6.2	A contribution to expenses not exceeding £200 may be retained in cases where a patient, dying intestate and without lawful kin, leaves property in the hands of the Trust	200.00

## TDA Consultancy spending controls: Executive Summary (July 2015)

Spending by NHS providers on management consultants was £420 million in 2014/15 and given the current level of provider deficits the NHS cannot continue to spend on this scale without getting maximum value for money. The TDA are therefore putting in place support and controls at a national level to ensure that only good value for money consultancy is commissioned and, where, possible generic technical advice is widely shared within the NHS.

**Effective 2<sup>nd</sup> June 2015**, NHS Trusts are required to secure advance approval from the NHS TDA before:

- Signing new revenue contracts for consultancy projects over £50,000 including irrecoverable VAT and expenses; this includes contracts where contractual negotiations were in place prior to 2<sup>nd</sup> June. These controls do not currently apply to capital contracts, interim management and day rate contractors.
- Extending or varying existing revenue contracts or incurring additional expenditure to which they are not already committed (where the total contract value exceeds £50,000 including irrecoverable VAT and expenses).

### Important notes:-

- Consultancy is as defined in the NHS Manual for Accounts (see overleaf)
- Interim management and day rate contractors are currently outside these controls but in accordance with Agency controls contractors must be procured from a 'framework' agency.
- Under HMRC current guidance, VAT is recoverable on the professional services of managers, advisers, experts, specialists and consultants for advice or information on how to affect something but not on the implementation of the new process / initiative. Contracts that include research / information gathering / provision of advice or recommendations AND support in implementing those regulations are not VAT recoverable. It is important that contracts and project specifications only claim implementing if they are really going to affect something. If they are in an advisory or supportive capacity but not implementing this changes the VAT treatment under current guidance.
- During 2015/16, the NHS TDA will collect detailed financial data on consultancy contract procurement as part of the regular collection process.
- NHS Trusts are expected to comply with this controls process. A failure to do so may indicate to the NHS TDA that a trust does not have adequate expenditure controls in place which may result in the TDA requesting that the NHS Trust obtains prior approval before committing to other discretionary expenditure items.
- Evidence suggesting organisations are seeking to avoid these controls through splitting contracts, manipulating contract scope or substituting contracts with high cost interims or secondees from consultancies will be subject to follow up by the TDA.

**Approval Process – For revenue contracts over £50,000** (including irrecoverable VAT & expenses)

NHS Trusts must complete the TDA business case approval form, available from Procurement, which will allow the NHS TDA Consultancy Control panel to assess each case.

The key areas of focus for the template are:-

- Ambition to deliver something of value, importance and relevance that supports the trust's strategic and operational objectives
- Clear scope developed with engagement with patients, clinicians, commissioners and suppliers
- Robust contract management – that the Trust can manage supplier, control spend and ensure VFM
- Capacity for the Trust to implement findings / recommendations
- Timeline of work – with details on when expected outcomes will be delivered
- Robust implementation review proposal – focus on benefits and value added
- Value on price – options appraisal, evidence of sourcing best value supplier
- Wider use of findings – expectation that the results will be made available for wider benefit of NHS, particularly if technical advice which is likely to be generic; right of access to be written into contracts.

On completion of approved consultancy projects, NHS Trusts will be required to submit to the NHS TDA a report detailing benefits of the work and value added.

**Extract from draft NHS Manual for Accounts 2015-16 : Consultancy** (chapter 4 annex 5)

The provision to management of objective advice and assistance relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such assistance will be provided outside the “business as usual” (BAU) environment when in-house skills are not available and will be of no essential consequence and time-limited. Services may include the identification of options with recommendations and/or assistance with (but not delivery of) the implementation of solutions.

The consultancy category will include areas such as:

- **Strategy:** The provision of objective advice and assistance relating to corporate strategies, appraising business structures, value for money reviews, business performance measurement, management services, product design and process and production management
- **Finance:** The provision of objective advice and assistance relating to corporate financing structures, accountancy, control mechanisms and systems. This does not include “auditor's remuneration”, this is reported separately. It will include:
  - Strategic Finance: Providing specialist services and support in the form of financial, legal, insurance advice to develop a Public Private partnership/Private Finance Initiative deal for procurement requirement.
  - Operational Finance: Procurement advice on risk management and internal control systems including audit arrangements. Advice on the commercial viability of grant recipients, suppliers and partners; solvency checks
- **Organisation and Change Management:** Provision to management of objective advice and assistance relating to the strategy, structure management and operations of an organisation in pursuit of its purposes and objectives. Long range planning, re-organisation of structure, rationalisation of services, general business appraisal of organisation

- **IT/IS:** The provision of objective advice and assistance relating to IT/IS systems and concepts, including strategic studies and development of specific projects. Defining information needs, computer feasibility studies and making computer hardware evaluations. Including consultancy related to e-business
- **Property and Construction:** The provision of specialist advice relating to the design, planning and construction, tenure, holding and disposal strategies. This can also include the advice and services provided by surveyors and architects
- **Procurement:** the provision of objective advice and assistance when establishing procurement strategies
- **Legal Services:** The provision of external specialist legal advice and opinion in connection with the policy formulation and strategy development particularly on commercial and contractual matters
- **Marketing and Communication:** The provision of objective advice, assistance and support in the development of publicising and the promotion of the entity's Business Support programmes, including advice on design, programme branding, media handling and advertising
- **Human Resource, training and education:** The provision of objective advice and assistance in the formulation of recruitment, retention, manpower planning and HR strategies and advice and assistance relating to the development of training and education strategies
- **Programme and Project Management:** The provision of advice relating to ongoing programmes and one-off projects. Support in assessing, managing and or mitigating the potential risks involved in a specific initiative; work to ensure expected benefits of a project are realised
- **Technical:** The provision of applied technical knowledge. This can be sub-divided into:
  - Technical Studies: Research based activity including studies, prototyping and technical demonstrators.
  - Project Support: Project based activities including technical consultancy, concept, development and in-service support activities.
  - Engineering Support: Task based support including Post Design Services, repair, calibration, analysis testing and integration.

## Annex D

### **Gifts, Hospitality, Sponsorship and Interests Policy and Procedure**

Policy subject to agreement

## **APPENDIX ONE**

### **Process Requirements**

#### **1.0 Implementation and Awareness**

- 1.1 Once approved the Document Lead or Author will send this policy/procedural document to the Clinical Governance Assistant who will publish it on the Trust intranet.
- 1.2 All staff will have access to a copy of the policy and procedure through the Trust's intranet site. A monthly table of Trust publications will be produced by the Clinical Governance Assistant; this will be published on the Bulletin Board (Trust intranet) under "Trust Publications", and a notification email circulated Trust wide by the Communications team
- 1.3 On receipt of the Trust wide Bulletin Board notification all managers should ensure that their staff members are aware of the new publications.

#### **2.0 Review**

The Standing Financial instructions will be reviewed annually.

#### **3.0 Archiving**

The Trust intranet retains all superseded files in an archive directory in order to maintain document history.



## APPENDIX TWO

### CONSULTATION ON: Standing Financial Instructions

**Consultation process** – Use this form to ensure your consultation has been adequate for the purpose.

**Please return comments to:** Head of Financial Services (wmaher2@nhs.net)

**By date:** Wednesday 30<sup>th</sup> September 2015

Name: Name: <i>List key staff appropriate for the document under consultation. Select from the following:</i>	Date sent	Date reply received	Modification suggested? Y/N	Modification made? Y/N
Local Counter Fraud Specialist	28/08/15			
Chief Internal Auditor	28/08/15	28/09/15	Y	Y
Director of Finance	28/08/15	throughout	Y	Y
Deputy Director of Finance	28/08/15	throughout	Y	Y
Executive Directors	28/08/15			
Non-Executive Directors	28/08/15	Audit committee		
Risk Manager	28/08/15			
Head of Information Governance	28/08/15	01/09/15	Y	Y
Human Resources Business Partner	28/08/15			
Head of Employee Services	28/08/15			
Head of Finance Systems	28/08/15	01/09/15	Y	Y
Head of SLA & Income	28/08/15	throughout	Y	Y
Head of Financial Management	28/08/15	throughout	Y	Y
Head of Procurement	28/08/15	throughout	Y	Y
Financial Services Manager	28/08/15	throughout	Y	Y
Service agreements manager	28/08/15	throughout	Y	Y
Technical Team Leader and team	28/08/15	throughout	Y	Y
Debt Management Team Leader and team	28/08/15	throughout	Y	Y
Payables Team Leader and team	28/08/15	throughout	Y	Y
Associate Directors	28/08/15			
HIS Managing Director	28/08/15			
Head of R&D	28/08/15			
Associate Director of Governance, Quality and Patient Safety	28/08/15			
EME Services Manager	28/08/15			
Capital Planning Manager	28/08/15	throughout	Y	Y
Local Security Management Specialist	28/08/15			
Staff side representative	28/08/15			
Trust Secretary	28/08/15			
General Managers / Heads of department	28/08/15	01/09/15 (1)	Y	Y
Director of Estates	28/08/15			
Director of Health Informatics	28/08/15			
The role of those staff being consulted upon as above is to ensure that they have shared the policy for comments with all staff within their sphere of responsibility who would be able to contribute to the development of the policy.				

## APPENDIX THREE

### Equality Impact Assessment

In line with race, disability and gender equalities legislation, public bodies like MTW are required to assess and consult on how their policies and practices affect different groups, and to monitor any possible negative impact on equality.

The completion of the following Equality Impact Assessment grid is therefore mandatory and should be undertaken as part of the policy development and approval process. Please consult the Equality and Human Rights Policy on the Trust intranet, for details on how to complete the grid.

**Please note that completion is mandatory for all policy development exercises. A copy of each Equality Impact Assessment must also be placed on the Trust's intranet.**

<b>Title of Policy or Practice</b>	<b>Standing Financial Instructions</b>
<b>What are the aims of the policy or practice?</b>	The Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Trust.
<b>Identify the data and research used to assist the analysis and assessment</b>	
<b>Analyse and assess the likely impact on equality or potential discrimination with each of the following groups.</b>	<b>Is there an adverse impact or potential discrimination (yes/no).</b>  <b>If yes give details.</b>
Males or Females	No
People of different ages	No
People of different ethnic groups	No
People of different religious beliefs	No
People who do not speak english as a first language	Yes (May have difficulty in understanding document, support / interpretation can be provided on request)
People who have a physical disability	Yes (Sight impaired may have difficulty in reading document, a braille version can be provided on request)
People who have a mental disability	Yes (May have difficulty in understanding document, support can be provided on request)
Women who are pregnant or on maternity leave	No
Single parent families	No
People with different sexual orientations	No
People with different work patterns (part time, full time, job share, short term contractors, employed, unemployed)	No
People in deprived areas and people from different socio-economic groups	No
Asylum seekers and refugees	No
Prisoners and people confined to closed institutions, community offenders	No
Carers	No
<b>If you identified potential discrimination is it minimal and justifiable and therefore does not require a stage 2 assessment?</b>	N/A
<b>When will you monitor and review your EqIA?</b>	At the same time as the Standing Financial Instructions document (annually)
<b>Where do you plan to publish the results of your Equality Impact Assessment?</b>	As Appendix 3 of the Standing Financial Instructions document on the Trust Intranet