

Dedicated to *Outstanding* care

  
Sherwood Forest Hospitals  
NHS Foundation Trust

# STANDING FINANCIAL INSTRUCTIONS

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# 1 INTRODUCTION

## 1.1 General

1.1.1 ~~Monitor~~ [NHS Improvement \(NHSI\)](#) sets the Terms of Authorisation for the Foundation Trust that require compliance with the principles of best practice applicable to corporate governance within the NHS / Health Sector with any relevant code of practice and guidance issued by ~~Monitor~~ [NHSI](#).

1.1.2 The Code of Conduct and Accountability in the NHS issued by the Department of Health requires that each NHS organisation shall give, and may vary or revoke, Standing Financial Instructions for the regulation of the conduct of its members and officers in relation to all financial matters with which they are concerned. These Standing Financial Instructions (SFIs) are issued in accordance with the Code. They shall have effect as if incorporated in the Standing Orders (SOs) of the Foundation Trust.

These SFIs detail the financial responsibilities, policies and procedures to be adopted by the Foundation Trust. They are designed to ensure that its financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board of Directors ~~and~~ [within](#) the Scheme of Delegation adopted by the Foundation Trust.

1.1.3 These SFIs identify the financial responsibilities, which apply to everyone working for the Foundation Trust and its constituent organisations including Trading Units. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes. The Chief Financial Officer must approve all financial procedures.

1.1.4 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Chief Financial Officer **MUST BE SOUGHT BEFORE ACTING**. The user of these SFIs should also be familiar with and comply with the provisions of the Foundation Trust's SOs.

### **FAILURE TO COMPLY WITH STANDING FINANCIAL INSTRUCTIONS AND STANDING ORDERS IS A DISCIPLINARY MATTER, WHICH COULD RESULT IN DISMISSAL.**

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 & Assurance Committee for referring action or ratification. All members of the Board of Directors and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Chief Financial Officer as soon as possible.

## 1.2 Terminology

1.2.1 Any expression to which a meaning is given in Health Service Acts, or in the Financial Directions made under the Acts shall have the same meaning in these instructions.

### **Accounting Officer:**

The Officer responsible and accountable for funds entrusted to the Foundation Trust in accordance with the NHS Foundation Trust Accounting Officer Memorandum. He shall be responsible for ensuring the proper stewardship of public funds and assets. The Health and Social Care Act designates the Chief Executive of the NHS Foundation Trust as the Accounting Officer.

**Appointed Governors:**

Those Members of the Council of Governors appointed by the appointing organisations.

**Appointing Organisations:**

Those organisations named in the constitution that are entitled to appoint members of the Council of Governors.

**Areas of the Foundation Trust:**

The four areas, which are (1) Ashfield (2) Derbyshire (3) Mansfield and (4) Newark & Sherwood.

**Authorised Signatory:**

An officer who has authority delegated by a Budget Holder to approve expenditure for a specific area of the organisation.

**Budget Holder:**

The director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation.

**Board of Directors:**

The Board of Directors as constituted in accordance with the Constitution.

**Budget:**

A resource, expressed in financial or manpower terms, proposed by the Board of Directors for the purpose of carrying out, for a specific period, any or all of the functions of the Foundation Trust.

**CCG Governor:**

A Member of the Council of Governors appointed by a Clinical Commissioning Group for which the Foundation Trust provides goods or services.

**Charity:**

The Charitable funds, gifts, donations and endowments made under the relevant charities legislation and held on trust for purposes relating to the Trust that are administered by the Board of Directors acting as trustees.

**Chief Executive:**

The Accounting Officer of the Foundation Trust.

**Code of Conduct of Accountability in the NHS:**

Describes the three crucial public service values (Accountability, Probity and Openness), which must underpin the work of the health service.

**Company Secretary:**

The Company Secretary of the Foundation Trust or any other person appointed to perform the duties of the Company Secretary, including a joint, assistant or deputy secretary.

**Constitution:**

The constitution of the Foundation Trust that describes the type of organisation, its primary purpose, governance arrangements and membership.

**Council of Governors:**

The Council of Governors as constituted in the Constitution.

**Director:**

A member of the Board of Directors.

**Elected Governor:**

Those Members of the Council of Governors elected by the public constituencies and the classes of the staff constituency.

**Executive Director:**

A Director who is an officer and member of the Board of Directors.

**Financial Auditor:**

The person appointed to audit the accounts of the Foundation Trust.

**Financial Year:**

A period beginning with the date on which the Foundation Trust is authorised and ending with the next 31 March; and each successive period of twelve months beginning with 1 April.

**Funds held on Trust:**

Those funds which the Foundation Trust holds at its date of incorporation, receives on distribution by statutory instrument, or chooses subsequently to accept under powers derived under the National Health Service Act. Such funds may or may not be charitable.

**Foundation Trust:**

The Sherwood Forest Hospitals NHS Foundation Trust.

**Legal Adviser:**

The properly qualified person appointed by the Foundation Trust to provide legal advice.

**Licence Conditions:**

The licence document issued by [NHS Improvement \(formerly Monitor\)](#), confirming Foundation Trust status on the organisation.

**Local Authority Governor:**

A Member of the Council of Governors appointed by one or more local authorities whose area includes the whole or part of one of the areas of the Foundation Trust.

**Member:**

A member of the Foundation Trust.

**~~Monitor~~ NHS Improvement (NHSI):**

The independent regulator.

**NHS Standard Contract:**

The legally binding contract established between the Foundation Trust and every CCG ~~with~~ for which the Foundation Trust provides patient and other services ~~for~~.

**Non-Executive Director:**

A Director who is not an officer of the Foundation Trust and is not to be treated as an officer by virtue of the Constitution.

**Officer:**

An employee of the Foundation Trust.

**Partner:**

In relation to another person, a member of the same household living together as a family unit.

**Partnership Governor:**

A member of the Council of Governors appointed by a partnership organisation.

**Property:**

Land and buildings owned or leased by the Foundation Trust.

**Public Governor:**

A Member of the Council of Governors elected by the members of one of the public constituencies.

**Relevant Asset:**

The property/asset needed for the purposes of providing any of the mandatory goods and services and mandatory training and education.

**Staff Governor:**

Member of the Council of Governors elected by the members of one of the classes of the staff constituency.

**Standing Financial Instructions (SFIs):**

These regulate the conduct of the [Foundation](#) Trust's financial matters.

**Standing Orders (SOs):**

Incorporate the constitution and regulate the business conduct of the Foundation Trust.

**Terms of Authorisation:**

An authorisation given by [Monitor](#) [NHS Improvement](#).

All references to the masculine gender will be deemed to apply equally to the feminine gender when used with these instructions.

- 1.2.2 Wherever the title Chief Executive, Chief Financial Officer, 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.

~~For any items within this document where it is stated that the Chief Executive has authority, this authority is also delegated to the Managing Director.~~

Wherever the term "employee" is used and where the context permits it shall be deemed to include employees of third parties contracted to the Foundation Trust when acting on behalf of the Foundation Trust, including nursing and medical staff and consultants practising on the Foundation Trust premises.

**1.3 Responsibilities and Delegation**

- 1.3.1 The Foundation Trust shall at all times remain a going concern as defined by the relevant accounting standards in force. The Board of Directors exercises financial supervision and control by:

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

- 1.3.2 The constitution dictates that the Council of Governors may not delegate any of its powers to a committee or sub-committee. The Board of Directors has resolved that certain powers and decisions may only be exercised by the Board of Directors in formal session. These are set out in the "Reservation of Powers to the Board of

Directors" document, published within the Scheme of Delegation. The Board of Directors will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Foundation Trust.

1.3.3 Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board of Directors, and as the accounting officer for ensuring that the Board of Directors meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Foundation Trust's activities, is responsible to the Board of Directors for ensuring that its financial obligations and targets are met and has overall responsibility for the Foundation Trust's system of internal control.

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

1.3.5 It is a duty of the Chief Executive to ensure that existing directors and employees and all new appointees are notified of and understand their responsibilities within these instructions. All staff shall be responsible for ensuring conformity with the Standing Orders, Standing Financial Instructions and financial instructions and financial procedures of the Foundation Trust.

1.3.6 The Chief Financial Officer is responsible for:

- a) implementing the Foundation Trust's financial policies and for co-ordinating any corrective action necessary to further these policies (The SFIs themselves do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes);
- 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 Foundation Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Foundation Trust at any time and without prejudice to any other functions of directors and employees to the Foundation Trust. The duties of the Chief Financial Officer include:
  - i) the provision of financial advice to other members of the Board of Directors, Council of Governors and employees;
  - ii) the design, implementation and supervision of systems of internal financial control;
  - iii) the preparation and maintenance of such accounts, certificates, estimates, records and financial reports as the Foundation Trust may require for the purpose of carrying out its statutory duties.

1.3.7 All directors and employees, severally and collectively, are responsible for:

- a) the security of the property of the Foundation 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.
- 1.3.8 Any contractor or employee of a contractor who is empowered by the Foundation Trust to commit the Foundation Trust to expenditure, or who is authorised to obtain income, shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.
- 1.3.9 For any and all directors and employees who carry out a financial function, the form in which financial records are kept and the manner in which directors and employees discharge their duties must be to the satisfaction of the Chief Financial Officer.

## **2 AUDIT**

### **2.1 Audit & Assurance Committee**

2.1.1 In accordance with Standing Orders the Board of Directors shall formally establish a committee of three non-executive directors (Audit & Assurance Committee) to monitor the exercise of the financial auditor's function, with clearly defined terms of reference, which will provide an independent and objective view of internal control by:

- a) overseeing Internal and External Audit services;
- b) reviewing financial systems;
- c) monitoring compliance with Standing Orders and Standing Financial Instructions;
- d) reviewing schedules of losses and compensation and making recommendations to the Board of Directors;
- e) reviewing the effective implementation of corporate governance measures to enable the Foundation Trust to implement best practice as set out in appropriate guidance. This will include the Assurance Framework and control related disclosure statements, for example the Annual Governance Statement and supporting assurance processes; together with any accompanying audit statement, prior to endorsement by the Board of Directors.

2.1.2 The Board of Directors shall satisfy itself that at least one member of the Audit & Assurance Committee has recent and relevant financial experience.

2.1.3 Where the Audit & Assurance Committee feel there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the committee wish to raise, the chairman of the Audit & Assurance Committee should raise the matter at a full meeting of the Board of Directors. (To the Chief Financial Officer in the first instance.)

2.1.4 It is the responsibility of the Chief Financial Officer to ensure adequate internal and external audit services are provided and the Audit & Assurance Committee shall be involved in the selection process when an audit service provider is changed.

### **2.2 Fraud and Corruption**

2.2.1 The Foundation Trust shall take all necessary steps to counter fraud affecting NHS funded services in accordance with:

- a) The policy statement "Applying appropriate sanctions consistently" published by NHS Protect;



- b) Any other reasonable guidance or advice issued by ~~CFSMS~~ the NHS Counter Fraud Authority that affects efficiency, systemic and/or procedural matters.
- 2.2.2 The Chief Executive and Chief Financial Officer shall monitor and ensure compliance with the above.
- 2.2.3 The Foundation 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~~ Standards for providers: Fraud, bribery and corruption and guidance.
- 2.2.4 The Local Counter Fraud Specialist shall report to the Foundation Trust Chief Financial Officer and shall work with the staff in the Counter Fraud and Security Management Service and the Counter Fraud Operational Service.
- 2.3. **Chief Financial Officer**
- 2.3.1 The Chief Financial Officer is responsible for:
- a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal control including the establishment of an effective internal audit function and the coordination of other assurance arrangements;
  - b) ensuring that the internal audit is adequate and meets the NHS mandatory audit standards;
  - c) deciding at what stage to involve the police in cases of fraud, 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 & Assurance Committee and the Board of Directors. The report must cover:
    - i) a clear statement on the effectiveness of internal controls in accordance with current guidance issued by the Department of Health;
    - ii) major internal financial control weaknesses discovered;
    - iii) progress on the implementation of internal audit recommendations;
    - iv) progress against plan over the previous year;
    - v) strategic audit plan;
    - vi) a detailed plan for the coming year.
- 2.3.2 The Chief Financial Officer or designated auditors are entitled without necessarily giving prior notice to require and receive:
- a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
  - b) access at all reasonable times to any land, premises, members of the Board of Directors and Council of Governors or employee of the Foundation Trust;
  - c) the production of any cash, stores or other property of the Foundation Trust under a member of the Board of Directors or employee's control; and

- d) explanations concerning any matter under investigation.

## 2.4 Role of Internal Audit

2.4.1 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 Foundation 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;
- e) reporting on the Quality Account Indicators mandated by [Monitor NHSI](#).

2.4.2 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 Chief Financial Officer must be notified immediately.

2.4.3 The Head of Internal Audit will normally attend Audit & Assurance Committee meetings and has a right of access to all Audit & Assurance Committee members, the Chairman and Chief Executive of the Foundation Trust.

2.4.4 The Head of Internal Audit shall be accountable to the Chief Financial Officer. The reporting system for internal audit shall be agreed between the Chief Financial Officer, the Audit & Assurance Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Manual. The reporting system shall be reviewed at least every 3 years. Where, in exceptional circumstances, the use of normal reporting channels is thought to limit the objectivity of the audit, the Head of Internal Audit shall have access to report direct to the Chairman or a non-executive member of the Foundation Trust's Audit & Assurance Committee.

2.4.5 Managers in receipt of audit reports referred to them have a duty to take appropriate remedial actions within the agreed time-scales within the report. The Chief Financial Officer shall identify a formal review process to monitor the extent of compliance with audit recommendations. Where appropriate remedial action has failed to take place within a reasonable period, the matter shall be reported by the Chief Financial Officer to the Audit & Assurance Committee.

## 2.5 External Audit

2.5.1 The external auditor is appointed by the Council of Governors following recommendation from the Audit & Assurance Committee.

2.5.2 The [Audit Code for NHS Foundation Trusts](#) [Code of Audit Practice](#) ("The Audit Code") contains the statutory responsibilities of NHS Foundation Trusts and auditors in relation to accounting and audit.

- 2.5.3 The Foundation Trust shall comply with the Audit Code.
- 2.5.4 The Auditor shall comply with the Audit Code.
- 2.5.5 References in 2.4.3 and 2.4.5 relate equally to internal and external audit.
- 2.5.6 In the event of the External Auditor issuing a Public Interest report the Foundation Trust shall forward a report to ~~Monitor~~ NHSI within 30 days (or such shorter period as ~~Monitor~~ NHSI may specify) of the report being issued. The report shall include details of the Foundation Trust's response to the issues raised within the Public Interest report.

## 2.6 Financial Audit

### 2.6.1 Duties

The Foundation Trust is to have a financial auditor and is to provide the financial auditor with every facility and all information, which he may reasonably require for the purposes of his functions.

The financial auditor is to carry out their duties in accordance with any directions given by ~~Monitor~~ NHSI on standards, procedures and techniques to be adopted.

### 2.6.2 Appointment of Financial Auditor

A person may only be appointed as the financial auditor if they (or in the case of a firm of each of its members) are a registered auditor.

The Council of Governors at a General Meeting shall appoint or remove the Foundation Trust's financial auditor.

The Board of Directors may resolve that external auditors be appointed to review and publish a report on any other aspect of the Foundation Trust's performance. Any such auditors are to be appointed by the Council of Governors.

## 3 ~~ALLOCATIONS / PAYMENT BY RESULTS, BUSINESS~~ AND FINANCIAL PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING

### 3.1 Preparation and approval of business plans and budgets

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

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

3.1.2 Prior to the start of the financial year the Chief Financial Officer will, on behalf of the Chief Executive, prepare and submit budgets relating to income and expenditure for approval by the Board of Directors. Such budgets will:

- a) be in accordance with the aims and objectives set out in the Foundation Trust's annual business plan, and the commissioners' local delivery plans;
- b) accord with workload and manpower plans;

- c) be produced following discussion with appropriate budget holders;
  - d) be prepared within the limits of available funds;
  - e) identify potential risks; and
  - f) be based on reasonable and realistic assumptions.
- 3.1.3 The Chief Financial Officer shall monitor financial performance against budgets, periodically review it and report to the Board of Directors. Any significant variances should be reported by the Chief Financial Officer to the Foundation Trust Board of Directors as soon as they come to light and the Board of Directors shall be advised of action to be taken in respect of such variances.
- 3.1.4 All budget holders must provide information as required by the Chief Financial Officer to enable budgets to be compiled.
- 3.1.5 The Chief Financial Officer has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders and authorised signatories to help them manage successfully.

### 3.2 **Budgetary delegation**

- 3.2.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities, including pooled budget arrangements. This delegation must be in writing and be accompanied by a clear definition of:
- a) the amount of the budget;
  - b) the purpose(s) of each budget heading;
  - c) individual and group responsibilities;
  - d) authority to exercise virement;
  - e) achievement of planned levels of service; and
  - f) the provision of regular reports.
- 3.2.2 The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board of Directors.
- 3.2.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement.
- 3.2.4 Non-recurring budgets should not be used to finance recurring expenditure.

### 3.3 **Budgetary control and reporting**

- 3.3.1 The Chief Financial Officer will devise and maintain systems of budgetary control. These will include:
- a) regular financial reports to the Board of Directors in a form approved by the board of Directors containing:
    - i) key financial performance indicators and forecasts;
    - ii) explanations of any material variances from plan/budget;

- iii) details of any corrective action where necessary and the Chief Executive's and/or Chief Financial Officer's view of whether such actions are sufficient to correct the situation;
  - b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
  - c) investigation and reporting of variances from financial and workload budgets;
  - d) monitoring of management action to correct variances;
  - e) arrangements for the authorisation of budget transfers;
  - f) advising the Chief Executive and Foundation Trust Board of Directors of the consequences of changes in policy, pay awards and other events and trends affecting budgets and shall advise on the economic and financial impact of future plans and projects; and
  - g) review of the bases and assumptions used to prepare the budgets.
- 3.3.2 In the performance of these duties the Chief Financial Officer will have access to all budget holders on budgetary matters and shall be provided with such financial and statistical information as is necessary.
- 3.3.3 Each Budget Holder is responsible for ensuring that:
- a) any planned or known overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board of Directors;
  - b) officers shall not exceed the budget limit set;
  - c) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement; and
  - d) no permanent employees are appointed without the approval of the Chief Executive or Chief Financial Officer other than those provided for in the budgeted establishment as approved by the Board of Directors.
- 3.3.4 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Annual Plan and a balanced budget.
- 3.4 **Capital expenditure**
- 3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in Section 11.) A Project Sponsor will be identified who will assume responsibility for the budget relating to the scheme.
- 3.5 **Monitoring returns**
- 3.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to [Monitor-NHSI](#) within the specified time-scales.

## 4 ANNUAL ACCOUNTS AND REPORTS

### 4.1 Accounts

4.1.1 The Foundation Trust is to keep accounts in such form as ~~Monitor~~NHSI may, with the approval of the Treasury, direct. The accounts are to be audited by the Foundation Trust's financial auditor. The following documents will be made available to the Comptroller and Auditor General for examination at his request:

- a) the accounts;
- b) any records relating to them; and
- c) any report of the financial auditor on them.

4.1.2 The Foundation Trust is to prepare in respect of each financial year annual accounts in such form as ~~Monitor~~NHSI may, with the approval of the Treasury, direct. In preparing its annual accounts, the Foundation Trust is to comply with any directions given by ~~Monitor~~NHSI with the approval of the Treasury as to:

- a) the methods and principles according to which the accounts are to be prepared;
- b) the information to be given in the accounts.

4.1.3 The annual accounts, any report of the financial auditor on them, and the annual report are to be presented to the Council of Governors at a General Meeting.

4.1.4 The Foundation Trust shall:

- a) lay a copy of the annual accounts, and any report of the financial auditor on them, before Parliament; and
- b) once it has done so, send copies of those documents to ~~Monitor~~NHSI.

Responsibility for complying with the requirements relating to the form, preparation and presentation of the accounts shall be delegated to the accounting officer.

### 4.2 Annual Reports

4.2.1 The Foundation Trust is to prepare annual reports and ~~send~~submit them to ~~Monitor~~NHSI. The reports are to give:

- a) information on any steps taken by the Foundation Trust to secure that (taken as a whole) the actual membership of its public constituencies and of the classes of the staff constituency is representative of those eligible for such membership; and
- b) any other information ~~Monitor~~NHSI requires.

4.2.2 The Foundation Trust is to comply with any decision ~~Monitor~~NHSI makes as to:

- a) the form of the reports;
- b) when the reports are to be ~~sent to him~~submitted;
- c) the periods to which the reports are to relate.

#### 4.3 **Plans**

The Foundation Trust is to give information as to its forward planning in respect of each financial year to ~~Monitor~~ [NHSI](#). The document containing this information is to be prepared by the Directors, and in preparing the document, the Board of Directors must have regard to the views of the Council of Governors.

### 5 **BANK ACCOUNTS**

#### 5.1 **General**

5.1.1 The Chief Financial Officer is responsible for managing the Foundation Trust banking arrangements and for advising the Foundation Trust on the provision of banking services and operation of accounts.

5.1.2 The Board of Directors shall approve the banking arrangements.

#### 5.2 **Bank accounts**

5.2.1 The Chief Financial Officer is responsible for:

- a) bank accounts and other forms of working capital financing that may be available from the Department of Health;
- b) establishing separate bank accounts for the Foundation Trust's non-exchequer funds;
- c) ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made;
- d) reporting to the Board of Directors all arrangements made with the Foundation Trust's bankers for accounts to be overdrawn (together with the remedial action taken).

5.2.2 All accounts should be held in the name of the Foundation Trust. No officer other than the Chief Financial Officer shall open any account in the name of the Foundation Trust or for the purpose of furthering Foundation Trust activities.

#### 5.3 **Banking procedures**

5.3.1 The Chief Financial Officer will prepare detailed instructions on the operation of bank accounts, which must include:

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

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

5.3.3 The Chief Financial Officer shall approve security procedures for any cheques issued without a hand-written signature e.g. lithographed. Manually produced cheques shall be signed by the authorised officer(s) in accordance with the bank mandate.

5.3.4 All cheques shall be treated as controlled stationery, in the charge of a duly designated officer controlling their issue.

#### 5.4 **Tendering and Review**

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

5.4.2 Competitive tenders should be sought at least every 5 years. The results of the tendering exercise should be reported to the Board of Directors.

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

#### 6.1 **Income systems**

6.1.1 The Chief Financial Officer is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.

6.1.2 All such systems shall incorporate, where practicable, in full the principles of internal check and separation of duties.

6.1.3 The Chief Financial Officer is also responsible for the prompt banking of all monies received.

#### 6.2 **Fees and charges**

6.2.1 The Chief Financial Officer is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the guidance in the NHS Commissioning Board's Standards of Business Conduct shall be followed.

6.2.2 All employees must inform the Chief Financial Officer promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

#### 6.3 **Debt recovery**

6.3.1 The Chief Financial Officer is responsible for the appropriate recovery action on all outstanding debts, including a formal follow up procedure for all debtor accounts.

6.3.2 Income not received (bad debts) should be dealt with in accordance with losses procedures.

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

#### 6.4 **Security of cash, cheques and other negotiable instruments**

6.4.1 The Chief Financial Officer is responsible for:

- a) approving the form of all receipt books, agreement forms or other means of officially acknowledging or recording monies received or receivable (no form of



receipt which has not been specifically authorised by the Chief Financial Officer should be issued);

- b) ordering and securely controlling any such stationery;
  - c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys and for coin operated machines; and
  - d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the Foundation Trust.
- 6.4.2 Official money shall not under any circumstances be used for the encashment of private cheques, nor IOUs.
- 6.4.3 Staff shall be informed in writing on appointment of their responsibilities and duties for the collection, handling or disbursement of cash, cheques, etc.
- 6.4.4 All cheques, postal orders, cash, etc. shall be banked promptly intact under arrangements approved by the Chief Financial Officer.
- 6.4.5 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 Foundation Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Foundation Trust from responsibility for any loss.
- 6.4.6 Any loss or shortfall of cash, cheques or other negotiable instruments, however occasioned, shall be monitored and recorded within the Finance Department. Any significant trends should be reported to the Chief Financial Officer and Internal Audit via the incident reporting system. Where there is prima facie evidence of fraud or corruption this should follow the form of the Foundation Trust's [Counter Fraud, Bribery and Corruption Policy](#) and the guidance provided by the Counter Fraud and Security Management Service. Where there is no evidence of fraud or corruption the loss should be dealt with in line with the Foundation Trust's Losses and Compensations Procedures.

## **7 CONTRACTS**

### **7.1 NHS Standard Contracts**

- 7.1.1 The Board of Directors of the Foundation Trust shall regularly review and at all times maintain and ensure the capacity and capability of the Foundation Trust to provide the commissioner requested services referred to in the [Monitor NHS Provider Licence](#).
- 7.1.2 The Chief Executive, as the accounting officer, is responsible for ensuring the Foundation Trust enters into suitable NHS Standard Contracts with CCGs and other commissioners for the provision of NHS services. The Foundation Trust will follow the priorities contained within the schedules of the contract, 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:
- a) the standards of service quality expected;
  - b) the relevant national service framework (if any);
  - c) the provision of reliable information on cost and volume of services;
  - d) that the contract builds where appropriate on existing partnership arrangements.

- 7.1.3 The Chief Executive is responsible for ensuring that the Foundation Trust works with all partner agencies involved in both the delivery and the commissioning of the service required.
- 7.1.4 The Chief Executive, as the accounting officer, will need to ensure that regular reports are provided to the Board of Directors detailing actual and forecast income from the contract. This will include appropriate payment by results performance information.
- 7.2 **Other contracts for services provided**
- 7.2.1 The Chief Executive, as the accounting officer, is responsible for ensuring the Foundation Trust enters into suitable contracts with CCGs and other commissioners for the provision of services outside of NHS Standard Contracts.
- 7.2.2 The Chief Executive shall ensure (in accordance with the limits outlined in the Scheme of Delegation) that a business case is produced setting out:
- a) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs; and
  - b) appropriate project management and control arrangements; and
  - c) the involvement of appropriate Foundation Trust personnel and external agencies; and
  - d) that the Chief Financial Officer has certified professionally to the revenue and costs consequences detailed in the business case.

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

### **8.1 Remuneration Committee**

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

8.1.2 The Committee will:

- a) advise the Board of Directors about appropriate remuneration and terms of service for the Chief Executive and other executive directors (and other senior employees), including;
  - i) all aspects of salary (including any performance-related elements/bonuses);
  - ii) provisions for other benefits, including pensions and cars;
  - iii) arrangements for termination of employment and other contractual terms;
- b) make such recommendations to the Board of Directors on the remuneration and terms of service of executive directors (and other senior employees) to ensure they are fairly rewarded for their individual contribution to the Foundation Trust, having proper regard to the Foundation Trust's

circumstances and performance and to the provisions of any national arrangements for such staff where appropriate;

- c) monitor and evaluate the performance of individual executive directors (and other senior employees); and
- d) advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

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

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

8.1.5 The Council of Governors, at a General Meeting will decide the remuneration and allowances, and the other terms and conditions of office of the Non-Executive Directors.

## 8.2 **Funded establishment**

8.2.1 The manpower plans incorporated within the annual budget will form the funded establishment. The establishment of the Foundation Trust will be identified and monitored by the Director of Human Resources and Organisational Development under delegation from the Chief Executive.

8.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive or individual nominated within the relevant section of the Scheme of Delegation.

## 8.3 **Staff appointments**

8.3.1 No Executive Director or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration unless within the limit of his approved budget and funded establishment as defined in the Scheme of Delegation.

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

## 8.4 **Processing of the payroll**

8.4.1 The Director of Human Resources and Organisational Development in conjunction with the Chief Financial Officer is responsible for:

- a) specifying timetables for submission of properly authorised time records and other notifications;
- b) the final determination of pay and allowances, including verification that the rate of pay and relevant conditions of service are in accordance with current agreements;
- c) making payment on agreed dates; and
- d) agreeing the method of payment.

8.4.2 The Chief Financial Officer will issue instructions regarding:

- a) verification and documentation of data;
- b) the timetable for receipt and preparation of payroll data and the payment of 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 / [General Data Protection Regulation](#);
- g) methods of payment available to various categories of employee;
- h) procedures for payment by cheque, bank credit, or cash to employees;
- i) procedures for the recall of cheques and bank credits;
- j) pay advances and their recovery;
- k) maintenance of regular and independent reconciliation of pay control accounts;
- l) separation of duties of preparing records and handling cash; and
- m) a system to ensure the recovery from leavers of sums of money and property due by them to the Foundation Trust.

8.4.3 Appropriately nominated managers have delegated responsibility for:

- a) processing a signed copy of the contract/appointment form and such other documentation as may be required immediately upon an employee commencing duty;
- b) submitting time records, and other notifications in accordance with agreed timetables;
- c) completing time records and other notifications in accordance with the Director of Human Resources [and Organisational Development](#) instructions and in the form prescribed by the Director of Human Resources [and Organisational Development](#);
- d) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the Director of Human Resources [and Organisational Development](#) must be informed immediately. In circumstances where fraud might be expected this must be reported to the Chief Financial Officer.

8.4.4 Regardless of the arrangements for providing the payroll service, the Director of Human Resources [and Organisational Development](#) in conjunction with the Chief Financial Officer shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review

procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

## **8.5 Contracts of employment**

8.5.1 The Board of Directors shall delegate responsibility to a manager for:

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

## **9 NON-PAY EXPENDITURE**

### **9.1 Delegation of authority**

9.1.1 The Board of Directors will approve the level of non-pay expenditure on an annual basis and determine the level of delegation to budget holders.

9.1.2 The Chief Executive will set out:

- a) the list of managers who are authorised to place requisitions for the supply of goods and services. This list should be updated and reviewed on an ongoing basis and annually by the Procurement Department or by officers in those departments that are responsible for their own procurement, for example Pathology, MEMD, Pharmacy;
- b) the maximum level of each requisition and the system for authorisation above that level.

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

### **9.2 Choice, requisitioning, ordering, receipt and payment for goods and services**

9.2.1 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Foundation Trust. In doing so, the advice of the Procurement Category Manager shall be sought. Where this advice is not acceptable to the requisitioner, the Chief Financial Officer (and/or the Chief Executive) shall be consulted.

9.2.2 The Chief Financial Officer shall be responsible for the prompt payment of properly authorised accounts and claims in accordance with the Better Payments Practice Code (BPPC). Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

9.2.3 The Chief Financial Officer will:

- a) advise the Board of Directors regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be regularly reviewed;
- b) prepare procedural instructions where not already provided in the Scheme of Delegation or procedure notes for budget holders on the obtaining of goods, works and services incorporating the thresholds;

- c) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
  - i) a list of directors/employees (including specimens of their signatures) authorised to approve or incur expenditure. Where the authorisation system is computerised the list will be maintained within the computerised system and the 'signature' will be in the form of electronic authorisation in accordance with the access and authority controls maintained within the computerised system;
  - 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 system is in place for the early payment 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;
- d) be responsible for ensuring that payment for goods and services is only made once the goods and services are received (except as below).

9.2.4 Prepayments outside of normal commercial arrangements, for example fully comprehensive maintenance contracts, rental, insurance 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 flow must be discounted to NPV using the National Loans Fund (NLF) rate;
- b) the appropriate Officer in conjunction with the Procurement Department 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 Foundation Trust if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments;
- c) the Chief Financial Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the

EU public procurement rules where the contract is above a stipulated financial threshold);

- d) the Budget Holder is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the appropriate Director or Chief Executive if problems are encountered.

9.2.5 Official Purchase Orders must:

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

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

- a) where an officer certifying accounts relies upon other officers to do preliminary checking, he/she shall wherever possible ensure that those who check delivery or execution of work act independently of those who have placed orders and negotiated prices and terms;
- b) 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 isolated gifts of a trivial character or inexpensive seasonal gifts, such as:
  - i) calendars;
  - ii) conventional hospitality, such as lunches in the course of working visits;
- c) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Chief Financial Officer on behalf of the Chief Executive;
- d) all goods, services or works are ordered on an official purchase order except for ~~utility bills, NHS Recharges, audit fees, ad-hoc services such as private hospital fees, or any others~~ those specified on the Exceptions List, within the Procurement Manual. Payments must be authorised in accordance with the delegated limits set for non-pay;
- e) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order, and clearly marked "Confirmation Order";
- f) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- g) goods are not taken on trial or loan in circumstances that could commit the Foundation Trust to a future un-competitive purchase;
- h) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Chief Financial Officer;
- i) petty cash records are maintained in a form as determined by the Chief Financial Officer.



9.2.7 The Chief Executive and Chief Financial Officer shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within the [NHS](#) Premises Assurance Model. The technical audit of these contracts shall be the responsibility of the relevant Director.

9.2.8 Under no circumstances should goods be ordered through the Foundation Trust for personal or private use.

### 9.3 **Contracts Procedure Rules**

#### 9.3.1 **Introduction**

9.3.1.1 These Contract Procedure Rules provide a corporate framework for the procurement of all goods, services and works for the Trust. The Rules are designed to ensure that all procurement activity is conducted with openness, probity and accountability. Above all, the Rules are designed to ensure that the Trust obtains value for money and the required level of quality and performance in all contracts that are let. Every contract for the supply of goods and services and for the execution of works made by or on behalf of the Trust shall comply with these Rules.

9.3.1.2 E-procurement procedures shall be used wherever possible. Where appropriate e-auctions may be used, so long as provision is made for this in the advert. Requests for quotations, pre-qualification questionnaires and Invitations to tender should wherever practical be issued to tenderers by electronic means. The e-tendering software that is to be used must be either the corporate e-tendering system or the Crown Commercial Services Rfx system.

9.3.1.3 The Trust is committed to dealing fairly with all relevant discrimination groups as defined in the Equalities Act 2010.

#### 9.3.2 **Compliance with contract procedure rules**

9.3.2.1 The provisions contained in these Rules are subject to the statutory requirements of both the European Union and the United Kingdom. The letting and content of Contracts shall conform to all statutory requirements and be subject to any over-riding directives of the European Union relating to contracts and procurement. This Rule cannot be waived, since a failure to comply with European legislation may result in a legal challenge to the Trust with consequent reputational and financial risk. If you are uncertain, advice can be sought from the Head of Procurement.

9.3.2.2 In estimating relevant contract values, officers shall have regard to the rules regarding aggregation, and also those regarding Value Added Tax, e.g. a three year contract at £40,000 (inclusive of VAT) per annum should be considered as a £120,000 value contract.

9.3.2.3 These Rules apply, in addition to other procurements, to any proposal for the Trust to become involved in a joint venture or partnership, including the monitoring of any such arrangement. All procurements must also comply with Freedom of Information and Data Protection requirements.

9.3.2.4 Where the Trust acts as lead body on a consortium or collaborative arrangement, the procedures for tendering contained within these Rules shall be followed.

#### 9.3.3 **Normal procedure**

9.3.3.1 These Rules relate to four categories of procurement based on the estimated value of the contract:



- a) £1 to £5,000;
- b) £5,000 to £25,000;
- c) £25,000 to £EU Threshold;
- d) Over the EU Threshold.

9.3.3.2 In all instances, goods, services or works should be obtained via the methods outlined below:

- a) in-house services;
- b) established corporate contracts or framework agreements;
- c) call for competition framework contracts established by Purchasing Consortia, Procurement Hubs or other Trusts (to be agreed by the Head of Procurement). Access to frameworks can be by direct call off or further competition (“mini-competition”), dependent on specific framework terms.

All of the above options are subject to EU and/or UK Statutory requirements which must be complied with.

9.3.3.3 Orders and payments for goods, services and works shall be undertaken in accordance with the Standing Financial Instructions. In all cases, the following wording must be included in tender and request for quotation documents:

“Information in relation to this tender may be made available on demand in accordance with the requirements of the Freedom of Information Act. Tenderers should state if any of the information supplied by them is confidential or commercially sensitive or should not be disclosed in response to a request for information under the Act. Tenderers should state why they consider the information to be confidential or commercially sensitive. This will not guarantee that the information will not be disclosed but will be examined in the light of the exemptions provided in the Act.”

9.3.3.4 Before entering into any procurement procedure, the Authorised Officer must liaise with the Procurement Department and/or Commercial Services for assistance and advice. The Authorised Officer must be satisfied that the following are in place:

- a) a specification that will form the basis of the contract has been prepared. The specification should be retained on the appropriate contract file held within the service;
- b) an estimate of the cost of the contract has been produced and documented. Where appropriate, any maintenance and on-going costs should be included in the estimate as a total cost of ownership;
- c) for contracts over £25,000 where there is evident risk, a documented risk register for the procurement process and for the eventual contractual relationship should be produced and retained. As a minimum this should analyse all risks, identify how the risks will be managed, and the responsible officer(s);
- d) for all contracts greater than £25,000 a draft contract should be produced to accompany the tender documents. This should utilise NHS Standard Terms and Conditions;

- e) ensure that all evaluation criteria have been determined in advance, put into order of relative importance with weightings for each element and published in the tender pack.

9.3.3.5 Before entering into a contract the Authorised Officer must:

- a) ensure that these Rules have been complied with, and that the proposed contract represents value for money; and
- b) be satisfied about the technical capability of such proposed contractor and be satisfied that s/he has the power and authority to enter into the contract; and
- c) for all contracts that exceed £25,000, the Authorised Officer shall undertake appropriate checks to ensure that the proposed contractor has the financial and resource capacity (taking account of contract value and risk) to perform the contract. Financial vetting shall initially be via the corporate credit check agency. This may be escalated to an officer designated by the Director of Finance in the event of any queries. The Finance Officer shall advise on what, if any, security should be provided by the contractor in terms of a performance bond or parent company guarantee.

9.3.3.6 **Advertising**

Procurement procedures not undertaken via an existing framework valued over £25,000 shall be advertised and, in line with Government guidance, be available for download on the website [www.gov.uk/contracts-finder](http://www.gov.uk/contracts-finder). Contract award notices shall also be published on the website.

9.3.3.7 To invigorate local business spend, calls for competition may also be advertised locally. The Procurement Department should be consulted for further details.

9.3.3.8 All EU notices must be placed by the Procurement Department.

9.3.4 **Exemptions**

9.3.4.1 Subject to OJEU Regulations and statutory requirements, tenders need not be invited in accordance with these Rules in the following cases:

- a) the goods or services are proprietary articles and, in the opinion of the appropriate Senior Officer (which should be put in writing and retained on the project file), no reasonably satisfactory alternative is available. Exemptions under this rule shall be notified to the Procurement Department who will report exemptions to the Audit and Assurance Committee;
- b) the work to be executed or the goods or services to be supplied are controlled by a statutory body;
- c) the work to be executed or the goods or services to be supplied constitute an extension to an existing contract and subject to the Senior Officer deciding that it would not be in the interests of the service or the Trust to tender the contract. The Senior Officer or his or her nominee should consult with the Head of Procurement who will advise whether this course of action is appropriate;
- d) the contract is for the execution of work or the supply of goods or services certified by the appropriate Senior Officer to be required so urgently as to preclude the invitation of tenders. Exemptions under this rule shall be notified to the Procurement

Department who will report exemptions to the Audit and Assurance Committee. Urgency may not be used as a routine exemption;

- e) where any of the above exemptions apply, the Single Tender Waiver protocol must be followed.

9.3.4.2 Tenders need not be invited where the goods, services or works can be sourced via an appropriate, compliant framework agreement. Officers should contact the Procurement Department to ensure that any such frameworks under consideration have been let in accordance with UK and EU procurement directives and regulations. The Procurement Department should also advice on access arrangements, whether it be by direct call off or further competition.

### **9.3.5 Contracting and financial guidelines**

9.3.5.1 Officers should order goods and services that are required through an arrangement illustrated in Rule 9.3.3.2. If however the Trust or the consortium providing them do not have the goods or services or resources available to meet the reasonable needs of the service then an alternative supply may be sourced. In all circumstances a written purchase order is required. If no purchase order has been issued, no payment will be made to a supplier.

9.3.5.2 It is good practice (for all but small value and routine purchases) to open the requirement up to competition.

#### **9.3.5.3 Contracts £1 to £5,000**

Procurement of goods and services estimated to be for amounts up to £5,000 shall be by single source direct award. There is no mandatory procurement involvement, but officers should take account of the rules on aggregated spend. Between £5,000 and £25,000 officers must seek a minimum of 3 informal quotes.

#### **9.3.5.4 Contracts £5,000 to £25,000**

Procurement of goods and services estimated to be for amounts up to £25,000 shall be by three informal quotes. Evidence of the quotes process must be included on the requisition document. There is no mandatory procurement involvement, but officers should take account of the rules on aggregated spend.

#### **9.3.5.4 Contracts £25,000 to EU Threshold**

- i) Procurement of goods and services estimated to be for amounts in the range £25,000 to EU Threshold shall be by formal, advertised call for competition, unless an arrangement under 9.3.3.2 has already been established. The Procurement Team should be involved in such projects, ideally from an early stage. They will offer advice on the appropriate procurement route and the necessary documentation required. The choice of procurement route and documentation will be based on the value, complexity, risk and urgency of the project;
- ii) In cases where works are covered by Constructionline, this list may be used provided that at least three written quotations are obtained (and more where, in the opinion of the Authorised Officer, there is a reasonable level of competition or variety of solutions). The use of Constructionline must be structured in order to ensure open and fair competition with an appropriate rotation of suppliers from the list.

- 9.3.5.6 Contracts EU Threshold and above  
Procurement of goods and services estimated to be for amounts in the range EU Threshold and above shall be by formal Invitation to Tender (ITT).

### 9.3.6 **Probity**

- 9.3.6.1 In every instance, the Procurement Department will maintain a record of the process. This shall be in accordance with the Procurement Toolkit and shall include the following, plus any information that may be required for submitting annual reports to the Government or other agencies:

- a) the officer(s) undertaking the procurement process and taking the decisions;
- b) the rationale for the procurement route taken (including open or restricted procedure if above EU thresholds);
- c) a copy of the specification, risk register and anything required by Financial Regulations;
- d) copies of all tender submissions supplier questionnaire;
- e) copy of the evaluation process and reasons for the decisions as to acceptance or rejection for every tender;
- f) copy of the award letters.

9.3.6.2 Officers of the Foundation Trust shall only be eligible for inclusion on a tender evaluation panel if they have fully complied with the requirements of Conflict of Interest policies and procedures.

- 9.3.6.23 All contracts for goods, services and works must be registered on the Commercial Services Contracts Register and the original contract documents held centrally by Commercial Services. This will include a copy of the contract review and management process including the officer responsible for on-going contract management.

### 9.3.6.34 **Bribery Act**

The Act makes it an offence to pay or receive a bribe, either directly or indirectly. The Act provides for transactions that take place both in the public and private sectors. Where a commercial organisation is convicted of such an offence there is provision within the Regulations for the commercial organisation to be barred from participating in tenders for public contracts. The Government intends to change this in amended Regulations to give a discretion to the public body seeking the tender as to whether such a commercial organisation should be so barred. Where there is evidence to suggest a breach of the Act or a conviction under the Act, officers should inform the Head of Procurement, Director of Human Resources and Organisational Development and the Solicitor to the Trust who will advise on a course of action.

### 9.3.7 **Receipt and Evaluation**

For all projects over £25,000, documentation shall be received via the corporate e-tendering system. Tender documentation will only be released for evaluation once the electronic vault opens at the pre-appointed time.

### 9.3.8 **Late Tenders**

Where a tender is submitted in competition and is received after the specified time then it shall be disqualified. This shall be subject to a test of reasonableness on the part of the Head of Procurement. The decision whether to accept or reject a late tender should be recorded in writing via the e-tender system.

### 9.3.9 **Acceptance**

9.3.9.1 Contracts shall be evaluated and awarded in accordance with the evaluation criteria issued with the tender documentation. Only those tenders that comply with the evaluation criteria shall be considered for acceptance. Tenders must be accepted on the basis of “most economically advantageous” tender.

9.3.9.2 Unless variants have been expressly permitted, a tenderer who submits a qualified or conditional tender shall be given the opportunity to withdraw the qualification or condition without amendment to the tender. If the tenderer fails to do so the tender must be rejected.

9.3.9.3 Prior to final contract award, and as stipulated in the tender documentation instructions, the contractor must provide evidence of adequate insurance to cover:

- a) public liability;
- b) employers' liability; and,
- c) where appropriate, professional indemnity;
- d) where appropriate, product liability.

9.3.9.4 The decision on whether insurance is adequate shall be taken by the Chief Financial Officer. The contractor should be able to produce such evidence in their tender submissions where requested and during the life of the contract.

9.3.9.5 The notification of the award decision to unsuccessful bidders, based on the most economically advantageous tender, should contain:

- a) the award criteria;
- b) the score the tenderer obtained against those award criteria;
- c) the score the winning tenderer obtained;
- d) the name of the winning tenderer(s);
- e) the relative advantage of the winning bid.

### 9.3.10 **Nominated or Named sub-Contractors and Suppliers**

Contracts must be awarded to a single entity or lead contractor, who in turn will take contractual responsibility for the performance (and risks) for all sub-contractors and supply-chains. This reduces the risk of the Trust becoming party to disputes between contractors.

### 9.3.11 **Performance Bonds and Guarantees**

In the case of all contracts valued above £25,000 where a risk is present, the Authorised Officer shall determine, based on advice from the Chief Financial Officer, the degree of security (if any) required to protect the Trust from a contractor default. This may be a performance bond or some other form of financial or performance guarantee, e.g. parent company guarantee. Where a performance bond and/or parent company guarantee is required, then the tender documents must provide for this.

#### 9.3.12 **Liquidated Damages**

Any contract which is estimated to exceed £25,000 in value or amount, and is for the execution of works, or for the supply of goods or materials by a particular date or series of dates, shall provide for liquidated damages. The amount to be specified in each such contract shall be determined by the Head of Procurement.

#### 9.3.13 **Contract Management**

Contract Management must take place on all final awarded contracts. This is outlined through the measurement of individual contractors' KPI's (Key Performance Indicators). It is recommended for contractors to be measured on a quarterly basis. However, depending on the specific contract area, the Trust has the discretion to decide for this to be more frequent.

#### 9.4 **Joint finance arrangements with local authorities and voluntary bodies**

Payments to local authorities and voluntary organisations shall comply with procedures laid down by the Chief Financial Officer.

### 10 **EXTERNAL BORROWING FUNDING AND INVESTMENTS**

#### 10.1 **Public Dividend Capital**

10.1.1 Additional Public Dividend Capital may be made available on such terms the Secretary of State (with the consent of the Treasury) decides.

10.1.2 Draw down of Public Dividend Capital should be authorised in accordance with the mandate held by the Department of Health Cash Funding Team.

10.1.3 The Foundation Trust shall be required to pay annually to the Department of Health a dividend on its Public Dividend Capital at a rate to be determined from time to time, by the Secretary of State.

#### 10.2 **Working Capital Facility / Department of Health Loans**

10.2.1 The Foundation Trust ~~also~~ has a working capital limit set by ~~Monitor~~NHSI.

10.2.2 The Foundation Trust must only draw down against this facility in respect of true working capital needs, and in accordance with the terms and conditions of the facility.

10.2.3 The Foundation Trust may borrow money from Department of Health for the purposes of or in connection with its functions, subject to the limit set by NHSI.

#### 10.3 **Commercial Borrowing and Investment**

10.3.1 The Foundation Trust may borrow money from any commercial source for the purposes of or in connection with its functions, subject to the limit set by ~~Monitor~~NHSI.

10.3.2 The Foundation Trust may invest money (other than money held by it as charitable trustee) for the purposes of or in connection with its functions. Such investment may

include forming, or participating in forming, or otherwise acquiring membership of bodies corporate.

- 10.3.3 The Foundation Trust may also give financial assistance (whether by way of loan, guarantee or otherwise) to any person for the purposes of or in connection with its functions but is currently not registered to do so.

#### 10.4 **Investment of Temporary Cash Surpluses**

- 10.4.1 Temporary cash surpluses must be held only in such public and private sector investments as authorised by the Board of Directors.

- 10.4.2 The ~~Business Planning & Investments~~ Finance Committee is responsible for establishing and monitoring an appropriate investment strategy.

- 10.4.3 The Chief Financial Officer is responsible for advising the Board of Directors on investments and shall report periodically to the Board of Directors concerning the performance of investments held.

- 10.4.4 The Chief Financial Officer will prepare detailed procedural instructions on investment operations and on the records to be maintained. The Foundation Trust's Treasury Management policy will incorporate guidance from ~~Monitor~~ NHSI as appropriate.

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

#### 11.1 **Capital investment**

- 11.1.1 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) is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
- c) shall ensure that the capital investment is not undertaken without the availability of resources to finance all revenue consequences, including capital charges.

- 11.1.2 For capital expenditure proposals the Chief Executive shall ensure (in accordance with the limits outlined in the Scheme of Delegation) that a business case is produced setting out:

- e) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs; and
- f) appropriate project management and control arrangements; and
- g) the involvement of appropriate Foundation Trust personnel and external agencies; and
- h) that the Chief Financial Officer has certified professionally to the costs and revenue consequences detailed in the business case.

- 11.1.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of the NHS Premises Assurance Model.



- 11.1.4 The Chief Financial Officer shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 11.1.5 The approval of a capital programme shall not constitute approval for expenditure on any scheme without the approval of an associated business case as set out in 11.1.2. Once approved, The Chief Executive shall issue to the manager responsible for any scheme is issued with:
- a) specific authority to commit expenditure;
  - b) authority to proceed to tender;
  - c) approval to accept a successful tender.
- 11.1.6 The Chief Executive will issue a scheme of delegation for capital investment management in accordance with the NHS Premises Assurance Model and the Foundation Trust's Standing Orders.
- 11.1.7 The Chief Financial Officer shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

## 11.2 Private finance

The Foundation Trust should normally test for PFI when considering capital procurement. When the Board proposes, or is required, to use finance provided by the private sector the following should apply:

- a) The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector;
- b) A business case must be referred to MonitorNHSI/DoH for approval or treated as per current guidelines;
- c) The proposal must be specifically agreed by the Foundation Trust in the light of such professional advice as should reasonably be sought in particular with regard to vires;
- d) The selection of a contractor / finance company must be on the basis of competitive tendering or quotations.

## 11.3 Asset registers

- 11.3.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Chief Financial Officer concerning the form of any register and the method of updating, and arranging for a physical check of assets against the Asset Register to be conducted once a year.
- 11.3.2 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, suppliers' invoices and other documentary evidence in respect of purchases from third parties;
  - b) stores, requisitions and wages records for own materials and labour including appropriate overheads; and



- c) lease agreements in respect of assets held under a finance lease and capitalised.
- 11.3.3 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).
- 11.3.4 The Chief Financial Officer shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on Fixed Asset Registers.
- 11.3.5 The value of assets shall be periodically recalculated in line with the [Department of Health Group Accounting Manual \(GAM\)](#)~~Monitor Annual Reporting Manual (ARM)~~.
- 11.3.6 The value of each asset shall be depreciated using methods and rates as specified in the ~~Monitor ARM~~[GAM](#).
- 11.3.7 The Chief Financial Officer shall calculate and pay capital charges as specified by ~~Monitor~~ [NHSI](#).
- 11.4 Relevant Assets**
- 11.4.1 A register of Relevant Assets is required to be maintained in accordance with requirements issued by ~~Monitor~~[NHSI](#).
- 11.4.2 No Relevant Assets may be disposed of without the approval of ~~Monitor~~[NHSI](#).
- 11.4.3 This will be achieved through the annual planning process. The annual plan will include proposed acquisitions, disposals and changes in the treatment of Relevant Assets.
- 11.4.4 Foundation Trusts are required to notify relevant bodies of the publication date of their plans to allow them to lodge any objections. Twenty-one days is allowed before the plans are then approved.
- 11.4.5 During the year when the proposed changes are made the Asset Register must be updated accordingly. The relevant bodies should then be notified that an updated Asset Register is available.
- 11.4.6 All other changes to the treatment of Relevant Assets must be in line with 'Section 5 – Continuity of Services, Condition CoS2 – Restriction on the disposal of assets' of ~~Monitor~~[NHSI](#)'s Licence Conditions.
- 11.5 Security of assets**
- 11.5.1 The overall control of fixed assets is the responsibility of the Chief Executive advised by the Chief Financial Officer.
- 11.5.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Chief Financial Officer. 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;

- i) periodic verification of the existence of, condition of, and title to, assets recorded;
  - ii) identification and reporting of all costs associated with the retention of an asset;
  - iii) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 11.5.3 All significant discrepancies revealed by verification of physical assets to Fixed Asset Register shall be notified to the Chief Financial Officer.
- 11.5.4 Whilst each employee has a responsibility for the security of property of the Foundation Trust, it is the responsibility of directors 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 of Directors. Any breach of agreed security practices must be reported in accordance with instructions.
- 11.5.5 Any damage to the Foundation Trust's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by directors and employees in accordance with the procedure for reporting losses.
- 11.5.6 Where practical, assets should be marked as Foundation Trust property.

## **12 STOCK STORES AND RECEIPT OF GOODS**

- 12.1 Stocks are defined as those goods normally utilised in day to day activity, but which at a given point in time have not been used or consumed. There are three broad types of store:-
  - a) Controlled stores - specific areas designated for the holding and control of goods;
  - b) Wards and departments - goods required for immediate usage to support operational services;
  - c) Manufactured Items - where goods and consumables are being made or processes are being applied which add to the raw material cost of the goods.
- 12.2 Such stocks should be kept to a minimum and for;
  - a) controlled stores and other significant stores (as determined by the Chief Financial Officer) should be subjected to an annual stocktake or perpetual inventory procedures; and
  - b) valued at the lower of cost and net realisable value.
- 12.3 Subject to the responsibility of the Director of Strategic Planning and Commercial Development for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the Chief Executive. The day-to-day responsibility may be delegated by him to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Strategic Planning and Commercial Development. The control of any Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer.
- 12.4 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated manager.

- 12.5 Wherever practicable, stocks should be marked as Foundation Trust property.
- 12.6 The Chief Financial Officer shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 12.7 Stocktaking arrangements shall be agreed with the Chief Financial Officer and there shall be a physical check covering all items in store at least once a year.
- 12.8 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Chief Financial Officer.
- 12.9 The designated manager shall be responsible for a system approved by the Director of Strategic Planning and Commercial Development for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Chief Financial Officer any evidence of significant overstocking and of any negligence or malpractice (see also 13, Disposals and Condemnations, Insurance, 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.

### **Receipt of Goods**

- 12.10 A delivery note shall be obtained from the supplier at the time of delivery and shall be signed by the person receiving the goods. All goods received shall be checked, by the appropriate department, as regards quantity and/or weight and inspected as to quality and specification. Instructions shall be issued to staff covering the procedures to be adopted in those cases where a delivery note is not available.
- 12.11 All goods received shall be entered onto an appropriate goods received/stock record (whether a computer or manual system) on the day of receipt. If goods received are unsatisfactory, the records shall be marked accordingly. Further, where the goods received are found to be unsatisfactory, or short on delivery, they shall only be accepted on the authority of the designated officer and the supplier shall be notified immediately.
- 12.12 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 to satisfy themselves that the goods have been received. The Finance Department will make payment on receipt of an invoice.

### **Issue of Stocks**

- 12.13 The issue of stocks shall be supplied by an authorised requisition note and a receipt for the stock issued shall be returned to the designated officer. Where a stock replenishment system is used, a record shall be maintained as approved by the Director of Strategic Planning and Commercial Development. Regular comparisons shall be made of the quantities issued to wards/departments etc. and explanations recorded of significant variations.
- 12.14 All transfers and returns shall be recorded on forms/systems provided for the purpose and approved by the Director of Strategic Planning and Commercial Development.

## **13 DISPOSALS AND CONDEMNATIONS, INSURANCE, LOSSES AND SPECIAL PAYMENTS**

### **13.1 Disposals and condemnations**

- 13.1.1 The Chief Financial Officer must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.
- 13.1.2 When it is decided to dispose of a Foundation Trust asset, the head of department or authorised deputy will determine and advise the Chief Financial Officer of the estimated market value of the item, taking account of professional advice where appropriate. For protected (relevant) assets see Section 11.4 of these SFIs.
- 13.1.3 All unserviceable articles shall be:
- a) condemned or otherwise disposed of by an employee authorised for that purpose by the Chief Financial Officer;
  - b) recorded by the condemning officer in a form approved by the Chief Financial Officer, which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Chief Financial Officer.
- 13.1.4 The condemning officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Chief Financial Officer who will take the appropriate action.
- 13.2 **Losses and special payments**
- 13.2.1 The Chief Financial Officer must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. The Chief Financial Officer must also prepare a fraud response plan that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.
- 13.2.2 Any employee or officer discovering or suspecting a loss of any kind must either immediately inform their directorate manager or head of department, who must immediately inform the Chief Financial Officer who will liaise with the Chief Executive, or inform an officer charged with responsibility for responding to concerns involving loss confidentially. This officer will then appropriately inform the Chief Financial Officer who will liaise with the Chief Executive.
- 13.2.3 Where a criminal offence is suspected, the Chief Financial Officer must immediately inform the police if theft or arson is involved. In cases of fraud or corruption or of anomalies which may indicate fraud or corruption, the Chief Financial Officer must inform their Local Counter Fraud Specialist who will inform the relevant Counter Fraud regional team **before** any action is taken and reach agreement how the case is to be handled.
- 13.2.4 The Chief Financial Officer must notify Counter Fraud and Security Management Service of all frauds, and ensure that details are disclosed in the Annual Accounts.
- 13.2.5 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial the Chief Financial Officer must immediately notify the Board of Directors.
- 13.2.6 The Board of Directors shall approve the writing-off of all losses and special payments in accordance with the Scheme of Delegation.
- 13.2.7 The Chief Financial Officer shall be authorised to take any necessary steps to safeguard the Foundation Trust's interests in bankruptcies and company liquidations.
- 13.2.8 For any loss, the Chief Financial Officer should consider whether any insurance claim could be made.

13.2.9 The Chief Financial Officer shall maintain a Losses and Special Payments Register in which write-off action is recorded.

### 13.3 Insurance

The Chief Financial Officer shall ensure that insurance arrangements exist in accordance with the risk management programme.

### 13.4 Compensation claims

13.4.1 The Foundation Trust is committed to effective and timely investigation and response to any claim that includes allegations of clinical negligence, employee and other compensation claims. The Foundation Trust will follow the requirements and note the recommendations of [Monitor-NHSI](#) / the Department of Health, and the NHS Litigation Authority (NHSLA) in the management of claims. Every member of staff is expected to co-operate fully, as required, in assessment and management of each claim.

13.4.2 The Foundation Trust will seek to reduce the incidence and adverse impact of clinical negligence, employee and other litigation by: -

- a) Adopting prudent risk management strategies including continuous review;
- b) Implementing in full the NHS Complaints Procedure, thus providing an alternative remedy for some potential litigants;
- c) Adopting a systematic approach to claims handling in line with the best current and cost effective practice;
- d) Following guidance issued by the NHSLA relating to clinical negligence;
- e) Achieving the Care Quality Commission's 'Essential standards of quality and safety';
- f) Implementing an effective system of Clinical Governance.

13.4.3 The Executive Medical Director and the Executive Director of Nursing and Quality are responsible for clinical governance. The Company Secretary is responsible for managing the claims process in collaboration with the Executive Medical Director and the Executive Director of Nursing and Quality, and for informing the Foundation Trust Board of Directors of any major developments on claims related issues.

## 14 INFORMATION TECHNOLOGY

14.1. The Chief Financial Officer, who is responsible for the accuracy and security of the computerised financial data of the Foundation Trust, shall:

- a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Foundation Trust's data, programs and computer hardware for which he/she is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection and Computer Misuse Acts;
- 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 adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent via transmission networks;
  - e) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews, as he/she may consider necessary are being carried out.
- 14.2 The Chief Financial Officer shall satisfy him/herself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.
- 14.3 In the case of computer systems which are proposed general applications (i.e. normally those applications which the majority of NHS Organisations in the region wish to sponsor jointly e.g. PACS - Picture Archiving Communication System) all responsible directors and employees will send to the ~~Chief Financial Officer~~ Senior Information Risk Owner:
- 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.
- 14.4 The ~~Chief Financial Officer~~ Senior Information Risk Owner 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.
- 14.5 Where another health organisation or any other agency provides a computer service for financial applications, the ~~Chief Financial Officer~~ Senior Information Risk Owner shall periodically seek assurances that adequate controls are in operation.
- 14.6 Where computer systems have an impact on corporate financial systems the ~~Chief Financial Officer~~ Senior Information Risk Owner shall satisfy him/herself that:
- a) systems acquisition, development and maintenance are in line with corporate policies such as an IM&T Strategic Plan;
  - b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - c) ~~Chief Financial Officer~~ Senior Information Risk Owner staff have access to such data; and
  - d) such computer audit reviews as are considered necessary are being carried out.
- 14.7 The Foundation Trust shall disclose to ~~Monitor~~ NHSI and directly to any third parties, as may be specified by the Secretary of State, the information, if any, specified in the ~~Monitor~~ NHSI Licence. Other information, as requested, shall be provided to ~~Monitor~~ NHSI.

## 15 PATIENTS' PROPERTY

- 15.1 The Foundation 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.
- 15.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission that by the Foundation Trust will not accept responsibility or liability for patients' property brought into its premises, unless it is handed in for safe custody and a copy of an official patient's property record is obtained as a receipt. This information shall take the form of:
- a) notices and information booklets;
  - b) hospital admission documentation and property records;
  - c) the oral advice of administrative and nursing staff responsible for admissions.
- 15.3 The Chief Financial Officer must provide detailed written instructions on the collection, custody, 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. The said instructions shall cover the necessary arrangements for withdrawal of cash or disbursement of money held in accounts of patients who are incapable of handling their own financial affairs.
- 15.4 A patient's property record, in a form determined by the ~~Chief Financial Officer~~Chief Nurse shall be completed in respect of the following:
- a) property handed in for safe custody by any patient (or guardian as appropriate); and
  - b) property taken into safe custody having been found in the possessions of:
    - i) mentally disordered patients
    - ii) confused and/or disorientated patients
    - iii) unconscious patients
    - iv) patients dying in hospital
    - v) patients found dead on arrival at hospital (property removed by police)
  - c) A record shall be completed in respect of all persons in category b, including a nil return if no property is taken into safe custody.
- 15.5 The record shall be completed by a member of the hospital staff in the presence of a second member of staff and the patient (or representative) where practicable. It shall then be signed by both members of staff and by the patient, except where the latter is restricted by physical or mental incapacity. Any alterations shall be validated by signature as required in the original entry on the record.
- 15.6 ~~Patients' income, including pensions and allowances, shall be dealt with in accordance with current Department of Work and Pensions instructions. For long stay patients, the Chief Executive shall ensure that positive action is taken to use their funds effectively and so reduce balances accruing.~~
- 15.76 Refunds of cash handed in for safe custody will be dealt with in accordance with the Trust's ~~Patient Properties & Monies Procedure~~ Policy and Procedure for the



**Safeguarding and Custody of Patients' Property.** Property other than cash, which has been handed in for safe custody, shall be returned to the patient as required, by the officer who has been responsible for its security. The return shall be receipted by the patient or guardian as appropriate and witnessed.

- 15.87 The disposal of property of deceased patients shall be effected by the officer who has been responsible for its security. Such disposal shall be in accordance with written instructions issued by the Chief Financial Officer, in particular, where cash or valuables have been deposited for safe custody, they shall only be released after written authority has been given by the Chief Financial Officer. Such authority shall include details of the lawful kin or other person entitled to the cash and valuables in question.
- 15.98 In all cases where property of a deceased patient is of a total value in excess of the amount prescribed in the Administration of Estates Act, 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 less than the amount prescribed in the Act, forms of indemnity shall be obtained.
- 15.109 Property handed over for safe custody shall be placed into the care of the appropriate administrative staff. Where there are no administrative staff present, the property shall be placed in the secure care of the most senior member of nursing staff on duty.
- 15.140 In respect of deceased patients, if there is no will and no lawful next of kin the property vests in the Crown and particulars shall, therefore, be notified to the Treasury Solicitor.
- 15.121 Any funeral expenses necessarily borne by the Foundation Trust are a first charge on a deceased person's estate. Where arrangements for burial or cremation are not made privately, any element of the estate held by the Foundation Trust may be appropriated towards funeral expenses, upon the authorisation of the Chief Financial Officer.
- 15.132 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.
- 15.143 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.

## **16 FUNDS HELD ON TRUST**

### **16.1 General**

- 16.1.1 The Foundation Trust has a responsibility as a corporate trustee for the management of funds it holds on trust. The management processes may overlap with those of the organisation of the Foundation Trust, however, the trustee responsibilities must be discharged separately and full recognition given to its dual accountabilities to the Charity Commission.
- 16.1.2 The reserved powers of the Board of Directors and the Scheme of Delegation make clear where decisions are to be taken and by whom.
- 16.1.3 As management processes overlap most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust.
- 16.1.4 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.



- 16.1.5 Charitable Funds are those gifts, donations and endowments made under the relevant charities legislation and held on trust for purposes relating to the Trust and the objectives of which are for the benefit of the NHS in England. They are administered by the Foundation Trust Board of Directors acting as trustees.
- 16.1.6 The Chief Financial Officer shall maintain such accounts and records as may be necessary to record and protect all transactions and funds of the Foundation Trust as trustees of Charitable Funds, including an Investment Register.

## **16.2 Existing Charitable Funds**

- 16.2.1 The Chief Financial Officer shall arrange for the administration of all existing funds. Terms of Registration must exist for every fund and detailed codes of procedure shall be produced covering every aspect of the financial management of charitable funds, for the guidance of fund managers. The Terms of Registration shall identify the restricted nature of certain funds, and it is the responsibility of fund managers, within their delegated authority, and the Charitable Funds Committee, to ensure that funds are utilised in accordance with the terms of the Deed.
- 16.2.2 The Chief Financial Officer shall periodically review the funds in existence and shall make recommendations to the Charitable Funds Committee regarding the potential for rationalisation of such funds within statutory guidelines.
- 16.2.3 The Chief Financial Officer shall ensure that all funds are currently registered with the Charity Commission in accordance with the Charities Act.

## **16.3 New Charitable Funds**

- 16.3.1 The Chief Financial Officer shall recommend the creation of a new fund where funds and/or other assets, received for charitable purposes, cannot adequately be managed as part of an existing fund.
- 16.3.2 The Deed of Establishment for any new fund shall clearly identify, inter alia, the objects of the new fund, the nominated fund manager, the estimated annual income and, where applicable, the Charitable Funds Committee's power to assign the residue of the fund to another fund contingent upon certain conditions, e.g. discharge of original objects.

## **16.4 Sources of New Funds**

- 16.4.1 All gifts accepted shall be received and held in the name of the Charity and administered in accordance with the Charity's policy, subject to the terms of specific funds. As the Charity can accept gifts only for all or any purposes relating to the Terms of Registration, officers shall, in cases of doubt, consult the Chief Financial Officer before accepting any gift. Advice to the Board of Directors on the financial implications of fund raising activities by outside bodies or organisations shall be given by the Chief Financial Officer.
- 16.4.2 All gifts, donations and proceeds of fund-raising activities, which are intended for the Charity's use, must be handed immediately to the Chief Financial Officer via the Cash Office to be banked directly to the Charitable Funds Bank Account.
- 16.4.3 In respect of donations, the Chief Financial Officer shall:-
- a) provide guidelines to Officers of the Foundation Trust as to how to proceed when offered funds. These will include:
    - i) the identification of the donor's intentions;
    - ii) where possible, the avoidance of creating excessive numbers of funds;

- iii) the avoidance of impossible, undesirable or administratively difficult objects;
  - iv) sources of immediate further advice; and
  - v) treatment of offers for personal gifts;
- b) provide secure and appropriate receipting arrangements, which will indicate that donations have been accepted directly into the appropriate fund and that the donor's intentions have been noted and accepted.
- 16.4.4 In respect of Legacies and Bequests, the Chief Financial Officer shall be kept informed of and record all enquiries regarding legacies and bequests. Where required, the Chief Financial Officer shall:
- a) provide advice covering any approach regarding the receipt of funds/other assets from executors;
  - b) after the death of a testator the Chief Financial Officer shall be responsible for ensuring that all correspondence and executor discharge concerning a legacy shall be dealt with on behalf of the Charity;
  - c) where necessary, obtain grant of probate or make application for grant of letters of administration;
  - d) be empowered to negotiate arrangements regarding the administration of a will with executors and to discharge them from their duty; and
  - e) be directly responsible, in conjunction with the Charitable Funds Committee, for the appropriate treatment of all legacies and bequests.
- 16.4.5 In respect of fund-raising, the final approval for major appeals will be given by the Board of Directors (as Trustee). Final approval for smaller appeals will be given by the Charitable Funds Committee. The Chief Financial Officer shall:
- a) advise on the financial implications of any proposal for fund-raising activities;
  - b) deal with all arrangements for fund-raising by and/or on behalf of the Charity and ensure compliance with all statutes and regulations;
  - c) be empowered to liaise with other organisations/persons raising funds for the Charity and provide them with an adequate discharge;
  - d) be responsible for alerting the Charitable Funds Committee and the Board of Directors (as Trustee) to any irregularities regarding the use of the Charity's name or its registration numbers; and
  - e) be responsible for the appropriate treatment of all funds received from this source.
- 16.4.6 In respect of Trading Income (in line with Charity Commission Guidance), the Chief Financial Officer shall:
- a) be primarily responsible, along with designated fund managers, for any trading undertaken by the Charity; and
  - b) be primarily responsible for the appropriate treatment of all funds received from this source.

16.4.7 In respect of Investment Income, the Chief Financial Officer shall be responsible for the appropriate treatment of all dividends, interest and other receipts from this source (see below).

## **16.5 Investment Management**

16.5.1 The Charitable Funds Committee shall be responsible for all aspects of the management of the investment of charitable funds as delegated under the terms of the approved investment policy. The issues on which the Chief Financial Officer shall be required to provide advice to the Charitable Funds Committee shall include:-

- a) the formulation of investment policy which meets statutory requirements (Trustee Investment Act) with regard to income generation and the enhancement of capital value;
- b) the appointment of advisers, brokers and, where appropriate, investment fund managers and:
  - i) The Chief Financial Officer shall recommend the terms of such appointments; and for which;
  - ii) written agreements shall be signed by the Chief Executive;
- c) pooling of investment resources and the preparation of a submission to the Charity Commission for them to make a scheme;
- d) the participation by the Charity in common investment funds and the agreement of terms of entry and withdrawal from such funds;
- e) that the use of assets shall be appropriately authorised in writing and charges raised within policy guidelines;
- f) the review of the performance of brokers and fund managers;
- g) the reporting of investment performance.

16.5.2 The Chief Financial Officer shall prepare detailed procedural instructions concerning the receiving, recording, investment and accounting for Charitable Funds.

## **16.6 Expenditure from Charitable Funds**

16.6.1 Expenditure from Charitable Funds shall be managed by the Charitable Funds Committee on behalf of the Board of Directors (as Trustee). In so doing the committee shall be aware of the following:

- a) the objects of various funds and the designated objectives;
- b) the availability of liquid funds within each trust;
- c) the powers of delegation available to commit resources;
- d) the avoidance of the use of exchequer funds to discharge endowment fund liabilities (except where administratively unavoidable), and to ensure that any indebtedness to the Exchequer shall be discharged by trust funds at the earliest possible time;
- e) that funds are to be spent rather than preserved, subject to the wishes of the donor and the needs of the Foundation Trust; and the definitions of "charitable purposes".

16.6.2 Delegated authority to incur expenditure which meets the purpose of the funds is set out in the Scheme of Delegation; exceptions are as follows:

- a) Any staff salaries/wages costs require Charitable Funds Committee approval;
- b) No funds are to be “overdrawn” except in the exceptional circumstance that Charitable Funds Committee approval is granted.

### **16.7 Banking Services**

16.7.1 The Chief Financial Officer shall advise the Charitable Funds Committee and, with its approval, shall ensure that appropriate banking services are available in respect of administering the Charitable Funds. These bank accounts should permit the separate identification of liquid funds to each trust where this is deemed necessary by the Charity Commission.

### **16.8 Asset Management**

16.8.1 Assets in the ownership of or used by the Foundation Trust shall be maintained along with the general estate and inventory of assets of the Foundation Trust. The Chief Financial Officer shall ensure:-

- a) that appropriate records of all donated assets owned by the Foundation Trust are maintained, and that all assets, at agreed valuations are brought to account;
- b) that appropriate measures are taken to protect and/or to replace assets. These to include decisions regarding insurance, inventory control, and the reporting of losses;
- c) that donated assets received on trust shall be accounted for appropriately;
- d) that all assets acquired from Charitable Funds which are intended to be retained within the funds are appropriately accounted for.

### **16.9 Reporting**

16.9.1 The Chief Financial Officer shall ensure that regular reports are made to the Charitable Funds Committee and Board of Directors with regard to, inter alia, the receipt of funds, investments and expenditure.

16.9.2 The Chief Financial Officer shall prepare annual accounts in the required manner, which shall be submitted to the Board of Directors within agreed timescales.

16.9.3 The Chief Financial Officer shall prepare an annual trustees’ report and the required returns to the Charity Commission for adoption by the Charitable Funds Committee.

### **16.10 Accounting and Audit**

16.10.1 The Chief Financial Officer shall maintain all financial records to enable the production of reports as above and to the satisfaction of internal and external audit.

16.10.2 Distribution of investment income to the charitable funds and the recovery of administration costs shall be performed on a basis determined by the Chief Financial Officer.

16.10.3 The Chief Financial Officer shall ensure that the records, accounts and returns receive adequate scrutiny by internal audit during the year. He/she will liaise with external audit and provide them with all necessary information.

- 16.10.4 The Charitable Funds Committee shall be advised by the Chief Financial Officer on the outcome of the annual audit.

## **16.11 Taxation and Excise Duty**

- 16.11.1 The Chief Financial Officer shall ensure that the Charity's liability to taxation and excise duty is managed appropriately, in line with HMRC regulations, through the maintenance of appropriate records, the preparation and submission of the required returns and the recovery of deductions at source.

## **17 ACCEPTANCE OF GIFTS AND HOSPITALITY BY STAFF**

- 17.1 The ~~Chief Financial Officer~~ Company Secretary shall ensure that all staff are made aware of the Foundation Trust policy on acceptance of gifts and other benefits in kind by staff.

## **18 RETENTION OF DOCUMENTS**

- 18.1 The Chief Executive shall be responsible for maintaining archives for all documents required to be retained under the direction contained in the Retention and Destruction of Records Policy and the Freedom of Information Act.
- 18.2 The documents held in archives shall be capable of retrieval by authorised persons.
- 18.3 Records shall be maintained of documents destroyed, as defined in the Retention and Destruction of Records Policy.

## **19 RISK MANAGEMENT**

- 19.1 The Chief Executive shall ensure that the Foundation Trust has a programme of risk management, in accordance with current ~~Monitor~~ NHSI / Department of Health requirements, which must be approved and monitored by the Board of Directors.
- 19.2 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) decisions on which risks shall be insured;

g) arrangements to review the risk management programme;

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