

# Leicestershire Partnership NHS Trust

## Standing Financial Instructions

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## 1. INTRODUCTION

### 1.1 General

- 1.1.1. These Standing Financial Instructions (SFIs) have effect as if incorporated in the Standing Orders (SOs). Although the Trust is not a Foundation Trust (FT), some of the content contained within these SFIs is aligned with FT best practice procedures.
- 1.1.2. These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that the Trust's financial transactions are carried out in accordance with the law, the Regulatory Framework and the guidance and best practice advice issued by NHS England in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Scheme of Reservation and Delegation adopted by the Trust.
- 1.1.3. These Standing Financial Instructions identify the financial responsibilities which apply to everyone working for the Trust and its constituent organisations including hosted shared services. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.1.4. Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Director of Finance must be sought before acting. The user of these Standing Financial Instructions should also be familiar with and comply with the provisions of the Trust's Standing Orders.
- 1.1.5. The failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter which could result in dismissal.
- 1.1.6. **Overriding Standing Financial Instructions** – If for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit and Assurance Committee for referring action or ratification. All members of the Board and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible.

## **2. RESPONSIBILITIES AND DELEGATION**

### **2.1. The Trust Board**

- 2.1.1. The Board exercises financial supervision and control by:
- 2.1.1.1. formulating the financial strategy;
  - 2.1.1.2. requiring the submission and approval of budgets within approved allocations/overall income;
  - 2.1.1.3. defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money);
  - 2.1.1.4. defining specific responsibilities placed on members of the Board and employees as indicated in the Scheme of Reservation and Delegation document.
- 2.1.2. The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the Scheme of Reservation and Delegation document. All other powers have been delegated to such other committees as the Trust has established.

### **2.2. The Chief Executive and Director of Finance**

- 2.2.1. The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.
- 2.2.2. Within the Standing Financial Instructions, it is acknowledged that the Chief Executive is ultimately accountable to the Board and as Accounting Officer, to the Secretary of State, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities; is responsible to the Chairman and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.
- 2.2.3. It is a duty of the Chief Executive to ensure all Board members and employees, present and future, are notified of and understand their responsibilities within the Standing Financial Instructions.

## **2.3. The Director of Finance**

2.3.1. The Director of Finance is responsible for:

- 2.3.1.1. implementing the Trust's financial policies and for coordinating any corrective action necessary to further these policies;
- 2.3.1.2. 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;
- 2.3.1.3. ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Trust at any time, and without prejudice to any other functions of the Trust and employees of the Trust, the duties of the Director of Finance include:
  - 2.3.1.3.1. the provision of financial advice to other members of the Board and employees;
  - 2.3.1.3.2. the design, implementation and supervision of systems of internal financial control;
  - 2.3.1.3.3. the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties.
- 2.3.1.4. ensuring there are proper arrangements for the estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties as prepared and maintained by any shared service centre and hosted shared services.

## **2.4. Board Members and Trust Employees**

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

- 2.4.1.1. the security of the property of the Trust;
- 2.4.1.2. avoiding loss;
- 2.4.1.3. exercising economy and efficiency in the use of resources;

2.4.1.4. conforming to the requirements of Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Reservation and Delegation.

## **2.5. Contractors and their employees**

2.5.1. Ensure that any contractor or employee of a contractor who is empowered by the Trust to commit the Trust to expenditure or who is authorised to obtain income and/or cash are made aware of these instructions and their requirement to comply.

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

### **3. AUDIT**

#### **3.1. Audit and Assurance Committee**

- 3.1.1. In accordance with Standing Orders the Board shall formally establish an Audit and Assurance Committee, with clearly defined terms of reference and following guidance from the NHS Audit Committee Handbook.
- 3.1.2. Where the Audit and Assurance Committee considers there is an issue that requires disclosure or executive action, or if there are other important matters that the Committee wishes to raise, the Chairman of the Audit and Assurance Committee should raise the matter at a full meeting of the Board. Exceptionally, the matter may need to be referred to an appropriate higher authority, such as NHS England, the Care Quality Commission, the Department of Health etc, ideally after consideration by the Director of Finance in the first instance.
- 3.1.3. The Audit and Assurance Committee is responsible for establishing an Auditor Panel. The Auditor Panel will manage the external auditor appointment process and will report into the Audit Committee.
- 3.1.4. After the agreed appointment process has concluded, the Audit and Assurance Committee will make a recommendation to the board on the appointment of the Trust's external auditors.

#### **3.2. Director of Finance**

- 3.2.1. The role and remit of the Director of Finance in respect to the work of the Audit and Assurance Committee:
  - 3.2.1.1. ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective Internal Audit function;
  - 3.2.1.2. ensuring that the Internal Audit function provides value for money, meets the NHS mandatory audit standards, and provides sufficient independent and objective assurance to the Audit and Assurance Committee;
  - 3.2.1.3. deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption;
  - 3.2.1.4. ensuring that an annual internal audit report is prepared for the consideration of the Audit and Assurance Committee and the Board. The report must cover:



- 3.2.1.4.1. a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued including for example compliance with control criteria and standards;
  - 3.2.1.4.2. major internal financial control weaknesses discovered;
  - 3.2.1.4.3. progress on the implementation of internal audit recommendations;
  - 3.2.1.4.4. progress against plan over the previous year;
  - 3.2.1.4.5. a strategic audit plan covering the coming three years;
  - 3.2.1.4.6. a detailed plan for the coming year.
- 3.2.2. The Director of Finance, designated auditors; internal or external, and the Local Counter Fraud Specialist (LCFS) are entitled without necessarily giving prior notice to require and receive:
- 3.2.2.1. access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
  - 3.2.2.2. access at all reasonable times to any land, premises or members of the Board or employee of the Trust;
  - 3.2.2.3. the production of any cash, stores or other property of the Trust under a member of the Board and or an employee's control; and
  - 3.2.2.4. explanations concerning any matter under investigation.

### **3.3. Role of Internal Audit**

- 3.3.1. Internal Audit is an independent and objective appraisal service within an organisation which provides:
- 3.3.1.1. an independent and objective opinion to the Accounting Officer, the Board, and the Audit and Assurance Committee on the degree to which risk management, control and governance, support the achievement of the organisation's agreed objectives;
  - 3.3.1.2. an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance

arrangements.

- 3.3.2. Internal Audit will review, appraise and report upon policies, procedures and operations in place to;
  - 3.3.2.1. establish and monitor the achievement of the organisation's objectives;
  - 3.3.2.2. identify, assess and manage the risks to achieving the organisation's objectives;
  - 3.3.2.3. ensure the economical, effective and efficient use of resources;
  - 3.3.2.4. ensure compliance with established policies (including behavioral and ethical expectations), procedures, laws and regulations;
  - 3.3.2.5. safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
  - 3.3.2.6. ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes;
  - 3.3.2.7. ensure the adequacy and application of financial and other related management controls.
- 3.3.3. The Head of Internal Audit will provide to the Audit and Assurance Committee;
  - 3.3.3.1. a risk-based plan of internal audit work, agreed with management and approved by the Audit and Assurance Committee, based upon the management's Assurance Framework that will enable the auditors to collect sufficient evidence to give an opinion on the adequacy and effective operation of the organisation;
  - 3.3.3.2. regular updates on the progress against plan;
  - 3.3.3.3. reports of management's progress on the implementation of action agreed as a result of internal audit findings;
  - 3.3.3.4. an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes as part of its performance management role;

- 3.3.3.5. additional reports as requested by the Audit and Assurance Committee.
- 3.3.4. The Head of Internal Audit will normally attend Audit and Assurance Committee meetings and has a right of access to all Audit and Assurance Committee members, the Chairman and Chief Executive of the Trust.
- 3.3.5. The Head of Internal Audit reports to the Audit and Assurance Committee. The operational delivery of internal audit service to the Trust is managed through the Trust Secretary. The reporting system for Internal Audit is approved by the Audit and Assurance Committee and the agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Foundation Trust Accounting Officer Memorandum, all other requirements of NHS England and the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed at least every three years.

#### **3.4. External Audit**

- 3.4.1. The External Auditor is appointed in accordance with the Local Audit and Accountability Act 2014. The Audit and Assurance Committee must ensure a cost-efficient service in compliance with the NHS Trust Code of Governance and has established an Auditor Panel sub group to discharge this duty (see 3.1.3 and 3.1.4).

#### **3.5. Fraud and Corruption**

- 3.5.1. In line with their responsibilities, the Trust Chief Executive and Director of Finance shall monitor and ensure compliance with Directions issued by the Secretary of State for Health on fraud and corruption.
- 3.5.2. The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) as specified by the NHS Counter Fraud and Corruption Manual, and guidance.
- 3.5.3. The LCFS shall report to the Director of Finance and shall work with NHS Protect staff in accordance with the NHS Counter Fraud and Corruption Manual.
- 3.5.4. The LCFS will provide a written report, at least annually, to the Audit and Assurance Committee on counter fraud work within the Trust.

#### **3.6. Security Management**

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

- 3.6.2. The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary of State for Health guidance on NHS security management.
- 3.6.3. The Trust shall nominate a Non-Executive Director to oversee the NHS Security Management service who will report to the Board.
- 3.6.4. The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Director of Finance who will fulfill the role of Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS).

- 4. BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING**
- 4.1. Preparation and Approval of Business Plans and Budgets**
- 4.1.1. The Chief Executive will compile and submit to the Board an annual business plan which takes into account financial targets and forecast limits of available resources. Such plans will be compiled by the Chief Executive, working in collaboration with the Director of Finance.
- 4.1.2. The annual business plan will contain the following information and any such additional information as required by NHS England:
- 4.1.2.1. annual business plan commentary;
  - 4.1.2.2. Board statement on risk, service performance, clinical quality, compliance with the requirements of NHS England and Board roles, structures and capacity;
  - 4.1.2.3. Summary financial plan; including financial projections, workforce and activity data;
  - 4.1.2.4. an annual update on mandatory goods and services (Schedule 2) and mandatory education and training (Schedule 3).
- 4.1.3. Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit budgets for approval by the Board. Such budgets will:
- 4.1.3.1. be in accordance with the aims and objectives set out in the Trust's annual business plan and commissioners local operating plans;
  - 4.1.3.2. accord with activity and workforce plans;
  - 4.1.3.3. be produced following discussion with appropriate budget holders;
  - 4.1.3.4. be prepared within the limits of available funds;
  - 4.1.3.5. state clearly the level of dependence on cost improvement plans (CIPS) and provide a summary of CIP schemes and their status.
  - 4.1.3.6. identify potential risks and downside scenarios;
  - 4.1.3.7. be based on reasonable and realistic assumptions.

- 4.1.4. The Director of Finance shall monitor financial performance against budget, on an agreed timetable, and report to the Board. Any significant variances forecasted will be reported by the Director of Finance to the Board as soon as they are identified and the Board shall be advised of action to be taken in respect of such variances.
- 4.1.5. The Director of Finance shall monitor performance against the business plan, on an agreed timetable, and report performance to the Board. Any significant variances forecasted will be reported by the Director of Finance to the Board as soon as they are identified and the Board shall be advised of action to be taken in respect of controlling such variances.
- 4.1.6. All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled. This information must align with current or agreed activity levels and resource requirements.
- 4.1.7. All budget holders will be expected to formally agree their allocated budgets at the commencement of each financial year, and be accountable for maintaining income and expenditure within budget.
- 4.1.8. The Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to ensure successful budget management.

## **4.2. Budgetary Delegation**

- 4.2.1. The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of;
  - 4.2.1.1. the amount of the budget;
  - 4.2.1.2. the purpose(s) of each budget heading;
  - 4.2.1.3. individual and group responsibilities;
  - 4.2.1.4. authority to exercise virement;
  - 4.2.1.5. achievement of planned levels of service;
  - 4.2.1.6. the provision of regular reports.
- 4.2.2. The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board. The virement limits are set out in the Scheme of Reservation and Delegation (SORD).

- 4.2.3. Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised virement.
- 4.2.4. Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive, as advised by the Director of Finance.

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

- 4.3.1. The Director of Finance will devise and maintain systems of budgetary control. These will include:
  - 4.3.1.1. monthly financial reports to the Board in a form approved by the Board containing:
    - 4.3.1.1.1. Statement of Comprehensive Income (income and expenditure);
    - 4.3.1.1.2. Statement of Financial Position (balance sheet), including movements in working capital;
    - 4.3.1.1.3. cashflow statement and details of performance within the Prudential Borrowing Code (PBC);
    - 4.3.1.1.4. capital expenditure;
    - 4.3.1.1.5. explanations of any material variances from plan;
    - 4.3.1.1.6. details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's assessment of whether such actions are sufficient to address the situation;
    - 4.3.1.1.7. investigation and reporting of variances from financial, activity and workforce budgets;
    - 4.3.1.1.8. monitoring of management action to correct variances;
    - 4.3.1.1.9. updates on the downside scenarios in the light of changing internal and external factors;
    - 4.3.1.1.10. details of changes to the finance risk register;
    - 4.3.1.1.11. performance against the Trust's cost improvement programme.
  - 4.3.1.2. the issue of timely, accurate and comprehensive advice and financial reports to each budget holder, covering the areas which they are responsible;
  - 4.3.1.3. arrangements for the authorisation of budget virements;
  - 4.3.1.4. advising the Chief Executive and 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;

4.3.1.5. reviewing the basis and assumptions used to prepare budgets.

4.3.2. Each Budget Holder is responsible for ensuring that:

4.3.2.1. 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 or delegated officer;

4.3.2.2. 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;

4.3.2.3. no permanent employees are appointed without the approval of the Chief Executive, or delegated officer, other than those provided for within the available resources and workforce establishment as approved by the Board, and in line with the Trust vacancy control process;

4.3.2.4. cost improvements, productivity, efficiency and income generation initiatives are identified and implemented in accordance with the requirements of the Annual Business Plan and Long Term Financial Model.

#### **4.4. Capital Expenditure**

4.4.1. The general rules applying to delegation and reporting shall also apply to capital expenditure (the particular applications relating to capital are contained in SFI No. 13.)

#### **4.5. Monitoring Returns**

4.5.1. The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation within the specified timescales, and shall formally sign these off prior to submission (or delegate responsibility to an appropriate officer).



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

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

- 5.1.1. prepare financial returns in accordance with the accounting policies and guidance given by the Secretary of State, the DH, the Trust's accounting policies, and International Financial Reporting Standards (IFRS);
- 5.1.2. prepare and submit annual financial reports to the DH, certified in accordance with current guidelines;
- 5.1.3. submit financial returns to the DH for each financial year in accordance with the timetable prescribed by the Department,
- 5.1.4. produce accounts for periods other than a financial year, such as in-year accounts that may be required by NHS England, the DH or other Government bodies.

**5.2.** The Trust's annual accounts will be audited.

**5.3.** The Trust's audited annual accounts will be approved by the Trust Board.

**5.4.** The Trust will publish an annual report, in accordance with guidelines on local accountability, presented by the Chief Executive, at a General Meeting. The document will comply with the DH Annual Reporting Manual.

## **6. BANK AND GOVERNMENT BANKING SERVICE (GBS) ACCOUNTS**

### **6.1. General**

6.1.1. Trust Board shall approve the banking arrangements in line with the provisions of the Treasury Management Policy.

### **6.2. Bank and GBS Accounts**

6.2.1. The Director of Finance is responsible for:

6.2.1.1. the management and arrangement of commercial bank accounts and Government Bank accounts (provided by Royal Bank of Scotland).

6.2.1.2. establishing separate bank accounts for the Trust's non-exchequer funds;

6.2.1.3. establish a separate bank account for use with any charitable funds and investments, for which the Trust may assist in its role as Corporate Trustee;

6.2.1.4. ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made;

6.2.1.5. advising the Trust, and the Board, on the provision of banking services and operation of accounts. This advice will take into account, in a timely manner, guidance/directions issued from time to time by the DH;

6.2.1.6. reporting to the Board all arrangements made with the Trust's bankers in respect of overdrawn facilities;

6.2.1.7. establishing Capital Project Bank Accounts (PBAs) for schemes > £3m, using single authority approach. This will facilitate payment to subcontractors and reduce any risk of non-payment from the main P22 provider.

### **6.3. Banking Procedures**

6.3.1. The Director of Finance will prepare detailed instructions on the operation of bank accounts which will include:

6.3.1.1. the conditions under which each bank account is to be operated;

6.3.1.2. the limit to be applied to any overdraft;

- 6.3.1.3. those authorised to sign cheques or other orders drawn on the Trust's accounts.
- 6.3.1.4. those authorised to draw down any invested funds which the Trust may hold before maturity.
- 6.3.1.5. Those authorised to approve on-line banking transactions for pre-approved payments up to £200,000 (eg CHAPS payments).
- 6.3.2. The Director of Finance shall advise the Trust's bankers, confirming the conditions under which each account will be operated, including but not exclusively, authorised signatories.
- 6.3.3. The Director of Finance 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. All cheques shall be treated as controlled stationery, in the charge of a duly designated officer controlling their issue.

#### **6.4. Tendering and Review**

- 6.4.1. The Director of Finance will review the banking arrangements of the Trust at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for the Trust's commercial banking business.
- 6.4.2. Competitive tenders shall be sought at least every five years for commercial bank accounts. The results of the tendering exercise shall be reported to the Finance and Performance Committee. This timescale for review is not necessary for Government bank accounts.

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

### **7.1. Income Systems**

- 7.1.1. The Director of Finance is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due and for the prompt banking of all monies received.
- 7.1.2. All such systems shall incorporate in full, as far as practicable, the principles of internal check, separation of duties and for the prompt banking of all monies received.
- 7.1.3. The Trust will carry on activities for the purpose of making additional income available in order to better progress the Trust's principal purpose, subject to any restrictions.

### **7.2. Fees and Charges**

- 7.2.1. The Director of Finance 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 Department of Health's Commercial Sponsorship – Ethical standards in the NHS shall be followed.
- 7.2.2. All employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

### **7.3. Private Health Care**

- 7.3.1. The Trust must explain in its annual report the impact that any non-NHS income has had on its NHS service provision. The Board will set out its proposals to earn non-NHS income in the Annual Plan and the income it expects to receive from those activities. Shadow Governors must consider the Plan and satisfy themselves that any proposal to increase non-NHS income would not significantly interfere with the Trust's fulfilment of its principal purpose or the performance of its other functions.

### **7.4. Debt Recovery**

- 7.4.1. The Director of Finance is responsible for the appropriate recovery action on all outstanding debts, including a formal follow up procedure

for all trade and other receivables (debtor accounts), in line with the Treasury Management Policy.

- 7.4.2. Income not received should be dealt with in accordance with losses procedures.
- 7.4.3. Overpayments should be detected (or preferably prevented) and recovery initiated.

## **7.5. Security of Cash, Cheques and other Negotiable Instruments**

- 7.5.1. The Director of Finance is responsible for:
  - 7.5.1.1. 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 Director of Finance should be issued;
  - 7.5.1.2. ordering and securely controlling any such stationery;
  - 7.5.1.3. 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;
  - 7.5.1.4. prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.
- 7.5.2. Trust cash shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 7.5.3. All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.
- 7.5.4. As per the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017, the Trust is not permitted to make or receive cash payments exceeding 10,000 euros or equivalent. This applies whether the transaction is executed in a single operation or in several operations which appear to be linked.
- 7.5.5. The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss.

- 7.5.6. All cash, cheques, postal orders and other forms of payment received by an officer shall be entered immediately in an approved form of register.
- 7.5.7. Every transfer of Trust monies from one member of staff to another shall be evidenced in the records of the departments concerned by the signature of the receiving officer.
- 7.5.8. Wherever incoming post consistently contains remittances, the opening of such post will be undertaken by two officers. All cash, cheques and postal orders and any other methods of payment must be entered immediately in an approved form of register and be certified by both officers.
- 7.5.9. Incoming post not usually associated with remittances can be opened by an individual officer. If, however, a remittance is received contact should be made, the same day, with the financial accounts department and arrangements made to 'bank' the remittance.
- 7.5.10. The opening of coin operated machines (including telephones) and the counting and recording of the takings shall be undertaken by two officers together, except as may be authorised in writing by the Director of Finance.
- 7.5.11. The Director of Finance shall prescribe the system for the transporting of cash and uncrossed cheques. Wherever practicable, the services of a specialist security firm shall be employed.
- 7.5.12. During the absence (e.g. on holiday) of the holder of a safe or cash box key, the officer who acts in their place shall be subject to the same controls as the normal holder of the key. There shall be written discharge for the safe and/or cash box contents on the transfer of responsibilities and the discharge document must be retained for inspection.
- 7.5.13. All unused cheques and other orders shall be subject to the same security precautions as are applied to cash.
- 7.5.14. Staff shall be informed in writing on appointment of these responsibilities and duties for the collection, handling or disbursement of cash, cheques etc.
- 7.5.15. 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 Director of Finance 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 Trust's Fraud, Theft 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 Trust's Losses and Special Payments Procedures.

- 7.5.16. Maximum limits for cash holdings shall be agreed with the Director of Finance and shall not be exceeded without their express permission in writing.
- 7.5.17. Reimbursement to members of staff, or patients, for individual items of expenditure out of petty cash shall not exceed the limits set out in the Scheme of Reservation and Delegation.

## **8. EXTERNAL BORROWING AND INVESTMENTS**

### **8.1.1. Prudential Borrowing Code / Prudential Borrowing Limit**

The Director of Finance will ensure compliance with the Prudential Borrowing Code (PBC) set by NHS England to limit the amount of borrowing for NHS Trusts, and will follow NHS England guidance for all borrowing requirements.

8.1.2. The PBL is reviewed at least annually, and variations can be made upwards and downwards.

8.1.3. The PBL consists of two components:

8.1.3.1. the maximum cumulative amount of long-term borrowing that enables the Trust to remain within the PBL set by NHS England;

8.1.3.2. the amount of the working capital facility.

## **8.2. Long-term Borrowing**

8.2.1. Long-term borrowing within the PBL includes finance leases, interim Trust Financing Facility (ITFF) and PFI financing that is classified as on statement of financial position (balance sheet), but does not include Public Dividend Capital (PDC), which is classified as equity for the purposes of the PBC.

8.2.2. The Director of Finance will submit a request to NHS England to increase the long term borrowing limit, if required, to accommodate any affordable 'major investments'.

8.2.3. The Board will agree the list of employees (including specimens of their signatures) who are authorised to make long-term borrowings on behalf of the Trust.

8.2.4. The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts.

8.2.5. All long term borrowings must be made in accordance with the Trust's Treasury Management Policy as approved by the Finance and Performance Committee.

8.2.6. All long-term borrowing must be consistent with the plans outlined in the current Business Plan and be approved by the Trust Board.



### **8.3. Short Term Borrowing**

- 8.3.1. The Board will agree the list of employees (including specimen signatures) who are authorised to make short-term borrowings on behalf of the Trust.
- 8.3.2. Any short-term borrowing will be with the authority of two authorised signatories (see SFI No. 8.3.3) one of whom must be the Chief Executive or Director of Finance.
- 8.3.3. The Board will be made aware of all short-term borrowing at the next Board meeting.

### **8.4. Public Dividend Capital**

- 8.4.1. The Director of Finance will advise the Board concerning the Trust's ability to repay PDC, and will pay annually to the Department of Health a dividend on its PDC at a rate to be determined from time to time, by the Secretary of State.
- 8.4.2. The Director of Finance will be responsible for agreeing any changes in the overall value of PDC for the Trust. They may nominate authorised officers to apply for PDC increases and/or decreases on their behalf.

### **8.5. Investment of Cash Surpluses**

- 8.5.1. The investment of cash surpluses must be made in accordance with the Trust's Treasury Management Policy as approved by the Finance and Performance Committee.
- 8.5.2. The Director of Finance is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments held, in accordance with the Trust's Treasury Management Policy.
- 8.5.3. The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

## **9. TENDERING AND CONTRACTING FOR THE PURCHASE OF GOODS AND SERVICES**

### **9.1. General**

9.1.1. The Trust shall ensure that competitive tenders are invited for the supply of goods/services, materials and manufactured articles, for the rendering of services for building and engineering works of construction and maintenance (including construction and maintenance of grounds and gardens) and for disposals.

9.1.2. The Trust has in place specific procedures for Tendering and Contracting and must be followed in all activity carried out on behalf of the Trust. (See separate Tendering and Contracting procedures).

### **9.2. Duty to comply with Standing Orders and Standing Financial Instructions**

9.2.1. The procedure for making all contracts by or on behalf of the Trust shall comply with these Standing Orders and Standing Financial Instructions (except where Standing Order No. 4.15 Suspension of Standing Orders is applied).

### **9.3. EU Directives Governing Public Procurement**

9.3.1. Directives by the Council of the European Union promulgated by the Department of Health prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Orders and Standing Financial Instructions.

9.3.2. The Trust should obtain support from its Procurement team or other relevant NHS procurement bodies to ensure compliance when engaging in tendering procedures.

### **9.4. External Guidance**

9.4.1. The Trust shall comply as far as is practicable with the requirements of the Government Financial Reporting Manual and "Estatecode" in respect of capital investment and estate and property transactions.

9.4.2. NHS ProCure22 is the latest standardised approach to the procurement of healthcare facilities. It is based upon long term relationships with selected supply chains that have the ability to work with NHS bodies across the whole life cycle of a capital scheme. Procure 21+ was subsequently updated to Procure 22 in 2016. For further details of Procure 22, see the ProCure22 website at <https://procure22.nhs.uk/>.

## 9.5. Grounds for Competitive Tendering

9.5.1. The Trust shall ensure that competitive tenders are invited, where the expected value of the tender exceeds the value specified in the Scheme of Reservation and Delegation, for:

9.5.1.1. the supply of goods, materials and manufactured articles;

9.5.1.2. the rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the Department of Health);

9.5.1.3. for the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens);

9.5.1.4. for disposals.

### 9.5.2. Health Care Services

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

9.5.3. Exceptions and instances where formal tendering need not be applied:

9.5.3.1. Formal tendering procedures **need not be applied** where:

9.5.3.1.1. the estimated expenditure or income does not, or is not reasonably expected to, exceed amounts stated within the Trust's Scheme of Reservation and Delegation;

9.5.3.1.2. where the requirement is covered by an existing contract; or

9.5.3.1.3. where NHS Supply Chain, relevant contracts available to the public sector or other NHS agreements can be utilised;

9.5.3.1.4. where the supply is proposed under special arrangements negotiated by the Department of Health in which event the said special arrangements must be complied with;

9.5.3.1.5. regarding disposals as set out in SFI No.15.1.

9.5.3.1.6. In the case of sub contracting arrangements, an agreement not to complete a tender exercise is agreed by the Executive Team as part of the main bid approval, based on any pre-existing contracts or proportionality.

9.5.3.2. Formal tendering procedures **may be waived** in certain circumstances and a CE Waiver form must be raised for CE signature. The circumstances permitted for raising a CE waiver are detailed on the waiver form.

9.5.3.3. Formal tendering procedures may also be waived in certain circumstances that mean there is only a sole provider option to supply. In these instances, a Sole Provider Form must be raised and signed by the relevant Director. The circumstances permitted for raising a sole provider form are detailed on the form.

Waiving of competitive tendering procedures should not be used to avoid competition or for administrative convenience or to award further work to a consultant originally appointed through a competitive procedure.

9.5.3.4. All waivers should be approved by two of the following;

- 9.5.3.4.1. Chief Executive; or
- 9.5.3.4.2. Director of Finance; or
- 9.5.3.4.3. Any other Executive Director

9.5.3.5. Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded using the standard waiver form and reported to the Audit and Assurance Committee at regular intervals

#### 9.5.4. Fair and Adequate Competition

9.5.4.1. The Trust shall ensure that invitations to tender are sent to a sufficient number of organisations to provide fair and adequate competition as appropriate, and in no case less than three organisations, having regard to their capacity to supply the goods or materials or to undertake the services or works required.

9.5.4.2. Where it is known prior to tendering that less than 3 tenders can be issued, this shall be approved via Waiver prior to tenders being issued.

9.5.4.3. Where 3 tenders have been invited, but less than 3 admissible tenders returned, approval of the award decision shall be referred to the Chief Executive, Director of Finance; or another Executive Director.

## 9.5.5. Advertising Opportunities

9.5.5.1. The Trust shall ensure that tender opportunities are advertised appropriately to ensure a wide range of suppliers have access to bid for Trust business. All prospective tenderers will be subject to financial viability checks through approved means and the taking up of references, where appropriate.

## 9.5.6. Items which subsequently breach thresholds after original approval

9.5.6.1. Items estimated to be below the limits set in the Scheme of Reservation and Delegation for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the Chief Executive, and be recorded in an appropriate Trust record and reported to the Audit and Assurance Committee.

## 9.6. Contracting/Tendering Procedure

### 9.6.1. Invitation to tender

9.6.1.1. All invitations to tender on the e-tendering system shall state the date and time as being the latest time for the receipt of tenders.

9.6.1.2. Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.

9.6.1.3. Every tender for building or engineering works (except for maintenance work) shall embody or be in the terms of the current edition of one of the Joint Contracts Tribunal Standard Forms of Building Contract or Department of the Environment (GC/Wks) Standard forms of contract amended to comply with Concode; or, when the content of the work is primarily engineering, the General Conditions of Contract recommended by the Institution of Mechanical and Electrical Engineers and the Association of Consulting Engineers (Form A), or (in the case of civil engineering work) the General Conditions of Contract recommended by the Institute of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors. These documents shall be modified and/or amplified to accord with Department of Health guidance and, in minor respects, to cover special features of individual projects. Where other procurement methods are used for example PFI or P21 the appropriate department of health contractual arrangements will be used.

- 9.6.1.4. Every tenderer must have given, or give a written undertaking, not to engage in collusive tendering or other restrictive practice.
- 9.6.2. Receipt and safe custody of tenders
  - 9.6.2.1. The Trust's electronic tendering system will receive, receipt and store (via a secure online portal) all the Trusts tenders.
  - 9.6.2.2. Receipt of tenders will be logged electronically on the system and a full audit trail evidenced, including dates and times of receipt and opening.
- 9.6.3. Opening tenders and Register of tenders
  - 9.6.3.1. As soon as practical after the date and time stated as being the latest time for the receipt of tenders, bids shall be opened by an appropriate procurement Contracts Manager authorised within the system.
  - 9.6.3.2. Only designated Trust persons can open and access the tenders.
  - 9.6.3.3. The e-tendering system shall be operated by the Procurement department and support for each set of competitive tender invitations dispatched.
- 9.6.4. Admissibility
  - 9.6.4.1. If for any reason the designated officers are of the opinion that the tenders received are not strictly competitive (for example, because their numbers are less than 3 or any are amended, incomplete or qualified) no contract shall be awarded without the approval of the Chief Executive.
  - 9.6.4.2. Where only one tender is sought and/or received, the Chief Executive and Director of Finance shall, as far practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the Trust.
- 9.6.5. Late tenders
  - 9.6.5.1. The e-tendering system will not allow receipt of late tenders, ie if Tenderers try to submit a late bid the system will not allow access, the 'tender box' will be electronically locked at the agreed date and time.
  - 9.6.5.2. Late Tenderers can still email Procurement (via the messaging system) for clarification / justification as to why their bid was not submitted on time.

9.6.5.3. Accepted late tenders will be reported to the Audit and Assurance Committee.

9.6.6. Acceptance of formal tenders

9.6.6.1. Any discussions with a tenderer which are deemed necessary to clarify technical aspects of his/her tender before the award of a contract will not disqualify the tender.

9.6.6.2. The tender that demonstrates overall value for money in accordance with the agreed scoring methodology, shall be accepted unless there are good and sufficient reasons to the contrary. Such reasons shall be set out in either the contract file, or other appropriate record.

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

9.6.6.3.1. experience and qualifications of team members;

9.6.6.3.2. understanding of client's needs;

9.6.6.3.3. feasibility and credibility of proposed approach;

9.6.6.3.4. ability to complete the project on time.

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

9.6.6.5. No tender shall be accepted which will commit expenditure in excess of that which has been allocated by the Trust.

9.6.6.6. A Tender Evaluation Team must be established; one member of whom must be from the Procurement Department. Tenders will be approved in accordance with the Scheme of Reservation and Delegation.

9.6.6.7. The use of these procedures must demonstrate that the award of the contract:

9.6.6.7.1. was not in excess of the going market rate / price current at the time the contract was awarded;

9.6.6.7.2. demonstrate that best value for money was achieved;

9.6.6.7.3. that the contract will complete within the planned timescales.

9.6.6.8. All tenders should be treated as confidential and should be retained for inspection.

9.6.7. Tender reports to the Audit and Assurance Committee

9.6.7.1. Reports to the Audit and Assurance Committee will be made on a quarterly basis detailing tenders/contracts approved or extended during the quarter.

**9.7. Quotations: Competitive and non-competitive**

9.7.1. General Position on quotations

9.7.1.1. Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed the level defined in the Trust's Scheme of Reservation and Delegation.

9.7.2. Competitive Quotations

9.7.2.1. Quotations should be obtained from organisations in line with the Scheme of Reservation and Delegation, and based on specifications or terms of reference prepared by, or on behalf of, the Trust.

9.7.2.2. Quotations should be in writing unless the Chief Executive or their nominated officer determines that it is impractical to do so in which case quotations may be obtained by telephone. Confirmation of telephone quotations should be obtained as soon as possible and the reasons why the telephone quotation was obtained should be set out in a permanent record.

9.7.2.3. All quotations should be treated as confidential and should be retained for inspection.

9.7.2.4. The Chief Executive or their nominated officer should evaluate the quotation and select the quotation which gives the best value for money. If this is not the lowest quotation if payment is to be made by the Trust, or the highest if payment is to be received by the Trust, then the choice made and the reasons why should be recorded in a permanent record.

9.7.3. Non-Competitive Quotations

9.7.3.1. Non-competitive quotations in writing may be obtained in the following circumstances:





In addition to new contracts and contract variations, delegated approval limits also apply to contract extensions. For income purposes, Trust Board approval over £500k is only required for income relating to new business, not for the renewal of contracts for existing/established services.

9.8.2. Levels of authorisation may be varied or changed and need to be read in conjunction with the Trust's Scheme of Reservation and Delegation.

9.8.3. Formal authorisation must be put in writing to the successful supplier in accordance with the Trust SORD. In the case of authorisation by the Trust Board this shall be recorded in their minutes.

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

9.9.1. Where competitive tendering or a competitive quotation is not required the Trust should adopt one of the following alternatives:

9.9.1.1. Pre-tendered public sector contracts and framework agreements available for use by the NHS for procurement of all goods and services exist, unless the Chief Executive or nominated officers included in the SORD deem it inappropriate.

9.9.1.2. If the Trust does not use the pre-tendered public sector contracts - where tenders or quotations are not required, because expenditure is below that stated in the Trust Scheme of Reservation and Delegation, the Trust shall procure goods and services in accordance with procurement procedures approved by the Director of Finance.

### **9.10. Compliance requirements for all contracts**

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

9.10.1.1. the Trust's Standing Orders and Standing Financial Instructions;

9.10.1.2. European Union (EU) Directives and other statutory provisions;

9.10.1.3. any relevant directions including the FT Annual Reporting Manual, Estatecode and guidance on the Procurement and Management of Consultants;

- 9.10.1.4. such of the NHS Standard Contract Conditions as are applicable;
- 9.10.1.5. Care Quality Commission regulations;
- 9.10.1.6. appropriate NHS guidance for Foundation Trust Contracts;
- 9.10.1.7. the same terms and conditions of contract as was the basis on which tenders or quotations were invited;
- 9.10.1.8. best endeavours to obtain best value for money by use of all systems in place.

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

### **9.11. Agency or Temporary Staff Contracts**

- 9.11.1. The Chief Executive shall nominate officers with delegated authority to enter into contracts for the employment of agency staff or temporary staff, from agencies on public sector framework agreements.
- 9.11.2. The Director of Human Resources and Organisational Development shall ensure that the Trust meets all legislation requirements set out by HRMC in the engagement of agency and temporary workers.

### **9.12. Cancellation of Contracts**

- 9.12.1. In accordance with the NHS Conditions of Contract, any loss arising from the cancellation of a contract due to the circumstances detailed in the Conditions of Contract, shall be reclaimed from the contractor.
- 9.12.2. Where the Conditions of Contract do not contain such a clause, a clause will be written into the contract specification.

### **9.13. Determination of Contracts for Failure to Deliver Goods or Material**

- 9.13.1. There shall be inserted in every written contract for the supply of goods or materials a clause to secure that, should the contractor fail to deliver the goods or materials or any portion thereof within the time or times specified in the contract, the Trust may without prejudice determine the contract either wholly or to the extent of such default and purchase other goods, or material of similar description to make good:
  - 9.13.1.1. such default, or
  - 9.13.1.2. in the event of the contract being wholly determined the goods or materials remaining to be delivered.

- 9.13.2. The clause shall further secure that the amount by which the cost of so purchasing other goods or materials exceeds the amount which would have been payable to the contractor in respect of the goods or materials shall be recoverable from the contractor.

#### **9.14. Disposals (See overlap with SFI No. 15)**

- 9.14.1. Competitive Tendering or Quotation procedures shall not apply to the disposal of:

9.14.1.1. any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or their nominated officer;

9.14.1.2. obsolete or condemned articles and stores, which may be disposed of in accordance with the Trust's guidance;

9.14.1.3. items to be disposed of with an estimated sale value of that which is stated within the Trust Scheme of Reservation and Delegation: this figure to be reviewed on a periodic basis;

9.14.1.4. items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;

9.14.1.5. land or buildings concerning which Department of Health guidance has been issued but subject to compliance with such guidance.

- 9.14.2. Competitive Tenders and Quotations will be sought for those non current assets with a net book value, and potential loss on disposal, in excess of value stated in the Trust Scheme of Reservation and Delegation.

#### **9.15. In-house Services**

- 9.15.1. The Chief Executive shall be responsible for ensuring that best value for money can be demonstrated for all services provided on an in-house basis. The Trust may also determine from time to time that in-house services should be market tested by competitive tendering.

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

9.15.2.1. a specification group, comprising the Chief Executive or nominated officer/s and specialist;

- 9.15.2.2. an in-house tender group, comprising a nominee of the Chief Executive and technical support;
  - 9.15.2.3. an evaluation team, comprising normally a specialist officer, a procurement officer, a Non-Executive Director and a Director of Finance representative. For services having a likely annual expenditure exceeding that stated within the Trust Scheme of Reservation and Delegation, a non-officer member should be a member of the evaluation team.
- 9.15.3. All groups should work independently of each other and individual officers may be a member of more than one group but no member of the in-house tender group may participate in the evaluation of tenders.
- 9.15.4. The evaluation team shall make recommendations to the Board.
- 9.15.5. The Chief Executive shall nominate an officer to oversee and manage the contract on behalf of the Trust.

## **10. TENDER SUBMISSION AND CONTRACTING FOR THE PROVISION OF NHS SERVICES**

### **10.1. Tender Submissions**

10.1.1. Any opportunities to submit tenders for NHS clinical services will be identified by Divisions, other Enabling Services or the Business Development Department, who will submit tenders and expression of Interest on behalf of the Trust.

10.1.2. The decision to progress the tender through Pre Qualification Questionnaire stage to Invitation to Tender will follow the delegation limits contained within the Scheme of Reservation and Delegation.

### **10.2. Trust Contracts**

10.2.1. The Chief Executive, as the Accounting Officer, is responsible for ensuring the Trust enters into the Standard NHS Trust Contract with service commissioners for the provision of NHS services.

10.2.2. The Trust will follow the agreed priorities contained within the schedules of the Standard NHS 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:

10.2.2.1. the standards of service quality expected;

10.2.2.2. the relevant national service framework (if any);

10.2.2.3. the provision of reliable information on cost and volume of services;

10.2.2.4. the Performance Framework contained within the Standard NHS Contract.

10.2.2.5. that the Standard NHS Contract builds, where appropriate, on existing partnership arrangements and supports new contracts.

Designated officers can sign income contracts and contract variations.

10.2.3. The Director of Finance, will ensure that regular reports are provided to the Board detailing actual and forecast income from all Clinical service contracts.

### **10.3. Non-Commissioner Contracts**

10.3.1. Where the Trust enters into a relationship for the supply or receipt of other services – clinical or non-clinical e.g. with a non-NHS body or Standard NHS Contract with another NHS Trust, the responsible contracting officer should ensure that an appropriate non-commissioner contract is present and signed by both parties. This should incorporate:

10.3.1.1. a description of the service and indicative activity levels;

10.3.1.2. the term of the agreement;

10.3.1.3. the value of the agreement;

10.3.1.4. the lead officer;

10.3.1.5. performance and dispute resolution procedures;

10.3.1.6. risk management and clinical governance arrangements.

10.3.2. The Director of Finance, will ensure that regular reports are provided to the Board detailing actual and forecast income from non-commissioner contracts.

10.3.3. Non-commissioner contracts should be reviewed and agreed on an annual basis or as determined by the term of the agreement so as to ensure value for money and to minimise the potential loss of income.

### **10.4. Involving Partners and jointly managing risk**

10.4.1. Delivery of service through the use of the Standard NHS Contract will result from a dialogue of clinicians, users, carers, public health professionals and managers. It will reflect knowledge of local needs and inequalities. This will require the Chief Executive to ensure that the Trust works with all partner agencies involved in both the delivery and the commissioning of the service required.

10.4.2. The Standard NHS Contract will apportion responsibility for handling a particular risk to the party or parties in the best position to influence the event and financial arrangements should reflect this. In this way the Trust can jointly manage risk with all interested parties.

### **10.5. The Cooperation and Competition Panel (The Panel)**

10.5.1. In entering into a contractual relationship for the provision or commissioning of NHS services the Trust will be mindful of, and abide by, the latest available Principles and Rules for Cooperation and Competition (Principles and Rules) (current extant version published by the Department of Health on 30 July 2010).

10.5.2. The Panel:

10.5.2.1. helps ensure the Principles and Rules support delivery of high quality care for users of health services and value for money for tax payers;

10.5.2.2. investigates potential breaches of the Principles and Rules;

10.5.2.3. makes independent recommendations to NHS England / Department of Health on how such breaches can be resolved;

10.5.2.4. reviews potential mergers.

10.5.3. More detail on the Panel's responsibilities are on the Panel's website at [www.ccpnl.org.uk](http://www.ccpnl.org.uk).



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

**11.1. Remuneration and Terms of Service (see overlap with SO No. 6)**

11.1.1. In accordance with Standing Orders the Board 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.

11.1.2. The Committee will:

11.1.2.1. advise the Board about appropriate remuneration and terms of service for the Chief Executive, and other senior employees not on Agenda for Change terms and conditions, including:

11.1.2.1.1. all aspects of salary (including any performance-related elements/bonuses);

11.1.2.1.2. provisions for other benefits, including pensions and cars;

11.1.2.1.3. arrangements for termination of employment and other contractual terms;

having proper regard to the Trust's circumstances and performance and to the provisions of any national arrangements for such members and staff where appropriate.

**11.2. Funded Establishment**

11.2.1. The workforce plans incorporated within the annual budget will form the funded establishment.

11.2.2. The funded establishment of any department may not be varied without the approval of the relevant Head of Service.

11.2.3. Recruitment to posts must adhere to Trust vacancy control processes including the completion of vacancy control forms for review by Directorate panels. Where posts fall into specified criteria, as defined in the vacancy control panel SOP, further authorisation is required via the Executive vacancy control panel. The vacancy control forms must specify whether budget/funding is available for the post(s) being submitted for consideration.

11.2.4. All staffing budget changes that cause a change to a directorate's total budget allocation must be agreed and reconciled via the Trust budget allocation system. This ensures that all net directorate changes are either supported by an agreed external contract

variation, or via a reciprocal intra-Trust budget transfer.

### **11.3. Staff Appointments**

11.3.1. No officer or Member of the Board or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration, unless;

11.3.1.1. authorised to do so by the Chief Executive, or nominated representative under the Scheme of Reservation and Delegation;

11.3.1.2. within the limit of their approved budget and funded establishment.

### **11.4. Processing Payroll**

11.4.1. The Director of Human Resources and Organisational Development will work in conjunction with the Trust's payroll provider, and be responsible for:

11.4.1.1. specifying timetables for submission of properly authorised time records and other notifications;

11.4.1.2. the final determination of pay and allowances;

11.4.1.3. making payment on agreed dates;

11.4.1.4. agreeing method of payment.

11.4.2. The Director of Human Resources and Organisational Development will issue instructions regarding 11.4.2.1 to 11.4.2.7; the Director of Finance will issue instructions regarding (11.4.2.8 to 11.4.2.13):

11.4.2.1. verification and documentation of data;

11.4.2.2. the timetable for receipt and preparation of payroll data and the payment of employees and allowances;

11.4.2.3. maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;

11.4.2.4. security and confidentiality of payroll information;

11.4.2.5. checks to be applied to completed payroll before and after payment;

11.4.2.6. authority to release payroll data under the provisions of the Data Protection Act;

- 11.4.2.7. methods of payment available to various categories of employee and officers;
  - 11.4.2.8. procedures for payment by cheque, bank credit, or cash to employees and officers;
  - 11.4.2.9. procedures for the recall of cheques and bank credits;
  - 11.4.2.10. pay advances and their recovery;
  - 11.4.2.11. maintenance of regular and independent reconciliation of pay control accounts;
  - 11.4.2.12. separation of duties of preparing records and handling cash;
  - 11.4.2.13. a system to ensure the recovery from those leaving the employment of the Trust of sums of money and property due by them to the Trust.
- 11.4.3. Appropriately nominated managers have delegated responsibility for:
- 11.4.3.1. submitting appointment forms, and such other documents that may be required, immediately upon new employees commencing duty;
  - 11.4.3.2. completing and submitting time records and other notifications in accordance with the Head of Human Resources instructions and in the form prescribed by these officers;
  - 11.4.3.3. submitting change forms immediately upon the effective date of any change in the state of employment or personal circumstances of employees being known;
  - 11.4.3.4. submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfill obligations in circumstances that suggest they have left without notice, the Head of Human Resources must be informed immediately.
- 11.4.4. Regardless of the arrangements for providing the payroll service, the Director of Finance will be assured 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.

11.4.5. All mileage claims should be submitted on a monthly basis as standard on a “Claim for Travelling and Subsistence Allowances” Claim Form or, where applicable, via e-pay. However, in circumstances where an individual travels infrequently, these can be kept locally and submitted when the claims reaches either 3 months (for paper and e-pay claims) or one page is completed (paper claims only), whichever comes first. The same applies to Public Transport Claims and Subsistence Claims. All claims for Training Expenses approved by the Academy must be submitted on a separate claim form within one month of the training event to the Academy. Forms submitted outside these timescales must be authorised by the appropriate Head of Service/Director prior to submission to NHS SBS Payroll.

## **11.5. Contracts of Employment**

11.5.1. The Board shall delegate responsibility to the Head of Human Resources, via the Director of Human Resources and Organisational Development, for

11.5.1.1. ensuring that all employees are issued with a Contract of Employment in a form approved by the Board and which complies with employment legislation

11.5.1.2. dealing with variations to, or termination of, contracts of employment;

11.5.1.3. maintaining a full minimum data set for each employee or contract worker e.g. name, start date, ethnic origin, address, age, sex etc.

## **11.6. Off-Payroll Engagements**

11.6.1. The Director of Human Resources and Organisational Development will be responsible for maintaining up-to-date procedures, to ensure assurance can be obtained from off-payroll workers to determine that the correct tax and NICs contributions are paid over to HMRC.

11.6.2. For Board members or Senior Officials with significant financial responsibility, the worker should be on payroll, unless there are exceptional circumstances, in which case the CEO and NHS England should approve the arrangement. Such exceptions should exist for no longer than 6 months. For all other off-payroll appointments, Director approval is required.

For all other engagements, where payment is made directly to the individual and if deemed to be an employee under HMRC regulations e.g. Trust has right of control; cannot send a substitute; uses Trust’s resources, then individual should be on the Trust’s payroll so both employer and employee tax and NI obligations are deducted as source.

## **11.7. Payment of Staff Remuneration**

11.7.1. Payment of staff remuneration will only be payable to the named individual on the contract of employment

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

### **12.1. Delegation of Authority**

12.1.1. The Board will approve the level of non-pay expenditure budget on an annual basis and the Chief Executive will determine the level of delegation to budget holders. Budget holders may appoint nominees who must be approved by the Head of Service/Director. The budget holder remains responsible for the actions of nominees when they act in place of the budget holder.

12.1.2. Authorisation of revenue requisitions & invoice approval (including partnership arrangements):

Appropriate Budget Manager or designated deputy	Up to £5,000
Appropriate Budget Holder & Finance Manager (Band 7)	Up to £25,000
Appropriate Head of Service (Band 8c/d) & Heads of Finance	Up to £50,000
Deputy Director of Finance	up to £100,000
Executive Director (includes Chief Executive)	Up to £250,000
Director of Finance	Up to £400,000
2 x Executive Directors (inc CEO)	Up to £500,000
	* Trust Board Over £500,000

Group roles that have budgetary responsibilities in LPT, but are also employed in NHFT, have delegated authority in line with LPT employees.

\* Upon FPC approval of contracts over £500k (for onward board ratification), the Director of Finance has delegated authority to approve subsequent invoices relating to those contracts with values exceeding £500k.

### **12.2. Requisitioning**

12.2.1. The Chief Executive will set out:

12.2.1.1. the list of managers who are authorised to place requisitions for the supply of goods and services;

12.2.1.2. the maximum value of each requisition and the system of authorisation about that value.

12.2.1.3. What, if any, enhanced expenditure controls are in operation within the Trust.

- 12.2.2. The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Trust. In so doing, the advice of the Trust's adviser on supply shall be sought. Wherever possible, local Directorate/departmental knowledge and experience shall be taken into account to ensure appropriate choice is made. Where this advice is not acceptable to the requisitioner, the Director of Finance shall be consulted.

A purchase order must be raised for all goods and services, unless the required purchase is included on the purchase order exemptions list.

- 12.2.3. An Expenditure Control Form (ECF) has to be submitted for any non-exempt non-pay orders with a value exceeding £150.

### **12.3. System of Payment and Payment Verification**

- 12.3.1. The Director of Finance will:

12.3.1.1. be responsible for the prompt payment of all properly authorised accounts and claims;

12.3.1.2. be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:

12.3.1.2.1. a list of directors/employees authorised to approve or incur expenditure;

12.3.1.2.2. certification that:

12.3.1.2.2.1. goods have been duly received, examined and are in accordance with specification and the prices are correct;

12.3.1.2.2.2. 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;

12.3.1.2.2.3. 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;

12.3.1.2.2.4. where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;

12.3.1.2.2.5. the account is arithmetically correct;

12.3.1.2.2.6. the account is correctly coded;

12.3.1.2.2.7. the account is in order for payment.

12.3.1.2.3. a timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment;

12.3.1.2.4. instructions to employees regarding the handling and payment of accounts within the Finance Department.

12.3.1.3. be responsible for ensuring that payment for goods and services is only made once the goods and services are received, except as in SFI No.12.4.

12.3.1.4. ongoing scrutiny of contractors' finances (where appropriate, financial vetting must take place during the delivery of a contract, not just during the tendering process)

## **12.4. Prepayments & Credit Notes**

### Prepayments

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

12.4.1.1. prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e. cash flows must be discounted to Net Present Value);

12.4.1.2. the appropriate officer must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of the



prepayment agreement unable to meet his/her commitments;

12.4.1.3. the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold);

12.4.1.4. the budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the Director of Finance if problems are encountered.

#### Credit Notes

12.4.2. Authorisation of sales invoice credit notes to align with current delegated approval limits.

12.4.3. Vesting arrangements are agreed on an exception basis, and can only be approved by both the Director of Finance and relevant Service Director in line with SFI delegated limits.

A vesting certificate or agreement is required, to confirm that ownership of the goods, plant or materials will transfer from the supplier to the Trust on payment, regardless of the location of the goods, i.e., goods may not have been received and still with the supplier.

### **12.5. Official orders**

12.5.1. Official Orders must:

12.5.1.1. be uniquely identified by use of an internally approved process;

12.5.1.2. be in a form approved by the Director of Finance;

12.5.1.3. state the Trust's terms and conditions of trade, including the need for suppliers to quote a valid order number when submitting invoices for payment;

12.5.1.4. only be issued to, and used by, those duly authorised by the Chief Executive. Lists of authorised officers shall be maintained and a copy of each list supplied to the Director of Finance;

12.5.1.5. may be transmitted by a system of Electronic Data Interchange (EDI) approved by the Director of Finance;

- 12.5.1.6. be actioned from properly authorised and approved requisitions, according to the values detailed in the Scheme of Reservation and Delegation.

## **12.6. Duties of Managers and Officers**

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

- 12.6.1.1. all contracts (except as otherwise provided for in the Scheme of Reservation and Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made;

- 12.6.1.2. contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement;

- 12.6.1.3. where consultancy advice is being obtained, the procurement of such advice must be recognised as best practice and reflect guidance issued by an appropriate authority such as Department of Health, or Care Quality Commission;

- 12.6.1.4. where an officer certifying accounts relies upon other officers to do preliminary checking, they 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;

- 12.6.1.5. 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, (refer to the Trust Code of Business Conduct for guidance);

- 12.6.1.6. no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;

- 12.6.1.7. all goods, services, or works are ordered via an official order except works and services executed in accordance with a contract, purchases from petty cash or with a purchasing card;

- 12.6.1.8. 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";

- 12.6.1.9. orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- 12.6.1.10. drugs and blood factors shall only be ordered via the Pharmacy Department. This includes free of charge items, clinical trial material and named patient drugs/special products, unless specifically authorised by the Head of Pharmacy;
- 12.6.1.11. purchase of all IT equipment must be approved by the Health Informatics Service or Trust Information Department;
- 12.6.1.12. purchase of all equipment needing to comply with Health and Safety requirements, must be approved by the Moving and Handling Adviser;
- 12.6.1.13. purchase of electrical and battery operated medical equipment must be approved by the Medical Physics department (approval is outsourced to UHL);
- 12.6.1.14. goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- 12.6.1.15. changes to the list of employees and officers authorised to certify invoices are notified to the Director of Finance;
- 12.6.1.16. officers can utilise purchasing cards where the use of Purchase Orders is not practicable or feasible in accordance with the Purchasing Card Policy. Purchasing cards must only be used by the named card user.

This policy is overseen by the Director of Finance who is responsible for:

- approving changes to the scope and scale of their use.
- defining the posts or departments that should be issued with a card.
- defining the goods and services that can be purchased on these cards; and
- approving the credit limit associated with cards

- 12.6.1.17. petty cash and purchasing card records are maintained in a form as determined by the Director of Finance;
- 12.6.1.18. all invoices are authorised and goods received documentation is provided in a timely manner, in order to facilitate prompt settlement of supplier accounts.

- 12.6.2. The Director of Finance shall ensure that the arrangements for financial control and financial audit of outsourced facilities management contracts, building and engineering contracts and property transactions comply with the relevant guidance. The technical audit of these contracts shall be the responsibility of the Director of Finance, with support from the relevant monitoring partners.
- 12.6.3. All staff have a responsibility for the maintenance of confidentiality of all information. No member of staff shall reveal information that could:
- 12.6.3.1. prejudice fair competition;
  - 12.6.3.2. result in the Trust failing to achieve the most advantageous price in respect of purchases or income in respect of sales.
- 12.6.4. Any breach of confidentiality, whether or not for personal gain, may render an individual open to disciplinary action in accordance with the Trust's Disciplinary Procedures and which may ultimately result in dismissal.

**13. CAPITAL INVESTMENT, ASSET REGISTERS, SECURITY OF ASSETS, MAJOR EQUIPMENT PURCHASES AND LEASING AND PURCHASES BY DEFERRED PAYMENT**

**13.1. Capital Investment**

13.1.1. The Chief Executive:

- 13.1.1.1. 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;
- 13.1.1.2. is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost;
- 13.1.1.3. shall ensure that the capital investment is not undertaken without the availability of resources to finance all revenue consequences, including capital charges.

13.1.2. For every capital expenditure proposal above the limit in the Scheme of Reservation and Delegation, the Director of Finance shall ensure:

- 13.1.2.1. that a business case is produced setting out:
  - 13.1.2.1.1. an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
  - 13.1.2.1.2. the involvement of appropriate Trust personnel and external agencies, including NHS England (when applicable for major investments);
  - 13.1.2.1.3. appropriate project management and control arrangements.
- 13.1.2.2. that the Director of Finance has reviewed and confirmed the costs and revenue consequences detailed in the business case, and involved appropriate Trust personnel and external agencies in the process.

13.1.3. For capital schemes where the contracts stipulate stage payments, the Director of Finance will issue procedures for their management, incorporating the recommendations of Estatecode.

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

- 13.1.5. The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised capital scheme budgets.
- 13.1.6. The approval of a capital programme shall not constitute approval for expenditure on any scheme.
- 13.1.7. The Chief Executive shall issue to the manager responsible for any scheme:
- 13.1.7.1. specific authority to commit expenditure;
  - 13.1.7.2. authority to proceed to tender (see overlap with SFI No.9.7);
  - 13.1.7.3. approval to accept a successful tender (see overlap with SFI No.9.7).
- 13.1.8. The Chief Executive will issue a Scheme of Reservation and Delegation for capital investment management in accordance with Estatecode and NHS England guidance.
- 13.1.9. The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

## **13.2. Asset Registers**

- 13.2.1. The Chief Executive is responsible for the maintenance of an asset register recording non current assets, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year. The minimum data set to be held within these registers shall be as necessary to meet the requirements of International Accounting Standards (IAS), principally IAS16, the FT Annual Reporting Manual, and Government Financial Reporting Manual.
- 13.2.2. In addition the Trust shall maintain a publicly available asset register recording protected assets, in accordance with guidance issued by NHS England.
- 13.2.3. Additions to the non current asset register must be clearly identified to an appropriate budget holder and be validated by reference to:
- 13.2.3.1. properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;

- 13.2.3.2. stores, requisitions and wages records for own materials and labour including appropriate overheads;
- 13.2.3.3. lease agreements in respect of assets held under a finance lease and capitalised.
- 13.2.4. Where non current 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).
- 13.2.5. The Director of Finance shall approve procedures for reconciling balances on non current asset accounts in ledgers against balances on non current asset registers.
- 13.2.6. Each non current asset will be revalued in accordance the Trusts Asset Revaluation Policy, approved by the Finance and Performance Committee.
- 13.2.7. The value of each non current asset shall be depreciated using methods and rates appropriate to the type of asset, and as detailed in the Trust's accounting policies.
- 13.2.8. The Director of Finance of the Trust shall calculate capital charges as required.

### **13.3. Security of Assets**

- 13.3.1. The overall control and security of non current assets is the responsibility of the Chief Executive.
- 13.3.2. Asset control procedures (including non current assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:
  - 13.3.2.1. recording managerial responsibility for each non current asset;
  - 13.3.2.2. identification of additions and disposals;
  - 13.3.2.3. identification of all repairs and maintenance expenses;
  - 13.3.2.4. physical security of assets;
  - 13.3.2.5. periodic verification of the existence of, condition of, and title to, assets recorded;
  - 13.3.2.6. identification and reporting of all costs associated with the retention of an asset;

- 13.3.2.7. reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 13.3.3. All discrepancies revealed by verification of physical non current assets to the non current asset register shall be notified to the Director of Finance.
- 13.3.4. Whilst each employee and officer has a responsibility for the security of property of the Trust, it is the responsibility of Board members and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with agreed procedures.
- 13.3.5. Any damage to the Trust's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by directors and employees in accordance with the procedure for reporting losses.
- 13.3.6. Where practical, assets should be marked as Trust property.

#### **13.4. Major Equipment Purchases**

- 13.4.1. The Director of Finance shall be informed by the Budget Holder for the project of an intention to purchase medical equipment or any other equipment that may have a direct effect on the estate of the Trust. Particular consideration shall be given to the implications of power supply requirements, heat dissipation, floor loading problems and room alterations. The Director of Finance shall confirm to the Budget Holder any additional financial, technical or other implications attendant upon the equipment purchase
- 13.4.2. The Budget Holder, Head of Procurement and any other person acting in connection with the purchase of medical equipment or any other equipment that may directly affect the estate of the Trust shall consult the Director of Finance on the details of the equipment purchase contract documentation. The Director of Finance shall be responsible for ensuring that all contract documentation in respect of such a scheme is compatible as far as is necessary to protect the interests of the Trust.

#### **13.5. Leasing and Purchases by Deferred Payment**

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



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

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

### **14.1. General position**

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

14.1.1.1. operationally necessary and kept to a minimum;

14.1.1.2. subjected to annual stock take;

14.1.1.3. valued at the lower of cost or net realisable value.

### **14.2. Control of Stores, Stocktaking, condemnations and disposal**

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

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

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

14.2.4. Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.

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

14.2.6. The designated Manager shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also overlap with SFI No.15 Disposals and Condemnations, Losses and Special Payments). Procedures for

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

### **14.3. Receipt of Goods**

14.3.1. 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.

14.3.2. All goods received shall be entered onto an appropriate goods received/stock record - whether a computer system (Oracle Financial System) 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.

### **14.4. Goods supplied by NHS Supply Chain**

14.4.1. For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note to satisfy themselves that the goods have been received. The Finance Department will make payment on receipt of an invoice. This may also apply for high-level low volume items such as stationery.

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

### **15.1. Disposals and Condemnations**

15.1.1. The Director of Finance shall prepare detailed procedures for the disposal of assets including impairments and condemnations, and ensure that these are notified to managers. Impairments will be dealt with in accordance with methods specified in the NHS Annual Reporting Manual and International Accounting Standards.

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

15.1.3. The planned disposal of any land and/or buildings must be approved by the Board.

15.1.4. All unserviceable articles shall be:

15.1.4.1. condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance and in accordance with the Trust's Condemning and Disposal Policy;

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

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

### **15.2. Losses and Special Payments**

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

15.2.2. Any employee or officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Director of Finance and/or Chief Executive.

- 15.2.3. Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud or corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform their Local Counter Fraud Specialist who will inform the relevant Counter Fraud and Security Management Service regional team before any action is taken and reach agreement as to how the case is to be investigated.
- 15.2.4. The Director of Finance will notify the External Auditor of all frauds.
- 15.2.5. For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must immediately notify:
- 15.2.5.1. the Board;
  - 15.2.5.2. the External Auditor;
  - 15.2.5.3. Counter Fraud and Security Management Service (through the Local Counter Fraud Specialist).
- 15.2.6. The Director of Finance shall be authorised to take, and shall take, any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 15.2.7. For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 15.2.8. Approval of the writing-off of losses and making special payments and redundancy payments will be in accordance with the Scheme of Reservation and Delegation.
- 15.2.9. The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 15.2.10. All losses will be annually reported to the Trust's Audit and Assurance Committee (along with the special payments data). Any losses over £300,000 will be subject to additional disclosures including a note in the accounts as identified by HMT Document: Managing Public Money.
- 15.2.11. Proposed special payments that are either (i) above £95,000 and/or (ii) considered potentially novel, contentious or could cause repercussions elsewhere in the public sector, should be submitted for HM Treasury approval.

## **16. INFORMATION TECHNOLOGY**

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

16.1.1. The Trust nominated Senior Information Risk Owner (SIRO), who is responsible for the accuracy and security of the computerised data of the Trust, shall:

16.1.1.1. devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which the Director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998 (updated 2000);

16.1.1.2. 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;

16.1.1.3. ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;

16.1.1.4. ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Director may consider necessary are being carried out;

16.1.1.5. ensure that adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent via transmission networks.

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

### **16.2. Responsibilities and duties of the Director of Finance**

16.2.1. The Director of Finance shall need to ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation.

Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.

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

16.3.1. In the case of computer systems which are proposed General Applications (i.e. normally those applications which the majority of Trust's in the Region wish to sponsor jointly), all responsible directors and employees will present to the Trusts IM&T Strategy Group in the required format:

16.3.1.1. details of the outline design of the system;

16.3.1.2. in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement;

16.3.1.3. proposed project governance including project mandate documentation.

### **16.4. Contracts for computer services with other health bodies or outside agencies**

16.4.1. The SIRO shall ensure that contracts for computer services for applications with another health organisation or any other agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.

16.4.2. Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation.

### **16.5. Risk Assessment**

16.5.1. The Chief Nurse shall ensure that risks to the Trust arising from the processing of information in all media is effectively identified and considered and appropriate action taken to mitigate or control risk. This shall include the preparation and testing of appropriate disaster recovery and business continuity plans.

### **16.6. Requirements for computer systems which have an impact on corporate financial systems**

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

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



## **17. PATIENTS' PROPERTY**

- 17.1.** The Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital.
- 17.2.** The Divisional Directors are responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission by:
- 17.2.1. notices and information booklets; (notices are subject to sensitivity guidance);
  - 17.2.2. hospital admission documentation and property records;
  - 17.2.3. the oral advice of administrative and nursing staff responsible for admissions, that the Trust will not accept responsibility or liability for patients' property brought into Health Service premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.
- 17.3.** The Divisional Directors will provide detailed written procedures on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.
- 17.4.** Where there is a requirement for the opening of separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance.
- 17.5.** In all cases where property of a deceased patient is of a total value in excess of the value in the Scheme of Reservation and Delegation 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 the same as, or less than, the value in the Scheme of Reservation and Delegation, forms of indemnity shall be obtained.
- 17.6.** 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.
- 17.7.** Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.

## **18. FUNDS HELD ON TRUST**

### **18.1. Corporate Trustee**

- 18.1.1. The Standing Orders for the Board of Directors outline the Trust's responsibilities as a corporate trustee for the management of funds received in Trust and Funds held on Trust.
- 18.1.2. The discharge of the Trust's corporate trustee responsibilities are exercised separately and distinctly from its powers exercised as the Trust, and therefore these powers may not necessarily be discharged in the same manner. Nevertheless, there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.
- 18.1.3. The Director of Finance shall ensure that each trust fund which the Trust is responsible for managing is managed appropriately with regard to its purpose and to its requirements.

### **18.2. Accountability to Charity Commission and the Department of Health**

- 18.2.1. Accountability for charitable Funds held on Trust is to the Charity Commission.
- 18.2.2. Accountability for non-charitable Funds held on Trust is to The Department of Health.
- 18.2.3. The Scheme of Delegation makes clear where decisions regarding the exercise of dispositive discretion are to be taken and by whom. Directors and Officers must take account of the provisions of the Scheme of Delegation before taking action.

### **18.3. Applicability of SFIs to Funds Held on Trust**

- 18.3.1. So far as it is possible to do so, and subject to SFIs 18.5 to 18.11 below, these SFIs will also apply to the management of Funds held on Trust.
- 18.3.2. The overriding principle in managing Funds held on Trust is that the integrity of each trust must be maintained and statutory and trust obligations met by oversight of the Charitable Funds Committee. Materiality must be assessed separately from Exchequer activities and funds.

### **18.4. Existing donated funds**

- 18.4.1. The Director of Finance shall arrange for the administration of all existing donated funds. The Director of Finance shall also ensure

that a governing instrument exists for every donated fund and shall produce detailed codes of procedure covering every aspect of the financial management of donated funds, for the guidance of all Officers. Such guidelines shall identify the restricted nature of certain funds.

18.4.2. The Director of Finance shall periodically review the funds in existence and shall make recommendations to the Board of Directors regarding the potential for rationalisation of such funds within guidelines issued by the Charity Commission, Department of Health and under statute.

18.4.3. The Director of Finance may recommend an increase in the number of funds where this is consistent with the Trust's policy for ensuring the safe and appropriate management of restricted funds, (e.g. designation for specific purposes).

## **18.5. New donated funds**

18.5.1. The Director of Finance shall arrange for the creation of a new donated fund where funds and/or other assets, received in accordance with the Trust's policies, cannot adequately be managed as part of an existing fund.

18.5.2. The Director of Finance shall present the governing document to the Board of Directors for each new donated fund. Such a document shall clearly identify, inter alia, the objects of the new donated fund, the capacity of the Trust to delegate powers to manage the fund and the power to assign the residue of the donated fund to another fund contingent upon certain conditions, (e.g. discharge of original objects).

## **18.6. Sources of new funds**

18.6.1. In respect of donations, the Director of Finance shall provide guidelines to Officers as to how to proceed when offered funds. These are to include:

18.6.1.1. the identification of the donor's intentions;

18.6.1.2. where possible, the avoidance of new trusts;

18.6.1.3. the avoidance of impossible, undesirable or administratively difficult objects;

18.6.1.4. sources of immediate further advice;

18.6.1.5. treatment of offers for personal gifts; and

- 18.6.1.6. advice on the possibility of gift aiding in relation to the donation;
  - 18.6.1.7. secure and appropriate receipting arrangements which will indicate that funds have been accepted directly into the Trust's donated funds and that the donor's intentions have been noted and accepted.
- 18.6.2. **In respect of legacies and bequests, the Director of Finance shall:**
- 18.6.2.1. provide guidelines to Officers covering any approach regarding:
  - 18.6.2.2. the receipt of funds and/or other assets from executors;
  - 18.6.2.3. be directly responsible for the appropriate treatment of all legacies and bequests; and
  - 18.6.2.4. keep a register of all enquiries.
- 18.6.3. **In respect of fund-raising, the Director of Finance shall:**
- 18.6.3.1. deal with all arrangements for fund-raising by and/or on behalf of the Trust and ensure compliance with all relevant statutes and regulations;
  - 18.6.3.2. be empowered to liaise with other organisations and/or persons raising funds for the Trust. The Director of Finance shall be the only Officer empowered to give approval for such fund-raising subject to the overriding direction of the Board of Directors;
  - 18.6.3.3. be responsible for alerting the Board of Directors to any irregularities regarding the use of this Trust's name or its registration numbers; and
  - 18.6.3.4. be responsible for the appropriate treatment of all funds received from such sources.

## **18.7. Investment management**

The Director of Finance shall be responsible for all aspects of the management of the investment of Funds held on Trust. The issues on which he shall be required to provide advice to the Board of Directors shall include:

- 18.7.1. the formulation of investment policy within the powers of the Trust under statute and within governing instruments to meet its

requirements with regard to income generation and the enhancement of capital value;

- 18.7.2. the appointment and agreement of the terms of appointment of advisers, brokers, and, where appropriate, fund managers, written agreements to be signed by the Chief Executive;
- 18.7.3. the pooling of investment resources in accordance with a scheme approved by the Charity Commission, where the Funds held on Trust are charitable;
- 18.7.4. the participation by the trust in common investment funds and the agreement of terms of entry and withdrawal from such funds;
- 18.7.5. the use of Trust assets;
- 18.7.6. the review of the performance of brokers and fund managers; and
- 18.7.7. the reporting of investment performance.

## **18.8. Expenditure management**

- 18.8.1. The exercise of expenditure discretion shall be managed by the Director of Finance in conjunction with the Board of Directors. In so doing the Director of Finance shall be aware of the following:
  - 18.8.1.1. the objects of various funds and the designated objectives;
  - 18.8.1.2. the availability of liquid funds within each donated fund;
  - 18.8.1.3. the powers of delegation available to commit resources;
  - 18.8.1.4. the avoidance of the use of Exchequer funds to discharge donated fund liabilities (except where administratively unavoidable), and to ensure that any indebtedness to the Exchequer shall be discharged by donated funds at the earliest possible time;
  - 18.8.1.5. that funds are to be spent rather than preserved, subject to the wishes of the donor and the needs of the Trust; and
  - 18.8.1.6. the definitions of 'charitable purposes' as agreed by the Charity Commission.

18.8.2. Expenditure of any donated Funds held on Trust shall be conditional upon the item being within the terms of the appropriate fund and the procedures approved by the Trust.

**18.9. Banking Services**

The Director of Finance shall advise the Board of Directors and, with its approval, shall ensure that appropriate banking services are available to the Trust as corporate trustee.

**18.10. Asset management**

Assets in the ownership of or used by the Trust as corporate trustee, shall be maintained along with the general estate and inventory of assets of the Trust. The Director of Finance shall ensure that:

18.10.1. appropriate records of all assets owned by the Trust as corporate trustee are maintained, and that all assets, at agreed valuations, are brought to account;

18.10.2. appropriate measures are taken to protect and/or to replace such assets. These to include decisions regarding insurance, inventory control, and the reporting of losses;

18.10.3. donated assets received on trust shall be accounted for appropriately; and

18.10.4. all assets acquired from donated funds which are intended to be retained within the donated funds are appropriately accounted for.

**18.11. Reporting and accounting, and Audit**

18.11.1. The Director of Finance shall ensure that regular reports are made to the Board of Directors (or to a committee of the Board of Directors) with regard to, inter alia, the receipt of funds to be held on trust, investments of these funds, and the disposition of resources.

18.11.2. The Director of Finance shall prepare annual accounts in the required manner which shall be submitted to the Board of Directors within agreed timescales.

18.11.3. The Director of Finance shall prepare an annual trustees' report (separate reports for charitable and non-charitable trusts) and the required returns to the Department of Health and to the Charity Commission for adoption by the Board of Directors as required.

- 18.11.4. The Director of Finance shall maintain all financial records to enable the production of reports as above and to the satisfaction of internal audit.
- 18.11.5. The Director of Finance shall ensure that the records, accounts and returns receive adequate scrutiny by Internal Audit during the year and provide them with all necessary information.
- 18.11.6. The Board of Directors shall be advised by the Director of Finance on the outcome of the annual audit.

## **19. ACCEPTANCE OF GIFTS BY STAFF AND LINK TO STANDARDS OF BUSINESS CONDUCT**

- 19.1.** The Trust Secretary shall ensure that all staff are made aware of the Trust Code of Business Conduct, which gives guidance on the acceptance of gifts and other benefits in kind by staff.
- 19.2.** This Trust Code of Business Conduct follows the guidance contained in the Code of Conduct for NHS Managers 2002; and the Professional Codes as followed by professional staff groups, 'Good Psychiatric Practice: Relationships with pharmaceutical and other commercial organisations' (Royal College of Psychiatrists, 2008) is especially relevant.



## **20. RETENTION OF RECORDS**

- 20.1.** The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Records Management: NHS Code of Practice Parts 1 & 2.
- 20.2.** The Senior information Risk Officer will have delegated responsibility for the strategic decision making relating to the maintenance of archives for all records retained in accordance with the Records Management Code of Practice for Health and Social Care 2016. The records held in archives shall be capable of retrieval by authorised
- 20.3.** Records shall only be destroyed in accordance with Department of Health Records Management: NHS Code of Practice Parts 1 & 2. Details shall be maintained of records so destroyed and destruction certificates issued by the approved service provider as a record of the destruction

## **21. RISK MANAGEMENT AND INSURANCE**

### **21.1. Programme of Risk Management**

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

21.1.2. The programme of risk management shall include:

21.1.2.1. a process for identifying and quantifying risks and potential liabilities;

21.1.2.2. engendering among all levels of staff a positive attitude towards the control of risk;

21.1.2.3. 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;

21.1.2.3.1. contingency plans to offset the impact of adverse events;

21.1.2.3.2. audit arrangements including; Internal Audit, clinical audit, health and safety review;

21.1.2.3.3. a clear indication of which risks shall be insured;

21.1.2.3.4. arrangements to review the Risk Management programme.

21.1.3. The existence, integration and evaluation of the above elements will assist in providing a basis to make an Annual Governance Statement on the effectiveness of Internal Control within the Annual Report and Accounts as required by current DH guidance / Annual Reporting Manual.

### **21.2. Insurance: Risk Pooling Schemes administered by NHS Resolution**

21.2.1. The Board shall decide if the Trust will insure through the risk pooling schemes administered by the NHS Resolution or self-insure for some or all of the risks covered by the risk pooling schemes. If the Board decides not to use the risk pooling schemes for any of the risk areas (clinical, property and employers/third party liability) covered by the scheme this decision shall be formally reviewed periodically by the Trust Board.

- 21.2.2. Trust Board Directors and Trust Secretary can sign a Statement of Truth on behalf of the Trust

### **21.3. Insurance arrangements with commercial insurers**

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

21.3.1.1. Trust's may enter commercial arrangements for insuring motor vehicles owned by the Trust including insuring third party liability arising from their use;

21.3.1.2. where the Trust is involved with a consortium in a Private Finance Initiative contract and the other consortium members require that commercial insurance arrangements are entered into;

21.3.1.3. where income generation activities take place. Income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the Trust for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from the NHS Resolution. In any case of doubt concerning the Trust's powers to enter into commercial insurance arrangements the Trust Secretary should consult the Department of Health.

### **21.4. Arrangements to be followed by the Board in agreeing insurance cover**

- 21.4.1. Where the Board decides to use the risk pooling schemes administered by the NHS Resolution the Chief Nurse shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. Trust Secretary shall ensure that documented procedures cover these arrangements.

- 21.4.2. Where the Board decides not to use the risk pooling schemes administered by the NHS Resolution for one or other of the risks covered by the schemes, the Trust Secretary shall ensure that the Board is informed of the nature and extent of the risks that are self insured as a result of this decision. Trust Secretary will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed.

- 21.4.3. All the risk pooling schemes require Scheme members to make some contribution to the settlement of claims (the 'deductible'). Trust

Secretary should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

## **22. MAJOR CORPORATE TRANSACTIONS**

### **22.1. Transactions Manual**

22.1.1. Monitor and the Department of Health have jointly published a Transactions Manual (the Manual). The Manual provides essential information about the management and governance of major corporate transactions.

22.1.2. The Manual covers the following transactions:

- 22.1.2.1. Acquisition;
- 22.1.2.2. Divestment/disposal;
- 22.1.2.3. Demerger;
- 22.1.2.4. Joint Venture;
- 22.1.2.5. Franchise; and
- 22.1.2.6. Statutory merger

22.1.3. The Manual does not:

- 22.1.3.1. Provide a framework for strategic decision making;
- 22.1.3.2. Make a decision on what transaction type to pursue;
- 22.1.3.3. Provide guidance, or replace current DH guidance on capital investment in buildings, equipment, or contracts for the provision of buildings, equipment and IT;
- 22.1.3.4. Provide guidance or advice in respect of PFI, LIFT or Spin out Companies.

### **22.2. Checklist**

22.2.1. The Manual provides a checklist of the principal activities that should be completed prior to beginning the transaction process:

- 22.2.1.1. Carry out a strategic review of the Trust and as a result have a clear overall business strategy.
- 22.2.1.2. Determine the needs of the Trust in the transaction, and what benefits will be achieved.
- 22.2.1.3. Meet with senior stakeholders including key clinicians, managers and commissioners to agree the priorities and benefits.
- 22.2.1.4. Consider public, patient, carer or member input into the process and how to comply with the statutory duty to consult and involve.
- 22.2.1.5. Consider the consequences of the transaction, if any, and agree a way forward.
- 22.2.1.6. Clarify the strategic objectives the Trust is trying to achieve through the proposed transaction.

- 22.2.1.7. If a joint venture is being proposed, consider if there is any way in which the Trust could achieve the strategic objective using its own resources.
- 22.2.1.8. Consider all the transaction options available.
- 22.2.1.9. Gain an understanding of the basic form of the transaction itself and any service reconfiguration that the transaction might entail.
- 22.2.1.10. Assess the skill-sets and time commitments on the existing team and how these may affect delivery of the transaction.
- 22.2.1.11. Develop a programme with appropriate, and realistic, timescales for delivering the transaction.
- 22.2.1.12. Consider all aspects of diligence to ensure tasks are understood and mitigated.
- 22.2.1.13. Follow best practice advice as detailed in Monitors Risk Evaluation of Financial Decisions by NHS Foundation Trusts (REID) and the Compliance Framework.
- 22.2.1.14. Consider governor input.

### **22.3. Use of External Advisors**

- 22.3.1. External advisors will be essential in the larger and more complex transactions where specialist expertise is required to guide the Board through the intricacies of a transaction and to optimise the structure of the proposed deal.
- 22.3.2. The Manual does not replace the need for specialist advice, but details for each transaction type the nature of the advice that may be required.
- 22.3.3. The need for specialist advice / use of external advisors will be considered at an early stage of the transaction, in order to prevent significant expenditure without the certainty of a permissible transaction