

Policy No. F01 Trust Policy for Standing Financial Instructions

The following personnel have direct roles and responsibilities in the implementation of this policy:

- All Trust Staff

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Trust Contact:	Claire Fidler, Assistant Director of Finance – Chief Accountant
Executive Lead:	Chris Adcock, Director of Finance

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Statement on Trust Policies

Staff Side and Trade Unions

The University Hospitals of North Midlands NHS Trust is committed to ensuring that, as far as is reasonably practicable, the way in which we provide services to the public and the way in which we treat our staff reflects their individual needs and does not discriminate against individuals or groups on any grounds.

Equality and Diversity

The University Hospitals of North Midlands aims to promote equality and diversity and value the benefits this brings. It is our aim to ensure that all staff feel valued and have a fair and equitable quality of working life.

Equality Impact Assessment

The organisation aims to design and implement services, policies and measures that meet the diverse needs of our service, population and workforce, ensuring that none are placed at a disadvantage over others. The Equality Impact Assessment tool is designed to help you consider the needs and assess the impact of your policy.

Information Governance

Any Trust policy which impacts on or involves the use and disclosure of personal information (patient or employee) must make reference to and ensure that the content of the policy is comparable with the relevant statutory or legal requirement and ethical standards

Data Protection Act 1998 and the NHS Confidentiality Code of Practice

The Data Protection Act (DPA) provides a framework which governs the processing of information that identifies living individuals. Processing includes holding, obtaining, recording, using and disclosing of information and the Act applies to all forms of media, including paper and images. It applies to confidential patient information but is far wider in its scope, e.g. it also covers staff personnel records. The DPA provides a legal gateway and timetable for the disclosure of personal information to the data subject (e.g. health record to a patient, staff file to an employee).

Whilst the DPA applies to both patient and employee information, the Confidentiality Code of Practice (COP) applies only to patient information. The COP incorporates the requirements of the DPA and other relevant legislation together with the recommendations of the Caldicott report and medical ethical considerations, in some cases extending statutory requirements and provides detailed specific guidance.

Freedom of Information Act 2000

The Freedom of Information Act 2000 (FOIA) is an Act which makes legal provision and creates a legal gateway and timetable for the disclosure, to the public, of the **majority** of corporate information held (but not necessarily created) by this Trust. The Trust has a legal responsibility to proactively provide a large amount of information to the public and to pro-actively respond to specific requests for information. Information will not be disclosed when the Trust can claim legal exemption. Any non-disclosure must be conveyed in writing; quoting the relevant exemption together with signposting to internal and external methods of complaint. Locally, guidance on the DPA, FOIA and COP can be obtained from the Information Governance Manager or the Caldicott Guardian.

Mental Capacity Act

Any Trust policy which may affect a person who may lack capacity should comply with the requirements of the Mental Capacity Act 2005 (MCA)

The MCA and its associated Code of Practice provides the framework for making decisions on behalf of individuals who lack the mental capacity to do these acts or make these decisions for themselves. Everyone working with and/or caring for adults who lack capacity, whether they are dealing with everyday matters or life-changing events in the lives of people who lack capacity must comply with the Act.

In a day to day context mental capacity includes making decisions or taking actions affecting daily life

– when to get up, what to wear, what to eat etc. In a legal context it refers to a person's ability to do something, including making a decision, which may have legal consequences for the person lacking capacity, or for other people.

The Code provides guidance to all those working with and/or caring for adults who lack capacity, including family members, professionals and carers. It describes their responsibilities when acting or making decisions with, or on behalf of, individuals who lack the capacity to do this for themselves. In particular, it focuses on those who will have a duty of care to a person lacking capacity and explains how the legal rules set out in the Act will work in practice.

The Health Act: Code of Practice for the Prevention and Control of Health Care Associated Infections

The purpose of the Code is to help NHS bodies plan and implement how they can prevent and control HCAI. It sets out criteria by which managers of NHS organisations are to ensure that patients are cared for in a clean, safe environment, where the risk of HCAI is kept as low as possible. Failure to observe the Code may either result in an Improvement Notice being issued by the Care Quality Commission, or in the Trust being reported for significant failings and placed on 'Special Measures'.

The Code relates to healthcare provided by all NHS bodies. Each NHS body is expected to have systems in place sufficient to comply with the relevant provisions of the Code, so as to minimise the risk of HCAI to patients, staff and visitors.

The Trust Board must have an agreement outlining its collective responsibility for minimising the risks of infection and the general means by which it prevents and controls such risks.

Effective prevention and control of HCAI must be embedded into everyday practice and applied consistently by all staff.

Human Rights

The Trust is committed to the principles contained in the Human Rights Act. We aim to ensure that our employment policies protect the rights and interests of our staff and ensure that they are treated in a fair, dignified and equitable way when employed at the Trust.

Sustainable Development

University Hospitals of North Midlands NHS Trust recognises the impact that its operations have on the environment as well as the strong link between sustainability, climate change and health. The trust is committed to continual improvement in minimising the impact of activities on the environment and expects all members of staff to play their part in achieving this goal and in particular to work towards a 10% carbon reduction by 2015. The Green Aware Campaign is designed to support you to do this. All trust policy should embed sustainability and refer to our Sustainable Development Management Plan where relevant. Further information and guidance can be obtained from the Trust Sustainability Manager.

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1. INTRODUCTION

- 1.1 These Standing Financial Instructions (SFIs) are issued in accordance with the Trust (Functions) Directions 2000 issued by the Secretary of State which require that each Trust shall agree SFIs for the regulation of the conduct of its members and officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs).
- 1.2 These SFIs detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that the Trust's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Scheme of Reservation and Delegation of Powers adopted by the Trust.
- 1.3 These SFIs identify the financial responsibilities which apply to everyone working for the Trust and its constituent organisations including Trading Units. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.4 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance **must be sought before acting**. The user of these SFIs should also be familiar with and comply with the provisions of the Trust's SOs.
- 1.5 The failure to comply with SFIs will be recorded by the Director of Finance. **Failure to comply with SFIs is a disciplinary matter and could result in dismissal.**
- 1.6 Where appropriate, failure to comply with SFIs will be reported to the Audit Committee with full details of the non-compliance and any justification for the non-compliance. The Audit Committee will then either refer for action or ratify the non-compliance.
- 1.7 All members of the Trust Board and employees have a duty to disclose any non-compliance with these SFIs to the Director of Finance as soon as possible.

2. STATEMENT

- 2.1 To provide detailed financial responsibilities, policies and procedures to be adopted by the Trust and its employees or representatives.

3. SCOPE

- 3.1 This policy applies to all areas of the Trust and all individuals employed by the Trust including contractors, voluntary workers, students, locum and agency staff and those holding honorary contracts.

4. DEFINITIONS

- 4.1 Detailed below is a list of terms used in this document and a definition of their meaning.

Term	Definition
Budget	Resource, expressed in financial terms, proposed by the Trust for the purpose of carrying out, for a specific period, any or all of the functions of the Trust. The budget should, where appropriate, also be supported by budgets relating to workforce and workload.
Budget Administrator	Employee with delegated authority from a Budget Manager (to a limit of £5,000 inclusive of VAT) to manage finances (income and expenditure) for a specific cost centre or group of cost centres
Budget Holder	Director or employee with delegated authority from the Chief Executive (to a limit of £50,000 inclusive of VAT) to manage finances (income and expenditure) for a specific area of the organisation
Budget Manager	Employee with delegated authority from a Budget Holder (to a limit of £25,000 inclusive of VAT) to manage finances (income and expenditure) for a specific cost centre or group of cost centres
Chairman	The person appointed to lead the Trust Board and to ensure that it successfully discharges its overall responsibility for the Trust as a whole
Chief Executive	Chief officer of the Trust and Accountable Officer
Director of Finance	Chief financial officer of the Trust
He/she or his/her	Where this term appears this term is to be taken as referring to the post holder and is interchangeable as the gender of that post holder changes
Scheme of Reservation and Delegation of Powers	Document which sets out the powers reserved by the Trust Board, while at the same time delegating to the appropriate level the detailed application of Trust policies and procedures.
Standing Financial Instructions (SFIs)	Document detailing the financial responsibilities, policies and procedures adopted by the Trust.
Trust	University Hospital of North Staffordshire NHS Trust
Trust Board	Board of the Trust

Table 1

- 4.2 Wherever the title Chief Executive, Director of Finance or other nominated officer is used in these SFIs, it shall be deemed to include such other Director or employees who have been duly authorised to represent them.
- 4.3 Wherever the term “employee” and the context permits, it shall be deemed to include employees of third parties contracted to the Trust when acting on behalf of the Trust.

5. ROLES AND RESPONSIBILITIES

5.1 Role of the Trust Board

- 5.1.1 The Trust Board exercises financial supervision and control by:

- (a) Formulating the financial strategy
 - (b) Requiring the submission and approval of budgets within approved allocations/overall income
 - (c) Defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money)
 - (d) Defining specific responsibilities placed on members of the Trust Board and employees as indicated in the Scheme of Delegation document
- 5.1.2 The Trust Board has resolved that certain powers and decisions may only be exercised by the Trust Board in formal session. These are set out in the 'Reservation of Matters Reserved to the Board' document. All other powers have been delegated to such other committees as the Trust Board has established.
- 5.1.3 Under the Trust's scheme of delegation, amendments to these instructions need to be approved at a Trust Board meeting.

5.2 Role of Chief Executive

- 5.2.1 The Chief Executive will, as far as possible, delegate his/her detailed responsibilities, but they remain accountable for financial control.
- 5.2.2 Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Trust Board, and, as Accountable Officer, to the Secretary of State, for ensuring that the Trust 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 Trust Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.
- 5.2.3 It is a duty of the Chief Executive to ensure that Members of the Board, employees and all new appointees are notified of, and understand their responsibilities, within these SFIs.

5.3 Role of Director of Finance

- 5.3.1 The Director of Finance will, as far as possible, delegate his/her detailed responsibilities, but they remain accountable for financial control.
- 5.3.2 The Director of Finance is responsible for:
- (a) Implementing the Trust's financial policies and for coordinating any corrective action necessary to further these policies
 - (b) Maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions
 - (c) Ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Trust at any time

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

5.3.3 The Director of Finance will maintain a register of the required readers of the SFIs.

5.3.4 The Director of Finance will separately set out where their responsibilities are delegated to the Operational Director of Finance.

5.4 Role of all Directors and Officers

5.4.1 Powers are delegated to Directors and Officers on the understanding that they would not exercise delegated powers in a matter in which their judgment was likely to be cause for public concern.

5.4.2 This policy shows only the “top level” of delegation within the Trust. The Scheme of Delegation is to be used in conjunction with the system of budgetary control and other procedures within the Trust.

5.4.3 In the absence of a Director or Officer to whom powers have been delegated, those powers shall be exercised by that Director or Officers deputy unless alternative arrangements have been requested by the Trust Board.

5.5 Role of all Trust Board members and employees

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

- (a) The security of the property of the Trust
- (b) Avoiding loss
- (c) Exercising economy and efficiency in the use of resources
- (d) Conforming to the requirements of SOs, SFIs, financial procedures and the Scheme of Delegation

5.5.2 Individuals who are included on the register of required readers of the SFIs are responsible for ensuring they understand the guidance and will acknowledge this in writing to the Director of Finance.

5.5.3 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 Trust Board and employees discharge their duties must be to the satisfaction of the Director of Finance.

5.5.4 All members of the Trust Board and employees are expected to adhere to the Nolan Principles which are the basis of ethical standards expected of public office holders.

The seven principles of public life apply to anyone who works as a public office holder and all people appointed to work in public services including all people working within the health sector.

5.5.5 The seven principles are:

- (a) Selflessness – holders of public office should act solely in terms of the public interest
- (b) Integrity – Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships
- (c) Objectivity – Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias
- (d) Accountability – Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this
- (e) Openness – Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing
- (f) Honesty – Holders of public office should be truthful
- (g) Leadership – Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs

5.6 Role of contractors and their employees

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

6. EDUCATION/TRAINING AND PLAN OF IMPLEMENTATION

- 6.1 The Finance Department will ensure that training is available to all authorised signatories and any other staff member who requires training.

7. MONITORING AND REVIEW ARRANGEMENTS

7.1 Monitoring Arrangements

- 7.1.1 In accordance with SOs, the Trust Board shall formally establish a committee of independent members, as an Audit Committee, with formal Terms of Reference, which includes ensuring compliance with the SFIs.

7.1.2 Failure to comply with this policy will be recorded by the Director of Finance. Failure to comply with the policy is a disciplinary matter, which may be reported to the Audit Committee, and could result in dismissal.

7.1.3 All members of the Trust Board and employees have a duty to disclose any non-compliance with this policy to the Director of Finance as soon as possible.

7.2 Review

7.2.1 This policy will be reviewed two years post ratification, unless changes in national legislation override this or there has been a specific request to review earlier.

8. REFERENCES

Trust's Standing Orders
Trust's Scheme of Delegation

Appendix A – STANDING FINANCIAL INSTRUCTIONS

1. AUDIT

1.1 Audit Committee

- 1.1.1 The Audit Committee's primary role is to conclude upon the adequacy and effective operation of the Trust's overall internal control system. In performing that role the Committee's work will predominantly focus upon the framework of risks, controls and related assurances that underpin the delivery of the Trust's objectives.
- 1.1.2 As a result, the Committee has a pivotal role to play in reviewing the disclosure statements that flow from the Trust's assurance processes. In particular this includes the Annual Governance Statement, included in the Annual Report, and this document should be presented to the Committee before being submitted for approval to the Trust Board.
- 1.1.3 It is clearly the job of the Trust Board, Chief Executive and Executive Directors to establish and maintain process for governance. The Committee independently monitors, reviews and reports to the Trust Board on the processes of governance, and, where appropriate, facilitates, supports, through its independence, the attainment of effective processes.
- 1.1.4 In accordance with SOs, the Trust Board shall formally establish an Audit Committee, that includes independent members, with formal Terms of Reference to perform such monitoring, reviewing and other functions as are appropriate and following guidance from the NHS Audit Committee Handbook 2005, which will provide an independent and objective view of internal control by:
- (a) Overseeing Internal and External Audit services and assessing the work and fees of external audit on an annual basis to ensure that the work is of a sufficiently high standard and that the fees are reasonable
 - (b) Reviewing financial systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments
 - (c) Review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives
 - (d) Monitoring compliance with SOs and SFIs
 - (e) Reviewing schedules of losses and compensations and making recommendations to the Trust Board
 - (f) Reviewing the arrangements in place to support the Assurance Framework process prepared on behalf of the Trust Board and advising the Trust Board accordingly
- 1.1.5 The Trust Board should satisfy itself that at least one member of the Committee has recent and relevant financial experience.
- 1.1.6 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee

wishes to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Trust Board. Exceptionally, the matter may need to be referred to the Department of Health, Local Counter Fraud Office or the police (but should be referred to the Director of Finance in the first instance).

1.2 Internal Audit

1.2.1 It is the responsibility of the Director of Finance to ensure an adequate Internal Audit service is provided and the Audit Committee shall be involved in the selection process when/if an Internal Audit service provider is changed.

1.2.2 The Director of Finance is responsible for:

- (a) Ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective Internal Audit function
- (b) Ensuring that the purpose, authority and responsibility of Internal Audit is adequate, meets the NHS mandatory audit standards, and is formally defined by the Trust in Terms of Reference with regard to professional best practice
- (c) Deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption
- (d) Ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee and the Trust Board. The report must cover:
 - (i) A clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by the Department of Health including for example compliance with control criteria and standards
 - (ii) Major internal financial control weaknesses discovered
 - (iii) Progress on the implementation of internal audit recommendations
 - (iv) Progress against plan over the previous year
 - (v) Strategic audit plan covering the coming three years
 - (vi) A detailed plan for the coming year
- (e) In line with best practice, the Trust will undertake a market testing exercise for the appointment of internal audit service provider at least once every 5 years

1.2.3 The Director of Finance or designated internal and external auditors are entitled, without necessarily giving prior notice, to require and receive:

- (a) Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature
- (b) Access at all reasonable times to any land, premises or members of the Board or employee of the Trust

- (c) The production of any cash, stores or other property of the Trust under a member of the Board or an employee's control
 - (d) Explanations concerning any matter under investigation
- 1.2.4 Internal Audit will, in accordance with recognised professional best practice, review, appraise and report upon:
- (a) The extent of compliance with, and the financial effect of, relevant established policies, plans and procedures
 - (b) The adequacy, efficiency and application of management's systems of internal control (incorporating the Trust's system of internal financial control)
 - (c) The suitability of financial and other related management data
 - (d) The extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
 - (i) Fraud and other offences
 - (ii) Waste, extravagance, inefficient administration
 - (iii) Poor value for money or other causes
 - (e) Internal Audit shall also independently verify the Assurance Statements in accordance with guidance from the Department of Health.
- 1.2.5 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.
- 1.2.6 The Head of Internal Audit or representative will attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chairman and Chief Executive of the Trust.
- 1.2.7 The Head of Internal Audit's formal annual report to the Chief Executive, as Accountable Officer, and the Audit Committee should present the opinion of the overall adequacy and effectiveness of the organisations risk management, control and governance processes.
- 1.2.8 The Head of Internal Audit shall be accountable to the Director of Finance. The reporting system for internal audit shall be agreed between the Director of Finance, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed at least every three years.
- 1.2.9 Internal Audit shall report findings of work completed, in the first instance, to the appropriate Executive Director who shall refer audit reports to the appropriate members of staff. Failure to take any necessary remedial action within a reasonable period shall be reported to the Audit Committee.

- 1.2.10 Where, in exceptional circumstances, the use of normal reporting channels could be seen as a possible limitation of the objectivity of the audit, the Head of Internal Audit shall seek the advice of the Chairman of the Audit Committee.
- 1.2.11 All reports and responses from relevant Executive Directors will be reported by the Head of Internal Audit to Audit Committee.
- 1.2.12 The Head of Internal Audit shall coordinate internal audit plans and activities with line managers, external audit and other review agencies to ensure the most effective audit coverage is achieved and duplication of effort is minimalised.
- 1.2.13 The Trust will provide the Head of Internal Audit with every facility and all information which he may reasonably require for the purposes of his functions under the Terms of Reference.

1.3 External Audit

- 1.3.1 The External Auditor is paid for by the Trust. The Audit Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the External Auditor, then this should be raised with the External Auditors and referred on if the issue cannot be resolved.

2. FRAUD AND CORRUPTION

- 2.1 Fraud is defined as any person who dishonestly makes a false representation to make a gain for himself/herself or another or dishonestly fails to disclose to another person, information he is under a legal duty to disclose, or commits fraud by abuse of position, including any offence as defined in the Fraud Act 2006.
- 2.2 Frauds can take various forms, including:
- (a) Fraud by false representation; by dishonestly making a false representation by making the representation to make a gain for yourself or another, or to cause loss to another or expose another to risk of loss. A representation is false if it is untrue or misleading, and the person making it knows that it is, or might be, untrue or misleading. An example of this would be an employee submitting a false expenses claim form for payment.
 - (b) Fraud by failing to disclose information; by dishonestly failing to disclose to another person information which you are under a legal duty to disclose and intends, by failing to disclose the information, to make a gain for themselves or another, or to cause loss to another or expose another to the risk of loss. An example of this would be an employee failing to disclose a criminal conviction that would affect their working practices.
 - (c) Fraud by abuse of position; by occupying a position in which you are expected to safeguard, or not to act against, the financial interests of another person, and dishonestly abusing that position, intending, by means of the abuse of that position, to make a gain for themselves or another, or to cause loss to another or to expose another to a risk of loss. An example of this would be a Director of Finance diverting company monies from an employer's bank account into their own personal bank account.
- 2.3 The Bribery Act 2010 repealed previous corruption legislation and has introduced the offences of offering and/or receiving a bribe. It also places specific responsibility on NHS Trusts to have in place sufficient and adequate procedures to prevent bribery and corruption taking place.
- 2.4 Bribery is defined as "Inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards, or other privileges".
- 2.5 Corruption is broadly defined as the offering of the acceptance of inducements, gifts or favours, payments or benefit in kind which may influence the improper action of any person; corruption does not always result in loss. The corrupt person may not benefit directly from their deeds; however, they may be unreasonably using their position to give some advantage to another.
- 2.6 In line with their responsibilities, the 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. The Audit Committee shall oversee the function.
- 2.7 The Trust Board shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the Department of Health Fraud and Corruption Manual and guidance.

- 2.8 The Local Counter Fraud Specialist shall report to the Director of Finance and shall work with staff in NHS Protect in accordance with the Department of Health Fraud and Corruption Manual.
- 2.9 The Local Counter Fraud Specialist will provide a written report, and a work plan, at least annually, on counter fraud work within the Trust.
- 2.10 The Director of Finance is responsible for providing detailed procedures to enable the Trust to minimise and, where possible, to eliminate fraud and corruption. These procedures are included in the Trust's Anti-Bribery policy (G18) which sets out action to be taken by persons detecting a suspected fraud and persons responsible for investigating it.
- 2.11 The measures that are put in place shall be sufficient to satisfy all external bodies to whom the Trust is accountable to, through:
- (a) Encouraging prevention
 - (b) Promoting detection
 - (c) Ensuring investigation and remedial actions are undertaken promptly, thoroughly and effectively
- 2.12 Fraud and corruption shall be dealt with as gross misconduct.
- 2.13 It is expected that all officers shall act with the utmost integrity, ensuring adherence to all relevant regulations and procedures. It is the responsibility of the Director of Finance to produce and issue such procedures to the appropriate Directors and Line Managers who should ensure that all staff has access to these.
- 2.14 The Director of Human Resources is responsible for ensuring that steps are taken at the recruitment stage to establish as far as possible the previous record of potential employees in terms of their propriety and integrity.
- 2.15 Staff are expected to act in accordance with the Trust's SOs and the NHS Code of Business Conduct following guidance on the receipt of gifts and hospitality.
- 2.16 Independent members are subject to the same high standards of accountability and are required to declare and register any interests which might potentially conflict with those of the Trust.
- 2.17 The Local Counter Fraud Specialist shall be informed of all suspected or detected fraud so that they can consider the adequacy of the relevant controls and evaluate the implication of fraud for their opinion on the system of risk management, control and guidance.
- 2.18 Staff are encouraged to raise any concerns they may have regarding suspected fraud and/or corruption by informing their line manager, Internal Audit, Director of Finance, the Trust's Local Counter Fraud Specialist or the NHS National Fraud Hotline.
- 2.19 The Director of Finance is responsible for ensuring that action is taken to investigate any allegations of fraud or corruption through the Local Counter Fraud Specialist. The steps to be taken are detailed in the Trust's Anti-Bribery policy (G18).

- 2.20 Senior managers are expected to deal firmly and promptly and in accordance with the Trust's disciplinary procedure with anyone who attempts to defraud the Trust or acts in a corrupt manner.

3. SECURITY MANAGEMENT

- 3.1 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 and ensure compliance with the 2014/2015 NHS Standard Contract.
- 3.2 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 and in compliance with the 2014/2015 NHS Standard Contract.
- 3.3 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS).

4. ALLOCATIONS, 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 Trust Board an Integrated Business Plan (IBP) which takes into account financial targets and forecast limits of available resources. The IBP will contain:

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

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

- (a) Be in accordance with the aims and objectives set out in the IBP
- (b) Be in accordance with workload and workforce plans
- (c) Be produced following discussion and agreement with appropriate Budget Holders
- (d) Be prepared within the limits of available funds
- (e) Identify potential risks and mitigations
- (f) Have due consideration of the impact on the quality and safety of patient care

4.1.3 The Director of Finance shall continually monitor financial performance against budget and the IBP, periodically review them, and report to the Trust Board.

4.1.4 All Budget Holders must provide financial or non-financial information as required by the Director of Finance to enable budgets to be compiled.

4.1.5 All Budget Holders will confirm acceptance to their allocated budgets prior to the start of the financial year (i.e. 1st April). The Trust will prepare documentation which summarises all internal financial plans by the end of April of each new financial year. The Director of Finance will ensure that divisions are notified in writing of their budget with:

- (a) A clear definition of the functions/services for which the budget is provided
- (b) The amount of the budget
- (c) The planned levels of the activity/service provision

4.1.6 The Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to Budget Holders to help them manage their budgets successfully.

4.2 Budgetary Delegation

- 4.2.1 The Chief Executive may delegate the management of a budget to a Budget Holder to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:
- (a) The amount of the budget
 - (b) The purpose/s of each budget heading
 - (c) Individual and group responsibilities
 - (d) Authority to exercise virement
 - (e) Achievement of planned levels of service
 - (f) The provision of regular reports
- 4.2.2 Budgetary responsibility is delegated at the start of each financial year to the relevant Executive Director, Clinical Director or Head of Service. These are known as 'Budget Holders'.
- 4.2.3 In turn, an Executive Director, Clinical Director or Head of Service (Budget Holder) may make recommendations to the Director of Finance to delegate the management of the budget (or any part of it) to a designated 'Budget Manager'. Account shall be taken of the scope and approximate value of resources and the seniority and management potential of a prospective Budget Manager
- 4.2.4 If individual cost centres are delegated further it will be to a designated 'Budget Administrator'. Although management of a budget can be devolved by Budget Holders, ultimate responsibility for delivery of the annual budget lies with the Budget Holder. Therefore, the Budget Manager or Budget Administrator will be responsible for the day-to-day management of the budget.
- 4.2.5 The Scheme of Delegation clearly sets out the authorisation limits for these levels of management. On no account can a member of staff authorise expenditure against a cost centre for which he or she is not an authorised signatory. A list of authorised signatories is kept by the Director of Finance.
- 4.2.6 The term "authorised signatories" referred to throughout these SFIs refers to Budget Administrators, Budget Managers and Budget Holders, along with the Director of Finance, Chief Executive and Chairman who are all authorised signatories for the Trust.
- 4.2.7 The Trust Board, acting upon the advice of the Director of Finance, will periodically review and approve the income and expenditure limits within which Budget Holders, Managers and Administrators operate. These limits will be laid down in the Scheme of Delegation.
- 4.2.8 The Chief Executive, in conjunction with the Director of Finance, will periodically re-assess all functions of the Trust that incur financial consequences and ensure that responsibility for exercising budgetary control for each and every function is delegated to an appropriate Budget Holder.

4.3 Budgetary Control and Reporting

4.3.1 The Director of Finance will devise and maintain systems of budgetary control and financial reporting. These will include:

(a) Monthly financial reports to the Trust Board in a form approved by the Trust Board containing:

- (i) Performance against the Department of Health risk ratings
- (ii) Income and expenditure year to date, showing variances to plan, trends and forecast year end position
- (iii) Statement of Financial Position (Balance Sheet) year to date, showing variances to plan and forecast year-end position
- (iv) Cash flow statement year to date, showing variances to plan and forecast year-end position
- (v) Aged debtors analysis with explanations for significant balances
- (vi) Contract performance year to date
- (vii) Cost improvement plan savings year to date and full year values with analysis of the type of i.e. recurrent or non recurrent savings
- (viii) Capital project spend year to date, showing variances to plan and projected outturn against plan
- (ix) Income and expenditure position by division year to date, showing variances to plan and forecast year end position
- (x) Explanations of any material variances from plan
- (xi) Details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation

(b) The issue of timely, accurate and comprehensible advice and financial reports to each Budget Holder, covering the areas for which they are responsible

(c) Investigation and reporting of variances from financial, workload and workforce budgets

(d) Monitoring of management action to correct variances within agreed timeframes

(e) Arrangements for the authorisation of budget transfers in accordance with the virement rules

(f) The financial consequences of changes in policy, pay awards and other events and trends affecting budgets and shall advise on the financial and economic aspects of future plans and projects.

4.3.2 Each Budget Holder is responsible for ensuring that:

- (a) Any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Trust Board
- (b) The amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement
- (c) No permanent employees are appointed outside the funded establishment without the approval of the Chief Executive and any locally or Trust-wide established control procedures (such as vacancy control panels)
- (d) No expenditure is incurred against a budget outside of their particular remit without the express consent of the delegated Budget Holder for the budget concerned
- (e) The systems of budgetary control established by the Director of Finance are complied with fully

4.3.3 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the IBP and a balanced budget.

4.3.4 All employees of the Trust, especially those involved with the budgetary process, have a responsibility to the Trust Board for identifying all possible opportunities to make savings or to use Trust resources more effectively. All such opportunities should be brought to the attention of the appropriate Executive Director, Clinical Director or Head of Service for consideration and possible inclusion in the plans of the division.

4.3.5 The budgetary process requires adherence to particular timescales for the performance of routines and duties. These timescales change periodically and will be issued by the Finance Department annually. The Director of Finance is responsible for issuing and reviewing guidance on budgetary timetables. It is the responsibility of all Executive Directors, Clinical Directors and Head of Services concerned to adhere to such timetables and to inform the Director of Finance of any reasons preventing the achievement of a specific deadline.

4.3.6 The Trust Board is responsible for ensuring that the Trust's financial performance is within the targets agreed by the Department of Health. In exercising this responsibility, the Trust Board will be guided by the advice of the Chief Executive and the Director of Finance.

4.3.7 The Director of Finance reserves the right to have access to all Budget Holders and has the authority to require explanations on performance and spending and income trends within the remit of the Budget Holder. In normal circumstances, access will be through the relevant Executive Director and/or Divisional Manager.

4.4 Virements

4.4.1 Virement is defined as the transfer of budget sums within the areas for which a budget holder is responsible, or transfers to other budget holders i.e. any redistribution of budgeted amounts.

4.4.2 There are occasions where virement is generally appropriate, these include:

(a) Adjustments to reflect changes that could not have been foreseen at the start of the financial year

(b) Where planned actions by managers mean that resources previously allocated for one purpose are no longer required for that purpose

4.4.3 There are occasions where virement is not generally appropriate:

(a) Smoothing budget statements to mask underlying issues

(b) Using fortuitous underspends to support pressures in other areas

4.4.4 To maintain central control of funding and recognising the need for the Trust to meet its statutory financial duties, limitations on the extent to which virement can be applied are needed. These limits provide a degree of flexibility for budget holders whilst recognising the need for overall control of spending within the Trust.

4.4.5 The following types of virement will generally not be considered unless a very strong case of need is made by the Budget Holder:

(a) Virement between non recurrent and recurrent resources

(b) Virement between income and any other category

4.4.6 The Trust Board has defined appropriate rules for virement between budgets. These rules are based upon an escalating basis of significance of the virement:

Virement	Authorisation required by
Budget moves between income, pay or non pay	Budget Holder and Director of Finance
Budget moves between pay to pay and non pay to non pay	Associate Directors and/or Directorate Managers
Re-phasing of budgets	Budget Holder and Director of Finance

Table 2

4.4.7 All virements must be communicated to the appropriate Divisional Business Advisor/Financial Manager and authorised through completion of the required virement authorisation form.

4.4.8 The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Trust Board.

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

4.4.10 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.

4.4.11 Any virement movements will be reported to the Finance and Efficiency Committee (FEC) on a regular basis.

4.5 Reserves

- 4.5.1 The Director of Finance, on behalf of the Chief Executive, will endeavour to create such reserves as are deemed necessary to secure the ability of the Trust to meet its financial targets. Reserves may include sums to cover future pay awards, price inflation, unforeseen contingencies, non recurrent spending and other specific items as yet not allocated to individual budgets.
- 4.5.2 The Director of Finance may exercise discretion to partly, or wholly, allocate reserves directly to the Divisions or subsequent allocation to specific budgets. In these circumstances, a clear definition of the rules governing the authority to apply the reserve/s will be required.
- 4.5.3 Applications to draw down reserves must follow the process specified by the Director of Finance and be approved by the Budget Holder and Director of Finance.

4.6 Revenue business cases

- 4.6.1 Revenue business cases are required to allocate additional revenue funding from that specified in the annual budget setting process (including supporting invest to save proposals that require additional funding with a view to producing additional income/savings (CIP)).
- 4.6.2 If a source of funds is deemed readily available then investments of £25,000 or less can be authorised by the Director of Finance without the need to produce a full business case. If approved, the division will need to apply for a virement (see SFI 4.4).
- 4.6.3 For replacement consultant posts only, the Clinical Director and Associate Directors are responsible for approving the business case for such posts as such posts are deemed to be within the Trust's workforce plan. Any new consultant posts should follow the business case process as for any other revenue funding.
- 4.6.4 Any revenue business cases developed should have the support of the Divisional management team or Corporate Director as appropriate and should be in line with the Trust's priorities as outlined in the Integrated Business Plan and Annual Plan.
- 4.6.5 The Finance and Efficiency Committee (FEC) will approve the revenue business case process.
- 4.6.6 All completed business cases will be reviewed by the Executive Approvals Group (EAG). EAG has delegated authority from the Trust Board to approve revenue business cases of up to £250,000.
- 4.6.7 The EAG will report monthly to the Trust Executive Committee (TEC) to confirm decisions made at EAG and also take any business cases for revenue investment over £250,000 for approval. TEC has delegated authority from the Trust Board to approve revenue business cases of up to £1,000,000.
- 4.6.8 Cases between £1,000,000 and £3,000,000 will be taken by TEC to the Finance and Efficiency Committee (FEC) for approval. Any cases over £3,000,000 will require Trust Board approval.
- 4.6.9 The NHS Trust Development Authority (TDA) is also required to approve any revenue business cases which exceed £5,000,000, following Trust Board approval being given. This limit can be reduced at the discretion of the TDA where a Trust is reporting a year end deficit.

- 4.6.10 Revenue business cases have to go through all the relevant approval groups dependent on values, so for example a case of over £5,000,000 will require approval from EAG, who will then recommend to TEC, who will recommend to FEC, who will recommend to Trust Board for approval. The case will then be recommended to the NHS TDA for approval.
- 4.6.11 The values quoted in SFI 4.6.2 and 4.6.6 to 4.6.9 are inclusive of VAT and represents either annual expenditure or annual income level. No netting off between expenditure and income should be undertaken in identifying these annual values.
- 4.6.12 Business cases which have both capital and revenue funding requirements should be fully completed (i.e. including all capital and revenue implications) and the capital funding source should be confirmed (via the Capital Investment Group (CIG)) prior to the business case being presented to EAG.
- 4.6.13 A benefits review will take place at a time determined by EAG for all approved business cases which will assess the success of the revenue business case based on Key Performance Indicators (KPIs) included within the revenue business case. Regular reports on benefits reviews undertaken will be submitted by EAG to FEC.

4.7 Monitoring Returns

- 4.7.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation in the format and timeframes required.
- 4.7.2 The internal monitoring of the Trust's and departmental business plans will take place through regular performance reviews at Executive level with appropriate support.

5. ANNUAL ACCOUNTS AND REPORTS

- 5.1 The Director of Finance, on behalf of the Trust, will:
- (a) Prepare financial returns in accordance with the accounting policies and guidance given by the Department of Health and the Treasury, the Trust's accounting policies, and generally accepted accounting practice
 - (b) Prepare and submit annual financial reports to the Department of Health certified in accordance with current guidelines
 - (c) Submit financial returns to the Department of Health for each financial year in accordance with the timetable prescribed by the Department of Health
- 5.2 The Trust's audited annual accounts, and any report of the auditor on them, must be presented to the Trust Board for approval or by the Audit Committee as delegated by the Trust Board.
- 5.3 The Trust's annual accounts must be audited by an auditor appointed by the Audit Commission. The Trust's audited annual accounts must be presented to a public meeting and made available to the public.
- 5.4 The Trust will publish an annual report, in accordance with guidelines on local accountability. This will be presented to the Trust Board for approval or to the Audit Committee as delegated by the Trust Board for approval. The annual report will also be presented at a public meeting. The document will comply with the Department of Health's Manual for Accounts.

6. BANK ACCOUNTS

6.1 General

6.1.1 The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts. This advice will take into account guidance and/directions issued from time to time by the Department of Health.

6.1.2 The Trust Board shall approve the banking arrangements.

6.1.3 The Trust operates bank accounts under the Government Banking Service (GBS) with two banks, Citibank and RBS.

6.2 Bank Accounts

6.2.1 The Director of Finance is responsible for:

- (a) Bank accounts
- (b) Establishing separate bank accounts for the Trust's non-exchequer (donated) funds
- (c) Ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made
- (d) Reporting to the Trust Board all arrangements made with the Trust's bankers for accounts to be overdrawn
- (e) Monitoring compliance with Department of Health guidance on the level of cleared funds
- (f) Establishing treasury policies and procedures to ensure the effective management of cash and bank balances

6.3 Banking Procedures

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

- (a) The conditions under which each bank account is to be operated
- (b) Those authorised to sign cheques or other orders drawn on the Trust's accounts

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

6.3.3 All funds shall be held in accounts in the name of the Trust. No officer other than the Director of Finance shall open any bank account in the name of the Trust.

6.3.4 The Director of Finance shall advise the bankers in writing of the officer(s) and or Director(s) authorised to release money from, and draw cheques on, each bank account of the Trust.

- 6.3.5 All payments shall be supported by two authorised signatories on the cheque or authority to pay, as appropriate. Cheques will not be drawn for cash.
- 6.3.6 All bank cheques or other orders for payment shall be ordered only upon the authority of the Director of Finance, who shall make proper arrangements for their safe custody.

6.4 Tendering and Review

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

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

7.1 Income Systems

- 7.1.1 The Director of Finance is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, and collection and coding of all monies due.
- 7.1.2 The Director of Finance is also responsible for the prompt banking of all monies received.
- 7.1.3 Any income raised from income generation and from contracts with non NHS bodies will be reinvested in service provision.

7.2 Fees and Charges

- 7.2.1 The Trust shall follow the Department of Health's Operating Framework and National Tariff Payment system in setting prices for NHS service agreements.
- 7.2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.
- 7.2.3 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.
- 7.2.4 All employees must ensure that the appropriate Trust financial procedures are followed with regards to accurately and promptly recording any money due to the Trust arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.
- 7.2.5 The Director of Finance shall be responsible for implementing any such guidance issued by the Department of Health in relation to the costing and pricing of services, and in particular services provided to NHS commissioning bodies.
- 7.2.6 The preparation and signing of all tenancy agreements and licenses in respect of staff accommodation shall be the responsibility of the Director of Finance.
- 7.2.7 Patient activity income will be subject to compliance with the latest applicable National Tariff Payment system guidance.

7.3 Debt Recovery

- 7.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.
- 7.3.2 The Director of Finance shall establish procedures for the write off of debts after all reasonable steps have been taken to secure payments, including debt recovery by external organisations. Where sums to be written off exceed £50,000, the Director of Finance will seek the consent of the Chief Executive and the Trust Board.

7.3.3 Income not received should be dealt with in accordance with the Trust's Losses and Special Payments Policy. Where sums to be written off exceed £50,000, the Director of Finance shall seek the consent of the Chief Executive and Trust Board.

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

7.4 Security of Cash, Cheques and other Negotiable Instruments

7.4.1 The Director of Finance is responsible for:

(a) Approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable

(b) Ordering and securely controlling any such stationery

(c) The provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines

(d) Prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust

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

7.4.3 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.

7.4.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss.

7.4.5 The opening of cash tills, telephone and coin operated machines, and the counting and recording of the takings shall be undertaken by two members of staff together. The coin box keys shall be securely held by a nominated member of staff.

7.4.6 The Director of Finance shall prescribe the system for the transporting of cash and other negotiable instruments. Wherever practicable, the services of a specialist security firm will be employed.

7.4.7 All unused cheques and other orders shall be subject to the same security precautions as are applied as cash. Bulk stocks of cheques shall be retained by the Trust under appropriate security arrangements and a record maintained of cheques used.

7.4.8 All cheques shall be subject to special security precautions as may be required from time to time by the Director of Finance.

7.4.9 Staff shall be informed in writing on appointment, by the appropriate departmental or senior member of staff of their responsibilities and duties for the collection, handling or disbursement of cash, cheques, etc.

- 7.4.10 Any loss or shortfall of cash, cheques or other negotiable instruments, however occasioned, shall be reported immediately in accordance with the Losses and Special Payments policy.
- 7.4.11 All payments made on behalf of the Trust to third parties should normally be made using the Bankers Automated Clearing System (BACS) or by Faster Payments and drawn in accordance with these instructions, except with the agreement of the Director of Finance, as appropriate, who shall be satisfied about security arrangements.
- 7.4.12 To comply with money laundering legislation, under no circumstances will the Trust accept cash payments in excess of £10,000 in respect of any single transaction. Any attempts by an individual to effect payment above this amount shall be notified immediately to the Director of Finance.

8. TENDERING, CONTRACTING AND PURCHASING PROCEDURES

8.1 Duty to comply with SOs and SFIs

8.1.1 The procedure for making all contracts by, or on behalf of, the Trust shall comply with these SOs and SFIs (except where SO 3.13 Suspension of SOs is applied).

8.1.2 Detailed below is a summary table of the process to follow dependent upon the value of the intended expenditure. Please note this is purely a summary and the full SFI detail held within this section should be read and understood but the below is given as an aid for users.

	No quotation or tender	Quotations	Tenders
Value of intended expenditure or income (total contract value)	£250 to £20,000	£20,001 to £50,000	£50,001 and above
	N.B. Values stated above are inclusive of VAT, apply to both capital and revenue expenditure and relate to total contract life cycle spend (i.e. total amount of expenditure being committed)		
Competitive (i.e. formal)	N/A	At least 3 quotations to be obtained	At least 2 individuals/firms to be invited to tender Spend over the OJEU limit of £111,676 is to follow the OJEU advertisement and procurement process
Non-competitive (i.e. informal)	At least 3 quotations to be obtained	To be followed if circumstances detailed in SFI 8.13.3 met Single quotation documentation to be completed and authorised by Head of Procurement	To be followed if circumstances detailed in SFI 8.5.3 & 8.5.4 met Single tender documentation to be completed and authorised by Director of Finance & Chief Executive (where appropriate)

Table 3

8.2 EU directives governing public procurement

8.2.1 Directives by the Council of the European Union promulgated by the Department of Health (DoH) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these SFIs.

8.3 Reverse eAuctions

8.3.1 The Trust will seek advice from a relevant collaborative partner on the operation of Reverse eAuctions via the Supplies and Procurement Department.

8.4 Capital Investment Manual and other Department of Health guidance

8.4.1 The Trust shall comply as far as is practicable with the requirements of the Department of Health "Capital Investment Manual" and "Estate code" and "Procure 21+" (normally to be considered for all schemes in excess of £1 million) in respect of capital investment and estate and property transactions.

8.4.2 In addition, "Concode (volume 1 – 3)" and "NHS Estates Agreement for the Appointment of Architects, Surveyors and Engineers for Commissions in the National Health Service" provides specific guidance relating to the procurement and execution of construction contracts and design consultant commissions.

8.4.3 In the case of management consultancy contracts the Trust shall comply as far as is practicable with Department of Health guidance "The Procurement and Management of Consultants within the NHS".

8.5 Formal competitive tendering

8.5.1 The Trust shall ensure that competitive tenders are invited for:

- (a) The supply of goods, materials and manufactured articles
- (b) The rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the Department of Health)
- (c) For the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); for disposals

8.5.2 Where the Trust is obligated to invite tenders for the supply of healthcare services these SFIs shall apply as far as they are applicable to the tendering procedure.

8.5.3 Formal tendering procedures **need not be applied** where:

- (a) The estimated expenditure or income does not, or is not reasonably expected to, exceed £50,000 (inclusive of VAT)
- (b) 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
- (c) Regarding disposals as set out in SFI 8.21

8.5.4 Formal tendering procedures **may be waived** in the following circumstances:

- (a) In very exceptional circumstances where the Chief Executive or their nominated officer decides that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures, and the circumstances are detailed in an appropriate Trust record

- (b) Where the requirement is covered by an existing contract and the requirement does not constitute a material change of contract
- (c) Where there are collaborative arrangements and market testing has already formally taken place. e.g., through Crown Commercial Services
- (d) Where the timescale genuinely precludes competitive tendering but failure to plan the work properly would not be regarded as a justification for a single tender
- (e) Where specialist expertise is required and is proven to be available from only one source
- (f) When the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate
- (g) There is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering
- (h) Where allowed and provided for in the Capital Investment Manual

8.5.5 The waiving of competitive tendering procedures should not be used to avoid competition or for administrative convenience or to award a further contract or work to a provider originally appointed through a competitive procedure.

8.5.6 Under no circumstances can procurement, with a total contract lifecycle value (i.e. minimum 3 years, if not specified), over the current minimum Official Journal of European Union (OJEU) spend threshold (currently £111,676) be waived.

8.5.7 Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded in an appropriate Trust record (i.e. a Single Tender waiver form), authorised by the Director of Finance and Chief Executive (where appropriate) and reported to the Audit Committee at each meeting.

8.5.8 Where the exceptions set out in SFI 8.5.4 apply, the Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, and in no case less than two firms/individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.

8.5.9 The Trust does not maintain an approved supplier list, except for building and engineering works (see SFI 8.5.16) and temporary agency recruitment (see SFI 8.5.17). Firms who apply for consideration will be directed to the NHS Supplier Information Database (NHS SID) in the first instance. Suppliers not on NHS SID will be assessed for technical and financial competence during the procurement process and the level of assessment will be comparable to the value of business being procured.

8.5.10 All suppliers must be made aware of the Trust's terms and conditions of contract.

- 8.5.11 Firms who apply to tender shall ensure that when engaging, training, promoting or dismissing employees or in any conditions of employment, shall not discriminate against any person because of colour, race, ethnic or national origins, religion or sex, and will comply with the provisions of the Equal Pay Act 1970, the Sex Discrimination Act 1975, the Race Relations Act 1976, and the Disabled Persons (Employment) Act 1944 and any amending and/or related legislation.
- 8.5.12 Firms shall conform at least with the requirements of the Health and Safety at Work Act and any amending and/or other related legislation concerned with the health, safety and welfare of workers and other persons, and to any relevant British Standard Code of Practice issued by the British Standard Institution. Firms must provide, to the appropriate manager, a copy of its safety policy and evidence of the safety of plant and equipment, when requested.
- 8.5.13 The Director of Finance may make or institute any enquiries he deems appropriate concerning the financial standing and financial suitability of approved contractors. The Director with lead responsibility for clinical governance will similarly make such enquiries as is felt appropriate to be satisfied as to their technical/medical competence.
- 8.5.14 If in the opinion of the Chief Executive and the Director of Finance or the Director with lead responsibility for clinical governance it is impractical to use a potential contractor from the list of approved firms/individuals (for example where specialist services or skills are required and there are insufficient suitable potential contractors on the list), or where a list for whatever reason has not been prepared, the Chief Executive should ensure that appropriate checks are carried out as to the technical and financial capability of those firms that are invited to tender or quote.
- 8.5.15 An appropriate record in the contract file should be made of the reasons for inviting a tender or quote other than from an approved list.
- 8.5.16 The Trust will use Construction Line (www.constructionline.co.uk) for its approved contractors for capital developments or the Procure 21+ Framework.
- 8.5.17 The Trust has in place an approved supplier list for temporary agency recruitment. This list has been subject to due procurement process. Suppliers from this list must be utilised by the budget administrator/manager/holder in all cases of temporary staff recruitment via an external agency.
- 8.5.18 It is the budget administrators/manager/holder's responsibility to ensure full awareness of the supplier's terms and conditions of engagement before committing to recruit any temporary agency resource. Failure to understand the terms and conditions of engagement fully, could result by default, as an acceptance of the suppliers own Terms and Conditions of contract, exposing the Trust to unnecessary contractual risk and financial exposure (for example, significantly high introductory fees if the Trust proceeds to employ permanently the temporary agency resource).
- 8.5.19 If a budget administrator/manager/holder uses a supplier for temporary agency recruitment that is not on the approved supplier list, the use of such a supplier could lead to a contravention of Official Journal of European Union (OJEU) Procurement regulations. The noncompliance would also be a breach of these SFIs which could result in disciplinary proceedings and be reported to Audit Committee (as per SFI 1.5 and 1.6).

- 8.5.20 It is the responsibility of the budget administrator/manager/holder who is committing the trust to temporary resource to ensure that all relevant pre-employment checks have been completed to avoid exposing the Trust and patients to unnecessary risk. The use of suppliers for temporary agency resource who are not on the approved supplier list may not in some cases have adopted a policy of conducting these checks prior to supplying the temporary resource to the Trust.
- 8.5.21 Further commercial advice regarding the recruitment of temporary agency staff should be sought from the relevant category lead for agency within the Supplies and Procurement department.
- 8.5.22 Competitive tendering cannot be waived for building and engineering construction works and maintenance (other than in accordance with Concode) without Departmental of Health approval.
- 8.5.23 Items estimated to be below the limits set in these SFIs, 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 or their nominated officer, and be recorded in an appropriate Trust record.

8.6 Contracting/tendering procedure

8.6.1 For all tenders (both e-procurement and non e-procurement):

- (a) All invitations to tender shall state the date and time as being the latest time for the receipt of tenders and that no tender will be accepted beyond this date
- (b) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Terms and Conditions as are applicable
- (c) Every tender for building or engineering works (except for maintenance work, when Estmancode guidance shall be followed) 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.

8.6.2 In addition, for non e-Procurement tenders, the invitation to tender shall state that, no tender will be accepted unless:

- (a) The tender is submitted in a plain sealed package or envelope bearing a pre-printed label supplied by the Trust (or the word "tender" followed by the subject to which it relates) and the latest date and time for the receipt of such tender addressed to the Chief Executive or nominated Manager

- (b) That tender envelopes/packages shall not bear any names or marks indicating the sender. The use of courier/postal services must not identify the sender on the envelope or on any receipt so required by the deliverer

8.7 Receipt and safe custody of tenders

8.7.1 For e-Procurement tenders:

- (a) All tenders received through the e-Procurement portal will be stored within the system until the time appointed for their opening, the e-Procurement function will not allow any member of the originating department or the wider Trust to access tenders before the specified date
- (b) The e-Procurement function will automatically create a log that records the date and time of receipt of each tender

8.7.2 For non e-Procurement tenders:

- (a) A member of the originating department (band 5 or above) will be responsible for the receipt, endorsement and safe custody of tenders received until the time appointed for their opening
- (b) The date and time of receipt of each tender shall be endorsed on the tender envelope/package
- (c) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender. Any person directly involved in the tender process or subsequent evaluation should be the person responsible for the receipt and safe custody and tenders

8.8 Opening tenders and register of tenders

8.8.1 For e-Procurement tenders:

- (a) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, an authorised person within the originating department (band 5 or above) who was duly named during the tendering process, will access the e-procurement system and authorise the electronic opening of all submitted tenders
- (b) The e-Procurement system will automatically register the details of opening i.e. date, time, authorised person
- (c) The e-Procurement system will retain a log for each set of competitive tender invitations dispatched:
 - (i) The name of the individuals invited
 - (ii) The names of firms individuals from which tenders have been received
 - (iii) The price shown on each tender

- (d) Incomplete tenders, i.e. those from which information necessary for the adjudication of the tender is missing, should be dealt with in the same way as late tenders (see SFI 8.10).

8.8.2 For non e-Procurement tenders:

- (a) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, an authorised person within the originating department (band 5 or above) who was duly named during the tendering process, will open all tenders received
- (b) Every tender received shall be marked with the date of opening and initialed by those present at the opening
- (c) A register shall be maintained to show for each set of competitive tender invitations despatched:
 - (i) The name of all firms individuals invited
 - (ii) The names of firms individuals from which tenders have been received
 - (iii) The date the tenders were opened
 - (iv) The persons present at the opening
 - (v) The price shown on each tender
 - (vi) A note where price alterations have been made on the tender
- (d) Each entry to this register shall be signed by those present
- (e) A note shall be made in the register if any one tender price has had so many alterations that it cannot be readily read or understood
- (f) Incomplete tenders, i.e. those from which information necessary for the adjudication of the tender is missing, and amended tenders i.e., those amended by the tenderer upon his own initiative either orally or in writing after the due time for receipt, but prior to the opening of other tenders, should be dealt with in the same way as late tenders (see SFI 9.10).
- (g) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender. Any person directly involved in the tender process or subsequent evaluation should be the person responsible for the opening or registration of tenders

8.9 Admissibility

- 8.9.1 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 insufficient or any are amended or incomplete) no contract shall be awarded without the approval of the Chief Executive or their nominated officer.

8.9.2 Where only one tender is sought and/or received, the Chief Executive or their nominated officer and Director of Finance shall, as far as practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the Trust.

8.10 Late tenders

8.10.1 Tenders received after the due time and date, but prior to the opening of the other tenders, may be considered only if the Chief Executive or their nominated officer decides that there are exceptional circumstances i.e. despatched in good time but delayed through no fault of the tenderer.

8.10.2 Only in the most exceptional circumstances will a tender be considered which is received after the opening of the other tenders and only then if the tenders that have been duly opened have not been received by the person carrying out the tender process or if the process of evaluation and adjudication has not started.

8.10.3 While decisions as to the admissibility of late, incomplete or amended tenders are under consideration, the tender documents shall be kept strictly confidential, recorded, and held in safe custody either by the duly authorised person within the originating department or within the relevant portal of the e-procurement system.

8.11 Acceptance of formal tenders

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

8.11.2 The lowest acceptable tender, if payment is to be made by the Trust, or the highest, if payment is to be received by the Trust, shall be accepted unless there are good and sufficient reasons to the contrary. Such reasons, which may include technical suitability, adherence to the specification, service record of the proposed successful supplier and other non financial factors that have a bearing on the total cost and are relevant to the procurement in question, shall be recorded in either the contract file, or other appropriate record.

8.11.3 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:

- (a) Experience and qualifications of team members
- (b) Understanding of client's needs
- (c) Feasibility and credibility of proposed approach
- (d) Ability to complete the project on time

8.11.4 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.

8.11.5 No tender shall be accepted which will commit expenditure in excess of that which has been allocated by the Trust and which is not in accordance with these SFIs except with the authorisation of the Chief Executive or their nominated officer

8.11.6 The use of these procedures must demonstrate that the award of the contract was:

(a) Not in excess of the going market rate/price current at the time the contract was awarded

(b) That best value for money was achieved.

8.11.7 All tenders should be treated as confidential and should be retained for inspection. Records may be kept electronically in accordance with the HSC 1999/053.

8.12 Tender reports to the Trust Board

8.12.1 Reports to the Trust Board will be made on an exceptional circumstance basis only.

8.13 Quotations: Competitive and non-competitive

8.13.1 Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed £20,000 but not exceed £50,000 (inclusive of VAT).

8.13.2 For competitive quotations, quotations should be :

(a) Obtained from at least 3 firms/individuals based on specifications or Terms of Reference prepared by, or on behalf of, the Trust (where this number of suppliers exist for the requirement)

(b) In writing unless carried out using the e-procurement system, or 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

(c) Treated as confidential and be retained for inspection

(d) Evaluated by the nominated person from the originating department and the quote which gives the best value for money should be selected

(e) If the selected quote is not the lowest quotation, if payment is to be made by the Trust or the highest, if payment is to be received by the Trust, then the choice made and the reasons why should be recorded in a permanent record

8.13.3 For non-competitive quotations, quotations in writing may be obtained in the following circumstances:

(a) The supply of proprietary or other goods of a special character and the rendering of services of a special character, for which it is not, in the opinion of the responsible officer, possible or desirable to obtain competitive quotations

(b) The supply of goods or manufactured articles of any kind which are required quickly and are not obtainable under existing contracts

(c) Miscellaneous services, supplies and disposals

- (d) Where the goods or services are for building and engineering maintenance the responsible works manager must certify that the first two conditions of this SFI (i.e. (a) and (b) of this SFI) apply

8.13.4 No quotation shall be accepted which will commit expenditure in excess of that which has been allocated by the Trust and which is not in accordance with these SFIs except with the authorisation of either the Chief Executive, or their nominated officer, or the Director of Finance.

8.14 Authorisation of tenders and competitive quotations

8.14.1 Providing all the conditions and circumstances set out in these SFIs have been fully complied with, formal authorisation and awarding of a contract may be decided by the following staff to the value of the contract as follows. These levels of authorisation may be varied or changed and need to be read in conjunction with the Trust Board's Scheme of Delegation.

Contract value (Inclusive of VAT)	Authorisation by
£0 - £100,000	Executive Director
£100,001 - £250,000	Chief Executive
£250,001 - £500,000	Chairman
£500,000 and above	Trust Board

Table 4

8.14.2 Formal authorisation must be put in writing. In the case of authorisation by the Trust Board this shall be recorded in their minutes.

8.14.3 The Head of Procurement and Commercial Services will report proposed procurements over the current OJEU limit (currently £111,676) to the Director of Finance prior to the award of any contract.

8.15 Instances where formal competitive tendering or competition quotation is not required

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

(a) The Trust shall use the "NHS Logistics" for procurement of all goods and services unless the Chief Executive or their nominated officer deems it inappropriate. The decision to use an alternative source must be documented

(b) If the Trust does not use "NHS Logistics" – where tenders and quotations are not required, because expenditure is below £5,000, the Trust shall procure goods and services in accordance with procurement procedures approved by the Director of Finance

8.16 Procurement processes for pharmacy medicines

8.16.1 Where a Commercial Medicines Unit (CMU) hospital framework contract exists, the Trust will purchase medicines under this contract.

8.16.2 The CMU is part of the Medicine, Pharmacy and Industry Group of the Department of Health. The focus of the work of the CMU is on strategic supply management and

procurement of medicines for use in secondary care. The CMU works in partnership with hospital procurement colleagues across the NHS in England; this includes leading a selective competitive tendering work plan for the implementation of hospital framework contracts.

8.16.3 Where no CMU contract exists, and where applicable, the Trust will comply with the quotation, tendering and contract procedures detailed in SFI 18. However, for many medicines there is only one supplier and therefore the conditions where formal tendering procedures may be waived (detailed in SFI 8.5.4) are applicable.

8.17 Private Finance for capital procurement

8.17.1 The Trust should normally market-test for PFI (Private Finance Initiative) funding when considering a capital procurement. When the Trust Board proposes, or is required, to use finance provided by the private sector the following should apply:

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

8.18 Compliance requirements for all contracts

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

- (a) The Trust's SOs and SFIs
- (b) EU Directives and other statutory provisions
- (c) Any relevant directions including the Capital Investment Manual, Estatecode and guidance on the Procurement and Management of Consultants
- (d) Such of the NHS Standard Terms and Conditions as are applicable
- (e) Contracts with Foundation Trusts must be in a form compliant with appropriate NHS guidance
- (f) Where appropriate contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited
- (g) In all contracts made by the Trust, the Trust Board shall endeavour to obtain best value for money by use of all systems in place. The Chief Executive shall nominate an officer who shall oversee and manage each contract on behalf of the Trust

8.19 Personnel and Agency or Temporary Staff Contracts

8.19.1 The Chief Executive shall nominate officers with delegated authority to enter into contracts of employment, regarding staff, agency staff or temporary staff service contracts.

8.20 Healthcare Services Agreements

8.20.1 Service agreements with NHS providers for the supply of healthcare services shall be drawn up in accordance with the NHS and Community Care Act 1990 and administered by the Trust. Service agreements are not contracts in law and therefore not enforceable by the courts. However, a contract with a Foundation Trust, being a PBC, is a legal document and is enforceable in law.

8.20.2 The Chief Executive shall nominate officers to commission service agreements with providers of healthcare in line with a commissioning plan approved by the Board.

8.21 Disposals

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

- (a) Any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his nominated officer
- (b) Obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust
- (c) Items to be disposed of with an estimated sale value of less than £5,000, this figure to be reviewed on a periodic basis
- (d) Items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract
- (e) Land or buildings concerning which DH guidance has been issued but subject to compliance with such guidance

8.22 In-house services

8.22.1 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.

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

- (a) Specification group, comprising the Chief Executive or nominated officer/s and specialist
- (b) In-house tender group, comprising a nominee of the Chief Executive and technical support
- (c) Evaluation team, comprising normally a specialist officer, a Supplies and Procurement officer and a Director of Finance representative. For services

having a likely annual expenditure exceeding £100,000, a non-officer member should be a member of the evaluation team

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

8.22.4 The evaluation team shall make recommendations to the Trust Board.

8.22.5 If in-house services are outsourced, the Chief Executive shall nominate an officer to oversee and manage the contract on behalf of the Trust.

8.23 Applicability of SFIs on tendering and contracting to funds held in trust

8.23.1 These SFIs shall not only apply to expenditure from Exchequer funds but also to works, services and goods purchased from the Trust's trust funds and private resources.

8.24 Use of local and smaller suppliers

8.24.1 The Trust will strive to ensure that local and smaller suppliers are not discriminated against in the procurement process and specifications.

9. NHS SERVICE AGREEMENTS CONTRACTING FOR PROVISION OF SERVICES

9.1 Contractual agreements

- 9.1.1 The Chief Executive, as the Accountable Officer, is responsible for negotiating contracts with commissioners for the provision of services to patients in accordance with the Integrated Business Plan and subsequent Annual Business Plan, and for establishing the arrangements for providing extra-contractual services.
- 9.1.2 These contracts are legally binding and appropriate legal advice identifying the Trust's liabilities under the terms of the contract should be considered.
- 9.1.3 In carrying out these functions, the Chief Executive should take into account the advice of the Director of Finance regarding:
- (a) Costing and pricing of services
 - (b) National Tariff Payment system
 - (c) Payment terms and conditions
 - (d) Penalty and fine implications
 - (e) Billing systems and cash flow management
 - (f) Any other matters of a financial nature
 - (g) The contract negotiation process and timetable
 - (h) The provision of contract data
 - (i) The pricing of services
 - (j) Contract monitoring arrangements
 - (k) Amendments to contracts and extra-contractual arrangements
 - (l) Targets and performance/quality standards specified in the contract
 - (m) Any other matters relating to contracts of a legal or non financial nature
- 9.1.4 Contracts should be so devised as to minimise the risk whilst maximising the Trust's opportunity to generate income.
- 9.1.5 Any pricing of contracts at marginal cost must be undertaken by the Director of Finance and where material reported to the Trust Board.
- 9.1.6 Contracts with NHS commissioning bodies require the signature of the Chief Executive or the Director of Finance.
- 9.1.7 The Trust will maintain a public and up to date schedule of the authorised goods and services which are being currently provided, including non-mandatory health services.

9.2 Reports to Trust Board on contractual agreements

- 9.2.1 The Chief Executive, as the Accountable Officer, will need to ensure that regular reports are provided to the Trust Board detailing actual and forecast income from the contractual agreements. This will include information on costing arrangements, in line with the National Tariff Payment system. Where specific services are outside the scope of National Tariff Payment system, all parties should agree a common currency for application across the range of contractual agreements.
- 9.2.2 The report should also include information regarding the risks and mitigations in place relating to the contract.

10. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE TRUST BOARD AND EXECUTIVE COMMITTEE AND EMPLOYEES

10.1 Remuneration and Nominations Committee

10.1.1 In accordance with SOs the Trust Board shall establish a Remuneration and Nominations Committee, with clearly defined Terms of Reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting. (See NHS guidance contained in the Higgs report.)

10.1.2 The Committee will:

(a) Advise the Trust Board about appropriate remuneration and terms of service for the Executive Directors (i.e. Trust Board voting and non-voting members) and the Chief Executive. For those senior posts reporting directly to the Chief Executive, the decision on remuneration and terms of service remains with the Chief Executive/Medical Director or Executive Director lead. This will include:

- (i) All aspects of salary (including any performance-related elements/bonuses)
- (ii) Provisions for other benefits, including pensions and cars
- (iii) Arrangements for termination of employment and other contractual terms

(b) Monitor and evaluate the performance of individual Directors (with the advice of the Chief Executive)

(c) Advise on and oversee appropriate contractual arrangements for Executive Directors, and when required, consider issues relating to remuneration, terms of service and performance issues for senior management staff

10.1.3 The Committee Chairman shall report to the Closed Trust Board the basis for its recommendations. The Trust Board shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of officer members. Minutes of the Trust Board's meetings should record such decisions.

10.1.4 The Trust Board will consider and need to approve proposals presented by the Chief Executive for the setting of remuneration and conditions of service for those employees and officers not covered by the Committee.

10.1.5 The Trust will pay allowances to the Chairman and non-officer members of the Trust Board in accordance with instructions issued by the Secretary of State for Health. Once authorised as a Foundation Trust the Membership Council shall establish a remuneration committee with responsibility for reviewing the pay and allowances to the Chairman and Non-Executive Directors in accordance with the Core constitution of the Trust. Pay and allowances will be made in accordance with those industry averages, benchmarked at the point of authorisation.

10.2 Funded Establishment

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

10.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive as specified in the Scheme of Delegation or as determined by the workforce plan taking into account management of changes and business cases.

10.3 Staff Appointments

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

- (a) Unless authorised to do so by the Chief Executive or nominated officer; and
- (b) Within the limit of their approved budget and funded establishment, and
- (c) It is in accordance with any local or Trust-wide controls placed on recruitment to vacant positions, such as vacancy control panels

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

10.3.3 A manager may only action such a change against those cost centres/budgets for which he/she has formal responsibility. The Director of Finance is to keep an up to date list of authorised signatories by cost centre/budget code.

10.3.4 Advertisements for all posts must be placed via the Human Resources division.

10.4 Processing Payroll

10.4.1 The Director of Finance is responsible for:

- (a) Performance managing the outsourced payroll provision to ensure it is in line with the contract and service continuity is maintained
- (b) Where necessary reporting any variations to the contract or significant areas of risk in relation to the service to the Trust Board
- (c) Specifying timetables for submission of properly authorised time records and other notifications
- (d) The final determination of pay and allowances
- (e) Making payment on agreed dates
- (f) Agreeing method of payment

10.4.2 The Director of Finance will issue instructions regarding:

- (a) Verification and documentation of data
- (b) The timetable for receipt and preparation of payroll data and the payment of employees and allowances

- (c) Maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay
- (d) Security and confidentiality of payroll information
- (e) Checks to be applied to completed payroll before and after payment
- (f) Authority to release payroll data under the provisions of the Data Protection Act
- (g) Methods of payment available to various categories of employee and officers. This will be by bank credit direct to a bank or other financial institution nominated by the employee
- (h) Procedures for payment by cheque or bank credit to employees and officers
- (i) Procedures for the recall of cheques and bank credits
- (j) Pay advances and their recovery
- (k) Maintenance of regular and independent reconciliation of pay control accounts
- (l) Separation of duties of preparing records and handling cash
- (m) A system to ensure the recovery from those leaving the employment of the Trust of sums of money and property due by them to the Trust

10.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) Submitting time records, and other notifications in accordance with agreed timetables
- (b) Completing time records and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance
- (c) Submitting termination forms in the prescribed form immediately upon knowing the effective date of employees or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, the appropriate Director or Budget Holder and payroll must be informed immediately

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

10.5 Contracts of Employment

10.5.1 The Board shall delegate responsibility to the Human Resources Director for:

- (a) Ensuring that all employees are issued with a Contract of Employment which complies with employment legislation
- (b) Dealing with variations to, or termination of, contracts of employment

11. NON-PAY EXPENDITURE

11.1 Delegation of Authority

11.1.1 The Trust Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to Budget Holders prior to the start of the financial year to which the budget relates.

11.1.2 The Chief Executive will set out in the Scheme of Delegation:

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

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

11.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services

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

11.2.2 Under no circumstances should a requisition be split in such a way to circumvent particular spending limits attached as per the Scheme of Delegation.

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

11.2.4 The Director of Finance will:

- (a) Advise the Trust Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in SFIs and regularly reviewed
- (b) Prepare procedural instructions, or guidance within the Scheme of Delegation, on the obtaining of goods, works and services incorporating the thresholds
- (c) Be responsible for the prompt payment of all properly authorised accounts and claims
- (d) Be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
 - (i) A list of Board employees (including specimens of their signatures) authorised to certify invoices against specific cost centre codes

- (ii) Certification that goods have been duly received, examined and are in accordance with specification or work done or services rendered have been satisfactorily carried out in accordance with the order, the prices are correct and, where applicable, the materials used are of the requisite standard and the charges are correct
 - (iii) In the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time worked, 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
 - (iv) Where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained
 - (v) The account is arithmetically correct
 - (vi) The account is in order for payment
 - (vii) 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.
 - (viii) Instructions to employees regarding the handling and payment of accounts within the Finance Department
- (e) Be responsible for ensuring that payment for goods and services is only made once the goods and services are received. The only exceptions are set out in SFI 11.3.

11.3 Prepayments

11.3.1 Prepayments for goods and services where the Trust is paying in advance of receipt of the goods or services, excluding payments for training courses, subscriptions and membership fees up to the value of £5,000 (inclusive of VAT) are only permitted where exceptional circumstances apply. In such instances:

- (a) Prepayments are only permitted where the financial advantages outweigh the disadvantages and with the explicit approval of the Director of Finance
- (b) The appropriate officer must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments
- (c) The Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold)

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

11.4 Official purchase orders

11.4.1 Official purchase orders must:

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

11.5 Duties of Managers and Officers

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

- (a) All contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made
- (b) Contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement
- (c) Where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health
- (d) In accordance with the Trust's Standards of Business Conduct Policy, no order shall be issued for any item or items to any firm which has made an offer of gifts (see SFI 19), reward or benefit to Directors or employees, other than:
 - (i) Isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars
 - (ii) Conventional hospitality, such as lunches in the course of working visits
- (e) No requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive
- (f) All goods, services, or works are ordered on an official purchase order except for purchases from petty cash or with explicit approval of the Director of Finance
- (g) Verbal orders must only be issued very exceptionally, by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official purchase order and clearly marked "Confirmation Order"

- (h) Orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds
- (i) Goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase
- (j) Changes to the list of employees and officers authorised to certify invoices should be approved by the Divisional Business Advisor and Director of Finance
- (k) Purchases from petty cash are restricted to a maximum value of £50 and by type of purchase in accordance with instructions issued by the Director of Finance
- (l) Petty cash records are maintained in a form as determined by the Director of Finance

11.5.2 The Chief Executive and Director of Finance shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within CONCODE and ESTATECODE. For higher value building projects the appropriate procurement route is taken using PFI, Procure 21+ which will supersede the guidance in the CONCODE document. The technical audit of these contracts shall be the responsibility of the relevant Director.

11.6 Joint Finance Arrangements with Local Authorities and Voluntary Bodies

11.6.1 Payments to local authorities and voluntary organisations, made under the powers of section 28A of the NHS Act, for the provision of social care for people who otherwise would be the responsibility of the NHS, shall comply with procedures laid down by the Director of Finance which shall be in accordance with these Acts.

11.6.2 Where NHS Trusts are proposing to enter into partnership arrangements e.g. joint ventures, joint arrangements or special vehicles. The NHS TDA will reserve the right to review these on a case by case basis and these schemes may require NHS TDA approval to proceed.

11.7 Leases

11.7.1 The Director of Finance must ensure that any lease entered into on behalf of the Trust represents value for money.

11.7.2 A lease is generally defined as a contract renting land, buildings, etc., to another or a contract or instrument conveying property to another for a specified period. It will not be a flexible arrangement and will be for a long time period (i.e. more than 12 months). The agreement will usually be written and be predetermined and cannot be broken without breaking the lease often incurring penalties.

11.7.3 A rental agreement differs to a lease as it will generally be an agreement where a payment is made for the temporary use of a good or property owned by another person or company. It will often be flexible and for the short term (i.e. a period of less than 12 months). The agreement may be predetermined but terms can be changed and the agreement can be cancelled at any time with no or low value penalty.

- 11.7.4 All leases and contracts must be forwarded to the Supplies and Procurement Department to validate the legal content of the lease/contract and for inclusion on the Lease Contracts Register.
- 11.7.5 Further guidance can be obtained from the Finance Department regarding the accounting treatment of leases and the definition of a finance lease and an operating lease.

12. EXTERNAL BORROWING AND INVESTMENTS

12.1 Borrowings

- 12.1.1 The Director of Finance will advise the Trust Board concerning the Trust's ability to pay dividend on, and repay Public Dividend Capital (PDC) and any proposed new borrowing, within the limits set by the Department of Health. The Director of Finance is also responsible for reporting periodically to the Board concerning the PDC debt and all loans and overdrafts.
- 12.1.2 The Trust Board will agree the list of employees (including specimens of their signatures) who are authorised to make short term borrowings on behalf of the Trust. This must contain the Chief Executive and the Director of Finance.
- 12.1.3 The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 12.1.4 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position, represent good value for money and comply with the latest guidance from the Department of Health.
- 12.1.5 Any short-term borrowing must be with the authority of two members of an authorised panel, one of which must be the Chief Executive or the Director of Finance. The Trust Board must be made aware of all short term borrowings at the next Board meeting.
- 12.1.6 All long-term borrowing must be consistent with the plans outlined in the Long-Term Financial Model and be approved by the Trust Board.

12.2 Investments

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

13. CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS

13.1 Capital Investment

13.1.1 The Chief Executive:

- (a) Shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans
- (b) Is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost
- (c) Shall ensure that the capital investment is not undertaken without confirmation of purchaser/s support and the availability of resources to finance all revenue consequences, including capital charges. Any resource requirements outside of agreed budgets will be taken through the required authorisation process
- (d) That a Capital Investment Programme, produced on an annual basis, is submitted to and approved by the Trust Board prior to the start of the financial year

13.1.2 The approval of a capital programme shall not constitute approval for expenditure on any scheme, i.e. a completed capital bid and, where applicable, capital business case will still be required.

13.1.3 For all capital expenditure proposals the Chief Executive shall ensure that:

- (a) A capital bid is prepared and approved through the agreed process
- (b) All proposals to lease, hire or rent fixed assets have been subject to appraisal of their impact on the Trust's ability to achieve its financial targets and, where appropriate, subject to legal advice from the Trust's legal advisor on the terms of the proposed contract

13.1.4 The Chief Executive shall issue to the manager responsible for any scheme:

- (a) Specific authority to commit expenditure
- (b) Authority to proceed to tender
- (c) Approval to accept a successful tender

13.1.5 The Chief Executive will issue a scheme of delegation for capital investment management in accordance with "Estatecode" guidance and the Trust's SOs and SFIs.

13.1.6 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures shall fully take into account the delegated limits for capital schemes included in Annex C of HSC (1999) 246.

13.2 Delegation and reporting

- 13.2.1 The general rules applying to delegation and reporting shall also apply to capital expenditure.
- 13.2.2 Expenditure on fixed assets for the Trust must follow the correct delegation and reporting lines specifically designed for approval of capital expenditure detailed in the Scheme of Delegation. Accounting for fixed assets must comply with the NHS Manual for Accounts.
- 13.2.3 A separate capital budget must be prepared for each capital scheme.
- 13.2.4 Each capital allocation is made on a cash basis for a specific financial year. Any proposed/anticipated slippage or variation in cost on a capital scheme must be reported to the Director of Finance at the earliest opportunity.
- 13.2.5 Any proposed advancement of all, or part of, a capital scheme must receive the authorisation of the Director of Finance prior to its execution. The Director of Finance may, in consultation with the Director of Corporate Services, approve variations to schemes included within the capital programme as approved by the Trust Board.
- 13.2.6 Progress on each capital scheme should be reviewed at least monthly and a projection to the year end updated. Any significant changes must be notified to the Trust Board at the earliest opportunity.
- 13.2.7 The Director of Finance will specify the process and timetable to be followed by the Trust for compiling the annual and future capital plans for the Trust.
- 13.2.8 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of "Estatecode".
- 13.2.9 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.
- 13.2.10 The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 13.2.11 The Director of Corporate Services is responsible for the selection of architects, quantity surveyors, consultant engineers and other professional advisors within EU regulations.

13.3 Capital charges

- 13.3.1 Prior to the commencement of a financial year, at a time determined by the Director of Finance, an estimate of capital values and capital charges incurred by the Trust for the ensuing year will be calculated. This will be based on the current asset register and will take account of known future purchases, sales, revaluations and any other anticipated transactions.
- 13.3.2 During the financial year the capital charges will be calculated on a monthly basis. Projections for the remainder of the financial year will be updated taking into account any revised expectation of the timing and value of transactions on the asset register.

13.4 Capital definition and criteria

13.4.1 Capital expenditure is defined as expenditure on a tangible productive resource with an expected life in excess of one year.

13.4.2 The capitalisation limit is expenditure of £5,000 (inclusive of VAT) or more on:

(a) A discrete asset

(b) A collection of assets which individually may be valued at less than £5,000 but which together form a single collective asset because the items fulfil all of the following criteria:

(i) The items are functionally interdependent

(ii) The items are acquired at about the same date and are planned for disposal at about the same date

(iii) The items are under single managerial control

(c) At the Trust discretion, a collection of assets which individually may be valued at less than £5,000 but which form part of the initial equipping and setting up of a cost of a new building

13.4.3 Capital budgets must not be used to cover purchases that do not conform to the current capital definition as specified by the Department of Health.

13.4.4 Major expenditure on maintaining the condition of an asset will normally be treated as a revenue item except that any proportion relating to an enhancement to the asset will be treated as capital.

13.4.5 For land and building payments the amount capitalised can include lump sum payments for related rights (including capitalised rents) and payments made under the Land Compensation Act 1973.

13.4.6 Fixed assets should not ordinarily be purchased from revenue funds, however, there may be instances where this is required but they must be approved by the Director of Finance.

13.4.7 Bids for capital spend should be made following the process as specified by the Director of Finance. Capital bids will be classified as either investment capital or maintenance capital, these are defined as:

(a) Investment capital - this is capital spend for new assets where it is likely that the Trust will incur additional revenue consequences for example, staffing, consumables etc. A business case is required for investment capital funding

(b) Maintenance capital – this is capital spend which is replacing an existing asset that the Trust already holds, it is unlikely that a result of this additional capital spend, additional revenue consequences will be incurred. Business cases may be required at the discretion of the Director of Finance

13.5 Capital business cases

13.5.1 A capital business case is required for all new capital investment, investment capital, if it is not relating to the replacement of an existing asset.

- 13.5.2 The Finance and Efficiency Committee (FEC) will approve the capital business case process.
- 13.5.3 The Trust's Capital Investment Group (CIG) has delegated authority from the Trust Board to approve capital investment cases of up to £1,000,000.
- 13.5.4 Capital investment cases over £1,000,000 will be reviewed by CIG and, for cases between £1,000,000 and £3,000,000, recommended to the Finance and Efficiency Committee for approval and cases over £3,000,000 recommended to Trust Board for approval.
- 13.5.5 The NHS Trust Development Authority (TDA) is also required to approve any individual capital investments which exceed £5,000,000, following Trust Board approval being given. This limit can be reduced at the discretion of the TDA where a Trust is reporting a year end deficit.
- 13.5.6 Capital business cases have to go through all the relevant approval groups dependent on values, so for example, a case of over £5,000,000 will require approval from CIG, who will then recommend to FEC, who will recommend to Trust Board for approval. The case will then be recommended to the NHS TDA for approval.
- 13.5.7 The values quoted in SFI 13.5.3 to 13.5.6 are inclusive of VAT.
- 13.5.8 Irrespective of the delegated limits set out in SFI 13.5.3 to 13.5.5, capital investment schemes or property transactions that the Chief Executive or Director of Finance deem are novel and contentious or are deemed to have novel and contentious financing arrangements (e.g. with third parties) may also require NHS TDA approval and should be discussed with the NHS TDA prior to approval.
- 13.5.9 For capital schemes relating to I.T, leased equipment, leased property, managed equipment and managed service schemes, the delegated limits apply to whole life costs, not just the capital cost. Schemes with whole life costs in excess of NHS Trust delegated limits will require NHS TDA approval in line with the delegated limits.
- 13.5.10 For leased property, the limits apply to the whole-life cost of the transaction, rather than just capital cost.
- 13.5.11 Total capital cost to the private sector (i.e. Private Finance Initiatives (PFI)) includes the cost of construction, equipment, professional fees, rolled-up interest and financing costs such as bank arrangements fees, bank due diligence fees, banks lawyers' fees, and third party equity costs plus irrecoverable VAT. Any capital cost that will be incurred directly by the NHS in progressing the schemes must also be included. Typical examples include land purchased from outside the NHS, equipment and enabling works.
- 13.5.12 Where NHS Trusts are requesting transfers of assets and/or services between organisations NHS Trusts are asked to contact the relevant NHS TDA Director of Delivery and Development and/or Business Support teams who will advise on how to take these forward. Asset transfers with a value in excess of NHS Trust delegated limits will require a business case and NHS TDA approval in line with the delegated limits detailed in SFI 13.5.6.

13.6 Private Finance Initiatives (PFI)

13.6.1 The Trust should normally test for PFI when considering capital procurement. When the Trust proposes to use finance which is to be provided other than through its allocations, the following procedures shall apply:

- (a) The Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector
- (b) Where the sum involved exceeds delegated limits, the business case must be referred to the Department of Health or in line with any current guidelines
- (c) The proposal must be specifically agreed by the Trust Board (except for additional capital spending to existing PFI contracts which will follow the Trust's authorisation thresholds that are in place for non PFI capital)
- (d) The proposed capital spend must be approved in accordance with the Trust's business planning and capital approval thresholds that are in place for procuring assets through the non PFI route

13.7 Asset Registers

13.7.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted on a rolling programme detailed within financial procedures for fixed assets.

13.7.2 The Trust shall maintain an asset register recording fixed assets.

13.7.3 Additions to the fixed asset register must be clearly identified to an appropriate asset manager and be validated by reference to:

- (a) Properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties
- (b) Stores, requisitions and wages records for own materials and labour including appropriate overheads;
- (c) Lease agreements in respect of assets held under a finance lease and capitalised

13.7.4 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

13.7.5 The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.

13.7.6 The carrying value of each asset shall be assessed and impaired or revalued to current values in accordance with the Trust's Accounting Policies and relevant accounting standards.

13.7.7 The value of each asset shall be depreciated using methods and rates as specified in the Trust's Accounting Policies and relevant accounting standards.

13.8 Security of Assets

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

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

- (a) Recording managerial responsibility for each asset
- (b) Identification of additions and disposals
- (c) Identification of all repairs and maintenance expenses
- (d) Physical security of assets
- (e) Verification of the existence of, condition of, and title to, assets recorded
- (f) Identification and reporting of all costs associated with the retention of an asset
- (g) Reporting, recording and safekeeping of cash, cheques, and negotiable instruments

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

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

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

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

13.8.7 All budget and department managers are responsible for confirming the accuracy of the asset register of all assets of the Trust within their area of responsibility.

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:

- (a) Kept to a minimum
- (b) Subjected to minimum annual stock take
- (c) Valued at the lower of cost and 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 a designated Pharmaceutical Officer and 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/Pharmaceutical Officer. Wherever practicable, stocks should be marked as health service 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. Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

14.3 Goods supplied by NHS Logistics

14.3.1 For goods supplied via the NHS Logistics' 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 before forwarding this to the Director of Finance who shall satisfy himself that the goods have been received before accepting the recharge.

14.4 Consignment stock

- 14.4.1 Consignment stocks are those items that remain the property of the supplier until used, but remain on the Trust's site for practical reasons.
- 14.4.2 Any consignment stock held must have been approved in accordance with the delegation of authority and must be kept to an agreed minimum level. Consignment stock must not be included in the Trust's stock value but separate records must be kept.
- 14.4.3 It is the responsibility of the Directorate manager to ensure that SFI 14.4 is followed.
- 14.4.4 Any documentation that sets out the terms and conditions of the consignment stock arrangements must be approved by the Trust's Supplies and Procurement Department.

15. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

15.1 Disposals and Condemnations

- 15.1.1 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.
- 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 All unserviceable articles shall be:
- (a) Condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance
 - (b) Recorded by the Condemning Officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Director of Finance. For any fixed asset disposals this should be accompanied by a completed asset disposal form.
- 15.1.4 The Condemning Officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who will take the appropriate action.
- 15.1.5 A business case will need to be submitted to the NHS TDA where disposal proceeds are above the Trust's delegated limits. The business case will need to make the case for both the disposal and the retention of proceeds. The Trust will retain and reinvest the proceeds subject to business case approval by NHS TDA. As a minimum the disposal and retention business case will need to give indication of what the retained receipts will be used for example reinvested in healthcare buildings/infrastructure. The authorisation limits applicable to capital disposals are in line with those for capital investment as detailed in SFI 13.5.

15.2 Losses and Special Payments

- 15.2.1 The Director of Finance must prepare procedural instructions on the recording of and accounting for 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 the Chief Executive.
- 15.2.3 If any level of theft or criminal damage is suspected the Director of Finance must immediately inform the police and Security Management Director
- 15.2.4 For losses or special payments caused or apparently caused by theft, fraud (see SFI 2), criminal damage (including arson), neglect of duty or gross carelessness (except if trivial /immaterial) the Director of Finance must immediately notify the Trust Board and the External Auditor.

- 15.2.5 In all cases of alleged fraud or corruption NHS Protect must be informed in accordance with the Secretary of State directions.
- 15.2.6 Within limits delegated to it by the Department of Health, the Trust Board shall approve the writing-off of losses and special payments.
- 15.2.7 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 15.2.8 For any loss, the Director of Finance should consider whether any insurance claim can be made against insurers.
- 15.2.9 The Director of Finance shall maintain a Losses and Special Payments Register and the Audit Committee may at any time request to see this register.
- 15.2.10 All losses and special payments must be reported to the Audit Committee at every meeting who will prospectively approve all such payments valued at £25,000 and above.
- 15.2.11 The Scheme of Delegation details the financial limits in respect of losses and special payments.

16. INFORMATION TECHNOLOGY (IT)

16.1 Responsibilities and duties of the Director of IT

16.1.1 The Director of IT, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall:

(a) Devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which he/she is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998

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

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

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

16.1.2 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 following Information Technology Infrastructure Library (ITIL) procedures. Information and guidance on these procedures can be obtained from the ICT Service Delivery Manager. Where this is undertaken by another organisation, Trust ITIL procedures must be followed by them prior to implementation and assurances of adequacy obtained.

16.1.3 The Clinical Governance, Audit and Risk Department 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 other Directors and Officers in relation to computer systems of a general application

16.2.1 The Director of IT manages the Information Technology (IT) function.

16.2.2 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 send to the Director of Finance:

(a) Details of the outline design of the system

(b) In the case of packages acquired either from a commercial organisation, from the NHS or from another public sector organisation, the operational requirement

16.2.3 The Director of IT shall ensure that all computer software held by the Trust is properly licensed and operated in accordance with the terms of the license.

16.3 Contracts for Computer Services with other healthcare bodies or outside agencies

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

16.3.2 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.

16.4 Risk Assessment

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

16.5 Requirements for computer systems which have an impact on corporate financial systems

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

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

16.5.2 Any changes to such systems must be notified to and approved by the Director of Finance.

17. PATIENTS' PROPERTY

- 17.1.1 The Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.
- 17.1.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission by:
- (a) Notices and information booklets (notices are subject to sensitivity guidance)
 - (b) Hospital admission documentation and property records
 - (c) The oral advice of administrative and nursing staff responsible for admissions
 - (d) Trust website
- 17.1.3 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.
- 17.1.4 The Director of Finance must provide detailed written instructions on the collection, custody, investment, recording, safekeeping and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.
- 17.1.5 Property handed over for safe custody shall be placed into the care of the Director of Finance, or his nominee, except where there are no administrative staff present, in which case the property shall be placed into the care of the most senior member of the nursing staff on duty. A member of staff receiving patients' property handed over to him/her by other staff shall sign for its receipt.
- 17.1.6 Where Department of Health instructions require the opening of separate accounts for patients' moneys, these shall be opened and operated under arrangements agreed by the Director of Finance.
- 17.1.7 In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less forms of indemnity shall be obtained.
- 17.1.8 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.
- 17.1.9 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 (DONATED FUNDS)

18.1 Corporate Trustee

- 18.1.1 SOs outline the Trust's responsibilities as a corporate trustee (all voting members of the Trust Board are defined as Trustees) for the management of funds it holds on trust, along with SFIs that defines the need for compliance with Charities Commission latest guidance and best practice.
- 18.1.2 The discharge of the Trust's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.
- 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 Secretary of State for Health

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

18.3 Applicability of Standing Financial Instructions to funds held on Trust

- 18.3.1 In so far as it is possible to do so, most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust.
- 18.3.2 The over-riding principle is that the integrity of each Trust must be maintained and statutory and Trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.
- 18.3.3 The Trust Board, through delegation to a Sub-Committee, shall approve and monitor spend against an annual budget for the charitable fund.
- 18.3.4 A schedule of the balances of all general and specific funds will be regularly maintained and periodically published to all appropriate responsible officers. Details of any current proposals for deployment of fund balances will be included in the schedule.
- 18.3.5 The Chief Executive will, in respect of each separate specific fund, nominate an appropriate Director, Consultant or Manager to exercise first level authorisation up to the prescribed limit. For expenditure above this level the authorisation of appropriate managers, Executive Directors, Director of Finance or Chief Executive will be required. The limits for authorisation are specified within the Scheme of Delegation.
- 18.3.6 Further details regarding funds held on Trust relating to the UHNS Charity are detailed in policy F06 Charitable Funds.

19. HOSPITALITY AND GIFTS (RECEIVING)

19.1 General

- 19.1.1 The Director of Finance shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff, as set out in Policy on Standards of Business Conduct (G16). This policy is deemed to be an integral part of these SFIs.

19.2 Improper gifts and hospitality

- 19.2.1 A Director or employee of the Trust shall not in any circumstance solicit, proposition or agree to receive from any third party any form of gift, hospitality or other benefit in return for doing or not doing anything in relation to the discharge of their duties and responsibilities on behalf of the Trust or for showing or not showing any favor in relation to such duties and responsibilities.

19.3 Other gifts and hospitality

- 19.3.1 It is accepted that in some circumstances, outside of those detailed in SFI 19.2, it may be perfectly appropriate for a Director or employee of the Trust to agree to receive modest gifts and/or hospitality from third parties. For example, the receipts of items such as pens or calendars from organisations with which the Trust does business or the acceptance of hospitality which arises out of the conduct of normal Trust business and where this can reasonably be regarded as being in the Trust's best interests.
- 19.3.2 The test that needs to be applied in all such situations is whether a fair minded member of the public, knowing the facts of the matter, would see anything improper or suspicious in the receipt of the gift and/or hospitality.

19.4 Registration of gifts and hospitality with a value greater than £25

- 19.4.1 If a Director or employee of the Trust proposes to accept a gift or hospitality (of the type detailed in SFI 19.3) which can be reasonably regarded as having a monetary value of more than £25 but less than £100, then the Director or employee must, in a timely manner and, wherever possible prior to accepting the gift or hospitality, provide the Company Secretary with details of the gift/hospitality.
- 19.4.2 Articles received over £25 from patients or patients' relatives, may be accepted where refusal would cause offence. These must be declared for inclusion in the Gifts and Hospitality Register. Where possible, staff should encourage donations to the UHNS Charity rather than accepting personal gifts.
- 19.4.3 Gifts and hospitality with a value greater than £100 must be declined but still declared to the Company Secretary.
- 19.4.4 The Company Secretary will record the details within the Trust's Register. Where concern arises regarding the suitability of the gift/hospitality the Company Secretary will raise the issue with the appropriate Executive Director.
- 19.4.5 New entries to the Gift and Hospitality Register will be reported on an annual basis to the Audit Committee.

20. RETENTION OF DOCUMENTS

- 20.1.1 All NHS records are public records under the terms of the Public Records Act 1958 Sections 3 (1) – (2).
- 20.1.2 The Trust has a duty under the Public Records Act to ensure the safekeeping and eventual disposal of all types of document.
- 20.1.3 The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Department of Health guidelines.
- 20.1.4 The records held in archives shall be capable of retrieval by authorised persons.
- 20.1.5 Records held in accordance with latest Department of Health guidance shall only be destroyed at the express instigation of the Chief Executive. Detail shall be maintained of records so destroyed.

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 Trust Board.

21.1.2 The programme of risk management shall include:

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

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

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

21.2 Insurance: Risk Pooling Schemes administered by NHSLA

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

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:

- (a) Trust's may enter commercial arrangements for insuring motor vehicles owned by the Trust including insuring third party liability arising from their use

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

21.4 Arrangements to be followed by the Trust Board in agreeing Insurance cover

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