

STANDING FINANCIAL INSTRUCTIONS

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| Director Responsible: | Chief Financial Officer |
| Department: | Finance |
| Date Issued: | April 2018 |
| Review Date: | March 2021 |
| Ratified By: | Board of Directors |

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FOREWORD

1. INTRODUCTION

1.1 Requirement to have Standing Financial Instructions (SFIs)

1.1.1 Provider Licence for the Foundation Trusts require compliance with the principles of best practice applicable to corporate governance within the NHS / Health Sector

1.1.2 The Code of Conduct and Accountability in the NHS issued by the Department of Health requires that each NHS organisation shall have Standing Financial Instructions.

1.1.3 Status of SFIs - These SFIs are issued in accordance with the Code.

1.1.4 These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Foundation Trust. They are designed to ensure that its financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Reservation of Powers to the Board of Directors and Council of Governors and Schedule of Decision/Duties Delegated by the Board of Directors.

1.1.5 Non Compliance with SFIs - Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Chief Financial Officer **MUST BE SOUGHT BEFORE ACTING**.

1.1.6 The failure to comply with Standing Financial Instructions is regarded as a disciplinary matter that could result in dismissal.

1.1.7 Overriding Standing Financial Instructions – If for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit Committee for referring action. All members of the Board of Directors and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Chief Financial Officer as soon as possible.

1.2 Terminology

- 1.2.1 Unless the contrary intention appears or the context otherwise requires, words or expressions contained in the SFIs bear the same meaning as the Health and Social Care Act 2012 and the constitution. References in the SFIs to legislation include all amendments, replacements, or re-enactments made.
- 1.2.2 Headings are for ease of reference only and are not to affect interpretation. Words importing the masculine gender only shall include the feminine gender; words importing the singular shall include the plural and vice-versa.
- 1.2.3 Wherever the term "employee" is used and where the context permits it shall be deemed to include employees of third parties contracted to the Foundation Trust when acting on behalf of the Foundation Trust. These shall include nursing, medical staff and consultants practising on the Foundation Trust premises.

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

| Definitions | |
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| The Act | The Health and Social Care Act 2012 |
| Accounting Officer | Shall be the Officer responsible and accountable for funds entrusted to the Foundation Trust in accordance with the NHS Foundation Trust Accounting Officer Memorandum. He shall be responsible for ensuring the proper stewardship of public funds and assets. The Health and Social Care Act 2012 designates the Chief Executive of the NHS Foundation Trust as the Accounting Officer. |
| Annual Financial Statements | Mean the annual financial accounts prepared in accordance with the requirements of NHS Improvement. |
| Authorisation | Means an authorisation given by NHS Improvement. |
| Budget Holder | Means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation. |
| Budget Manager | Means the officer who has daily operational responsibility for the management of the budget. |
| Board of Directors | Means the Board of Directors as constituted in accordance with the constitution. |
| Budget | Means a resource, expressed in financial or manpower terms, proposed by the Board of Directors for the purpose of carrying out, for a specific period, any or all of the functions of the Foundation Trust. |
| Charity | Means the Charitable funds, gifts, donations and |

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| | endowments made under the relevant charities legislation and held on trust for purposes relating to the Trust that are administered by the Board of Directors acting as Trustee. |
| Chair of the Board of Directors | Is the person appointed by the Council of Governors to lead the Board and to ensure that it successfully discharges its overall responsibility for the Foundation Trust as a whole. The expression “the Chair of the Foundation Trust” shall be deemed to include the Deputy Chair of the Foundation Trust if the Chair is absent from the meeting or is otherwise unavailable. |
| Chief Executive | Shall mean the Chief Officer of the Foundation Trust. |
| Chief Financial Officer | Shall mean the Chief Finance officer of the Foundation Trust. |
| Committee | A committee or sub-committee created and appointed by the Foundation Trust. |
| Code of Conduct of Accountability in the NHS | Describes the three crucial public service values (Accountability, Probity and Openness), which must underpin the work of the health service. |
| Constitution | The constitution of the Foundation Trust that describes the type of organisation, its primary purpose, governance arrangements and membership. |
| Council of Governors | Means the Council of Governors as constituted in the constitution, which has the same meaning as the council of governors in the Health and Social Care Act 2012. |
| Director | Means a member of the Board of Directors. |
| Executive Director | Means a Director who is an officer and member of the Board of Directors. |
| External Auditor | Means the person appointed by the Council of Governors to audit the accounts of the Foundation Trust, who is called the auditor in the Health and Social Care Act 2012. |
| Financial Procedures | Detailed financial requirements regarding the application of Standing Financial Instructions |
| Financial Year | Means a period beginning with the date on which the Foundation Trust is authorised and ending with the next 31 March; and each successive period of twelve months beginning with 1 April. |
| Funds held on Trust | Shall mean those funds which the Foundation Trust holds at its date of incorporation, receives on distribution by statutory instrument, or chooses subsequently to accept under powers derived under Schedule 4 Part 1 paragraph 10 of the Health and Social Care Act 2012. Such funds may or may not be charitable. |
| Foundation Trust | The Leeds and York Partnership NHS Foundation Trust. |

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| Legal Adviser | Means the properly qualified person appointed by the Foundation Trust to provide legal advice. |
| Member | Means a member of the Foundation Trust. |
| NHS Improvement | Means the independent regulator for the purposes of Part 2 of the Health and Social Care Act 2012. |
| Non-Executive Director | Means a Director who is not an officer of the Foundation Trust and is not to be treated as an officer by virtue of the Constitution. |
| Officer | Means an employee of the Foundation Trust. |
| Partner | Means, in relation to another person, a member of the same household living together as a family unit. |
| Property | Is land, buildings and equipment owned or leased by the Foundation Trust. |
| Protected (Assets) Property | The property (land and buildings) needed for the purposes of providing any of the mandatory (designated) goods and services and mandatory training and education. |
| Provider Licence | The document issued by NHS Improvement which authorises an organisation to provide health care. |
| Secretary | Means the Trust Board Secretary of the Foundation Trust or any other person appointed to perform the duties of the Secretary, including a joint, assistant or deputy secretary. |
| Standing Financial Instructions (SFIs) | Regulate the conduct of the Trust's financial matters. |
| Standing Orders (SOs) | The constitution incorporates the Standing Orders and regulates the business conduct of the Board of Directors and Council of Governors. |

1.3 Responsibilities and delegation

1.3.1 The Trust Board

The Board of Directors exercises financial supervision and control by:

- (a) formulating the financial strategy;
- (b) requiring the submission and approval of plans;
- (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money) and by ensuring appropriate audit provision; and
- (d) defining specific responsibilities placed on directors of the Board and employees as indicated in the Schedule of Decision/Duties Delegated by

the Board of Directors document.

1.3.2 The Board of Directors has resolved that certain powers and decisions may only be exercised by the Board of Directors in formal session. These are set out in the “Reservation of Powers to the Board of Directors and Council of Governors and Schedule of Decision/Duties Delegated by the Board of Directors” document. All other powers have been delegated to such other officers and committees as the Foundation Trust has established.

1.3.3 The Chief Executive and Chief Financial Officer

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

The Chief Executive is ultimately accountable to the Board of Directors and as Accounting Officer, to the Secretary of State, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Foundation Trust’s activities, is responsible to the Chair and the Board of Directors for ensuring that its financial obligations and targets are met and has overall responsibility for the Foundation Trust’s system of internal control.

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

1.3.5 The Chief Financial Officer

The Chief Financial Officer is responsible for:

- (a) implementing the Foundation Trust’s financial policies and for co-ordinating any corrective action necessary to further these policies; (the SFIs themselves do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes);
- (b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- (c) ensuring that sufficient records are maintained to show and explain the Foundation Trust’s transactions in order to disclose, with reasonable accuracy, the financial position of the Foundation Trust at any time;
- (d) Without prejudice to any other functions of the Foundation Trust, and employees of the Foundation Trust, the duties of the Chief Financial Officer include:

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

1.3.6 Board of Directors and Employees

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

- (i) the security of the property of the Foundation Trust;
- (ii) avoiding loss;
- (iii) exercising economy and efficiency in the use of resources;
- (iv) conforming with the requirements of Constitution, Standing Financial Instructions, Financial Procedures and the Reservation of Powers to the Board of Directors and Council of Governors and Schedule of Decisions/Duties Delegated by the Board of Directors.

1.3.7 Contractors and their employees

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

- 1.3.8 For all directors of the Board and any employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board and employees discharge their duties must be to the satisfaction of the Chief Financial Officer.

2. AUDIT

2.1 Audit Committee

2.1.1. In accordance with the Constitution, the Board of Directors shall formally establish a committee of at least three Non-Executive Directors (the Audit Committee) with clearly defined terms of reference. This committee will provide an independent and objective view of internal control by amongst other things:

- (a) overseeing Internal and External Audit services;
- (b) review and report to the Board on the annual financial statements before submission to the Board with a recommendation as to the adoption of the financial statements.
- (c) review the establishment and maintenance of an effective system of internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives;
- (d) monitoring compliance with the Constitution and Standing Financial Instructions;
- (e) reviewing schedules of losses and special payments and making recommendations to the Board of Directors;
- (f) reviewing the arrangements in place to support the Board Assurance Framework process and advising the Board of Directors accordingly.

2.1.2 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 Chair of the Audit Committee should raise the matter at a full meeting of the Board of Directors. Exceptionally, the matter may need to be referred outside the Foundation Trust to an appropriate organisation.

2.1.3 It is the responsibility of the Chief Financial Officer to ensure an adequate Internal Audit service is provided and the Audit Committee shall monitor arrangements and be involved in the selection process when/if an Internal Audit service provider is changed.

2.2 Chief Financial Officer

2.2.1 The Chief Financial Officer is responsible for:

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

- (b) ensuring that the Internal Audit is adequate and meets mandatory audit standards;
- (c) deciding at what stage to involve the police in cases of misappropriation of funds and other financial irregularities not involving fraud or corruption;
- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee. The report must cover:
 - (i) a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by the Department of Health including for example compliance with control criteria and standards;
 - (ii) major internal control weaknesses discovered;
 - (iii) progress against plan over the previous year;
- (e) ensuring the following plans are submitted for consideration of the Audit Committee:
 - (i) at least every three years a strategic plan covering three years;
 - (ii) annually a detailed plan for the coming year.
- (f) monitoring and reporting on the progress on the implementation of internal audit recommendations.

2.2.2 The Chief Financial Officer or designated auditors are entitled without necessarily giving prior notice to require and receive:

- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- (b) access at all reasonable times to any land, premises, members of the Board of Directors and Council of Governors or employee of the Foundation Trust;
- (c) the production of any cash, stores or other property of the Foundation Trust under a director of the Board of Directors and an employee's control; and
- (d) explanations concerning any matter under investigation.

2.3 Internal Audit

2.3.1 Internal Audit will review, appraise and report upon:

- (a) the extent of compliance with and the effect of relevant established policies, plans and procedures;
- (b) the adequacy and application of financial and other related management controls;
- (c) the suitability of financial and other related management data;
- (d) the extent to which the Foundation Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
 - (i) fraud and other offences;
 - (ii) waste, extravagance, inefficient administration;
 - (iii) poor value for money or other cause;

2.3.2 Whenever any matter arises which involves, or is thought to involve, Trust property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Chief Financial Officer must be notified immediately. Where fraud is suspected the Chief Financial officer and / or Local Counter Fraud Specialist must be contacted and the relevant financial procedures must be followed.

2.3.3 The Internal Audit representative will attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chair and Chief Executive of the Foundation Trust.

2.3.4 The reporting system for internal audit shall be agreed between the Chief Financial Officer, the Audit Committee and the Internal Audit representative. The agreement shall be in writing and shall comply with the guidance on reporting contained in Internal Audit Standards. The reporting system shall be reviewed at least every three years.

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

2.4 Financial Audit (External Audit)

2.4.1 2.4.2 Duties

The Foundation Trust is to have an External Auditor and is to provide the External Auditor with every facility and all information which he may reasonably require for the purposes of his functions under Part 2 of the Health and Social Care Act 2012.

The External Auditor is to carry out their duties in accordance with Schedule 10 of the Health and Social Care Act 2012 and should comply with NHS Improvement's Audit Code.

2.4.2 Appointment of External Auditor

The External Auditor is appointed by the Council of Governors following recommendation from the Audit Committee.

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

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

2.4.3 The Foundation Trust shall comply with the Audit Code.

2.4.4 The Foundation Trust shall implement a procedure for considering and approving any additional services to be provided by the auditor.

2.4.5 Liaison with Internal Audit

The External Auditor will liaise with the Internal Audit function in order to obtain a sufficient understanding of internal audit activities to assist in planning the audit and developing an effective audit approach.

2.4.6 Access to Documents

The External Auditor of the Foundation Trust has a right of access at all reasonable times to every document, to which they are legally entitled, relating to the Foundation Trust which appears to them necessary for the purpose of their functions under Part 2 of the Health and Social Care Act 2012.

2.4.7 Public Interest Report

In the event of the External Auditor issuing a Public Interest Report the Foundation Trust shall:

- (a) Send the public interest report to the Council of Governors and the Board of Directors:

- (i) At once if it is an immediate report; or
 - (ii) Not later than 14 days after conclusion of the audit.
- (b) Forward a report to NHS Improvement within 30 days (or such shorter period as NHS Improvement may specify) of the report being issued. The report shall include details of the Foundation Trust's response to the issues raised within the Public Interest Report.

2.5 Fraud and Corruption

- 2.5.1 The Chief Executive and Chief Financial Officer shall monitor and ensure compliance with all relevant laws, codes and contractual obligations governing the conduct of countering fraud and corruption.
- 2.5.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) in accordance with relevant Counter Fraud Standards for Providers.
- 2.5.3 The LCFS shall report to the Chief Financial Officer and shall work with staff at the NHS Counter Fraud Authority in accordance with the NHS Anti-Crime Manual.
- 2.5.4 The Local Counter Fraud Specialist will provide a written report to the Audit Committee, at least annually, on counter fraud work within the Foundation Trust.

2.6 Security Management

- 2.6.1 The Foundation Trust shall promote and protect the security of people engaged in activities for the purposes of the health service functions of that body, service users, its property and its information. This shall be in accordance with Directions issued by the Secretary of State for Health on NHS security management and having regard to any other reasonable guidance or advice issued by NHS Protect.
- 2.6.2 The Foundation Trust Chief Executive and designated Director will monitor and ensure compliance with Directions.
- 2.6.3 The Foundation Trust shall nominate and appoint a suitable person to carry out the duties of the Local Security Management Specialist (LSMS).
- 2.6.4 The Foundation Trust shall designate a Non-Executive Director to be responsible to the Board for NHS security management.
- 2.6.5 The Chief Executive has overall responsibility for controlling and co-ordinating security. There are nominated Executive and Non-Executive Directors, in accordance with statutory requirements and key tasks are delegated to the Director with responsibility for Security Management and the appointed Local Security Management Specialist (LSMS).

3. ALLOCATIONS, BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING

3.1 Preparation and Approval of Business Plans and Budgets

3.1.1 The Chief Executive will compile and submit to the Board a Business Plan that takes into account financial targets and forecast limits of available resources. The Business Plan will contain:

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

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

- (a) be in accordance with the aims and objectives set out in the Foundation Trust's Annual Business Plan and the commissioners' local delivery plans;
- (b) accord with workload, manpower and activity (where appropriate) plans;
- (c) be produced following discussion with appropriate budget holders;
- (d) be prepared within the limits of overall plans and available funds;
- (e) identify potential risks;
- (f) be based on reasonable and realistic assumptions; and

3.1.3 The Chief Financial Officer shall monitor financial performance against budget and business plan, periodically review them and report to the Board and Finance and Business Committee. Any significant variances should be reported by the Chief Financial Officer to the Board of Directors as soon as possible, who shall be advised of action to be taken in respect of such variances.

3.1.4 All budget holders must provide information as required by the Chief Financial Officer to enable budgets to be compiled.

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

3.1.6 The Chief Financial Officer has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage successfully.

3.2 Budgetary Delegation

3.2.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities. This delegation is set out and budget holders confirm in writing, 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.

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

3.2.3 Non-recurring funds should not be used to finance recurrent activities

3.3 Budgetary Control and Reporting

3.3.1 The Chief Financial Officer will devise and maintain systems of budgetary control. These will include:

- (a) regular financial reports to the Board of Directors in a form approved by the Board of Directors containing:
 - (i) Statement of Comprehensive Income;
 - (ii) Statement of Financial Position, including movements in working capital;
 - (iii) Risk Ratings, including analysis of liquidity and capital service cover positions;
 - (iv) Cost Improvement Plans and Revenue Generation schemes performance against plan;
 - (v) Cash Flow statement showing movements in cash and capital and detailing of performance in respect of the Prudential Borrowing Code;
 - (vi) capital project spend and forecast spending against plan;
 - (vii) explanations of any material variances from plan;

- (viii) details of any corrective action where necessary and the Chief Executive's and/or Chief Financial Officer's view of whether such actions are sufficient to correct the situation;
- (b) monthly service reports for each service directorate, including costs, income and activity
- (c) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
- (d) investigation and reporting of variances from financial, activity / workload and manpower budgets;
- (e) monitoring of management action to correct variances;
- (f) arrangements for the authorisation of budget transfers;
- (g) advising the Chief Executive and Foundation Trust Board of Directors of the consequences of changes in policy, pay awards and other events and trends affecting budgets and shall advise on the economic and financial impact of future plans and projects;
- (h) review of the bases and assumptions used to prepare budgets; and
- (i) regular monitoring meetings with the Chief Financial Officer, budget managers and relevant Director(s) of the service.

In the performance of these duties the Chief Financial Officer will have access to all budget holders and budget managers on budgetary matters and shall be provided with such financial and statistical information as is necessary.

3.3.2 Each budget manager is responsible for ensuring that budgets are managed within resources, both in terms of manpower and finance. Any requirement to transfer budgets must comply with the virement process:

- (a) officers shall not exceed the budget limit set;
- (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; and
- (c) no permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and manpower establishment as approved by the Board of Directors.

3.3.3 The Chief Executive is responsible for ensuring the best possible use of resources, both manpower and finances and for delivering value for money at all times.

3.3.4 The Chief Executive is responsible for identifying and implementing cost improvement plans and revenue generation initiatives in accordance with the requirements of the Annual Business Plan.

3.4 Capital Expenditure

The general rules applying to delegation and reporting shall also apply to capital expenditure.

3.5 Monitoring Returns

3.5.1 The Board of Directors are responsible for ensuring that the appropriate monitoring forms are submitted to NHS Improvement the Independent Regulator, at such frequency as is required.

4. ANNUAL ACCOUNTS, REPORTS AND PLANS

4.1 Accounts

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

- (a) the accounts;
- (b) any records relating to them; and
- (c) any report of the External Auditor on them.

4.1.2 The Accounting Officer, via the Chief Financial Officer, shall ensure that the Foundation Trust prepares in respect of each financial year annual accounts in such form as NHS Improvement may with the approval of the Treasury direct. In preparing its annual accounts, the Foundation Trust is to comply with any directions given by NHS Improvement with the approval of the Treasury as to:

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

and shall be responsible for the functions of the Foundation Trust as set out in Paragraph 25 of Schedule 7 of the Health and Social Care Act 2012.

4.1.3 The annual accounts and any report of the External Auditor on them are to be presented to the Council of Governors at a General Public Meeting and made available to the public.

4.1.4 The Accounting Officer shall ensure the Foundation Trust:

- (a) sends copies of the final annual accounts and any report of the External Auditor to NHS Improvement and once it has done so
- (b) lay a copy of those documents before Parliament.

4.1.5 Responsibility for complying with the requirements relating to the form, preparation and presentation of the accounts shall be delegated to the Accounting Officer.

4.2 Annual Report

- 4.2.1 The Accounting Officer shall ensure that the Foundation Trust prepares annual reports in accordance with the accounting policies and guidance given by NHS Improvement and sends these to NHS Improvement.
- 4.2.2 The Foundation Trust is to comply with any decision NHS Improvement makes as to:
- (a) the form of the reports/returns;
 - (b) when the reports are to be sent to them;
 - (c) the periods to which the reports are to relate.

4.3 Annual Plans

- 4.3.1 The Foundation Trust is to give information as to its forward planning in respect of each financial year to NHS Improvement. The document containing this information is to be prepared by the Directors, and in preparing the document, the Board of Directors must have regard to the views of the Council of Governors.
- 4.3.2 The Foundation Trust is required to provide the following types of information to NHS Improvement:
- (a) **annual submissions:** plans, statutory reporting requirements of the Foundation Trust, and other annual requirements specified in the licence, as required by NHS Improvement;
 - (b) **in-year submissions:** financial and service performance information is submitted on a monthly/quarterly basis;
 - (a) **exception reports:** other information that may have material implications for the Foundation Trust's compliance, but which is not routinely requested by NHS Improvement. These may relate to any in-year identified concerns relevant to the Foundation Trust's governance of quality (and therefore to the Trust's compliance with its licence);
 - (c) **other information/ad-hoc reports:** following up specific issues identified as part of the annual planning process or in-year. This includes periodic reviews of the Foundation Trust's governance, where external reviews covering areas of governance have been conducted.

5. BANK AND GOVERNMENT BANKING SERVICE (GBS) ACCOUNTS

5.1 General

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

5.1.2 The Board of Directors shall approve the banking arrangements.

5.2 Bank and GBS Accounts

5.2.1 The Chief Financial Officer is responsible for:

- (a) commercial bank accounts and Government Banking Service (GBS) accounts;
- (b) establishing separate bank accounts for the Foundation Trust's non-exchequer funds;
- (c) ensuring payments made from bank or GBS accounts do not exceed the amount credited to the account except where arrangements have been made;
- (d) reporting to the Board of Directors all arrangements made with the Foundation Trust's bankers for accounts to be overdrawn when utilising a working capital facility.

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

5.3 Banking Procedures

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

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

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

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

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

5.4 Tendering and Review

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

5.4.2 Competitive tenders should be sought at least every five years. The results of the tendering exercise should be reported to the Board of Directors. This review is not necessary for GBS accounts.

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

6.1 Income Systems

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

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

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

6.2 Fees and Charges

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

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

6.3 Debt Recovery

6.3.1 The Chief Financial Officer is responsible for the appropriate recovery action on all outstanding debts, including formal follow up procedure for all debtor accounts. Overpayments should be detected (or preferably prevented) and recovery initiated.

6.3.2 Income not received should be dealt with in accordance with losses procedures.

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

6.4 Security Of Cash, Cheques and Other Negotiable Instruments

6.4.1 The Chief Financial Officer is responsible for:

- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- (b) ordering and securely controlling any such bulk stationery stocks;

- (c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
- 6.4.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 6.4.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Chief Financial Officer.
- 6.4.4 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 Foundation Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Foundation Trust from responsibility for any loss.
- 6.4.5 Any loss or shortfall of cash, cheques or other negotiable instruments, however occasioned, shall be monitored and recorded within the Finance Department. Any significant trends should be reported to the Chief Financial Officer and Internal Audit via the incident reporting system. Where there is prima facie evidence of fraud or corruption this should follow the form of the Foundation Trust's Counter Fraud procedure. Where there is no evidence of fraud or corruption the loss should be dealt with in line with the Foundation Trust's Losses and Special Payments Procedures.

7. FOUNDATION TRUST CONTRACTS

- 7.1 The Board of Directors of the Foundation Trust shall regularly review and shall at all times maintain and ensure the capacity and capability of the Foundation Trust to provide the mandatory goods and services as per the Provider Licence.
- 7.2 The Chief Executive, as the Accounting Officer, is responsible for ensuring the Foundation Trust enters into suitable Foundation Trust Contracts (FTC) with commissioners for the provision of NHS services. The Foundation Trust will follow the priorities contained within the schedules of the contract, and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive should take into account:
- (a) the standards of service quality expected;
 - (b) the relevant national service framework (if any);
 - (c) the provision of reliable information on cost and volume of services;
 - (d) the NHS Operating Framework;
 - (e) that contracts build where appropriate on existing partnership arrangements;
 - (f) that contracts are based on integrated care pathways.
- 7.3 The Chief Executive is to ensure that the Foundation Trust works with all partner agencies involved in both the delivery and the commissioning of the service required.
- 7.4 The Chief Executive, as the Accounting Officer, will need to ensure that regular reports are provided to the Board of Directors detailing actual and forecast income from the FTCs. All parties involved in an FTC should agree a common activity currency for application across the ranges of services included in the contract.
- 7.5 Non Commercial Contracts
- 7.5.1 Where the Trust enters into a relationship with another organisation for the supply or receipt of other services – clinical or non-clinical, the responsible officer should ensure that an appropriate non-commercial contract is present and signed by both parties. This should incorporate:
- (a) A description of the service and indicative activity levels;
 - (b) The term of the agreement;
 - (c) The value of the agreement;

- (d) The lead officers;
- (e) Performance and dispute resolution procedures;
- (f) Risk management and clinical governance arrangements.

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

7.6 Partnership Agreements

When the Foundation Trust proposes to enter into a partnership arrangement to pool funds as outlined in section 75 of the Health and Social Care Act 2012, the following procedures shall apply:

- (a) The Chief Executive shall demonstrate that the aim of the partnership arrangement is to improve services for users by raising standards and improving the quality and responsiveness of services;
- (b) The Chief Executive and partner organisations will jointly set out a written partnership agreement as identified in the Regulations;
- (d) The written partnership agreement must be specifically agreed by the Board of Directors.

7.7 Private Health Care

7.7.1 The Foundation Trust may seek private patient income, subject to the condition that it is not at the expense of NHS patients, to a value of 1.5% of patient related activity.

8. TENDERING AND CONTRACTING PROCEDURES

8.1 Duty to comply with Standing Financial Instructions

8.1.1 The procedure for making all contracts by or on behalf of the Foundation Trust shall comply with these Standing Financial Instructions.

8.2 EU Directives Governing Public Procurement

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

8.2.2 The Foundation Trust shall comply as far as is practicable with the requirements of NHS Improvement guidance” in respect of capital investment and estate and property transactions. 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" (adopted as a separate guidance document by the Trust).

8.3 Formal Competitive Tendering

8.3.1 General Applicability

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

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

Where the Foundation Trust elects to invite tenders for the supply of healthcare services these Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure.

NHS Supply Chain is the preferred procurement route of all goods for the Trust; if goods are not available via this method then the decision to use alternative sources must be documented. Where tenders or quotations are not required, because expenditure is below the levels defined in the Reservation of Powers to the Board of Directors and Council of Governors and Schedule of Decisions/Duties Delegated by the Board of Directors, the Foundation Trust shall procure goods and services in accordance with procurement procedures approved by the Chief Financial Officer;

8.3.2 Exceptions and instances where formal tendering need not be applied

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 over the length of the contract (cumulative value); public advertisement will be carried out, however, where required, in compliance with EU legislation.
- (b) the requirement is ordered under existing contracts.

8.3.3 Formal tendering and quotation procedures may be waived by officers to whom powers have been delegated by the Chief Executive:

- (a) in very exceptional circumstances where the Chief Executive decides that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures, and the circumstances are detailed in an appropriate Foundation Trust record;
- (b) where the requirement is covered by an existing contract;
- (c) where CPC or other applicable framework agreements are in place and have been approved by the Board of Directors;
- (d) where a consortium arrangement is in place and a lead organisation has been appointed to carry out tendering activity on behalf of the consortium members;
- (e) 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;
- (f) where specialist expertise is required and there is clear and convincing evidence readily at hand that it is available from only one source;
- (g) when the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different parties for the new task would be inappropriate;
- (h) 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;
- (i) for the provision of legal advice and services providing that any legal firm or partnership commissioned by the Foundation Trust is regulated by the Law Society for England and Wales for the conduct of their business (or by the Standards Board for England and Wales in relation to the obtaining of

Counsel's opinion) and are generally recognised as having sufficient expertise in the area of work for which they are commissioned.

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

- (j) the goods or materials to be supplied consist of repairs to parts for existing equipment or extensions thereto which, for practical reasons, must be from the same manufacturer;
- (k) a Framework Agreement has been established by other public sector bodies, including the Department of Health, and the Head of Procurement has assessed its appropriateness to the Foundation Trust prior to utilisation;
- (l) where the market place has a limited number of suppliers below the minimum number required for quotation or tender exercises. (The type of research and evidence carried out must be documented on the waiver submission);
- (m) Where an extension to an existing contract can be evidenced to be more effective to the Trust than the alternative of a competitive exercise at that time. Initial approval by the Head of Procurement will be report to the Audit Committee via the Chief Financial Officer. This extension period must not breach EU thresholds; and/or
- (n) Where the Head of Procurement can evidence that cost efficiency can be realised by the Trust through negotiation and or mini competition carried out by the Procurement Department. A comparison of at least the current and proposed supplier must be evidenced. Initial approval by the Head of Procurement will be reported to the Audit Committee via the Chief Financial Officer.

8.3.4 The waiver process should not be used to avoid competition or for administrative convenience or to award further work to a consultant originally appointed through a competitive procedure. A Single Quotation or Tender Waiver form must be completed and approved in advance for any procurement in excess of £10,000 that has not followed the correct procurement procedure.

8.3.5 Where it is decided that competitive tendering or quotations is not applicable and should be waived the reasons should be documented in an appropriate Foundation Trust record and reported by the Chief Financial Officer to the Audit Committee in a formal meeting.

8.3.6 Fair and Adequate Competition

The Board of Directors shall ensure that an electronic system is in place to allow complete transparency of contract opportunities; this system should populate the government's contract finder portal.

Over EU threshold tender opportunities advertised should be subject to adequate pre-qualification criteria to ensure that appropriate suppliers are involved with the process.

The annual declaration of interests update will consider the need for all staff involved in the management and processing of tenders to be included the process.

8.3.7 Building and Engineering Construction Works

Competitive Tendering cannot be waived for building and engineering construction works and maintenance without Departmental of Health approval.

8.3.8 Items which subsequently breach thresholds after original approval

Items estimated to be below the limits set in this Standing Financial Instruction for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the Chief Executive, and be recorded in an appropriate Foundation Trust record.

8.4 Contracting/Tendering Process

All tender processes shall be undertaken via the Procurement team utilising the Trusts E-Tendering system. Where an alternative tender process is considered this must be approved by the Chief Financial Officer and the tender process below must still be followed with the exception that tenders may be receipted and acknowledged by a third party but must be opened in line with the process in 8.4.3 below.

8.4.1 Invitation to tender

- (i) All invitations to tender shall state the date and time as being the latest time for the receipt of tenders.
- (ii) All invitations to tender shall state that no tender will be accepted unless:
 - (a) submitted via the Trust e-tendering portal that the opportunity was advertised on. No paper responses will be accepted.
 - (b) submissions meet the formal Trust procedure that has been laid down for e-tendering;
- (iii) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable;
- (iv) Every tender for building or engineering works (except for maintenance work, when ESTATECODE 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 legislation 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.

8.4.2 Receipt, safe custody and opening of tenders

The Trust e-Tendering portal will record all responses to ITT documents that are submitted. The opening of tender responses will be carried out within the portal by the buyer responsible for the tender process. The system will capture information about who is involved with the electronic opening of Tenders.

The date and time of the opening process will be captured in the e-Tendering system.

8.4.3 Admissibility

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

8.4.4 Late tenders

- (i) 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. This would require the responsible buyer to amend the deadline for receipt of tenders on the e-Tendering portal and should allow all bidders the opportunity to resubmit their own bid.

Note: this can only be done if the opening ceremony has not yet taken place.

- (ii) under no circumstances should a tender submission be allowed after the opening ceremony.

8.4.5 Acceptance of formal tenders

- (i) Any discussions with a tenderer which are deemed necessary to clarify technical aspects of their tender before the award of a contract will not disqualify the tender. These discussions should take place through the e-Tendering portal and any questions and subsequent answers are recorded and shared with all interested parties.

Note: no correspondence should be entered into outside of the e-Tendering portal.

- (ii) An award criteria should be prepared alongside the specification to be issued with the ITT. This will consider all aspects of the contract on offer, Price will always be a component of this evaluation.

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 inter alia;

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

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

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

8.4.6 Tender reports to the Board of Directors

Reports to the Board of Directors will be made on an exceptional circumstance basis only.

8.4.7 The Trust should ensure that firms submitting tenders follow industry good practice and as a minimum:

- (a) All suppliers should work to the Foundation Trust's terms and conditions of contract.
- (b) The Trust should confirm that firms tendering for work 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, the Disabled Persons (Employment) Act 1944, the Disability Discrimination Acts of 1995 and 2005 and the Equality Act 2005 and any amending and/or related legislation.
- (c) 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.
- (d) The Chief Financial Officer may make or institute any enquiries they deem appropriate concerning the financial standing and financial suitability of approved contractors.
- (e) The Director with lead responsibility for clinical governance may make such enquiries as is felt appropriate to be satisfied as to their technical / medical competence.

8.4.8 Quotation

General position re quotations

Quotations are required where formal tendering procedures are:

- (a) not applied;

- (b) not required and where the intended expenditure or income exceeds £10,000;
- (c) reasonably expected to exceed the limit defined in the Reservation of Powers to the Board of Directors and the Council of Governors and Schedule of Decisions/Duties Delegated by the Board of Directors (excluding vat irrespective of recovery arrangements).

8.4.9 Competitive Quotations

- (a) Where quotations are required they should be advertised on the e-Tender portal. The invitations to quote should be based on specifications or terms of reference prepared by, or on behalf of, the Board of Directors;
- (b) Quotations should be received through the e-tendering Portal. No correspondence should be entered into outside of the agreed route.
- (c) All quotations should be treated as confidential, unless a Purchase Order is raised following the quotation process. This information will then become part of the freedom of Information act. All information should be retained on the e-tendering portal.
- (d) The Head of Procurement or a nominated officer should evaluate the responses based upon the award criteria issued with the ITQ. Price will be a consideration but not the only factor in deciding which response offers the best value.
- (e) For the purposes of this section where there is a Framework Agreement in place that has been established for use by Public Sector bodies the price contained therein may be used in lieu of a quotation(s).

8.4.10 Non-Competitive Quotations

Non-competitive 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. (i) and (ii) of this SFI) apply.
- (e) when a written quotation has been received, this must be included when

raising a requisition for the goods or services quoted. The subsequent Purchase Order should refer to the written quotation to prevent any discrepancy with invoicing.

8.4.11 Quotations to be within Financial Limits

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

8.4.12 Authorisation of Tenders and Competitive Quotations

Providing all the conditions and circumstances set out in these Standing Financial Instructions have been fully complied with, formal authorisation and awarding of a contract may be decided by the staff as defined in the Reservation of Powers to the Board of Directors and the Council of Governors and Schedule of Decisions/Duties Delegated by the Board of Directors. These levels of authorisation may be varied or changed. Formal authorisation must be put in writing. In the case of authorisation by the Board of Directors this shall be recorded in their minutes.

8.5. Private Finance for capital procurement (see overlap with SFI No. 12.8)

8.5.1 The Foundation Trust should normally test for PFI when considering significant capital procurement. When the Foundation Trust proposes to use finance which is to be provided by the private sector the following should apply:

- (a) The Chief Financial Officer/Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector.
- (b) The business case must be referred to the DOH Private Finance Unit (PFU), as appropriate (for example if a 'Deed of Safeguard' is required), for approval or treated as per current guidelines. The Foundation Trust must follow the guidance contained in the NHS Improvement "Significant Investment" guidance. Any investment over a certain size must be reported to NHS Improvement who will assess the impact on our risk rating, which may ultimately preclude the Foundation Trust from progressing with PFI.
- (c) The proposal must be specifically agreed by the Foundation Trust Board of Directors in the light of such professional advice as should reasonably be sought in particular with regard to vires.
- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

8.6 Compliance requirements for all contracts

The Board of Directors may only enter into contracts on behalf of the Foundation Trust within its Provider Licence and shall comply with:

- (a) the Foundation Trust's Standing Orders and Standing Financial Instructions;
- (b) EU Directives and other statutory provisions;
- (c) any relevant directions including the Capital Investment Manual, ESTATECODE and guidance on the Procurement and Management of Consultants;
- (d) such of the NHS standard contract conditions as are applicable.
- (e) contracts with Foundation Trusts must be in a form compliant with appropriate NHS guidance;
- (f) where appropriate contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited;
- (g) In all contracts made by the Foundation Trust, the Board of Directors 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 Foundation Trust.

8.7 Personnel and Agency or Temporary Staff Contracts

The Chief Executive shall nominate officers with delegated authority to enter into contracts for the employment of other officers, to authorise re-grading of staff, and enter into contracts for the employment of agency staff or temporary staff service contracts.

8.8 Disposals

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 policy of the Foundation Trust;
- (c) items to be disposed of with an estimated sale value of less than £10,000, this figure to be reviewed on a periodic basis;

- (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;

8.9 In-house Services

8.9.1 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 Foundation Trust may also determine from time to time that in-house services should be market tested by competitive tendering.

8.9.2 In all cases where the Board of Directors 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(s);

- (b) In-house tender group, comprising a nominee of the Chief Executive, representative(s) of the in-house team and technical support;

- (c) Evaluation team, comprising normally a specialist officer, a supplies officer and a Chief Financial Officer representative. For services having a likely annual expenditure exceeding £500,000, a non-executive should be a member of the evaluation team.

8.9.3 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.

8.9.4 The evaluation team shall make recommendations to the Board of Directors.

8.9.5 The Chief Executive shall nominate an officer to oversee and manage the contract on behalf of the Foundation Trust.

8.9.6 Applicability of SFIs on Tendering and Contracting to funds held in Foundation Trust (see overlap with SFI No. 17)

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

8.9.7 Cancellation of Contracts

Except where specific provision is made in model Forms of Contracts or standard Schedules of Conditions approved for use within the National Health Service, there shall be inserted in every written contract a clause empowering the Foundation Trust to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation:

- if the contractor shall have offered, or given or agreed to give, any person any gift (exceeding £25) or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any action in relation to the obtaining or execution of the contract of any other contract with the Foundation Trust;
- or for showing or forbearing to show favour or disfavour to any person in relation to the contracts or any other contract with the Foundation Trust;
- or if the like acts shall have been done by any person employed by him or acting on his behalf (whether with or without the knowledge of the contractor);
- or if in relation to any contract with the Foundation Trust the contractor or any person employed by him/her or acting on his/her behalf shall have committed any offence under the Bribery Act 2010.

8.9.8 Determination of Contracts for Failure to Deliver Goods or Material

There shall be inserted in every written contract for the supply of goods or materials a clause to secure that, should the contractor fail to deliver the goods or materials or any portion thereof within the time or times specified in the contract, the Foundation Trust may without prejudice cancel the contract either wholly or to the extent of such default and purchase other goods, or material of similar description to make good (a) such default, or (b) in the event of the contract being wholly cancelled the goods or material remaining to be delivered. The clause shall further secure that the amount by which the cost of so purchasing other goods or materials exceeds the amount which would have been payable to the contractor in respect of the goods or materials shall be recoverable from the contractor.

- #### 8.9.9 Contractors Involving Funds Held on Foundation Trust – shall do so individually to a specific named fund. Such contracts involving charitable funds shall comply with the requirements of the Charities Act.

9. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF DIRECTORS AND EMPLOYEES

9.1 Remuneration and Terms of Service (see overlap with SO (Directors) No. 5)

9.1.1 In accordance with the Trust's Constitution (Annex 8 SO 5.1.1) the Board of Directors shall establish a Remuneration Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

9.1.2 The Committee will:

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

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

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

9.1.5 The Foundation Trust will pay allowances to the Chair and Non-Executive Directors of the Board of Directors in accordance with the level of remuneration and terms and conditions agreed by the Council of Governors.

9.2 Funded Establishment

- 9.2.1 The workforce plans incorporated within the annual budget will form the funded establishment.
- 9.2.2 Amendments to funded establishments may only be varied with the authority of the Chief Financial Officer or nominated Finance representative. Such amendments will be recorded on the appropriate establishment control forms.

9.3 Staff Appointments

- 9.3.1 No directors of the Foundation Trust Board of Directors or staff 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 / delegated to do so by the Chief Executive; and
 - (b) within the limit of their approved budget and funded establishment.
- 9.3.2 The Board of Directors will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc., for employees.

9.4 Processing Payroll

- 9.4.1 The Chief Financial Officer is responsible for:
- (a) specifying timetables for submission of properly authorised time records and other notifications;
 - (b) the final determination of pay and allowances; including verification that the rates of pay and relevant conditions of service are in accordance with current agreements;
 - (c) making payment on agreed dates; and
 - (d) agreeing method of payment.
- 9.4.2 The Chief Financial Officer will, via a contract with the payroll provider, 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 pensions, income tax, national insurance 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 and Freedom of Information Act;
- (g) methods of payment available to various categories of employee and officers;
- (h) procedures for payment by cheque, bank credit, or cash to employees and directors;
- (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 Foundation Trust of sums of money and property due by them to the Foundation Trust.

9.4.3 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 Chief Financial Officer's instructions and in the form prescribed by the Chief Financial Officer;
- (c) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, Payroll and Human Resources must be informed immediately.

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

9.5 Contracts of employment

9.5.1 The Board of Directors shall delegate responsibility to an officer for:

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

10. NON-PAY EXPENDITURE

10.1 Delegation of Authority

10.1.1 The Board of Directors will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to budget managers.

10.1.2 The Chief Executive will set out:

- (a) the list of managers who are authorised to place requisitions for the supply of goods and services which should be updated and reviewed on an on-going basis and annually by the Finance/Supplies Department;
- (b) the maximum level of each requisition and the system for authorisation above that level.

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

10.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services (see overlap with Standing Financial Instruction No. 13)

10.2.1 Requisitioning

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

10.2.2 System of Payment and Payment Verification

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

The Chief Financial Officer shall be responsible for the prompt payment of accounts and claims in accordance with the Better Payment Practice Code (BPPC). Employees are responsible for processing invoices in a timely manner. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

10.2.3 The Chief Financial Officer will:

- (a) advise the Board of Directors regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in Standing Financial Instructions and regularly reviewed;
- (b) prepare procedural instructions or guidance within the managed procurement framework 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. This may include interaction with the Foundation Trust's payment service provider. The system shall provide for:
 - (i) A list of Board directors/employees (including specimens of their signatures) authorised to certify invoices.
 - (ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct;
 - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
 - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
 - the account is arithmetically correct;
 - the account is in order for payment.
 - (iii) A timetable and system for submission to the Chief Financial Officer of

accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.

- (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.
- (e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received. The only exceptions are set out in SFI No. 10.2.4 below.

10.2.4 Prepayments

Prepayments outside of normal commercial arrangements for example fully comprehensive maintenance contracts, rental, insurance, are only permitted where exceptional circumstances apply. In such instances:

- (a) prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e. cash flows must be discounted to NPV);
- (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 Foundation Trust if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments;
- (c) the Chief Financial Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold);
- (d) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Chief Executive if problems are encountered.

10.2.5 Official Orders

Official Orders must:

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

The use of confirmation orders should be avoided wherever possible and should not be considered an official order. It is accepted that on occasion a confirmation order may be used in response to the immediacy of the requirement but this must be superseded by a Purchase Order as soon as is practically possible. Where there is a need to use confirmation orders for a specific requirement on a regular basis then the procurement process must be reviewed and consideration given to the application of a schedule of rates or a tender process to gain comfort over value for money. The use of confirmation orders will be monitored and reviewed monthly.

10.2.6 Duties of Managers and Officers

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

- (a) all contracts (except as otherwise provided for in the Schedule of Decision/Duties Delegated by the Board of Directors), leases, tenancy agreements and other commitments which may result in a liability are notified to the Chief Financial Officer in advance of any commitment being made;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement; and comply with the White Paper on Standards, Quality and International Competitiveness (CMND 8621);
- (c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health (The Procurement and Management of Consultants in the NHS as adopted by the Trust:
- (d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
 - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
 - (ii) conventional hospitality, such as lunches in the course of working visits;

(This provision needs to be read in conjunction with the Trust's Bribery and Corruption policy and in accordance with Standing Order Annex 8 No. 9 and the principles outlined in the national guidance contained in HSG 93(5) "Standards of Business Conduct for NHS Staff");

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Chief Financial Officer on behalf of the Chief Executive;

- (f) all goods, services, or works are ordered either on an official order or otherwise in line with approved systems within the managed procurement framework;
- (g) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (i) goods are not taken on trial or loan in circumstances that could commit the Foundation Trust to a future uncompetitive purchase;
- (j) changes to the list of employees and officers authorised to certify invoices are notified to the Chief Financial Officer;
- (k) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Chief Financial Officer;
- (l) petty cash records are maintained in a form as determined by the Chief Financial Officer;
- (m) orders are not required to be raised for certain exempt areas under the management procurement guidelines (e.g. utility bills, NHS Recharges; audit fees and ad hoc services). Payments must be authorised in accordance with the delegated limits set for non-pay.

10.2.7 The Chief Financial Officer shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the relevant guidance, eg ESTATECODE. The technical audit of these contracts shall be the responsibility of the relevant Director.

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

10.2.8 Joint Finance Arrangements with Local Authorities and Voluntary Bodies

Payments to local authorities and voluntary organisations made under the powers of section 75 of the Health and Social Care Act 2012 shall comply with procedures laid down by the Chief Financial Officer which shall be in accordance with these Acts.

11. EXTERNAL BORROWING AND INVESTMENTS

11.1 Public Dividend Capital

- 11.1.1 On authorisation as a Foundation Trust the Public Dividend Capital held immediately prior to authorisation continues to be held on the same conditions.
- 11.1.2 Additional Public Dividend Capital may be made available on such terms the Secretary of State (with the consent of the Treasury) decides.
- 11.1.3 Draw down of Public Dividend Capital should be authorised in accordance with the mandate held by the Department of Health, and is subject to approval by the Secretary of State.
- 11.1.4 The Foundation Trust shall be required to pay annually to the Department of Health a dividend on its Public Dividend Capital at a rate to be determined from time to time, by the Secretary of State.

11.2 Commercial Borrowing and Investment

- 11.2.1 The Foundation Trust may borrow money from any commercial source for the purposes of or in connection with its functions.
- 11.2.2 The Board of Directors must be made aware by the Chief Financial Officer of any utilisation of a working capital facility at the next appropriate Board of Directors meeting.
- 11.2.3 All long-term borrowing must be consistent with the plans outlined in the current annual plans and be approved by the Foundation Trust Board of Directors.
- 11.2.4 The Foundation Trust may invest money (other than money held by it as charitable trustee) for the purposes of or in connection with its functions. Such investment may include forming, or participating in forming, or otherwise acquiring membership of bodies corporate and/or participating in a joint venture(s).
- 11.2.5 The Foundation Trust may also give financial assistance (whether by way of loan, guarantee or otherwise) to any person for the purposes of or in connection with its functions.

11.3 Investment of Temporary Cash Surpluses

- 11.3.1 Temporary cash surpluses must be held only in such public and private sector investments in accordance with the appropriate policy.
- 11.3.2 The Finance and Performance Committee is responsible for establishing and monitoring an appropriate investment strategy and policy.
- 11.3.3 The Chief Financial Officer is responsible for advising the committee on

investments and shall report periodically concerning the performance of investments held.

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

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

12.1 Capital Investment

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 the availability of resources to finance all revenue consequences, including capital charges.

12.2 For every major capital expenditure proposal the Chief Executive shall ensure (in accordance with the limits outlined in the scheme of delegation):

- (a) that a business case is produced setting out:
 - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs; and
 - (ii) the involvement of appropriate Foundation Trust personnel and external agencies; and
 - (iii) appropriate project management and control arrangements; and
- (b) that the Chief Financial Officer has certified professionally to the costs and revenue consequences detailed in the business case.

12.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of ESTATECODE and other relevant guidance.

12.4 The Chief Financial Officer shall assess on an annual basis the requirement for the operation of the construction industry tax deduction scheme in accordance with Inland Revenue guidance.

12.5 The Chief Financial Officer shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

12.6 The approval of a capital programme shall not constitute approval for expenditure on any scheme.

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.

The Chief Executive will issue a scheme of delegation for capital investment management in accordance with NHS Improvement guidance and the Foundation Trust's Standing Orders.

12.7 The Chief Financial Officer shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

12.8 Private Finance

The Foundation Trust should normally test PFI when considering capital procurement of a significant level. The process should be as described in SFI 8.5.

Any finance or operating lease entered into must be agreed by the Chief Financial Officer.

12.9 Asset Registers

12.9.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Chief Financial Officer concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year.

12.9.2 The Foundation Trust shall maintain an Asset Register recording non-current assets to enable financial reporting in accordance with the requirements of International Financial Reporting Standards (IFRS). Guidance on the interpretations of the above is contained in the Department of Health Group Accounting Manual (DH GAM) and the FT Annual Reporting Manual (FT ARM).

12.9.3 Additions to the non-current asset register must be clearly identified to an appropriate scheme 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.

12.9.4 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).

12.9.5 The Chief Financial Officer shall approve procedures for reconciling balances on non-current assets accounts in ledgers against balances on non-current asset registers.

12.9.6 The value of each asset shall be accounted for as per International Financial reporting standards using Modern Equivalent Asset Values as appropriate, the Department of Health Group Accounting Manual and the Foundation Trust Annual Reporting Manual (FT ARM) issued by NHS Improvement.

12.9.7 The Chief Financial Officer of the Foundation Trust shall calculate and pay capital charges as specified by the Department of Health.

12.10 Protected Property

12.10.1 A register of Protected Property is required to be maintained in accordance with requirements issued by NHS Improvement. The property referred to in CoS2 Condition 5 of the Provider Licence, which is to be protected, is limited to land and buildings owned or leased by the Foundation Trust (assets such as equipment, financial assets, cash or intellectual property will not be regarded as protected assets).

12.10.2 Protected property may not be disposed of without the approval of NHS Improvement

12.10.3 The Foundation Trust is required to notify relevant bodies of the publication date of their plans to allow them to lodge any objections. Twenty-one days is allowed before the plans are then approved.

12.10.4 During the year when the proposed changes are made the Asset Register must be updated accordingly. The relevant bodies should then be notified that an updated Asset Register is available.

12.11 Security of Assets

12.11.1 The overall control of non-current assets is the responsibility of the Chief Executive advised by the Chief Financial Officer.

12.11.2 Asset control procedures (including non-current assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Chief Financial Officer. This procedure shall make provision for:

- (a) recording managerial responsibility for each asset;
- (b) identification of additions and disposals;

- (c) identification of all repairs and maintenance expenses which enhance the value of the assets;
- (d) physical security of assets;
- (e) periodic 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.

12.11.3 All significant discrepancies revealed by verification of physical assets to non-current asset register shall be notified to the Chief Financial Officer.

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

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

12.11.6 Where practical, assets should be marked as Foundation Trust property.

13. STORES AND RECEIPT OF GOODS

13.1 General position

Stocks are defined as those goods normally utilised in day to day activity, but which at a given point in time have not been used or consumed. There are two broad types of store:-

- (a) Controlled stores - specific areas designated for the holding and control of goods;
- (b) Wards & departments - goods required for immediate usage to support operational services.

13.1.1 Stores, defined above (for immediate use) should be:

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

13.2 Control of Stores, Stocktaking

13.2.1 Subject to the responsibility of the Chief Financial Officer 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 to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Chief Financial Officer. The control of any Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of any fuel oil and coal of a designated estates manager.

13.2.2 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 National Health Service property.

13.2.3 The Chief Financial Officer shall set out procedures and systems to regulate the stores including records for receipt of goods, issues from and returns to stores, and losses.

13.2.4 Stocktaking arrangements shall be agreed with the Chief Financial Officer and there shall be a physical check, the extent of which shall be determined by the Chief Financial Officer, at least once a year.

13.2.5 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Chief Financial Officer.

13.2.6 The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Chief Financial Officer for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Chief Financial Officer any evidence of significant overstocking and of any negligence or malpractice (see also overlap with SFI No. 14 Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

13.3 Goods supplied by NHS Supply Chain

For goods supplied via the 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 Chief Financial Officer who shall satisfy himself that the goods have been received before accepting the recharge. This will be achieved through sample checking and tolerance levels. The Finance Department will make payment on receipt of an invoice. This may also apply for high-level low volume items such as stationery.

13.4 Issue of Stocks

The issue of stocks shall be supplied by an authorised requisition note and a receipt for the stock issued shall be returned to the designated officer. Where a 'topping up' system is used, a record shall be maintained as approved by the Chief Financial Officer. Regular comparisons shall be made of the quantities issued to wards/departments etc. and explanations recorded of significant variations.

All transfers and returns shall be recorded on forms/systems provided for the purpose and approved by the Chief Financial Officer.

14. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

14.1 Disposals and Condemnations

14.1.1 Procedures

The Chief Financial Officer must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers. Material disposals will be defined annually with reference to the Trust's capital plan and replacement program. Responsibility for the approval of material disposals will rest with the Chief Financial Officer.

14.1.2 When it is decided to dispose of a Foundation Trust asset, the head of department or authorised deputy will determine and advise the relevant persons of the estimated market value of the item, taking account of professional advice where appropriate. The relevant person shall be:

- (a) non-current assets: Estates Strategy Steering Group (noting the limits pertaining to protected assets);
- (b) office equipment (furniture, fixture and fittings): Head of Procurement;
- (c) IT equipment: Head of I M & T.

14.1.3 All unserviceable articles shall be:

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

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

14.2 Losses and Special Payments

14.2.1 Procedures

The Chief Financial Officer must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. Reference should be made to the Counter Fraud procedures regarding the action to be taken both by persons identifying a suspected fraud and those persons responsible for investigating it.

14.2.2 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 Chief Financial Officer or inform an officer charged with responsibility for responding to concerns involving loss or fraud, confidentiality. This officer will then appropriately inform the Chief Financial Officer and/or Chief Executive.

Where a criminal offence is suspected, the Chief Financial Officer must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Chief Financial Officer must inform the relevant Local Counter Fraud Specialist (LCFS).

The Chief Financial Officer will liaise appropriately with the LCFS, the NHS Counter Fraud Authority and the External Auditor regarding all frauds.

14.2.3 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Chief Financial Officer must immediately notify:

- (a) the Board of Directors; and
- (b) the External Auditor; and
- (c) NHS Protect.

14.2.4 The Board of Directors shall approve the writing-off of all losses and special payments in accordance with the Reservation of Powers to the Board of Directors and Council of Governors and Schedule of Decisions/Duties Delegated by the Board of Directors.

14.2.5 The Chief Financial Officer shall be authorised to take any necessary steps to safeguard the Foundation Trust's interests in bankruptcies and company liquidations.

14.2.6 For any loss, the Chief Financial Officer should consider whether any insurance claim can be made.

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

14.2.8 No special payments exceeding delegated limits (£500,000 and above) shall be made without the prior approval of the Board of Directors.

14.2.9 All losses and special payments must be reported to the Audit Committee as scheduled by that committee.

15. INFORMATION TECHNOLOGY

15.1 Responsibilities and duties of the Chief Financial Officer

15.1.1 The Chief Financial Officer, who is responsible for the accuracy and security of the computerised financial data of the Foundation Trust, shall, in conjunction with Information and Knowledge Services Department:

- (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Foundation Trust's data. This includes programs and computer hardware for which the Director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the UK enactment of the General Data Protection Regulation (GDPR), the Computer Misuse Act 1990 and Freedom of Information Act 2000;
- (b) ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission, output and final destruction to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
- (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
- (d) ensure that adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent via transmission networks;
- (e) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Director may consider necessary are being carried out.

15.1.2 The Chief Financial Officer shall need to ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation. This may be through the use of mutually agreed test services and in conjunction with ICT where necessary.

15.1.3 The Director responsible for information technology 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 Foundation Trust that we make publicly available.

15.2 Responsibilities and duties of other Directors and Officers in relation to computer systems of a general application

15.2.1 In the case of computer systems which are proposed for general applications (i.e. normally those applications which the majority of the NHS in the Region wishes to sponsor jointly) all responsible directors and employees will send to the Chief Financial Officer:

- (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.

15.3 Contracts for Computer Services with other health bodies or outside agencies

The Chief Financial Officer 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.

Where personal data is processed on the Foundation Trust's behalf by another organisation, this must be reflected in the Foundation Trust's registration with the Information Commissioner and the Chief Financial Officer shall periodically seek assurances that adequate controls are in operation.

15.4 Risk Assessment

The Senior Information Risk Officer (SIRO) shall ensure that risks to the Foundation Trust arising from the use of IT are effectively identified, considered and appropriate action taken to mitigate or control the risk. This shall include the preparation and testing of appropriate disaster recovery plans.

15.5 Requirements for Computer Systems which have an impact on corporate financial systems

Where computer systems have an impact on corporate financial systems the Chief Financial Officer 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) Chief Financial Officer staff have access to such data;
- (d) Such computer audit reviews as are considered necessary are being carried out.

16. PATIENTS' PROPERTY

- 16.1 The Foundation Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.

Personal property shall mean all personal valuables such as electrical goods, furniture, allowance order books, bank/building society books, credit cards, and jewellery.

- 16.1.1 Personal property of patients unable to manage will not automatically be placed in safe custody but it is important for staff to acknowledge that they have a duty to safeguard the property of those who are unable to manage their affairs while in hospital. (This will include those admitted who are confused but it is unlikely that unconscious, dying or deceased patients will be admitted to a Leeds and York Partnership NHS FT Unit/Ward.)

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

- notices and information booklets; (notices are subject to sensitivity guidance)
- hospital admission documentation and property records
- the oral advice of administrative and nursing staff responsible for admissions

The Foundation 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.

- 16.3 The Chief Financial Officer 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.

- 16.4 A patient's property record, in a form determined by the Chief Financial Officer, shall be completed in respect of the following:

- (a) property handed in for safe custody by any patient (or guardian as appropriate); and
- (b) property taken into safe custody having been found in the possessions of:
 - mentally disordered patients
 - confused and/or disorientated patients

- unconscious patients
 - patients dying in hospital
 - patients found dead on arrival at hospital
- (c) A record shall be completed in respect of all persons in category b, including a nil return if no property is taken into safe custody.
- 16.5 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 Chief Financial Officer.
- 16.6 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.
- 16.7 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.
- 16.8 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.

17. FUNDS HELD ON TRUST (CHARITABLE FUNDS)

17.1 Corporate Trustee

17.1.1 Standing Order Annex 8 No. 2.3 outlines the Foundation Trust's responsibilities as a corporate trustee for the management of funds it holds on trust.

17.1.2 The discharge of the Foundation 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.

17.1.3 The Chief Financial Officer shall ensure that each trust fund which the Foundation Trust is responsible for managing is managed appropriately with regard to its purpose and to its requirements.

17.2 Accountability to Charity Commission and Secretary of State for Health

17.2.1 The trustee responsibilities must be discharged separately and full recognition given to the Foundation 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.

17.2.2 The Reservation of Powers to the Board of Directors and the Council of Governors and the Schedule of Decisions/Duties Delegated by the Board of Directors 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 Foundation Trust Board directors and Foundation Trust officers must take account of that guidance before taking action.

17.3 Applicability of Standing Financial Instructions to funds held on trust

17.3.1 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.

17.3.2 The over-riding principle is that the integrity of each trust fund must be maintained with statutory and trust fund obligations met. Materiality must be assessed separately from Exchequer activities and funds.

17.4 Reporting

17.4.1 The Chief Financial Officer shall ensure that regular reports are made to the Board of Trustees with regard to, inter alia, the receipt of funds, investments and expenditure.

17.4.2 The Chief Financial Officer shall prepare annual accounts in the required manner, which shall be submitted, to the Board of Trustees acting on behalf of the corporate trustee within agreed timescales.

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

17.5 Accounting and Audit

17.5.1 As Corporate Trustee arrangements must be made to ensure that a financial auditor is appointed to provide an independent audit review of the accounts in accordance with the Charity Commission legislation.

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

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

17.5.4 The Chief Financial Officer shall ensure that the records, accounts and returns receive adequate scrutiny by internal audit during the year. He/she will liaise with the financial auditor and provide them with all necessary information, as required by the current legislation governing the administration of charities

17.5.5 The Board of Trustees shall be advised by the Chief Financial Officer on the outcome of the annual audit.

18. ACCEPTANCE OF GIFTS BY STAFF AND LINK TO STANDARDS OF BUSINESS CONDUCT (see overlap with SO Annex 8 No. 9)

The Chief Executive via the Chief Financial Officer shall ensure that all staff are made aware of the Foundation Trust policy on acceptance of gifts and other benefits in kind by staff. This policy follows the guidance contained in the Department of Health circular HSG (93) 5 'Standards of Business Conduct for NHS Staff' and is also deemed to be an integral part of the Standing Orders and Standing Financial Instructions

The Foundation Trusts Hospitality, Sponsorship and Gifts Policy and Procedure should be followed at all times and consideration should also be given to the Trusts Bribery and Corruption policy in this area.

19. RETENTION OF RECORDS

19.1 Context

All NHS records are public records under the terms of the Public Records Act 1958 section 3 (1) – (2). The Secretary of State for Health and all NHS organisations have a duty under this Act to make arrangements for the safe keeping and eventual disposal of all types of records. In addition, the requirements of the General Data Protection Regulation (GDPR) and the Freedom of Information Act 2000 must be achieved.

19.2 Accountability

The Chief Executive and senior managers are personally accountable for records management within the organisation. Additionally, the organisation is required to take positive ownership of, and responsibility for, the records legacy of predecessor organisations and/or obsolete services. Under the Public Records Act all NHS employees are responsible for any records that they create or use in the course of their duties. Thus any records created by an employee of the NHS are public records and may be subject to both legal and professional obligations.

The Chief Executive shall be responsible for maintaining archives for all documents required to be retained under the direction contained in Department of Health guidance; Records Management Code of Practice.

19.3 Types of Record Covered by The Code of Practice

The guidelines apply to NHS records of all types (including records of NHS patients treated on behalf of the NHS in the private healthcare sector) regardless of the media on which they are held:

- Patient health records (electronic or paper based)
- Records of private patients seen on NHS premises;
- Accident and emergency, birth and all other registers;
- Corporate and Administrative records (including e.g. personnel, estates, financial and accounting records, notes associated with complaint-handling);
- X-ray and imaging reports, output and other images;
- Photographs, slides and other images;
- Microform (i.e. fiche / film)
- Audio and video tapes, cassettes, CD-ROM etc.
- Emails;
- Computerised records;
- Scanned records;

- Text messages (both out-going from the NHS and in-coming responses from the patient)

19.4 The records held in archives shall be capable of retrieval by authorised persons.

19.5 Records held in accordance with latest Department of Health guidance “Records Management Code of Practice” shall only be destroyed at the express instigation of the Chief Executive, or designated officer, in line with DH guidelines. Details shall be maintained of records so destroyed.

20. RISK MANAGEMENT AND INSURANCE

20.1 Programme of Risk Management

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

The programme of risk management shall include:

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

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

20.2 Insurance

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

20.3 Arrangements to be followed by the Board of Directors in agreeing Insurance cover

Where the Board of Directors decides to use the risk pooling schemes administered

by the NHS Litigation Authority, the Medical Director shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Medical Director shall also ensure that documented procedures cover these arrangements.

Where the Board of Directors decides not to use the risk pooling schemes administered by the NHS Litigation Authority or obtain commercial insurance for one or other of the risks covered by the schemes, the Medical Director shall ensure that the Board of Directors is informed of the nature and extent of the risks that are self-insured as a result of this decision. The Chief Executive 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.

All the risk pooling schemes require Scheme members to make some contribution to the settlement of claims (the 'deductible'). The Chief Executive should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

20.4 Insurance arrangements with commercial insurers

As a Foundation Trust, the Board of Directors need to consider the adequacy of insurance cover recognising the Public Benefit Corporation status. Foundation Trusts may decide to enter into top-up commercial insurance arrangements, for example

- Directors and Officers Liability
- Property Damage
- Private Finance Initiatives (as may be required by consortium members)
- Motor vehicle insurance (including third party liability)
- Business interruption (Increased Cost of Working and Loss of Income)
- Income generation activities (if different from business activities already covered)
- Other as agreed by the Board of Directors

20.5 Compensation Claims

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

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

- Adopting prudent risk management strategies including continuous review.
- Implementing in full the NHS Complaints Procedure and the Ombudsman's Principles, thus providing an alternative remedy for some potential litigants.

- Adopting a systematic approach to claims handling in line with the best current and cost effective practice.
- Following guidance issued by the NHSLA relating to clinical negligence.
- Achieving the Standards for Better Health.
- Implementing an effective system of Clinical Governance (including the review of serious untoward incidents)

20.5.3 The Chief Executive is responsible for managing clinical negligence: for managing the claims process and informing the Foundation Trust Board of Directors of any major developments on claims related issues.