



## STANDING FINANCIAL INSTRUCTIONS

**Effective Date:** 1 January 2018

**Review Date:** November 2018

**Approval at:** Trust Board

**Date Approved:** 6 December 2017

**DOCUMENT HISTORY**

(Procedural document version numbering convention will follow the following format. Whole numbers for approved versions, e.g. 1.0, 2.0, 3.0 etc. With decimals being used to represent the current working draft version, e.g. 1.1, 1.2, 1.3, 1.4 etc. For example, when writing a procedural document for the first time – the initial draft will be version 0.1)

<b>Date of Issue</b>	<b>Version No.</b>	<b>Date Approved</b>	<b>Director Responsible for Change</b>	<b>Nature of Change</b>	<b>Ratification / Approval</b>
May 12	1.1		Executive Director of Financial & Human Resources	New SFI's for Trust	
	1.2		Executive Director of Financial & Human Resources	Executive Portfolios	
Apr 13	1.3		Executive Director of Financial & Human Resources	Amendments to pages 50 and 54 agreed by FIWC and ACRC	
26 Mar 14	2	26 Mar 14	Executive Director of Financial & Human Resources	For Approval	Trust Board
12 Jan 15	3		Executive Director of Financial & Human Resources	SoEPS suggested amendments plus KC	For ratification ACRC
13 Feb 15	3	13 Feb 15	Executive Director of Financial & Human Resources	For Approval	Trust Board
04 Sep 15	4		Executive Director of Financial & Human Resources	Changes to Capital Delegation Limits as per TDA request and waiver value amendment	For ratification at ACRC
07 Oct 15	4	07 Oct 15	Executive Director of Financial & Human Resources	For Approval	Trust Board
10 May 16	4.1		Executive Director of Financial & Human Resources	Due for review to be ratified	ACRC
03 Jun 16	5	03 Jun 16	Executive Director of Financial & Human Resources	For Approval	Trust Board
July 2017	6		Director of Finance	Review and Amend for Extension approval	
15/11/17	6	15/11/17	Director of Finance	Ratified	Audit & Corporate Risk Committee
06/12/17	6		Director of Finance	Approved	Board

NB This policy relates to the Isle of Wight NHS Trust hereafter referred to as the Trust

Standing Financial Instructions  
Version 6.0

The Standing Financial Instructions for the Trust Services were approved and adopted by the Isle of Wight NHS Trust Board at the meeting held on 4<sup>th</sup> April 2012. Subsequent to this the SFI's will be reviewed and amendments approved by the Audit Committee and Board.

Any enquiries concerning these Standing Financial Instructions should be directed to the Director of Finance.

Where in these instructions there is a requirement to maintain records or make arrangements etc. using such words as 'as required by the Director of Finance, details of such requirements will normally be found in the appropriate part of the Financial Procedures which will be amended from time to time.

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## STANDING FINANCIAL INSTRUCTIONS

### INTRODUCTION

1. These Standing Financial Instructions (SFIs) are issued in accordance with the Code of Accountability, which requires the Trust to agree SFIs for the regulation of the conduct of its Executive Directors and Officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs), and the definitions and interpretations set out in the SOs shall apply to the SFIs.
2. These SFIs detail the financial responsibilities, policies and procedures adopted by the Trust. They are designed to ensure that the Trust's financial transactions are carried out in accordance with Laws and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Scheme of Reservation and Delegation (SRD).
3. These SFIs identify the financial responsibilities which apply to everyone working for the Trust and its constituent organisations including trading units. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. For the avoidance of doubt, all financial procedures must be approved by the Director of Finance.
4. Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance must be sought before acting. The user of these SFIs should also be familiar with and comply with the provisions of the SOs.
5. The failure to comply with SFIs and SOs may in certain circumstances be regarded as a disciplinary matter that could result in dismissal.
6. Overriding SFIs – if for any reason these SFIs or the SOs 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 or ratification by the Board. All Executive Directors and Officers have a duty to disclose any non-compliance with these SFIs to the Chief Executive as soon as possible.
7. All figures detailed within these SFIs are to be deemed exclusive of VAT.



## **1 RESPONSIBILITIES AND DELEGATION**

### **1.2 The Board of Directors**

1.2.1 The Board exercises financial supervision and control by:

- i. formulating the financial strategy;
- ii. requiring the submission and approval of Budgets within approved allocations/overall income;
- iii. defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money); and
- iv. defining specific responsibilities placed on Executive Directors and Officers as indicated in the SD.

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

1.2.3 All Trust Sub-Committees may delegate responsibility for the performance of its functions in accordance with the Trust's SD.

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

1.3.1 The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.

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

1.3.3 It is a duty of the Chief Executive to ensure that Directors and Officers and all new appointees are notified of, and put in a position to understand, their responsibilities within these SFIs as part of their induction.

### **1.4 The Director of Finance**

1.4.1 The Director of Finance is responsible for:

- i. implementing the Trust's financial policies and for coordinating any corrective action necessary to further these policies;
- ii. 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 SFIs;

- iii. ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Trust at any time; and
- iv. without prejudice to any other functions of the Trust and its Officers, the duties of the Director of Finance include:
  - (a) the provision of financial advice to Directors and Officers;
  - (b) the design, implementation and supervision of systems of internal financial control; and
  - (c) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties.

## **1.5 Executive Directors and Officers**

1.5.1 All Executive Directors and Officers, severally and collectively, are responsible for:

- i. the security of the property of the Trust;
- ii. avoiding loss;
- iii. exercising economy and efficiency in the use of resources;
- iv. conforming to the requirements of SOs, SFIs, financial procedures and the SD.

1.5.2 For all Executive Directors and Officers who carry out a financial function, the form in which financial records are kept and the manner in which Executive Directors and Officers discharge their duties must be to the satisfaction of the Director of Finance .

## **1.6 Contractors and their employees**

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

## 2 AUDIT

### 2.1 Audit Committee

2.1.1 An independent Audit Committee is a central means by which a Board ensures effective internal control arrangements are in place. In addition, the Audit Committee provides a form of independent check upon the executive arm of the Board. In accordance with the SOs, the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the NHS Audit Committee Handbook (2005).

2.1.2 The Audit Committee will perform the following tasks:

- i. overseeing internal and external audit services, and ensure cost effective services are received Reviewing the scope of both internal and external audit including the agreement on the number of audits per year for approval by the Board;
- ii. reviewing major findings from internal and external audit reports and ensure appropriate action is taken;
- iii. reviewing the work and findings of the external auditor and considering the implications of and management's responses to their work;
- iv. reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;
- v. review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the Trust's activities (both clinical and non-clinical), that supports the achievement of the Trust's objectives;
- vi. reviewing the findings of other significant assurance functions, both internal and external, and considering the implications for the governance of the Trust;
- vii. ensuring that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board;
- viii. monitoring compliance with SOs and SFIs;
- ix. reviewing schedules of losses and compensations and making recommendations to the Board;
- x. reviewing schedules of debtors/creditors balances over 3 months with explanations/action plans;
- xi. reviewing the arrangements in place to support the Assurance Framework process prepared on behalf of the Board and advising the Board accordingly;

- xii. reviewing the annual report and financial statements prior to submission to the board focusing particularly on:
  - xiii. the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
  - xiv. changes in, and compliance with, accounting policies and practices;
  - xv. unadjusted mis-statements in the financial statements;
  - xvi. major judgemental areas; and
  - xvii. significant adjustments resulting from audit.
  - xviii. conducting a review of the Trust's major accounting policies;
  - xix. reviewing any incident of fraud or corruption or possible breach of ethical standards or legal or statutory requirements that could have a significant impact on the Trust's published financial accounts or reputation;
  - xx. reviewing any objectives and effectiveness of the internal audit services including its working relationship with external auditors;
  - xxi. reviewing 'value for money' audits reporting on the effectiveness and efficiency of the selected departments or activities;
  - xxii. reviewing the mechanisms and levels of authority (e.g. SOs, SFIs, the SD) and make recommendations to the Board;
  - xxiii. investigating any matter within its Terms of Reference, having the right of access to any information relating to the particular matter under investigation;
  - xxiv. reviewing waivers to SOs; and
  - xxv. reviewing register of interests, gifts, sponsorship and hospitality and ensuring compliance with the provisions of the Bribery Act 2010.
- 2.1.3 The minutes of the Audit Committee shall be formally recorded and submitted to the Board.
- 2.1.4 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 Audit Committee wishes to raise, the Chair of the Audit Committee should raise the matter with the Director of Finance in the first instance, followed by the Board. Exceptionally, the Chair of the Audit Committee may refer the matter directly to the NHS Improvement and/or the DH.
- 2.1.5 It is the responsibility of the Director of Finance to ensure an adequate internal audit service is provided and the Audit Committee shall be involved in the selection process when/if an internal audit service provider is changed.

2.1.6 It is considered best practice for the members of the Audit Committee to meet with representatives of internal and external auditors at least annually without Officers being present.

## 2.2 Director of Finance

2.2.1 The Director of Finance is responsible for:

- i. ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;
- ii. ensuring that the internal audit function is adequate and meets NHS mandatory audit standards;
- iii. deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption; and
- iv. ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee and the Board of Directors. The report must cover:
  - a) a clear opinion on the effectiveness of internal control in accordance with current Assurance Framework guidance issued by the DH including for example compliance with control criteria and standards;
  - b) major internal financial control weaknesses discovered;
  - c) progress on the implementation of internal audit recommendations;
  - d) progress against plan over the previous year;
  - e) strategic audit plan covering the coming three (3) years; and
  - f) a detailed plan for the coming year.

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

- i. access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- ii. access at all reasonable times to any land, premises or Director or Officer;
- iii. the production of any cash, stores or other property of the Trust under a Director's and/or an Officer's control; and
- iv. explanations concerning any matter under investigation.

## 2.3 Role of Internal Audit

2.3.1 Internal audit is an independent and objective appraisal service within an organisation which provides:

- i. an independent and objective opinion to the Accountable Officer, the Audit Committee and the Board on the degree to which risk management control and governance, support the achievement of the Trust's agreed objectives;
- ii. an independent and objective consultancy service specifically to help line management improve the Trust's risk management, control and governance arrangements.
- iii. Internal audit will review, appraise and report upon policies, procedures and operations in place to:
- iv. establish and monitor the achievement of the Trust's objectives;
- v. identify, assess and manage the risks to achieving the Trust's objectives;
- vi. ensure the economical, effective and efficient use of resources;
- vii. ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- viii. safeguard the organisation's assets and interests from losses of all kinds, including those arising from:
  - ix. fraud, corruption and other offences;
  - x. waste, extravagance, inefficient administration;
  - xi. poor value for money or other causes.
- xii. ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

2.3.2 The Head of Internal Audit (HOIA) will provide to the Audit Committee:

- i. a risk based plan of internal audit work, agreed with management and approved by the Audit Committee, based upon the management's Assurance Framework that will enable the auditors to collect sufficient evidence to give an opinion on the adequacy and effective operation of the Trust;
- ii. regular updates on the progress against plan;
- iii. reports of management's progress on the implementation of action agreed as a result of internal audit findings;
- iv. an annual opinion, based upon and limited to the work performed, on the

overall adequacy and effectiveness of the Trust's risk management, control and governance processes;

- v. a report supporting the Trust's assurances to the Care Quality Commission on compliance with essential standards or quality and safety;
- vi. additional reports as requested by the Audit Committee.

2.3.3 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.

2.3.4 The HOIA will normally attend the Audit Committee meetings and has a right of access to the Chair of the Audit Committee.

2.3.5 The HOIA shall be accountable to the Director of Finance. The reporting system for internal audit shall be agreed between the Director of Finance, the Audit Committee and the HOIA. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS internal audit standards. The reporting system shall be reviewed at least every three years.

## 2.4 External Audit

2.4.1 The external auditor is appointed (i.e. 1st April 2017) and paid for by the Trust. The Audit Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the external auditor, then this should be raised with the external auditor and referred on to Public Sector Audit Appointments Limited if the issue cannot be resolved.

## 2.5 Fraud and corruption

2.5.1 In line with their responsibilities, the Chief Executive and Director of Finance shall monitor and ensure compliance with directions issued by the Secretary of State on fraud and corruption; and shall ensure compliance with the provisions of the Bribery Act 2010 (where relevant), with particular regard to the offence in Section 7 of that legislation.

2.5.2 The Trust shall nominate a suitable person to carry out the duties of the LCFS as specified by the NHS Counter Fraud and Corruption Manual, and associated guidance.

2.5.3 The LCFS shall report to the Director of Finance and shall work with staff in NHS Protect and the [Financial Conduct Authority](#) in accordance with the NHS Anti-Fraud Manual

2.5.4 The LCFS will provide a written report, at least annually, on counter fraud work within the Trust.

## 2.6 Security management

- 2.6.1 In line with his responsibilities, the Chief Executive will monitor and ensure compliance with directions issued by the Secretary of State on NHS security management.
  - 2.6.2 The Trust shall nominate a suitable person to carry out the duties of the LSMS as specified by the Secretary of State guidance on NHS security management.
  - 2.6.3 The Trust shall nominate a Non-Executive Director to oversee the NHS security management service which will report to the Board.
  - 2.6.4 The Chief Executive has overall responsibility for controlling and co-ordinating security. However, key tasks are delegated to the Security Management Director (Director of Strategy & Planning) and the appointed LSMS.
- 

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

### 3.1 Preparation and approval of plans and Budgets

- 3.1.1 The Chief Executive will compile and submit to the Board an annual operating plan which takes into account financial targets and forecast limits of available resources. The annual operating plan will contain:
  - i. a statement of the significant assumptions on which the plan is based; and
  - ii. details of major changes in workload, delivery of services or resources required to achieve the plan.
- 3.1.2 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit Budgets for approval by the Board of Directors. Such Budgets will:
  - i. be in accordance with the aims and objectives set out in the annual operating plan;
  - ii. accord with workload and manpower plans;
  - iii. be produced following discussion with appropriate Budget Holders;
  - iv. be prepared within the limits of available funds; and
  - v. identify potential risks.
- 3.1.3 The Director of Finance shall monitor financial performance against Budget and plan, periodically review them, and report to the Board.
- 3.1.4 All Budget Holders must provide information as required by the Director of Finance 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 Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to Budget Holders to help them manage 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 must be in writing and be accompanied by a clear definition of:
- i. the amount of the Budget;
  - ii. the purpose(s) of each Budget heading;
  - iii. individual and group responsibilities;
  - iv. authority to exercise virement;
  - v. achievement of planned levels of service; and
  - vi. 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 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement.
- 3.2.4 Non-recurring Budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive, as advised by the Director of Finance

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

- 3.3.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:
- i. monthly financial reports to the Board in a form approved by the Board containing:
  - ii. income and expenditure to date showing trends and forecast year- end position;
  - iii. movements in working capital;
  - iv. movements in cash and capital;

- v. capital project spend and projected outturn against plan;
- vi. explanations of any material variances from plan; and
- vii. details of any corrective action where necessary and the Chief Executive's and/or the Director of Finance's ' view of whether such actions are sufficient to correct the situation;
- viii. the issue of timely, accurate and comprehensible advice and financial reports to each Budget Holder, covering the areas for which they are responsible;
- ix. investigation and reporting of variances from financial, workload and manpower Budgets;
- x. monitoring of management action to correct variances; and
- xi. arrangements for the authorisation of Budget transfers.

3.3.2 Each Budget Holder is responsible for ensuring that:

- i. any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Trust Leadership Committee;
- ii. 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;
- iii. no permanent Officers 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 identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the annual operating plan and a balanced Budget.

### **3.4 Capital expenditure**

3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. The particular applications in relation to capital are contained in SFI 13.

### **3.5 Monitoring returns**

3.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation.

## **4. ANNUAL ACCOUNTS AND REPORTS**

### **4.1 General**

4.1.1 The Director of Finance , on behalf of the Trust, will:

- i. prepare financial returns in accordance with the accounting policies and guidance given by the DH and the Treasury, the Trust's accounting policies, and generally accepted accounting practice;
- ii. prepare and submit annual financial reports to the DH certified in accordance with current guidelines;
- iii. submit financial returns to the DH for each financial year in accordance with the timetable prescribed by the DH.

4.1.2 The Trust's annual accounts must be audited by the auditor appointed. The Trust's audited annual accounts must be presented to a public meeting and made available to the public.

4.1.3 The Trust will publish an annual report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with the DH's Group Accounting Manual .

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## **5. BANK AND GBS ACCOUNTS**

### **5.1 General**

5.1.1 The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts. This advice will take into account guidance/directions issued from time to time by the DH. In line with Cash Management in the NHS, trusts should minimise the use of commercial bank accounts and consider using Government Banking Service (GBS) accounts for all banking services.

5.1.2 The Board shall approve the Trust's banking arrangements.

### **5.2 Bank and GBS accounts**

5.2.1 The Director of Finance is responsible for:

- i. bank accounts and GBS accounts;
- ii. establishing separate bank accounts for the Trust's non-exchequer funds;
- iii. ensuring payments made from bank or GBS accounts do not exceed the amount credited to the account except where arrangements have been made;

- iv. reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn; and
- v. monitoring compliance with the DH's guidance on the level of cleared funds.

### 5.3 Banking procedures

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

- i. the conditions under which each bank and GBS account is to be operated; and
- ii. those authorised to sign cheques or other orders drawn on the Trust's accounts.

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

### 5.4 Tendering and review

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

5.4.2 Competitive tenders (or competition from national frameworks) should be sought at least every 5 years for banking services. The results of the tendering exercise should be reported to the Board. This review is not necessary for GBS accounts.

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

### 6.1 Income systems

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

6.1.2 The Director of Finance is also responsible for the prompt banking of all monies received.

### 6.2 Fees and charges

6.2.1 The Trust shall follow the DH's advice in the NHS Reference Costs: Collection Guidance or any guidance published subsequently to replace this in setting prices for NHS service agreements.

6.2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the DH or by Law. Independent professional advice on matters of valuation shall be taken as necessary.

6.2.3 All Officers must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

### 6.3 Debt recovery

6.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.

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.

6.3.4 Security of cash, cheques and other negotiable instruments

6.3.5 The Director of Finance is responsible for:

- i. approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- ii. ordering and securely controlling any such stationery;
- iii. the provision of adequate facilities and systems for Officers 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
- iv. prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.

6.3.6 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs. Any Officers or Directors found in breach of this provision may face disciplinary action and/or dismissal.

6.3.7 All cheques, postal orders, cash etc., shall be banked intact.

6.3.8 Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance .

6.3.9 Cash handling shall be kept to a minimum and banking facilities used wherever possible. The Trust does not accept cash payments exceeding 10,000 Euros or 15,000 Euros for any single transaction.

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

individuals absolving the Trust from responsibility for any loss.

6.3.11 An Officer in charge of a department or service where cash is handled shall:

- i. obtain written confirmation from all Officers concerned with the handling of cash that they are aware of their duty to comply with SFIs and with any supplementary instructions which may be issued by the Director of Finance ; and
- ii. satisfy themselves, by inspection or otherwise, that the provisions of this SFI are strictly observed.

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## **7. TENDERING AND CONTRACTING PROCEDURE**

### **7.1 Duty to comply with SOs and SFIs**

7.1.1 The procedure for making all contracts by or on behalf of the Trust shall comply with the SOs and these SFIs.

7.1.2 The only exception to this is the operation of NHS Creative, who are hosted by the Trust, and whose spend is under request of their clients and recharged in full. They are however subject to the Trusts governance in all others ways around approval limits and audit.

### **7.2 Public Contracts Regulations**

7.2.1 The Public Contracts Regulations as part of UK Law prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in the SOs and these SFIs.

### **7.3 Reverse eAuctions**

7.3.1 The Trust has policies and procedures in place for the control of all tendering activity carried out through Reverse eAuctions and should ensure these are managed through NHS South of England Procurement Service, the Trust's Procurement Service Provider. For further guidance on Reverse eAuctions refer to the Procurement Intranet pages

### **7.4 Department of Health guidance**

7.4.1 The Trust shall comply as far as is practicable with the requirements of the DH Group Accounting Manual and "Estatecode" 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 DH guidance "The Procurement and Management of Consultants within the NHS".

### **7.5 Formal competitive tendering**

7.5.1 **General applicability:** The Trust shall ensure that competitive tenders are invited for: the supply of all goods, services, equipment, 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); and the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); for disposals. A summary of procurement thresholds are as follows:-

- i. £0 to £9,999 + VAT requires at least 1 quote (see 7.18.1)
- ii. £10,000 to £49,999 + VAT requires at least 3 quotes (see 7.7.1)
- iii. £50,000 + VAT to OJEU Threshold requires formal tendering (see 7.7.1)
- iii. Over OJEU Threshold + VAT requires publication in the Official Journal of the European Union (OJEU)

7.5.2 Where the Trust elects to invite tenders for the supply of health care services these SOs and SFIs shall apply as far as they are applicable to the tendering procedure.

## 7.6 Exceptions and instances where formal tendering can be waived

7.6.1 Formal tendering procedures need not be applied where:

- i. the estimated expenditure or income does not, or is not reasonably expected to, exceed £10,000 + VAT (although a formal pricing quote from the Supplier is still required);
- ii. where the supply is proposed under special arrangements negotiated by the DH and/or within NHS Supply Chain frameworks in which event the said special arrangements must be complied with;
- iii. regarding disposals as set out in SFI 7.25 below;

7.6.2 Formal tendering procedures may be waived in the following circumstances:

- i. A - where Crown Commercial Services framework agreements are in place and allow direct award of contracts without competition, and have been approved by the Board;
- ii. B - 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;
- iii. C – for reasons of extreme urgency brought by unforeseeable circumstances and 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;
- iv. D - where it can be demonstrated that specialist expertise is required and is

available from only one source where there is no reasonable alternative and it is not because the requirements have been designed to exclude competition;

- v. E - Award a contract to one provider to protect exclusive rights (e.g. intellectual property) that the provider holds, where there is no reasonable alternative, which would achieve the same outcome or aim and it is not because the requirements have been designed to exclude competition;
  - vi. F - when the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate;
  - vii. G - there is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering. This should only be a short-term approach as spend should not be unnecessarily disaggregated under EU procurement rules, as the sole justification to waive competition;
  - viii. H - where allowed and provided for in the DH Group Accounting Manual .
- 7.6.3 The waiving of competitive tendering procedures should not be used to avoid competition or for administrative convenience or to award further work to a consultant originally appointed through a competitive procedure, and are for internal use. Use of competitive waiving will not limit the risk of challenge if not complying with the Public Contracts Regulations.
- 7.6.4 Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded in an appropriate Trust record and reported to the Performance Committee at each meeting.
- 7.6.5 Approval to waive competitive tendering must be obtained before engaging with the supplier or if urgent at the point of engagement along with the purchase requisition. This will mitigate the Trust from committing to unauthorised debt. Any breach of this will be reported to Audit Committee.

## **7.7 Fair and adequate competition**

- 7.7.1 Subject to 7.22, where the exceptions set out in SFI 7.5 apply, the Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, and in no case less than 3 firms/individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.
- 7.7.2 To avoid the need for local tender exercises and to encourage aggregated spend across the NHS as much as possible, the Procurement Service Provider will encourage the use of national frameworks as an alternative to competitive tendering. If a national framework is used, a Competitive Call Off arrangement (known as often as a “Mini competition”) is applied to all suppliers on the framework. These suppliers receive a copy of the Trust’s bespoke specification of requirements and through a shorter sealed bid process are expected to provide bids for prices including any



framework discounts

## 7.8 Publication of Notices

- 7.8.1 All contract opportunities open to the market that are above £25,000 (excluding VAT) will need to be published on Contract Finder from 1<sup>st</sup> of April 2015.
- 7.8.2 Where a contracting authority sends a contract notice to the Official Journal of the European Union for publication, the contracting authority shall cause information to be published on Contracts Finder within 48 hours of the time.
- 7.8.3 The information to be published on Contracts Finder shall include at least the following:
- i. the internet address at which the procurement documents are accessible;
  - ii. the time by which any interested economic operator must respond if it wishes to be considered;
  - iii. how and to whom such an economic operator is to respond;
  - iv. any other requirements for participating in the procurement

## 7.9 Items which subsequently breach thresholds after original approval

- 7.9.1 Items estimated to be below the limits set in this SFI 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 (subject to agreed tolerances listed below), and be recorded in an appropriate Trust record. Below are details of the tolerance levels which are acceptable to the Trust if approval to award the contract was originally obtained referring to the correct sign off levels but subsequently additional spend is recommended to be added to this contract but without the need to providing additional approval documentation:

Value	Tolerance
Up to £100,000	10%
Over £100,000	£25,000 or 10% whichever is greater

If the contract has been awarded under OJEU rules modifications to the contract of 10% above the whole contract value will be at risk of challenge under procurement regulations.

- 7.9.2 If when the contract was originally approved, the report stated an optional extension period, the contract can be extended for those optional periods without the need for additional approval to be provided.
- 7.9.3 Requisitions can have the tolerances listed above to the final order value without the buyer referring this differential back to the original requisitioner.

## CONTRACTING/TENDERING PROCEDURE

### 7.10 Invitation to tender

7.10.1 All invitations to tender shall state the date and time as being the latest time for the receipt of tenders. Invitations to Tender will only be acceptable via an eTendering portal issued via the Procurement Service Provider or in line with Standard Operating Procedures (SOP) for Estate tenders.

7.10.2 All invitations to tender shall state that no tender will be accepted unless:

- i. in the case of an approved electronic trading system, the method prescribed by that system

7.10.3 Every tender or contract for goods, materials, services or disposals shall embody such of the NHS Standard Terms and Conditions as are applicable, and shall include (where relevant) reference to the provisions of the Bribery Act 2010.

7.10.4 Every tender for building or engineering works (except for maintenance work) shall:

- i. embody or be in the terms of the current edition of one of the Joint Contracts Tribunal Standard Forms of Building Contract or Department of the Environment (GC/Wks) Standard forms of contract amended to comply with concode;
- ii. 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),
- iii. 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 DH's guidance and, in minor respects, to cover special features of individual projects.

### 7.11 Receipt and safe custody of tenders

7.11.1 All tenders will be formally accepted and receipted on the electronic tendering portal with the exception of Estate tenders.

7.11.2 The electronic tendering portal will date and time stamp all receipts for transparency and audit purposes.

7.11.3 The electronic tendering portal will record the date and time of submission of the tenders for audit purposes.

7.11.4 Received tenders will only be distributed to the project team once they have completed and signed a conflict of interest declaration form specifically for the subject matter.

7.11.5 The project team must confirm receipt of the received tenders.

## 7.12 Opening tenders and register of tenders

7.12.1 All tenders will be received electronically by the Procurement Service Provider and can only be opened (electronically) after the closing date and time. Once opened, these are forwarded to the Adjudication Panel to assist in their preparation and scoring of Tenderers at the decision making meeting. Late tenderers are only accepted if the Tenderer can demonstrate a genuine reason why they could not access the portal to upload the tender in order to meet the deadline. If a late tender is accepted, all Tenderers will be given the option if they also wish to submit a counter offer at the same time as the new tender return date. The Procurement Service will provide a due diligence check on all tender responses (from a commercial perspective) and work with Finance Staff to analyse the tender responses from a financial point of view. Tenders relevant to Estate's should follow the SOP for that department.

7.12.2 The involvement of Finance Directorate staff in the preparation of a tender proposal will not preclude the Director of Finance or any approved senior Officer from the Finance Directorate from being part of the decision making panel (as long as there are no other conflict of interest issues)

7.12.3 All nominated Executive Directors will be authorised to review tenders regardless of whether they are from the originating department provided that the other authorised person reviewing the tenders with them is not from the originating department.

7.12.4 An audit will be retained on the portal of which suppliers tendered and all messages between the supplier and the Procurement Service Provider will be available via the portal at any time (full audit trail). The portal will be able to demonstrate:

- i. the name of all firms/individuals invited;
- ii. the names of firms/individuals from which tenders have been received;
- iii. the date the tenders were opened;
- iv. the price shown on each tender; and
- v. a note where price alterations have been made on the tender.

7.12.5 . The system is fully electronic and all access and changes are recorded automatically

7.12.6 Incomplete tenders, i.e. those from which information necessary for the adjudication of the tender is missing, and amended tenders i.e., those amended by the tenderer upon his own initiative either orally or in writing after the due time for receipt, but

prior to the opening of other tenders, should be dealt with in the same way as late tenders (see SFI 7.14).

7.12.8 In the case of the electronic tendering system the offer shall be deemed as 'opened' on the release date in the manner prescribed by that system.

### **7.13 Admissibility**

7.13.1 If for any reason the designated Officers are of the opinion that the tenders received are not strictly competitive (for example, because their numbers are insufficient or any are amended, incomplete or qualified) no contract shall be awarded without the approval of the Chief Executive.

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

### **7.14 Late tenders**

7.14.1 Tenders received after the due time and date, but prior to the opening of the other tenders, may be considered only if the Chief Executive decides that there are exceptional circumstances i.e. dispatched in good time but delayed through no fault of the tenderer or if there is evidence to suggest that the eTendering portal was not available at the time stipulated for uploading.

7.14.2 Only in the most exceptional circumstances will a tender be considered which is received after the opening of the other tenders and only then if the tenders that have been duly opened have also had the opportunity to resubmit by a new date and time.

7.14.3 While decisions as to the admissibility of late, incomplete or amended tenders are under consideration, the tender documents shall be kept strictly confidential, recorded, and held in safe custody by the Procurement Service Provider.

7.14.4 In order to procure efficiently and demonstrate best value for money, the Procurement Service Provider will always consult initially whether there is a national framework (or frameworks available from one of their Strategic Business Partners) that can be used as an alternative method to going out to local tender. If this route is chosen a competitive exercise form this framework still needs to take place using pre-agreed weighting criteria and referring to a local specification.

### **7.15 Acceptance of formal tenders**

7.15.1 Any written communications with a tenderer which are deemed necessary to clarify technical aspects of his tender before the award of a contract will not disqualify the tender and that these communications to be shared with all tenderers to ensure all tenders have been treated fairly.

7.15.2 The most economically advantageous tender (quality to price ratio), if payment is to be made by the Trust, or the highest, if payment is to be received by the Trust,

shall be accepted unless there are good and sufficient reasons to the contrary. Selection criteria shall be used including weighting to determine best value along with clinical evaluation. Weighting criteria will be published in all tender documentation so Tenderers are aware in advance how their bid will be scored and feedback afterwards will be as per the scores and comments only provided on the final version of the completed weighting criteria. The letters of decline to the unsuccessful suppliers will follow a set process in line with EU Regulations.

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

- i. relevant experience and qualifications of team members;
- ii. understanding of client's needs;
- iii. feasibility and credibility of proposed approach;
- iv. ability to complete the project on time.

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

7.15.5 No tender shall be accepted which will commit expenditure in excess of that which has been allocated by the Board and which is not in accordance with these SFIs except with the authorisation of the Chief Executive.

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

- i. not in excess of the going market rate / price current at the time the contract was awarded. The Procurement Service Provider will provide benchmarking evidence prior to award;
- ii. that best value for money was achieved within Budgets available, taking in to account whole life costs.

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

## **7.16 Tender reports to the Board of Directors**

7.16.1 Ratification Reports to the Director of Finance or Trust Board will be produced by the Procurement Service Provider for all competitive tendering and competitive call off arrangements (from national frameworks) with an expected whole life cost of £50k or more to demonstrate the procurement process followed and the reasons for selecting the preferred supplier, often this will be presented with a Business Case provided by the Trust confirming the reasons for the purchase

## **QUOTATIONS: COMPETITIVE AND NON-COMPETITIVE**

### **7.17 General position on quotations**

7.17.1 Quotations are required where the intended expenditure or income exceeds, or is reasonably expected to exceed £10,000 + VAT

### **7.18 Competitive quotations**

7.18.1 Quotations should be obtained from at least 3 firms/individuals based on specifications or terms of reference prepared by, or on behalf of, the Trust.

7.18.2 Quotations should be provided only via the eTendering portal (if over £10k spend). If the value is under £10k the Client can obtain at least one quote from prospective suppliers but these, need to be attached to their requisition.

7.18.3 Confirmation of telephone quotations should be obtained as soon as possible and the reasons why the telephone quotation was obtained should be set out in a permanent record. The supplier must provide their final offer in writing and this should be attached to the requisition to ensure that any price related invoice queries are subsequently avoided.

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

7.18.5 The Procurement Service Provider should evaluate the quotation and select the quote which gives the best value for money. If this is not the lowest quotation if payment is to be made by the Trust, or the highest if payment is to be received by the Trust, then the choice made and the reasons why should be recorded in a permanent record.

### **7.19 Quotations to be within financial limits**

7.19.1 No quotation shall be accepted which will commit expenditure in excess of that which has been allocated by the Board and which is not in accordance with SFIs except with the authorisation of either the Chief Executive or Director of Finance. If additional money is required to be committed against a project that has already had approval, a Single Tender Waiver is required and the Procurement Service Provider will then issue an Addendum to contract.

### **7.20 Authorisation of tenders and competitive quotations**

7.20.1 Providing all the conditions and circumstances set out in these SFIs have been fully complied with, formal authorisation and awarding of a contract may be decided by the Officers to the value of the contract and within budgetary limits set out in Appendix 1.

7.20.2 These levels of authorisation may be varied or changed by the Board at its sole discretion and need to be read in conjunction with the SD.

7.20.3 Formal authorisation must be put in writing. In the case of authorisation by the Board of Directors, this shall be recorded in its minutes.

## **7.21 Private finance for capital procurement**

7.21.1 The Trust will market-test for lease, managed services and capital purchases to compare best value for money. In some instances PFI (Private Finance Initiative funding) should also be considered for capital procurement. When the Board proposes, or is required, to use finance provided by the private sector the following should apply:

- i. the Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector;
- ii. where the sum exceeds delegated limits, a business case must be referred to the appropriate DH for approval or treated as per current guidelines; and
- iii. the proposal must be specifically agreed by the Board.

7.21.2 The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

## **7.22 Compliance requirements for all contracts**

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

- i. the Trust's SOs and SFIs;
- ii. EU Directives and other statutory provisions;
- iii. any relevant Laws, directions or guidance issued by the Secretary of State;
- iv. such of the NHS Standard Contract Conditions as are applicable;
- v. The CQC guidance: 'Essential Standards of Quality and Safety';
- vi. contracts with Foundation Trusts must be in a form compliant with appropriate NHS guidance;
- vii. 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; and
- viii. in all contracts made by the Trust, the Board shall endeavour to obtain best value for money by use of all systems in place. The Chief Executive shall nominate an Officer who shall oversee and manage each contract on behalf of the Trust.

## 7.23 Personnel and agency or temporary staff contracts

7.23.1 The Human Resources Department will have delegated authority to enter into contracts of employment, regarding staff, agency staff or temporary staff service contracts as long as the supplier is already on a national framework and within budget **and the appropriate internal authorisation has been given**. Where budgets are exceeded permission must be sought through the Trust Leadership Committee. If arrangements are outside of these frameworks, the Procurement Service Provider will be required to undertake a competitive exercise. All professional services (e.g. Consultancy) will be required to go through a formal quotation/tender process or a competitive exercise via a national framework.

## 7.24 Health care services agreements

7.24.1 SLAs with NHS providers for the supply of healthcare services shall be drawn up in accordance with Section 9 of the 2006 Act and be administered by the Trust. SLAs are not contracts in law and therefore not enforceable by the courts. However, a contract with a Foundation Trust, being a Public Benefit Corporation, is a legal document and is enforceable in law.

7.24.2 The Chief Executive shall nominate Officers to commission service agreements with providers of healthcare in line with the plan approved by the Board. Each SLA will be signed off by the Chief Executive (unless delegated under the SD) following confirmation of price, activity and quality.

## 7.25 Disposals

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

- i. 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;
- ii. obsolete or condemned articles and stores, which may be disposed of in accordance with the procedures for the disposal of consumable items of the Trust;
- iii. items to be disposed of with an estimated sale value of less than £100, this figure to be reviewed on a periodic basis;
- iv. items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- v. land or buildings concerning which DH guidance has been issued but subject to compliance with such guidance.

7.25.2 Any disposals must be in line with the procedures for the disposal of consumable items, Redundant Equipment Procedures or the national guidance regarding decommissioning and disposal of ambulance vehicles



## 7.26 In-house services

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

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

- i. specification group, comprising the Chief Executive or nominated officer/s and specialist;
- ii. in-house tender group, comprising a nominee of the Chief Executive and technical and financial support;
- iii. evaluation team, comprising normally of a specialist Officer, a Procurement Officer and Director of Finance . For services having a likely annual expenditure exceeding £200,000, a Non-Executive Director should be a member of the evaluation team.

7.26.3 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.

7.26.4 The evaluation team shall make recommendations to the Board.

7.26.6 The Chief Executive shall nominate an Officer to oversee and manage the contract on behalf of the Trust.

7.26.7 Applicability of SFIs on tendering and contracting to Funds Held by the Trust

7.26.8 These SFIs shall not only apply to expenditure from exchequer funds but also to works, services and goods purchased from the Trust's trust funds (including charitable funds) and private resources.

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## 8 NHS SERVICE AGREEMENTS FOR PROVISION OF SERVICES

### 8.1 Service Level Agreements ("SLAs") and Contracts

8.1.1 The Chief Executive, as the Accountable Officer, is responsible for ensuring the Trust enters into suitable SLAs and/or contracts with service commissioners for the provision of NHS services.

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

- i. the standards of service quality expected;

- ii. the relevant national service framework (if any);
- iii. the provision of reliable information on cost and volume of services;
- iv. the NHS National Performance Assessment Framework;
- v. that SLAs and/or contracts build where appropriate on existing joint investment plans (if any); and
- vi. that SLAs and/or contracts are based on integrated care pathways.

## **8.2 Involving partners and jointly managing risk**

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

## **8.3 Reports to Board of Directors on SLAs and contracts**

- 8.3.1 The Chief Executive, as the Accountable Officer (subject to agreement of the Secretary of State), will need to ensure that regular reports are provided to the Board detailing actual and forecast expenditure against the SLA and/or contract. This will include information on costing arrangements which increasingly should be based upon Healthcare Resource Groups (HRGs). Where HRGs are unavailable for specific services, all parties should agree a common currency for across the range of SLAs and/or contracts.

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# **9 TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF DIRECTORS AND OFFICERS**

## **9.1 Nominations and Remuneration**

- 9.1.1 In accordance with the SOs the Board shall establish a Nominations and 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 duties of the Nominations and Remuneration Committee will include, but not be limited to:
- i. advising the Board about appropriate remuneration and terms of service for the Chief Executive and Directors and other senior Officers, on matters including:

- a) all aspects of salary (including any performance-related elements/bonuses);
  - b) provisions for other benefits, including pensions and cars; and
  - c) arrangements for termination of employment and other contractual terms;
- ii. advising the Board regarding decisions on the remuneration and terms of service of Directors to ensure they are fairly rewarded for their individual contribution to the Trust - having proper regard to the Trust's circumstances and performance and to the provisions of any national arrangements for such members and staff where appropriate;
  - iii. monitoring and evaluating the performance of individual Directors;
  - iv. advising 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 Nominations and Remuneration Committee shall report in writing to the Board the basis for its decisions. The Board shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of officer members. Minutes of the Board's meetings should record such decisions.
- 9.1.4 The Board will consider and need to approve proposals presented by the Chief Executive for the setting of remuneration and conditions of service for those Officers not covered by the Nominations and Remuneration Committee.
- 9.1.5 The Trust will pay allowances to the Chair and Non-Executive Directors in accordance with instructions issued by the Secretary of State.

## **9.2 Funded establishment**

- 9.2.1 The manpower plans incorporated within the Trust's annual Budget will form the funded establishment.
- 9.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive.

## **9.3 Staff appointments**

- 9.3.1 No Director or Officer may engage, re-engage, or re-grade Officers, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration unless:
- i. authorised to do so by the Chief Executive; and
  - ii. 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 Officers.

#### 9.4 Processing payroll

9.4.1 The Director responsible for Workforce is responsible for, making arrangements to:

- i. specify timetables for submission of properly authorised time records and other notifications;
- ii. ensure the final determination of pay and allowances;
- iii. make payment on agreed dates; and
- iv. agree method of payment.

9.4.2 The Director responsible for Workforce will issue instructions regarding:

- i. verification and documentation of data;
- ii. the timetable for receipt and preparation of payroll data and the payment of Officers and allowances;
- iii. maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- iv. security and confidentiality of payroll information;
- v. checks to be applied to completed payroll before and after payment;
- vi. authority to release payroll data under the provisions of the Data Protection Act 1998;
- vii. methods of payment available to various categories of Officers;
- viii. procedures for payment by cheque, bank credit, or cash to Officers;
- ix. procedures for the recall of cheques and bank credits;
- x. pay advances and their recovery;
- xi. maintenance of regular and independent reconciliation of pay control accounts;
- xii. separation of duties of preparing records and handling cash; and
- xiii. a system to ensure the recovery from those leaving the employment of the Trust of sums of money and property due by them to the Trust.

9.4.3 Appropriately Nominated Officers have delegated responsibility for:

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- i. submitting time records, and other notifications in accordance with agreed timetables;
- ii. completing time records and other notifications in accordance with the Director responsible for Workforce instructions and in the form prescribed by the Director responsible for Workforce ; and
- iii. submitting termination forms in the prescribed form immediately upon knowing the effective date of an Officer's resignation, termination or retirement. Where an Officer fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.

9.4.4 Regardless of the arrangements for providing the payroll service, the Director responsible for Workforce shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and 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 shall delegate responsibility to the Director responsible for Workforce for:

- i. ensuring that all Officers are issued with a contract of employment in a form approved by the Board and which complies with employment legislation; and
- ii. dealing with variations to, or termination of, contracts of employment.

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## 10 NON-PAY EXPENDITURE

### 10.1 Delegation of authority

10.1.1 The Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to Officers with Budget responsibility.

10.1.2 The Chief Executive will set out:

- i. the list of Officers, Directors, Nominated Officers and Deputy Directors who are authorised to place requisitions for the supply of goods and services; and
- ii. 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

10.2.1 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Trust. In so doing, the advice of the Trust's adviser on supply in the Procurement Service shall be sought. If there is already a contract in place for this requirement, the requisitioner will be asked to refer to the Contract Pricing Agreement page and reorder from that. If the requisitioner is requesting an alternative to the contracted item the Director of Finance and/or the Chief Executive shall be consulted.

## 10.3 System of payment and payment verification

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

10.3.2 The Director of Finance will:

- i. 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 the SOs and SFIs and/or SD (as appropriate) and regularly reviewed;
- ii. prepare procedural instructions or guidance within the SD on the obtaining of goods, works and services incorporating the thresholds;
- iii. be responsible for the prompt payment of all properly authorised accounts and claims;
- iv. be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
  - (a) a list of Directors and Officers (including specimens of their signatures) authorised to certify invoices;
  - (b) certification that:
    - 1) goods have been duly received, examined and are in accordance with specification and the prices are correct;
    - 2) work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
    - 3) in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
    - 4) where appropriate, the expenditure is in accordance with regulations

and all necessary authorisations have been obtained;

- 5) the account is arithmetically correct;
- 6) the account is in order for payment;
- 7) a timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment;
- 8) instructions to Officers regarding the handling and payment of accounts within the Finance Department; and
- 9) 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 10.4 below.

## 10.4 Prepayments

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

- i. prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e. cash flows must be discounted to NPV using the National Loans Fund (NLF) rate plus 2%)
- ii. the appropriate Officer must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments;
- iii. the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold); and
- iv. 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.

## 10.5 Official orders

10.5.1 Purchase orders for goods and/or services must:

- i. be consecutively numbered;
- ii. be in a form approved by the Director of Finance, generated via the purchase order system of the Trust;
- iii. state the Trust's terms and conditions of trade; and

- iv. only be issued to, and used by, those duly authorised by the Chief Executive (predominantly using the requisition process of purchase orders raised by the Procurement Service Provider)

## 10.6 Duties of Officers

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

- i. all contracts (except as otherwise provided for in the SD, leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made;
- ii. contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement;
- iii. where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the DH;
- iv. 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 Officers, other than:
  - v. isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
  - vi. conventional hospitality, such as lunches in the course of working visits;
  - vii. (This provision needs to be read in conjunction with SO 8 and the principles outlined in the national guidance contained in HSG 93(5) "Standards of Business Conduct for NHS Staff".
- viii. no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- ix. all goods, services, or works are ordered on a purchase order except works and services executed in accordance with a contract and purchases from petty cash;
- x. verbal orders must only be issued very exceptionally - by an Officer designated by the Chief Executive and only in cases of emergency or urgent necessity. These must quote an official order the subsequent requisition should be clearly marked "Reserved Order" together with order number;
- xi. orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- xii. goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- xiii. changes to the list of Officers authorised to certify invoices are notified to the



Director of Finance ;

- xiv. purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance ;
- xv. petty cash records are maintained in a form as determined by the Director of Finance ; and
- xvi. purchasing goods using purchasing cards are to be restricted in availability value and by type of purchase in accordance with instructions issued by the Director of Finance . The cardholder will ensure that the card is kept in a safe place and to be used by the Nominated Officer only.

10.6.2 The Chief Executive and Director of Finance shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the relevant guidance. The technical audit of these contracts shall be the responsibility of the relevant Director.

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## **11 EXTERNAL BORROWING**

- 11.1 The Director of Finance will advise the Board concerning the Trust's ability to pay dividend on, and repay public dividend capital and any proposed new borrowing, within the limits set by the DH. The Director of Finance is also responsible for reporting periodically to the Board concerning the public dividend capital debt and all loans and overdrafts.
- 11.2 The Board will agree the list of Officers (including specimens of their signatures) who are authorised to make short term borrowings on behalf of the Trust. This must contain the Chief Executive and the Director of Finance .
- 11.3 The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 11.4 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position, represent good value for money, and comply with the latest guidance from the DH.
- 11.5 Any short-term borrowing must be with the authority of 2 Executive Directors, one of which must be the Chief Executive or the Director of Finance . The Board of Directors must be made aware of all short term borrowings at the next Board meeting.
- 11.6 All long-term borrowing must be approved by the Trust Board.

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## **12 INVESTMENTS**

- 12.1 Temporary cash surpluses must be held only in such public or private sector investments as notified by the Secretary of State and authorised by the Board.
- 12.2 The Director of Finance is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments

held.

- 12.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

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

### **13.1 Capital investment**

#### 13.1.1 The Chief Executive:

- i. 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;
- ii. is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
- iii. shall ensure that the capital investment is not undertaken without confirmation of purchaser(s) support and the availability of resources to finance all revenue consequences, including capital charges.

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

- i. that a Capital Bid or business case (in line with the guidance contained within the DH Group Accounting Manual) is produced setting out:
- ii. an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs; and full life costs for the equipment (including associated consumables, maintenance, implementation, training, support and subsequent disposal shall be provided)
- iii. appropriate project management and control arrangements;
- iv. that the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case and the Procurement route and timetable for award and subsequent implementation is also shown.
- v. that for capital schemes where the contracts stipulate stage payments, the Director of Finance will issue procedures for their management, incorporating the recommendations set out by DH, including those of Estate code.

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

13.1.4 The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

13.1.5 The approval of a capital programme shall not constitute approval for expenditure on

any scheme.

13.1.6 The Chief Executive shall issue to the Officer responsible for any scheme:

- i. specific authority to commit expenditure;
- ii. authority to proceed to tender;
- iii. approval to accept a successful tender.

13.1.7 The Chief Executive will issue a Scheme of Reservation and Delegation for capital investment management in accordance with the Trust's SOs and DH guidance.

13.1.8 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures shall fully take into account any current delegated limits for capital schemes.

## 13.2 Private finance

13.2.1 The Trust should normally test for value for money lease versus outright purchase costs, or PFI when considering capital procurement. When the Trust proposes to use finance which is to be provided other than through its allocations, the following procedures shall apply:

- i. the Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector;
- ii. where the sum involved exceeds delegated limits, the business case must be referred to DH or in line with any current guidelines; and
- iii. the proposal must be specifically agreed by the Board of Directors.

## 13.3 Asset registers

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

13.3.2 The Trust shall maintain an asset register recording fixed assets and this will be used to update the Rolling Replacement Programme of the Trust. The minimum data set to be held within these registers shall be as specified in the 'Group Accounting Manual' as issued by DH.

13.3.3 Additions to the fixed asset register must be clearly identified to an appropriate Budget Holder and be validated by reference to:

- i. properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases

from third parties;

- ii. stores, requisitions and wages records for own materials and labour including appropriate overheads; and
- iii. lease agreements in respect of assets held under a finance lease and capitalised.

13.3.4 Where capital assets are sold, scrapped, lost or otherwise disposed of the Trust's Redundant Equipment Procedures must be fully adopted and their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

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

13.3.6 The value of each asset shall be indexed to current values in accordance with methods specified in the Group Accounting Manual issued by DH.

13.3.7 The value of each asset shall be depreciated using methods and rates specified in the Manual of Accounts issued by the DH.

13.3.8 The Director of Finance shall calculate and pay capital charges as specified in the Group Accounting Manual of Accounts issued by the DH.

#### **13.4 Security of assets**

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

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

- i. recording managerial responsibility for each asset;
- ii. identification of additions and disposals;
- iii. identification of all repairs and maintenance expenses;
- iv. physical security of assets;
- v. periodic verification of the existence of, condition of, and title to, assets recorded;
- vi. identification and reporting of all costs associated with the retention of an asset; and
- vii. reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

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

13.4.4 Whilst each Director and Officer has a responsibility for the security of property of the Trust, it is the responsibility of Executive Directors and Officers to apply such appropriate routine security practices in relation to NHS and/or Trust property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with agreed procedures.

13.4.5 Any damage to the Trust's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Executive Directors and Officers in accordance with the procedure for reporting losses.

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

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

### **14.1 General position**

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

- i. kept to a minimum;
- ii. subjected to annual stock take; and
- iii. valued at the lower of cost and net realisable value.

### **14.2 Control of stores, stocktaking, condemnations and disposal**

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

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

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

14.2.4 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical & computerised check covering all items in store across the financial year.

14.2.5 Where a complete system of stores control is not justified, alternative arrangements

shall require the approval of the Director of Finance .

- 14.2.6 The designated estates/pharmaceutical Officer shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice. Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

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

- 14.3.1 For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note and advise NHS Supply Chain of any differences. Once checked, delivery notes should be filed to provide an audit trail

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

### **15.1 Disposals and condemnations Procedures**

- 15.1.1 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to Executive Directors and Officers. The Procurement or Estates Teams are responsible for following the Waste Management Policy as specified by the Trust
- 15.1.2 When it is decided to dispose of a Trust asset, the head of department or their authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate. Procurement can contact Auction Houses and collection companies for indicative quotations to utilize the opportunity to provide income back to the Trust
- 15.1.3 All unserviceable articles shall be:
- i. condemned or otherwise disposed of by an Officer authorised for that purpose by the Director of Finance ;
  - ii. recorded by the condemning Officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second Officer authorised for the purpose by the Director of Finance.
- 15.1.4 The condemning Officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who will take the appropriate action.

## 15.2 Losses and special payments Procedures

- 15.2.1 The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.
- 15.2.2 Any Director or Officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance or inform an Officer charged with responsibility for responding to concerns involving loss. This Officer will then appropriately inform the Director of Finance and/or Chief Executive. Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the relevant LCFS regional team and NHS Protect in accordance with the Secretary of State's Directions.
- 15.2.3 The Director of Finance must notify NHS Protect and the external auditor of all suspected frauds.
- 15.2.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must immediately notify:
- i. the Board of Directors; and
  - ii. the external auditor.
- 15.2.5 Within limits delegated to it by the DH, the Board shall approve the writing-off of losses.
- 15.2.6 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 15.2.7 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 15.2.8 The Director of Finance shall maintain a "Losses and Special Payments Register" in which write-off action is recorded.
- 15.2.9 No special payments exceeding delegated limits shall be made without the prior approval of the DH.
- 15.2.10 All losses and special payments must be reported to the Audit Committee at least twice a year.

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## 16 INFORMATION TECHNOLOGY

### 16.1 Responsibilities and Duties of the e Director of Strategy and Planning,

- 16.1.1 The Director of Strategy and Planning, who is responsible for the accuracy and security of computerised data of the Trust, shall:

- i. devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which the director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;
  - ii. ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
  - iii. ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment; and
  - iv. ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Director may consider necessary are being carried out.
- 16.1.2 The Director of Strategy and Planning in conjunction with the Director of Finance shall need to ensure that new financial and workforce systems and amendments to current systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.
- 16.1.3 The Director Responsible for Governance shall publish and maintain a "freedom of Information (FOI) Publication Scheme", or adopt a model "Publication Scheme" approved by the Information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about our Trust that we make publicly available.
- 16.1.4 Responsibilities and duties of other Executive Directors and Officers in relation to computer systems of a general application
- 16.1.5 In the case of computer systems which are proposed general applications (i.e. normally those applications which the majority of NHS trusts in the region wish to sponsor jointly) all responsible Executive Directors and Officers will send to the Director of Strategy and Planning' Nominated Officer:
- i. details of the outline design of the system; and
  - ii. in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement.

## **16.2 Contracts for computer services with other health service bodies or outside agencies**

- 16.2.1 The Director of Strategy and Planning shall ensure that contracts for computer services for financial and workforce 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 another health organisation or any other agency provides a computer service for financial and workforce applications, the Executive Director of Strategy, Planning, Information Communication Technology and Estates in conjunction with the Director of Finance shall periodically seek assurances that adequate controls are in operation. Health Technology and other Dept. of Health Funds need to follow the same Procurement Procedures as normal revenue funding streams.

### **16.3 Risk assessment**

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

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

16.4.1 Where computer systems have an impact on Trust financial systems the Director of Strategy and Planning shall need to be satisfied that:

- i. systems acquisition, development and maintenance are in line with Trust policies such as an information technology strategy;
- ii. data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
- iii. Finance staff have access to such data; and such computer audit reviews as are considered necessary are being carried out.

16.4.2 Procurement needs to be involved in the Procurement of these services either via local tender or national frameworks. The IT Department will continue to use tools for benchmarking current rates for IT hard and software before raising requisitions.

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## **17 PATIENTS' PROPERTY**

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

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

- i. notices and information booklets; (subject to sensitivity guidance);
- ii. hospital admission documentation and property records; and
- iii. the oral advice of administrative and nursing staff responsible for admissions, that the Trust will not accept responsibility or liability for

patients' property brought into Trust premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.

- 17.3 The Director of Finance must provide detailed written instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.
- 17.4 Where the DH's instructions require the opening of separate accounts for patients' moneys, these shall be opened and operated under arrangements agreed by the Director of Finance .
- 17.5 In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of probate or letters of administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.
- 17.6 Officers should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.
- 17.7 Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.
- 17.8 See Patients Property Policy and Procedures for more details

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## **18 FUNDS HELD ON TRUST**

### **18.1 Corporate trustee**

- 18.1.1 SO 2.1 outlines the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust, along with SFI 18.2 below, which defines the need for compliance with Charities Commission latest guidance and best practice.
- 18.1.2 The discharge of the Trust's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.
- 18.1.3 The Director of Finance shall ensure that each trust fund which the Trust is responsible for managing is managed appropriately with regards to its purpose and to its requirements.

## **18.2 Accountability to Charity Commission and Secretary of State**

- 18.2.1 The Trust's trustee responsibilities must be discharged separately and full recognition given to the Trust's dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for all funds held on trust.
- 18.2.2 The SD makes clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken and by whom. All Executive Directors and Officers must take account of that guidance before taking action.

## **18.3 Applicability of SFIs to funds held on trust**

- 18.3.1 In so far as it is possible to do so, most of the sections of these SFIs will apply to the management of funds held on trust.
- 18.3.2 The overriding principle is that the integrity of each fund must be maintained and statutory and Trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

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

- 19.1 The Director responsible for Governance shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff. This policy follows the guidance contained in the DH's circular HSG (93) 5 'Standards of Business Conduct for NHS Staff'; the Code of Conduct for NHS Managers 2002; and the ABPI Code of Professional Conduct relating to hospitality/gifts from pharmaceutical/external industry and is also deemed to be an integral part of the SOs and SFIs.

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## **20 RETENTION OF RECORDS**

- 20.1 The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with the latest DH guidance on record management and retention.
- 20.2 The records held in archives shall be capable of retrieval by authorised persons.
- 20.3 Records held in accordance with DH guidance on record management and retention shall only be destroyed at the express instigation of the Chief Executive. Detail shall be maintained of records so destroyed.

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## **21 RISK MANAGEMENT AND INSURANCE**

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

- 21.1.1 The Chief Executive shall ensure that the Trust has a programme of risk

management, in accordance with current DH Assurance Framework requirements, which must be approved and monitored by the Board.

21.1.2 The programme of risk management shall include:

- i. a process for identifying and quantifying risks and potential liabilities;
- ii. engendering among all levels of staff a positive attitude towards the control of risk;
- iii. 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;
- iv. contingency plans to offset the impact of adverse events;
- v. audit arrangements including; internal audit, clinical audit, health and safety review;
- vi. a clear indication of which risks shall be insured; and
- vii. arrangements to review the risk management programme.

21.1.3 The existence, integration and evaluation of the above elements will assist in providing a basis to make an Annual Governance Statement within the annual report and accounts as required by current DH guidance.

## **21.2 Insurance: risk pooling schemes administered by NHS Resolution**

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

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

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

- i. the Trust may enter commercial arrangements for insuring motor vehicles owned by the Trust including insuring third party liability arising from their use;
- ii. where the Trust is involved with a consortium in a Private Finance Initiative contract and the other consortium members require that commercial insurance arrangements are entered into;
- iii. where income generation activities take place. Income generation

activities should be insured against all risks using commercial insurance where the NHS Resolution does not provide cover for such activities. If the income generation activity is also an activity normally carried out by the Trust for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from the NHS Resolution. In any case of doubt concerning a Trust's powers to enter into commercial insurance arrangements the Director responsible for Governance should consult the DH.

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

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

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## 22 CONFLICT OF INTERESTS

- 22.1 Individual members of the Trust, committees or sub-committees, the committees and employees will comply with the arrangements determined by the trust for managing conflicts or potential conflicts of interest.
- 22.3 The Director responsible for Governance will ensure that for every interest declared, arrangements are in place to manage the conflict of interests or potential conflict of interests, to ensure the integrity of the Trust's decision making processes.
- 22.4 Arrangements for the management of conflicts of interest are to be determined by the Director responsible for Governance and will include the requirement to put in writing to the relevant individual arrangements for managing the conflict of interests or potential conflicts of interests, within a week of declaration. The arrangements will confirm the following:
- i. when an individual should withdraw from a specified activity, on a temporary or permanent basis;
  - ii. monitoring of the specified activity undertaken by the individual, either by a line manager, colleague or other designated individual.

- 22.5 Where an interest has been declared, either in writing or by oral declaration, the declarer will ensure that before participating in any activity connected with the group's exercise of its commissioning functions, they have received confirmation of the arrangements to manage the conflict of interest or potential conflict of interest from the Director responsible for Governance.
- 22.6 The Chair of the meeting will then determine how this should be managed and inform the member of their decision. Where no arrangements have been confirmed, the chair of the meeting may require the individual to withdraw from the meeting or part of it. The individual will then comply with these arrangements, which must be recorded in the minutes of the meeting.

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## Appendix 1 DELEGATION LIMITS

### 1 Approval of Contracts & STA's/STW's for expenditure within budget

- 1.1 This is approval of contracts and STA's/STW's (total contract value).
- 1.2 Over £50k a Ratification Report will be produced by the Procurement Service Provider and presented to the Director of Finance (and other relevant Senior Officers if over £150k) for approval to award the contract.
- 1.3 The Director of Finance (or other Senior Officers if over £150k) will be required to approve all STW's/STA's and report to Audit Committee.
- 1.4 Where approval is or will create an overspend within the directorate budget this must be approved at the Trust Leadership Committee and authority given as necessary. Excess spend on budgets will be reported to the Performance Committee and Trust Board.

Other Revenue Expenditure:-		Limit £
Designated Officers	up to and including	2,000
Operations Manager	up to and including	5,000
Service Lead		
Other Senior Managers as appropriate		
Theatre Co-ordinator	up to and including	10,000
Associate Director Estates Assistant Director Head of Operations Deputy Director Clinical Director Other Senior Managers as appropriate	up to and including	30,000
Executive Director/Director	up to and including	150,000
Chief Executive + One Executive Director	between	150,000 to 250,000
Trust Board (or in exceptional very urgent cases for the Chair to take Chair's action and approve out of Board)	over	250,000

2. Scheme of Reservation and Delegation for Income

<b>Responsibility</b>	<b>Delegation</b>
<b>Approval of NHS Healthcare Contracts</b>	
<i>Up to £250,000</i>	Director of Finance
<i>£250,000 up to £500,000</i>	Chief Executive
<i>£500,000 up to £5,000,000</i>	Trust Leadership Committee
<b>Over £5,000,000</b>	<b>Trust Board</b>
<b>Approval of variations to Acute healthcare and all income contracts</b>	
<i>All Variations up to 5% of approved value and with a de minimus of £150,000</i>	Director of Finance
<i>Variations of over 5% where the revised contract value is up to £500,000 with a de minimus of £150,000</i>	Chief Executive
<i>Variations of over 5% where the revised contract value is over £500,000 and up to £2,000,000</i>	Trust Leadership Committee
<i>Variations of over 5% where the revised contract value is over £2,000,000</i>	Trust Board
<b>Authorisation of individual Credit Notes relating to healthcare contracts</b>	
<i>Up to £500,000</i>	Director of Finance
<i>Between £500,000 and £2,000,000</i>	Chief Executive
<i>Over £2,000,000</i>	Trust Board
<i>Approval and variation of all contracts for recharges and income generation</i>	Director of Finance



### 3. Scheme of Reservation and Delegation for Capital

- 3.1 NHS Improvement issued its Accountability Framework for NHS Trust Boards in April 2013. This incorporates their model for approving significant capital schemes and was adopted by the Isle of Wight NHS Trust from April 2013.
- 3.2 The Trust has its own delegated authority limit for capital schemes. Variations on approved values of up to 5% or an absolute value as stated below will not require re-approval. NHS Improvement enables the Trust to manage approvals up to a maximum of £15.0m. Schemes over this value must be authorised by the TDA.
- 3.3 The table below states the approval levels for schemes using Procure 21+ with Guaranteed Maximum Price and all other capital schemes:

Capital Schemes including Schemes Using Procure 21+ with Guaranteed Maximum Price		
Financial Value of the Capital Investment or Property Transaction	Approving Person or Group	Documentation Required
Value up to £0.25m with a maximum fluctuation of $\pm 5\%$ or £0.050m, whichever is higher for an approved scheme	Capital Investment Group	NHS Trust internal governance process
Values above £0.25m up to a maximum of £1m for an approved scheme	Trust Leadership Committee	NHS Trust internal governance process
Values above £1m up to £15 million	NHS Trust Board	NHS Trust internal governance process
Over £15 million	NHS Improvement Director of Development & Delivery (South)	SOC, OBC and FBC

#### 4. Emergency Powers and Urgent Decisions

- 4.1 The powers which the Board has reserved to itself within these SOs, SFIs or SD may in emergency or for an urgent decision be exercised by the Chief Executive and the Chair after having consulted at least two Non-Executive Directors as set out in SO 6.2. The exercise of such powers by the Chief Executive and Chair shall be reported to the next formal meeting of the Board of Directors in public session for formal ratification.
- 4.2 The authorisation limits for any decision taken under these powers will be as follows:

		<b>Limit £</b>
Chair	up to and including	250,000

- 4.3 During absence of an approver above, the relevant limit can be delegated to a designated officer covering in a formal acting capacity.

#### Sub-Delegation Limits:-

- 4.4 For non-recurrent (non staff) transfers only within delegated budget

		<b>Limit £</b>
Executive Director	up to and including	25,000
Chief Executive	in excess of	25,000

## 5. Losses and Special Payments

		Limit £
<b>Category One:</b> Losses of cash due to theft, fraud, etc. overpayments of salaries, wages, fees and allowances other causes		
Director of Finance or Nominated deputy	up to and including	5,000
Two Executive Directors	between	5,000 to 25,000
Chief Executive + two Executive Directors	over	25,000
<b>Category Two:</b> Fruitless payments (including abandoned capital schemes)		
Two Executive Directors	up to and including	50,000
Chief Executive + two Executive Directors	over	50,000
<b>Category Three:</b> Bad debts and claims abandoned: a) private patients b) overseas visitors c) cases other than a or b		
Director of Finance or Nominated deputy	up to and including	5,000
Two Executive Directors	between	5,000 to 25,000
Chief Executive + two Executive Directors	over	25,000
<b>Category Four:</b> Damage to buildings, their fittings, furniture and equipment and loss of equipment and property in stores and in use due to: a) culpable causes e.g. theft, fraud, arson or sabotage whether proved or suspected, neglect of duty or gross carelessness b) other causes		
Two Executive Directors	up to and including	25,000
Chief Executive + two Executive Directors	over	25,000
<b>Category Five:</b> Compensation payments made under or arising out of legal obligation		
Two Executive Directors	up to and including	500,000
Chief Executive + two Executive Directors	over	500,000
<b>Category Six:</b> Extra contractual payments to contractors		
Two Executive Directors	up to and including	25,000
Chief Executive + two Executive Directors	over	25,000
<b>Category Seven:</b> Ex gratia payments: a) to patients, staff and visitors for loss of personal effects		
Director of Finance or Nominated deputy	Up to and including	5,000
Two Executive Directors	between	5,000 to 25,000
Chief Executive + two Executive Directors	over	25,000

b) for clinical negligence (negotiated settlements following legal advice) where the guidance relating to such payments has been applied		
Two Executive Directors	up to and including	500,000
Chief Executive + two Executive Directors	over	500,000
c) for clinical negligence (negotiated settlements following legal advice) where the guidance relating to such payments has been applied		
Two Executive Directors	up to and including	500,000
Chief Executive + two Executive Directors	over	500,000
d) for personal injury claims involving negligence where legal advice obtained and relevant guidance has been applied		
Two Executive Directors	up to and including	500,000
Chief Executive + two Executive Directors	over	500,000
d) other clinical negligence cases and personal injury claim		
e) other, except cases of maladministration where there was no financial loss by claimant		
Two Executive Directors	up to and including	25,000
Chief Executive + two Executive Directors	over	25,000
f) maladministration where there was no financial loss by claimant		
		NIL
<b>Category 8: Extra statutory and extra regulatory payments</b>		
		NIL

NOTE:

**Novel, contentious or repercussive cases to be referred to the DH for approval.**

**Extract from Finman:**

(Where the amount of losses or payment exceeds the Trust's limit, application shall be made without delay for DH approval to the write off or payment.)

In April 2002, HM Treasury provisionally agreed new Losses and Special Payments procedures and changed delegated limits for the NHS. This had the effect of each health body being able to authorise its own Losses and Special Payments with only novel, contentious or repercussive cases being referred to the DH for approval.

This arrangement has now been reviewed by HM Treasury who has agreed that because losses and special payments have remained at an acceptable level and have not significantly increased, the NHS would retain unlimited delegations for Losses and Special Payments, any novel, contentious or repercussive cases should be referred to the Department of Health for approval.

The DH are no longer required to carry out sample checks of write-offs approved by health bodies. Therefore, NHS Bodies will not be asked to forward registers/paperwork to the DH. This, however, should not be interpreted as a relaxation of any of the guidance on losses and special payments. It is essential that procedures are strictly adhered to ensure the level of losses and special payments does not increase.

However, it is still expected that the board will be informed of losses written off and special payments authorised by officers. Power to write off losses and make special payments should normally be exercised by **two or more nominated senior officers**, acting jointly and within the delegated limits set by the board.

If any general lessons emerge from a loss or special payment which would be of interest to other NHS bodies then the DH should be informed.

## 6. Charitable Funds

6.1 The same Procurement rules apply to the Charitable Funds as other Trust Funds.

6.2 Acceptance of Gifts:

Acceptance of Gifts:	£
Charitable Funds Committee	£100,000
Corporate Trustee	over £100,000
Expenditure	£
Expenditure of any Charitable Funds, whether following the acceptance of a gift or not, shall be conditional upon:	
a) the approval of the Corporate Trustee for items	over £15,000
b) the approval of the Charitable Funds Committee for items	between £5,000 and £15,000
c) authorisation must be obtained from the Associate/Assistant Director or Executive Director of the Fund Manager for any requisition for sums ranging	between £1,000 and £5,000
d) authorisation must be obtained from the individual Fund Manager for any requisition for sums	up to and including £1,000
General Fund The Director of Finance acts as Fund Manager and is able to authorise requisitions of sums	up to and including £5,000