

**BARNSELY HOSPITAL NHS
FOUNDATION TRUST**

STANDING FINANCIAL INSTRUCTIONS

July 2012

FOREWORD

1. References to the "Board" in these Standing Financial Instructions (SFIs) apply to the Board of Directors of Barnsley Hospital NHS Foundation Trust.
2. The Board operates within a statutory framework within which it is required to adopt Standing Orders. The "Directions on Financial Management in England" issued under HSG(96)12 in 1996 states that each Board must adopt Standing Financial Instructions (SFIs) setting out the responsibilities of individuals. These Directions are mandatory for Health organisations but not for NHS Foundation Trusts. The Board of Directors (the Board) has adopted these Directions as a key component of its financial governance.
3. The Code of Accountability for NHS Boards (published by the Department of Health in April 1994, EL(94)40) requires Boards to draw up standing orders, a schedule of decisions reserved to the board and standing financial instructions. The code also requires Boards to ensure that there are management arrangements in place to enable responsibility to be clearly delegated to senior executives. Additionally, Boards will have drawn up locally generated rules and instructions, including financial procedural notes, for use within their organisation.
4. Collectively these must comprehensively cover all aspects of (financial) management and control. In effect, they set the business rules which directors and employees (including employees of third parties contracted to the Trust) must follow when taking action on behalf of the Board.
5. The purpose of this document is to provide clarity about the financial framework in which the Trust provides patient services. Once SFIs have been adopted by the Board they become mandatory on all directors and employees of the organisation.
6. The Standing Orders, Delegated Powers and Standing Financial Instructions have all been updated to recognise most of the requirements of the 2012 Health and Social Care Act (the 2012 Act) whilst accepting that it will be 2013 before all of the requirements are fully implemented.

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1 INTRODUCTION

1.1 GENERAL

- 1.1.1 These Standing Financial Instructions (SFIs) detail the financial responsibilities, policies and procedures to be adopted by the Trust. They are designed to ensure that its financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board and the Standing Orders adopted by the Trust.
- 1.1.2 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. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance and Information.
- 1.1.3 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance and Information **MUST BE SOUGHT BEFORE ACTING**. The user of these SFIs should also be familiar with and comply with the provisions of the Trust Standing Orders (SOs).
- 1.1.4 It should be noted that the failure to comply with SFIs and SOs is a disciplinary matter which could result in dismissal.

1.2 TERMINOLOGY

- 1.2.1 Any expression to which a meaning is given in Health Service Acts, or in the Financial Directions made under the Acts, shall have the same meaning in these instructions; and
 - 1.2.1.a "Board" means the Board of Directors of the Trust;
 - 1.2.1.b "Budget" means a resource, expressed in financial terms, sanctioned by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust;
 - 1.2.1.c "Budget Holder" means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation (Please refer to the Budget Holders Manual for further guidance);
 - 1.2.1.d "Chief Executive" means the chief officer of the Trust;
 - 1.2.1.e "Director of Finance and Information" means the chief financial officer of the Trust;
 - 1.2.1.f "Charitable Funds" means those funds which the Trust held at 1st April 1996 or date of incorporation, receives

on distribution by statutory instrument or chooses subsequently to accept under powers derived under S.90 of the National Health Service Act 1977, as amended. Such funds may or may not be charitable;

- 1.2.1.g “Legal Adviser” means the properly qualified person appointed by the Trust to provide legal advice;
 - 1.2.1.h “Monitor” means Monitor - the Independent Regulator of NHS Foundation Trusts;
 - 1.2.1.i “Trust” means the Barnsley Hospital NHS Foundation Trust.
- 1.2.2 Wherever the title Chief Executive, Director of Finance and Information, or other nominated employee is used in these instructions, it shall be deemed to include such other directors or employees who have been duly authorised to represent them.
- 1.2.3 Wherever the term “employee” is used, and where the context permits, it shall be deemed to include employees of third parties contracted to the Trust when acting on behalf of the Trust.

1.3 RESPONSIBILITIES AND DELEGATION

- 1.3.1 The Trust shall at all times remain a going concern
- 1.3.2 The Board of Directors exercises financial supervision and control by:
 - 1.3.2.a formulating the financial strategy;
 - 1.3.2.b requiring the submission and approval of financial plans;
 - 1.3.2.c defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money);
 - 1.3.2.d defining specific responsibilities placed on directors and employees as indicated in the Scheme of Delegation document and other policies within the Corporate Governance File; and
 - 1.3.2.e developing strong cash and treasury management policies and procedures.

The Finance Committee of the Board provides additional financial scrutiny on behalf of the Board.

- 1.3.3 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 ‘Reservation of Powers to the Board/Scheme of Delegation’ Document.

- 1.3.4 The Board will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Trust.
- 1.3.5 Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board and as the accountable officer to Monitor, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities, is responsible to the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.
- 1.3.6 The Chief Executive and Director of Finance and Information will, as far as possible, delegate their detailed responsibilities but they remain accountable for financial control.
- 1.3.7 The Council of Governors will approve "material" and "significant" transactions under the 2012 Act this will be done in accordance with the Trusts constitution
- 1.3.8 It is a duty of the Chief Executive to ensure that existing directors and employees and all new appointees are notified of, and understand their responsibilities within, these instructions.
- 1.3.9 The Director of Finance and Information is responsible for:
 - 1.3.9.a implementing the Trust's financial policies and for co-ordinating any corrective action necessary to further these policies;
 - 1.3.9.b maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal check are prepared, documented, maintained and disseminated to supplement these instructions;
 - 1.3.9.c ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Trust at any time;
 - 1.3.9.d requiring that where any employee carries out a financial function, the record relating to it and the manner in which it is executed be done to his satisfaction; and
 - 1.3.9.e without prejudice, to any other functions of directors and employees of the Trust, the duties of the Director of Finance and Information include:
 - 1.3.9.f the provision of financial advice to the Trust and its directors and employees;

- 1.3.9.g the design, implementation and supervision of systems of internal financial control; and
 - 1.3.9.h the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its work including its statutory duties.
- 1.3.10 All directors of the Board and employees, separately and collectively, are responsible for:
- 1.3.10.a the security of the property of the Trust;
 - 1.3.10.b avoiding loss;
 - 1.3.10.c exercising economy, efficiency and effectiveness (i.e. value for money) in the use of resources; and
 - 1.3.10.d conforming to the requirements of SOs, SFIs, Financial Procedures and the Reservation of Powers to the Board/Scheme of Delegation.
- 1.3.11 Any contractor or employee of a contractor who is empowered by the Trust to commit the Trust to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the appropriate Director to ensure that such persons are made aware of this.
- 1.3.12 For all directors and any employees who carry out a financial function, the form in which financial records and the manner in which members of the Board and employees discharge their duties must be to the satisfaction of the Director of Finance and Information.

2 AUDIT

2.1 AUDIT COMMITTEE

- 2.1.1 In accordance with SOs the Board shall formally establish an Audit Committee, with clearly defined Terms of Reference, which will provide an independent and objective view of internal control by:
- 2.1.1.a overseeing Internal and External Audit services;
 - 2.1.1.b reviewing financial systems and the system of financial control;
 - 2.1.1.c monitoring compliance with SOs and SFIs;
 - 2.1.1.d reviewing schedules of losses and compensations and making recommendations to the Board;
 - 2.1.1.e providing appropriate assurance on financial and non-financial internal controls.
 - 2.1.1.f ensuring that at least one Non Executive member has recent and relevant financial experience
- 2.1.2 The Audit Committee shall meet at least six times each financial year.
- 2.1.3 Where the Audit Committee considers that there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the committee wishes to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board. Exceptionally, the matter should be referred to the Director of Finance and Information in the first instance and may need to be referred to Monitor.
- 2.1.4 It is the responsibility of the Director of Finance and Information to ensure an adequate Internal Audit service is provided and the Audit Committee shall be involved in the selection process when an Internal Audit service provider is changed.

2.2 FRAUD AND CORRUPTION

- 2.2.1 In line with their responsibilities as set out in HSG(96)12, the Trust Chief Executive and Director of Finance and Information shall monitor and ensure compliance with Secretary of State Directions on fraud and corruption.
- 2.2.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the NHS Fraud and Corruption manual and guidance.
- 2.2.3 The Local Counter Fraud Specialist shall report to the Director of Finance and Information and shall work with staff in the Counter Fraud and Security Management Service and the Counter Fraud Service in accordance with the NHS Counter Fraud and Corruption Manual.

2.2.4 The Trust must maintain a Fraud and Corruption Policy and Response Plan.

2.3 DIRECTOR OF FINANCE AND INFORMATION

2.3.1 The Director of Finance and Information is responsible for:

2.3.1.a ensuring that there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective Internal Audit function and will normally attend Audit Committee meetings;

2.3.1.b ensuring that the Internal Audit is adequate and meets the NHS Internal Audit standards;

2.3.1.c deciding at what stage to involve the police in cases of misappropriation, and other irregularities;

2.3.1.d ensuring that an annual Internal Audit report is prepared for the consideration of the Audit Committee and the Board. The report must cover:

(i) a clear statement on the effectiveness of internal control,

(ii) major internal financial control weaknesses discovered,

(ii) progress on the implementation of Internal Audit recommendations,

(iii) progress against plan over the previous year,

(iv) a strategic audit plan covering the coming three years, and

(v) a detailed plan for the coming year.

2.3.2 The Director of Finance and Information or designated auditors are entitled without necessarily giving prior notice (although this will usually be given unless circumstances warrant otherwise) to require and receive:

2.3.2.a access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;

2.3.2.b access at all reasonable times to any land, premises or employee of the Trust;

2.3.2.c the production of any cash, stores or other property of the Trust under an employee's control; and

2.3.2.d explanations concerning any matter under investigation.

2.4 ROLE OF INTERNAL AUDIT

- 2.4.1 Internal Audit will review, appraise and report upon:
- 2.4.1.a the extent of compliance with, and the financial effect of compliance with, relevant established policies, plans and procedures;
 - 2.4.1.b the adequacy and application of financial and other management controls;
 - 2.4.1.c the suitability of financial and other related management data;
 - 2.4.1.d the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
 - (i) fraud and other offences,
 - (ii) waste, extravagance and inefficient administration,
 - (iii) poor value for money or other causes, and
 - (iv) risk of all kinds.
- 2.4.2 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance and Information must be notified immediately.
- 2.4.3 The Head of Internal Audit or the Audit Manager will normally attend Audit Committee meetings and have a right of access to all Audit Committee members and the Chairman and Chief Executive of the Trust.
- 2.4.4 The Head of Internal Audit shall be accountable to the Director of Finance and Information for the fulfilment of the service level agreement/contract. The reporting system for Internal Audit shall be agreed between the Director of Finance and Information, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the NHS Internal Audit Standards. The reporting system shall be reviewed every three years.
- 2.4.5 Together with External Audit, Internal Audit should meet in private with the Trust's Audit Committee at least once a year.

2.5 EXTERNAL AUDIT

- 2.5.1 In accordance with section 8.13 of the Trust Constitution, the External Auditor is appointed by the Governing Council and paid for by the Trust. The Audit Committee must ensure a cost-effective service.
- 2.5.2 If requested by the External Auditor, during part of one Audit Committee meeting each financial year executive directors and others normally in attendance will be excluded from the meeting in order to allow private discussions between the Audit Committee members and the External Auditor.
- 2.5.3 The External Audit Manager will normally attend Audit Committee meetings.
- 2.5.4 Together with Internal Audit, External Audit should meet in private with the Trust's Audit Committee at least once a year.

3 BUSINESS PLANNING, BUDGETS AND BUDGETARY CONTROL

3.1 PREPARATION AND APPROVAL OF BUSINESS PLANS AND BUDGETS

- 3.1.1 The Chief Executive will compile and submit to the Board an Annual Business Plan which takes into account financial targets and forecast limits of available resources. The Annual Business Plan will contain:
- 3.1.1.a a statement of the significant assumptions on which the plan is based; and
 - 3.1.1.b details of major changes in workload, delivery of services or resources required to achieve the plan.
- 3.1.2 The Plan must take into account the views of the Governing Council in accordance with sections 9.7.7 and 16.4 of the Trust Constitution and be submitted to Monitor.
- 3.1.3 Prior to the start of the financial year the Director of Finance and Information will, on behalf of the Chief Executive, prepare and submit budgets for approval by the Board. Such budgets will:
- 3.1.3.a be in accordance with the objectives set out in the Annual Business Plan and also meet the statutory requirement to break-even financially;
 - 3.1.3.b accord with workload and manpower plans;
 - 3.1.3.c be produced following discussion with appropriate budget holders;
 - 3.1.3.d be prepared within the limits of available income; and
 - 3.1.3.e identify potential risks.
- 3.1.4 The Director of Finance and Information shall monitor financial performance against budget and Business Plan, periodically review them, and report to the Board.
- 3.1.5 All budget holders must provide information as required by the Director of Finance and Information to enable budgets to be compiled.
- 3.1.6 The Director of Finance and Information has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage their budgets successfully, (reference, The Budget Holders' Manual).

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 as appropriate by a clear definition of:

- 3.2.1.a the amount of the budget;
 - 3.2.1.b the purpose(s) of each budget heading;
 - 3.2.1.c individual and group responsibilities;
 - 3.2.1.d achievement of planned levels of service; and
 - 3.2.1.e 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. (see section 8.3, The Budget Holder's Manual).
- 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 Director of Finance and Information.

3.3 BUDGETARY CONTROL AND REPORTING

- 3.3.1 The Director of Finance and Information will devise and maintain a system of budgetary delegation and control. This will include:
- 3.3.1.a monthly financial reports to the Board in a form approved by the Board containing:
 - (i) income and expenditure to date showing trends and forecast year-end position;
 - (ii) movements in working capital where significant;
 - (iii) capital project spend and projected outturn against plan;
 - (iv) quarterly Monitor FRR submission documents including 12 month rolling forecast
 - (v) explanations of any material variances from plan, including variances from planned cost improvement programmes;
 - (vi) details of any corrective action where necessary; and
 - (vii) the Chief Executive's and/or Director of Finance and Information's view of whether such actions are sufficient to correct the situation.
 - 3.3.1.b the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
 - 3.3.1.c investigation and reporting of variances from financial, workload and manpower budgets;
 - 3.3.1.d monitoring of management action to correct variances;

- 3.3.1.e arrangements for the authorisation of budget transfers/virements; and
 - 3.3.1.f Finance Committee meetings, monitoring, on a regular and ad hoc basis, cash income and expenditure along with the cash balance.
- 3.3.2 Each Budget Holder is responsible for ensuring that:
- 3.3.2.a any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;
 - 3.3.2.b the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement; and
 - 3.3.2.c no permanent employees are appointed without the approval of the Chief Executive other than those provided for in the budgeted establishment as approved by the Board.
- 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 Business Plan and a budget each financial year.

3.4 CAPITAL EXPENDITURE

- 3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. The particular applications relating to capital are contained in Chapter 11.

3.5 MONITORING RETURNS

- 3.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to Monitor and any requisite monitoring organisations.

4 ANNUAL ACCOUNTS AND REPORTS

4.1 GENERAL

- 4.1.1 The Director of Finance and Information, on behalf of the Trust, will in accordance with sections 16.1-16.3 of the Trust Constitution:
 - 4.1.1.a prepare financial returns in accordance with the accounting policies, guidance given by Monitor, the Trust's accounting policies and generally accepted accounting practice;
 - 4.1.1.b prepare and submit annual financial reports to Monitor certified in accordance with current guidelines; and
 - 4.1.1.c submit financial returns to Monitor for each financial year in accordance with the prescribed timetable.
- 4.1.2 In accordance with section 8.16.6 of the Trust Constitution, the Trust's audited annual accounts must be presented to a public meeting on or before 30th September. It is acceptable that these accounts can be in summary form although the full set of accounts must be made available upon request.
- 4.1.3 The Chief Executive will, on behalf of the Trust, publish an annual report in accordance with the Constitution, and present it to the Governing Council at a general meeting. The document will comply with Monitor's Manual for Accounts.

5 BANK AND GOVERNMENT BANKING SERVICE ACCOUNTS

5.1 GENERAL

- 5.1.1 The Director of Finance and Information is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts. This advice will take into account guidance and directions issued from time to time by Monitor, and the Trust's Treasury Management Policy.
- 5.1.2 The Board shall approve the banking arrangements.
- 5.1.3 The Trust's bankers are Lloyds TSB Plc for the purpose of day to day activities (for example, payment runs, salary & wages runs, and deposits from cashiers) and charitable funds for which a separate account(s) will be maintained. One account will also be established with the Paymaster General which will serve for transactions between the Trust, NHS Trusts, NHS Foundation Trusts, Primary Care Trusts and Health Authorities.

5.2 BANK AND GOVERNMENT BANKING SERVICE ACCOUNTS

- 5.2.1 The Director of Finance and Information is responsible for:
 - 5.2.1.a bank accounts including a working capital facility and Governments Banking Service accounts;
 - 5.2.1.b establishing separate bank account(s) for the Trust's charitable funds;
 - 5.2.1.c ensuring that payments made from bank or Government Banking Service accounts do not exceed the amounts credited to the accounts except where overdraft arrangements have been made; and
 - 5.2.1.d reporting to the Finance Committee and Board all arrangements made with the Trust's bankers for accounts to be overdrawn.

5.3 BANKING PROCEDURES

- 5.3.1 The Director of Finance and Information will prepare detailed instructions on the operation of bank and Government Banking Service accounts which must include:
 - 5.3.1.a the conditions under which each bank and Government Banking Service account is to be operated;
 - 5.3.1.b the limit to be applied to any overdraft; and
 - 5.3.1.c those authorised to sign cheques or other orders drawn on the Trust's accounts.

- 5.3.2 The Director of Finance and Information will advise the Trust's bankers in writing of the conditions under which each account will be operated. All funds shall be held in the name of the Trust. No employee other than the Director of Finance and Information shall open any bank account in the Trust's name.

5.4 TENDERING AND REVIEW

- 5.4.1 The Director of Finance and Information will review the banking arrangements of the Trust at regular intervals, to ensure that they reflect best practice and represent best value for money, by periodically seeking competitive tenders for the Trust's banking business.
- 5.4.2 Competitive tenders should be sought at least every 5 years. The results of the tendering exercise should be reported to the Board.

5.5 ELECTRONIC TRANSFERS OF FUNDS

- 5.5.1 All electronic transfers of funds must only be made under secure arrangements approved by the Director of Finance and Information.

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 and Information 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 and Information is also responsible for the prompt banking of all monies received.

6.2 FEES AND CHARGES

- 6.2.1 The Trust shall follow NHS Operating Framework and related guidance on Payment by Results (PbR) for determining the activity pricing methodology for legally binding contracts.
- 6.2.2 The Director of Finance and Information is responsible for providing assistance to managers in the regular review of the levels of all fees and charges, other than those determined by the Department of Health or by Statute or by Monitor: The main responsibility for the review of fees and charges will be with the appropriate managers and levels will be reviewed at least annually. Independent professional advice on matters of valuation shall be taken as necessary.
- 6.2.3 In order to ensure that invoices are raised for monies due under all contracts, leases, tenancy agreements, private patient undertakings and other transactions, employees should promptly raise Request to Raise Accounts to Debtors forms or, in the case of one-off transactions, inform the Financial Accountant in writing.

6.3 DEBT RECOVERY

- 6.3.1 The Director of Finance and Information is responsible for the appropriate recovery action on all outstanding debts. This will include the use of external debt recovery services, where appropriate.
- 6.3.2 Income not received should be dealt with in accordance with the losses and special payments procedures.
- 6.3.3 Overpayments should be detected (or preferably prevented) and recovery action initiated.

6.4 SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

- 6.4.1 The Director of Finance and Information is responsible for:
 - 6.4.1.a approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
 - 6.4.1.b ordering and securely controlling any such stationery;

- 6.4.1.c the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes and the procedures for keys and for coin operated machines; and
 - 6.4.1.d prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust and for the banking of cash.
- 6.4.2 Official monies shall not under any circumstances be used for the encashment of private cheques.
- 6.4.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance and Information.
- 6.4.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the 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.
- 6.4.5 The opening of post shall be undertaken by two employees together and all cash, cheques and other forms of payment shall be entered in an approved register before handing to the cashier.
- 6.4.6 The use of a cheque signing machine or cheques with pre-printed signatures shall be subject to security precautions as required by the Director of Finance and Information.
- 6.4.7 Any loss or shortfall of cash, cheques or other negotiable instruments shall be reported in accordance with the procedure for losses and special payments.

7 LEGALLY BINDING CONTRACTS

7.1 GENERAL

- 7.1.1 The Chief Executive is responsible for negotiating legal contracts/ agreements for the provision of services to patients in accordance with the Business Plan, and for establishing the arrangements for providing out of area treatment services. In carrying out these functions, the Chief Executive should take into account the advice of the Director of Finance and Information regarding:
- 7.1.1.a costing and pricing of services; (including the application of the national tariff for health services).
 - 7.1.1.b payment terms and conditions; and
 - 7.1.1.c amendments to contracts and out of area treatment arrangements.
- 7.1.2 Agreements should be so devised as to minimise risk whilst maximising the trust's opportunity to cover its costs. Prices shall be set via the payment by results (PbR) national tariff. For those services not within tariff then the trust shall comply with the NHS Costing Manual.
- 7.1.3 The Director of Finance and Information shall produce regular reports detailing actual and forecast income [linked to patient activity] with a detailed assessment of the impact of the variable elements of income.
- 7.1.4 Any pricing of services at marginal cost must be sanctioned by the Director of Finance and Information and reported to the Board if material and significant. The deals where marginal costs are applicable relate to elements outside PbR where the Trust may have deals with the local Primary Care Trusts in the area.

8 TERMS OF SERVICE FOR PAYMENT OF STAFF

8.1 REMUNERATION AND TERMS OF SERVICE

- 8.1.1 In accordance with Standing Orders, the Board shall establish a Remuneration Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition and the arrangements for reporting (see EL(94)40).
- 8.1.2 The Committee will:
- 8.1.2.a advise the Board about appropriate remuneration and terms of service for the Chief Executive and other executive directors (and other senior employees), including:
 - (i) all aspects of salary (including any performance-related elements/bonuses);
 - (ii) provisions for other benefits including pensions and cars; and
 - (iii) arrangements for termination of employment and other contractual terms;
 - 8.1.2.b make such recommendations to the Board on the remuneration and terms of service of executive directors (and other senior employees who have opted not to move to agenda for change conditions) to ensure that they are fairly rewarded for their individual contribution to the Trust - having proper regard to the Trust's financial circumstances and performance and to the provisions of any national arrangements for such staff, where appropriate;
 - 8.1.2.c monitor and evaluate the performance of individual executive directors (and other senior employees); and
 - 8.1.2.d advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments, taking account of such national guidance as is appropriate.
- 8.1.3 The Committee shall report to the Board the basis for its recommendations. The Board shall use these reports as the basis for ratification, but remains accountable for decisions on the remuneration and terms of service of executive directors. Minutes of the Board's meetings should record such decisions.
- 8.1.4 The Board will approve proposals presented by the Chief Executive for the setting of remuneration and conditions of service for those employees not covered by the Committee.

- 8.1.5 The Trust will remunerate the Chairman and Non-Executive Directors in accordance with instructions issued by the Governing Council.

8.2 FUNDED ESTABLISHMENT

- 8.2.1 The manpower plans incorporated within the annual budget will form the funded establishment.
- 8.2.2 The funded establishment of any department may not be varied without the approval of the prime-budget holder, as delegated by the Chief Executive.

8.3 STAFF APPOINTMENTS

- 8.3.1 Directors and other designated staff shall engage, re-engage and re-grade staff in accordance with the delegated arrangements and the budgetary framework agreed by the Board. The key points are:
- 8.3.1.a staff shall be appointed and remunerated within the limit of the approved establishment and the financial budget;
 - 8.3.1.b staff shall be employed within terms and conditions as advised by the Director of Human Resources and Organisational Development.
- 8.3.2 The Board will approve the overall policy for the payment of staff, conditions of service, etc.
- 8.3.3 The Director of Human Resources and Organisational Development shall within this overall policy prepare Human Resources Procedures. All staff appointments must comply with these procedures.

8.4 PROCESSING OF PAYROLL

- 8.4.1 The Director of Human Resources and Organisational Development is responsible for maintaining a list of managers who may appoint and dismiss staff in accordance with the Trust's Human Resource Policies and Procedures.
- 8.4.2
- 8.4.3 The Director of Finance and Information is responsible for:
- 8.4.3.a specifying timetables for submission of properly authorised time records and other notifications;
 - 8.4.3.b the final determination of pay, taking due advice from the Director of Human Resources and Organisational Development;
 - 8.4.3.c making payment on agreed dates; and
 - 8.4.3.d agreeing the method(s) of payment.
- 8.4.4 The Director of Finance and Information will issue instructions regarding:

- 8.4.4.a verification and documentation of data;
- 8.4.4.b the timetables for receipt and preparation of payroll data and the payment of employees;
- 8.4.4.c the maintenance of subsidiary records for superannuation, income tax, national insurance and other authorised deductions from pay;
- 8.4.4.d security and confidentiality of payroll information;
- 8.4.4.e checks to be applied to the completed payroll before and after payment;
- 8.4.4.f authority to release payroll data under the provisions of the Data Protection Act;
- 8.4.4.g methods of payment available to various categories of employee;
- 8.4.4.h procedures for payment by cheque or bank credit to employees;
- 8.4.4.i procedures for the recall of cheques and bank credits;
- 8.4.4.j pay advances and their recovery;
- 8.4.4.k maintenance of regular and independent reconciliation of payroll control accounts;
- 8.4.4.l separation of duties between the preparation of records and the handling of cash and other types of payment;
- 8.4.4.m a system to ensure the recovery from leavers of sums of money and property due by them to the Trust;
- 8.4.4.n the payment of pay awards and arrears;
- 8.4.4.o procedures for the change of bank account details by staff;
- 8.4.4.p the secure operation of the system for payments by BACS.

8.4.5 Appropriately nominated managers have delegated responsibility for:

- 8.4.5.a submitting time records and other notifications in accordance with agreed timetables;
- 8.4.5.b completing time records and other notifications in accordance with the Director of Finance and

Information's instructions and in the form prescribed by him/her;

- 8.4.5.c submitting staff change forms in the prescribed form immediately upon knowing the effective date of a variation to an employee's contract. (N.B. Retrospective changes can invalidate management information for some months before a change is effected);
 - 8.4.5.d submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest that he/she has left without notice, the Director of Human Resources and Organisational Development must be informed immediately; and
 - 8.4.5.e taking responsibility for managing staff costs within the available resources and engaging staff in accordance with Trust policies and procedures.
- 8.4.6 Regardless of the arrangements for providing the payroll service, the Director of Finance and Information shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, where appropriate, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

8.5 CONTRACTS OF EMPLOYMENT

- 8.5.1 The Board shall delegate responsibility to the Director of Human Resources and Organisational Development for:
 - 8.5.1.a ensuring that all employees are issued with a Contract of Employment which complies with current employment legislation;
 - 8.5.1.b advising managers on variation to, or terminations of, contracts; and
 - 8.5.1.c the provision of appropriate terms and conditions of employment.

9 NON-PAY EXPENDITURE

9.1 DELEGATION OF AUTHORITY

- 9.1.1 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 budget managers as part of the budget management framework.
- 9.1.2 The Board will ratify decisions made by the Chief Executive or Director of Finance and Information relating to specific contracts of a capital or revenue nature (other than for healthcare provision) amounting to or exceeding (or likely to amount to or exceed) the annual Official Journal of the European Union (OJEU) limit for services and supplies contracts is currently £113,057, or where the gross annual income or expenditure is in excess of £250,000. For schemes classified as works this is £4,348,350. Please check with the Supplies Manager to ensure that the figures are still valid as these are updated annually. The details will be reported by the Director of Finance and Information to the next Audit Committee meeting for ratification.
- 9.1.3 However, to ensure rapid decision making, if the contract is a renewal and is above the OJEU threshold and if the recommendation is to accept the lowest compliant bid the Director of Finance and Information can approve acceptance of the tenders. The decision is to be subsequently reported to the Audit Committee. If the contract is for an unplanned or not previously authorised project it must be approved by the Board of Directors.
- 9.1.4 The Director of Finance and Information will determine a system for:
- 9.1.4.a maintenance of an up-to-date list of signatories who are authorised to place requisitions for the supply of goods and services; and
 - 9.1.4.b the maximum level of each requisition and the system for authorisation above that level.
- 9.1.5 The Chief Executive shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

9.2 CHOICE, REQUISITIONING, ORDERING, RECEIPT AND PAYMENT FOR GOODS AND SERVICES

- 9.2.1 The requisitioner, in choosing the item to be supplied (or the service to be performed), shall always obtain the best value for money for the Trust. In so doing, the advice of the Trust's Supplies Manager shall be sought as appropriate. Where this advice is not acceptable to the requisitioner, the Director of Finance and Information (and/or the Chief Executive) shall be consulted.
- 9.2.2 The Director of Finance and Information shall be responsible for the prompt payment of accounts and claims in accordance with the public sector payments policy.
- 9.2.3 The Director of Finance and Information will:

9.2.3.a with the involvement of Supplies Department generally, also the Estates Department, Pharmacy and Appliances for those specific types of transaction, advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated into the Trust's governance documents and regularly reviewed. In practice the process for obtaining tenders/quotations will require the involvement of the Estates or Supplies Departments, depending on the nature of the transaction. Currently, the mandatory requirements are as below. The only exceptions to these limits are as provided for in SFI 19.1.3, which must be complied with for all exceptions:

- (i) Competitive Tenders for all purchases above £30,000;
- (ii) Written Quotations (at least three where possible) for all purchases above £15,000 and less than £30,000; and
- (iii) Verbal or written quotations for all purchases of less than £15,000 – These may be obtained through the NHS CPC electronic quote system.

NB- Contracts above £10,000 will be required to be published on the contract finder website.

9.2.3.b prepare procedural instructions [where not already provided in the Scheme of Delegation or procedure notes for budget holders] on the obtaining of goods, works and services, incorporating these thresholds (see good practice guide in Appendix A page 28 to this section and simplified flowchart in Appendix B page 30);

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

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

- (i) The list of directors/employees (including specimens of their signatures) authorised to approve requisitions and other relevant documents.

(ii) Certification that:

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

- work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
 - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
 - the account is arithmetically correct; and
 - the account is in order for payment;
- (iii) A timetable and system for submission to the Director of Finance and Information of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment;
- (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department, including procedures for the secure operation of the system for payments by BACS; and
- (v) adequate separation of duties;

9.2.3.e be responsible for ensuring that payment for goods and services is only made once the goods and services are received, (except as below).

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

9.2.4.a Prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e., cash flows must be discounted to net present values) and the intention is not to circumvent cash limits;

9.2.4.b the appropriate Director must provide to the Director of Finance and Information, 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;

9.2.4.c the Director of Finance and Information will need to be satisfied with the proposed arrangements before contractual arrangements proceed; and

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

9.3 OFFICIAL ORDERS

9.3.1 Subject to 9.3.3 below, Official Orders must:

9.3.1.a be consecutively numbered;

9.3.1.b be in a form approved by the Director of Finance and Information;

9.3.1.c state the Trust's terms and conditions of trade; and

9.3.1.d only be issued to, and used by, those duly authorised by the Chief Executive.

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

9.3.2.a all contracts [other than for a simple purchase permitted within the Scheme of Delegation] or leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance and Information in advance of any commitment being made;

9.3.2.b contracts above specified thresholds are advertised and awarded in accordance with EU and GATT rules on public procurement and comply with the White Paper on Standards, Quality and International Competitiveness (CMND 8621);

9.3.2.c where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health and/or, where applicable, Monitor;

9.3.2.d no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit

to directors or employees, other than (see the Standards of Business Conduct):

- (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars; and
- (ii) conventional hospitality, such as lunches in the course of working visits;

9.3.2.e no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance and Information;

9.3.2.f subject to 9.3.3 below, all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash; Medical locums and Agency Nurses which will be controlled through timesheet authorisation.

9.3.2.g verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity (exception – Estates where it is necessary to occasionally place verbal orders to achieve response times on rectifying reported faults). These must be confirmed promptly by an official order and clearly marked "Confirmation Order";

9.3.2.h orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds (see 9.2.3 (a)); and

9.3.2.i goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase.

9.3.3 Any system of electronic trading whereby, for example, requisitions/orders are placed by means of electronic media, must incorporate adequate controls and be in a form approved by the Director of Finance and Information.

9.4 PETTY CASH

9.4.1 Reimbursement from the petty cash account will be made upon the production of a receipt for the goods in question. Above £10 the receipt will need to be signed by the budget holder whose budget is being charged with the expenditure.

9.4.2 The maximum payment from petty cash for any reason is £250 (including charitable fund monies). Above this amount authorisation by the Operational Support Manager is necessary.

9.5 BUILDING AND ENGINEERING TRANSACTIONS

- 9.5.1 The Associate Director of Estates and Facilities and Facilities shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within CONCODE and ESTATECODE. The technical audit of these contracts shall be the responsibility of the Associate Director of Estates and Facilities and Facilities.

SUMMARY OF MAIN REQUIREMENTS

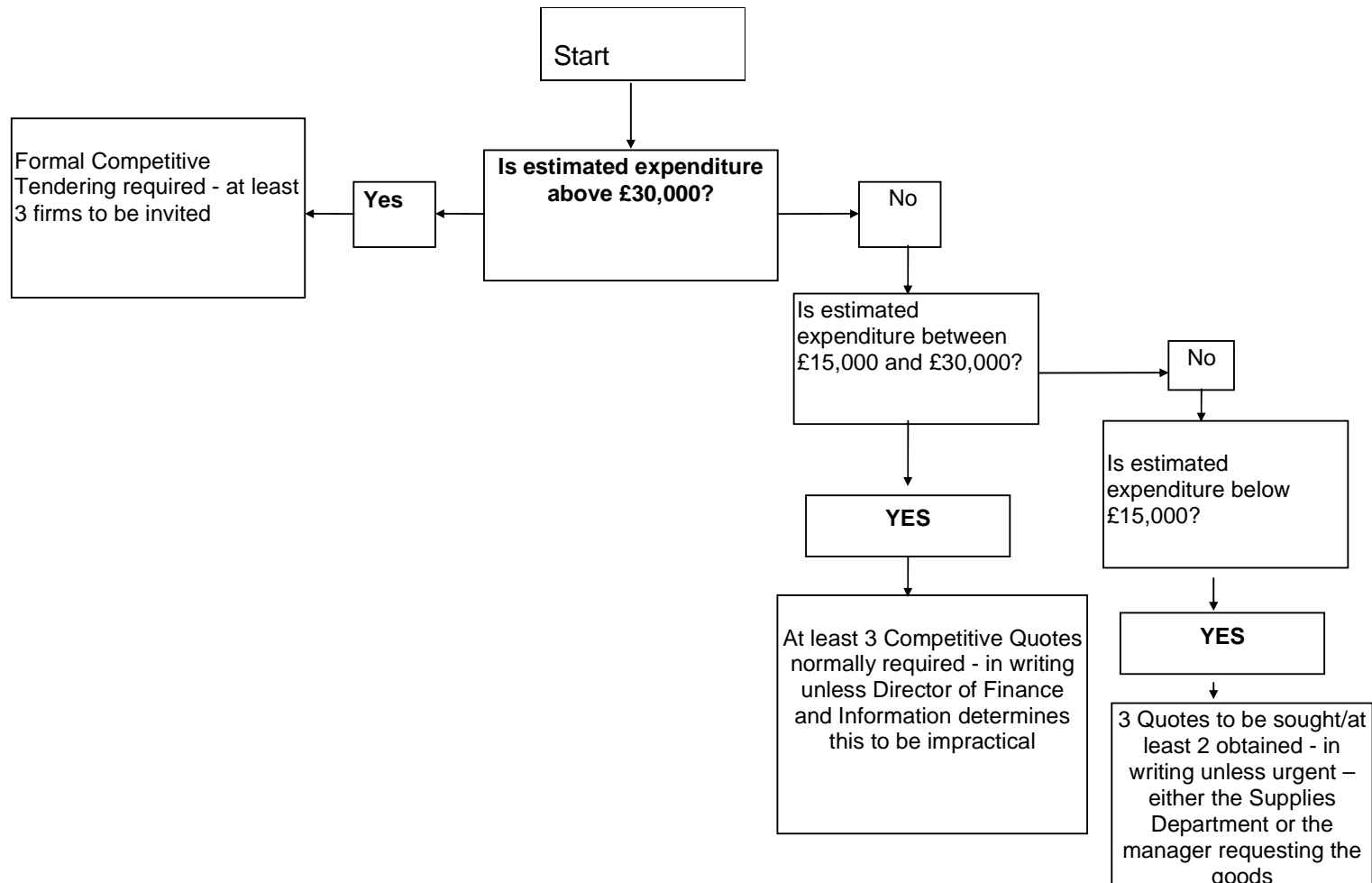
PURCHASING/SALE OF GOODS AND SERVICES

Requirements of SOs/SFIs (Mandatory)	Exceptions to Requirements of SOs/SFIs	Procedures Approved by Board (Minimum Requirements)
<u>Estimated Value Above £30,000</u> Formal Competitive Tendering required Minimum of 3 firms to be invited	Where SFIs 19.1 & 19.2 apply If written approval obtained from the Director of Finance and Information for fewer firms to be invited	N/A N/A
<u>Estimated Value Between £15,000 & £30,000</u> Competitive Quotations required To be obtained from at least 3 firms/individuals Quotations to be in writing N.B. Written Quotations also required if estimated value is above <u>£30,000</u> but timescale genuinely precludes Competitive Tendering	Goods/services of a special character where the Director of Finance and Information considers it impossible or undesirable to obtain competitive quotations. Or where goods/services are required urgently. None (except as above) If the Director of Finance and Information determines it is impractical to do so. (Confirmation of telephone quotes to be obtained as soon as possible).	N/A N/A N/A

APPENDIX A (section 9)

Requirements of SOs/SFIs (Mandatory)	Exceptions to Requirements of SOs/SFIs	Procedures Approved by Board (Minimum Requirement)
<p><u>Estimated Value Below £15,000</u> Goods/services to be procured in accordance with procedures approved by Board (see end column)</p>	<p>None</p>	<p>On estimated expenditure/income below £15,000, 3 quotations should be sought and at least 2 obtained. These should be in writing unless goods/services are required urgently. Responsible staff should ensure that there is adequate competition & equity in transactions. And that value for money is obtained.</p> <p>In situations where the same firm has been used for procurement of goods/services for more than a year without any competition, advice should be sought from the Supplies Department on ways of securing competition.</p> <p>If for any good reason it is considered appropriate not to accept the lowest quotation for purchases (highest for sales), an adequate record of the reason(s) for this should be kept, signed & dated by the responsible employee and his/her Head of Department (HOD).</p> <p>Where special circumstances prevent competition (e.g. spare parts only available from the equipment manufacturer), a record of the facts should be kept, signed & dated by the responsible employee & HOD.</p>

SIMPLIFIED FLOWCHART OF PURCHASING REQUIREMENTS



10 EXTERNAL BORROWING AND INVESTMENTS

10.1 EXTERNAL BORROWING

- 10.1.1 The Director of Finance and Information will advise the Board concerning the Trust's ability to pay interest on, and repay, both the Public Dividend Capital and any proposed new borrowing, within the limits set by Monitor. The Director of Finance and Information is also responsible for reporting periodically to the Board concerning the Public Dividend Capital and all loans and overdrafts.
- 10.1.2 Any application for a loan or overdraft will only be made by the Director of Finance and Information or by an employee so delegated by them.
- 10.1.3 The Director of Finance and Information must prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 10.1.4 All short term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position. Any short term borrowing requirement in excess of one month must be authorised in accordance with the Treasury Management policy.
- 10.1.5 All long term borrowing must be consistent with the plans outlined in the current Business Plan.

10.2 INVESTMENTS

- 10.2.1 Temporary cash surpluses must be held only in such public or private sector investments as approved in the Treasury Management Policy.
- 10.2.2 The Director of Finance and Information is responsible for advising the Finance Committee and the Board of Directors on investments and shall report periodically to the Board concerning the performance of investments held.
- 10.2.3 The Director of Finance and Information will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

11 CAPITAL AND ASSET MANAGEMENT

11.1 CAPITAL INVESTMENT

- 11.1.1 The Director of Finance and Information shall ensure that there is an adequate appraisal process in place for determining capital expenditure priorities and the effect of each proposal upon the Business Plan.
- 11.1.2 The relevant Director of the project is responsible for the appointment of project managers who are responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and within budget.
- 11.1.3 The relevant Director shall ensure that capital investment is not undertaken without confirmation of purchaser(s) support and the availability of resources to finance all revenue consequences, including capital charges.
- 11.1.4 For every capital expenditure proposal over £100,000 the Director of Finance and Information shall ensure:
- 11.1.4.a that a business case (in line with the guidance contained within the *Capital Investment Manual*) is produced setting out:
 - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs; and
 - (ii) appropriate project management and control arrangements;
 - 11.1.4.b that the Director of Finance and Information has certified professionally to the costs and revenue consequences detailed in the business case; and
 - 11.1.4.c for projects below £100,000 the production of a business case is at the discretion of the Trust's Investment Board..
- 11.1.5 For capital schemes where the contracts stipulate stage payments, the Director of Finance and Information will issue procedures for their management, incorporating the recommendations outlined in the "Concode" guidance.
- 11.1.6 The Director of Finance and Information shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 11.1.7 The approval of a capital programme shall not constitute approval for expenditure on any scheme.
- 11.1.8 The Director of Finance and Information (advised by the Investment Board) shall issue to the manager responsible for any scheme:

- 11.1.8.a specific authority to commit expenditure;
 - 11.1.8.b authority to proceed to tender; and
 - 11.1.8.c approval to accept a successful tender in line with the Standing Orders (ref. SO 9) and SFI 19.
- 11.1.9 The Director of Finance and Information will issue a scheme of delegation for capital investment management in accordance with "Concode" guidance and the Trust's Standing Orders.
- 11.1.10 The Director of Finance and Information shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures will:
- 11.1.10.a be designed to ensure that each project stays within estimated/budgeted costs at each key milestone;
 - 11.1.10.b be issued to project managers and other employees/persons involved in capital projects; and
 - 11.1.10.c incorporate simple checklists designed to ensure that important requirements are complied with on each project.

11.2 PRIVATE FINANCE

- 11.2.1 In all proposals to use private finance:
- 11.2.1.a the Director of Finance and Information shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector;
 - 11.2.1.b all proposals must comply with guidance issued by Monitor;
 - 11.2.1.c any proposed expenditure above £600,000 requires specific approval by Monitor (see also SFI 19.3); and
 - 11.2.1.d the proposal must be specifically agreed by the Board.

11.3 ASSET REGISTERS

- 11.3.1 The Director of Finance and Information is responsible for the maintenance of the register of assets, and arranging for a physical check of a sample of assets against the asset register to be conducted at least once a year.

- 11.3.2 The Trust shall maintain an asset register recording fixed assets. The minimum data set held within the register shall contain at least the information specified in the Capital Charges Manual issued by the Department of Health as amended by the requirements of Monitor.
- 11.3.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:
- 11.3.3.a properly authorised and approved agreements, architect's certificates, suppliers' invoices and other documentary evidence in respect of purchases from third parties;
 - 11.3.3.b stores requisitions and wages records for own materials and labour including appropriate overheads; and
 - 11.3.3.c lease agreements in respect of assets held under a finance lease and capitalised.
- 11.3.4 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).
- 11.3.5 The Director of Finance and Information shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 11.3.6 The value equipment shall be indexed to current values in accordance with indices specified in the guidance on the capital charges estimate issued by the Strategic Health Authority.
- 11.3.7 The value of each asset shall be depreciated using methods and rates as specified in UKGAAP / International Financial Reporting Standards.
- 11.3.8 The Director of Finance and Information shall calculate estimated capital charges annually and submit details of these in accordance with the requirements of the Department of Health, Monitor or other monitoring organisation as applicable.

11.4 SECURITY OF ASSETS

- 11.4.1 The overall control of fixed assets is the responsibility of the Chief Executive.
- 11.4.2 Asset control procedures (including donated assets) must be approved by the Director of Finance and Information. These procedures shall make provision for:
- 11.4.2.a recording managerial responsibility for each asset;
 - 11.4.2.b identification of additions and disposals;

- 11.4.2.c identification of all repairs and maintenance expenses;
 - 11.4.2.d physical security of assets;
 - 11.4.2.e periodic verification of the existence of, condition of and title to assets recorded; and
 - 11.4.2.f identification and reporting of all costs associated with the retention of an asset.
- 11.4.3 All discrepancies revealed by physical verification of assets to the fixed asset register shall be notified to the Director of Finance and Information.
- 11.4.4 Whilst each employee has a responsibility for the security of property of the Trust, it is the responsibility of Directors and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with instructions.
- 11.4.5 Any damage to Trust premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by directors and employees in accordance with the procedure for reporting losses.
- 11.4.6 Where practical, assets should be marked as Trust property.

12 STORES AND RECEIPT OF GOODS

12.1 GENERAL

- 12.1.1 Stores, defined in terms of controlled stores and departmental stores (i.e. those for immediate use) should be:
- 12.1.1.a kept to a minimum;
 - 12.1.1.b subjected to at least an annual stock-take; and
 - 12.1.1.c valued at the lower of cost and net realisable value.
- 12.1.2 Subject to the responsibility of the Director of Finance and Information for the systems of control, overall responsibility for the control of stores shall be delegated to appropriate managers by the Chief Executive. The day-to-day responsibility may be delegated by him/her to departmental employees and stores managers/storekeepers, subject to such delegation being entered in a record available to the Director of Finance and Information. The control of Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical manager; the control of fuel oil and diesel the responsibility of the Associate Director of Estates and Facilities and Facilities.
- 12.1.3 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated managers. Wherever practicable, stocks should be marked as NHS property.
- 12.1.4 The Director of Finance and Information shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, returns to stores, losses and materials management.
- 12.1.5 Stocktaking arrangements shall be agreed with the Director of Finance and Information and there shall be a physical check covering all items in store at least once a year.
- 12.1.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance and Information.
- 12.1.7 The designated managers shall be responsible for a system approved by the Director of Finance and Information for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated managers shall report to the Director of Finance and Information any evidence of significant overstocking and of any negligence or malpractice (see also Chapter 13, Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

12.1.8 For goods supplied via the NHS Logistics Authority, the Director of Finance and Information shall identify those employees/persons authorised to requisition and accept goods from the warehouse. The Director of Finance and Information shall set out procedures for the checking of deliveries from the regional warehouse to the priced advice notes, the reporting of discrepancies and the confirmation of charges from the regional warehouse.

13 DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

13.1 DISPOSALS AND CONDEMNATIONS

- 13.1.1 The Director of Finance and Information must prepare detailed procedures for the disposal of assets, including condemnations, and ensure that these are notified to managers.
- 13.1.2 For the disposal of assets with an estimated market value of up to £15,000, managers must notify the Supplies Manager and bids will be invited in accordance with the Trust's Supplies policy.
- 13.1.3 The Director of Finance and Information must be notified in advance by managers where it is intended to dispose of a Trust asset with an estimated market value in excess of £15,000. The Director of Finance and Information shall ensure that the arrangements for the sale of disposable assets maximise the income to the Trust. Where appropriate professional advice should be sought on the value of disposable assets.
- 13.1.4 All unserviceable articles shall be:
 - 13.1.4.a condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance and Information; and
 - 13.1.4.b recorded by the condemning employee in a form approved by the Director of Finance and Information which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Director of Finance and Information.
- 13.1.5 The condemning employee shall establish whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance and Information who will take the appropriate action.

13.2 LOSSES AND SPECIAL PAYMENTS

- 13.2.1 The Director of Finance and Information must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. He must also prepare a Fraud and Corruption Policy and Response Plan which sets out the action to be taken both by employees detecting a suspected fraud and those responsible for investigating it.
- 13.2.2 When fraud is discovered or suspected, the following matters shall be dealt with in accordance with the approaches explained in the Trust's Fraud and Corruption Policy and Response Plan:
 - 13.2.2.a the reporting of fraud or suspected fraud to the Director of Finance and Information or other appropriate senior management;

- 13.2.2.b the reaching of a decision on when to involve the Police;
 - 13.2.2.c the investigation of the fraud or suspected fraud; and
 - 13.2.2.d the notification of the fraud or suspected fraud to the Board, the Head of Internal Audit and the External Auditor.
- 13.2.3 Where a criminal offence is suspected involving theft such cases will be reported to management, and the police will be informed in accordance with the arrangements as set down in the Trust's Security Policy.
- 13.2.4
- 13.2.5 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, i.e. where the loss is estimated to be less than £1,000, the Director of Finance and Information must notify as necessary:
- 13.2.5.a the Board;
 - 13.2.5.b the External Auditor; and
 - 13.2.5.c the Head of Internal Audit.
- 13.2.6 Reports of all losses shall be submitted to the Audit Committee, at least annually.
- 13.2.7
- 13.2.8 The Board shall approve the writing-off of losses. The delegated limits for approval of all losses and special payments shall be:
- 13.2.8.a up to £10,000 - the Director of Finance and Information;
 - 13.2.8.b up to £25,000 - the Chief Executive;
 - 13.2.8.c above £25,000 - the Board of Directors.
- 13.2.9 The Director of Finance and Information shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 13.2.10
- 13.2.11 For all losses the Director of Finance and Information should consider whether any insurance claim could be made.
- 13.2.12
- 13.2.13 The Director of Finance and Information shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 13.2.14
- 13.2.15 Under the Constitution there is an 'ultra vires' specification making special payments outside the Constitution. No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health and/or Monitor.

13.3 DISPOSALS – GENERAL

13.3.1 Competitive Tendering or Quotation procedures shall not apply to the disposal of:

- a) any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his nominated officer;
- b) obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust;
- c) items to be disposed of with an estimated sale value of less than £15,000, (this figure to be reviewed annually); in which case an Established NHS auctioneers service can be used, secured through the Trust's procurement processes.
- d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- e) land or buildings concerning which Monitor guidance has been issued but subject to compliance with such guidance.

14 INFORMATION MANAGEMENT AND TECHNOLOGY

14.1 GENERAL

- 14.1.1 The Director of Finance and Information, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall develop the financial systems in accordance with the Trust's Information Management and Technology Strategy and:
- 14.1.1.a devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs, networks and computer hardware for which he 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;
 - 14.1.1.b ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
 - 14.1.1.c ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment; and
 - 14.1.1.d ensure that an adequate management (audit) trail exists through the computerised systems and that such computer audit reviews as he/she may consider necessary are being carried out.
- 14.1.2 The Director of Finance and Information shall satisfy himself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.
- 14.1.3
- 14.1.4 In the case of computer systems which are proposed General Applications (i.e. normally those applications which the majority of Trusts in the Region wish to sponsor jointly) all responsible directors and employees will send to the Director of Finance and Information and Information:
- 14.1.4.a details of the outline design of the system; and
 - 14.1.4.b in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement.

- 14.1.5 The Director of Finance and Information and Information shall ensure that contracts for computer services for financial applications with another health organisation or any other agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.
- 14.1.6
- 14.1.7 Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance and Information shall periodically seek assurances that adequate controls are in operation.
- 14.1.8
- 14.1.9 Where computer systems have an impact on corporate financial systems the Director of Finance and Information shall satisfy himself in conjunction with the Director of Finance and Information and Information that:
 - 14.1.10 systems acquisition, development and maintenance are in line with corporate policies such as the Information Management & Technology Strategy;
 - 14.1.10.a data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
 - 14.1.10.b finance staff have access to such data; and
 - 14.1.10.c such computer audit reviews as are considered necessary are being carried out.

15 PATIENTS' PROPERTY

15.1 GENERAL

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

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

- notices and information booklets,
- hospital admission documentation and property records, and
- the oral advice of administrative and nursing staff responsible for admissions,

that the Trust will not accept responsibility or liability for patients' property brought into Health Service premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.

15.1.3 The Director of Finance and Information 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 it is to administer, in any way, the property of patients. These instructions will incorporate adequate separation of duties on all patients' property transactions and the obtaining of witnesses' signatures, where appropriate. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.

15.1.4 Where Department of Health or Monitor instructions require the opening of separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance and Information.

15.1.5 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 and a form of indemnity obtained. Where the total value of property is £5,000 or less, forms of indemnity shall also be obtained.

15.1.6 Where a deceased patient is intestate and there is no lawful next-of-kin, details of any monies or valuables held should be notified to the Treasury Solicitor.

15.1.7 Any funeral expenses necessarily borne by the Trust in respect of a deceased patient shall be reimbursed from any of the patient's monies held by the Trust.

- 15.1.8 Where appropriate, staff should be informed on appointment, by the appropriate departmental or senior manager, of their responsibilities and duties for the administration of the property of patients.
- 15.1.9 Where patients' property or income is received for specific purposes and held for safekeeping, the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.

16 CHARITABLE FUNDS

16.1 INTRODUCTION

- 16.1.1 Charitable funds are those funds which are held in the name of the Trust separately from other funds and which arise principally from gifts, donations, legacies and endowments made under the relevant charities legislation. They are administered by the Board of Directors acting as corporate trustee.
- 16.1.2 The Trust's SO's identify the Trust's responsibilities as a corporate trustee for the management of charitable funds and define how those responsibilities are to be discharged. They explain that although the management processes may overlap with those of the organisation of the Trust, the trustee responsibilities must be discharged separately and full recognition given to the dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for all funds held on trust.
- 16.1.3 The reserved powers of the Board and the Scheme of Delegation make clear where decisions regarding the incurring of expenditure are to be taken and by whom. Directors and officers must take account of that guidance before taking action. SFIs are intended to provide guidance to persons who have been delegated to act on behalf of the corporate trustee.
- 16.1.4 As management processes overlap most of the sections of these SFIs will also apply to the management of charitable funds. This section covers those instructions which are specific to the management of charitable funds.
- 16.1.5 The over-riding principle is that the integrity of each separate charitable fund account must be maintained and statutory obligations met (ref. NHS Charitable Funds - A Guide - issued by the Charity Commissioners for England and Wales).
- 16.1.6 In accordance with its statutory instrument the Trust is not empowered to grant expenditure from Exchequer funds either to its own charitable funds or for any other charitable purpose.

16.2 INCOME

- 16.2.1 All gifts, donations and proceeds of fund raising activities which are intended for the Trust's use shall be handed immediately to the Director of Finance and Information or manager/employee nominated by him, to be banked directly.
- 16.2.2 All gifts and donations accepted shall be received and held in the name of the Trust and administered in accordance with the Trust's policy, subject to the terms of specific charitable funds. As the Trust can accept gifts/donations only for purposes relating to the NHS, managers/employees shall, in cases of doubt, consult the Director of Finance and Information before accepting any gifts/donations.

- 16.2.3 Where it becomes necessary for the Trust to obtain a grant of representation in order to obtain a legacy due to the Trust under the terms of a will, the Director of Finance and Information shall be the Trust's nominee for this purpose. Where appropriate the Director of Finance and Information shall seek legal advice upon the liabilities and other implications for the Trust of obtaining any such grant of representation.
- 16.2.4 All managers/employees who receive enquiries regarding legacies shall keep the Director of Finance and Information, or person nominated by him, informed and shall keep an appropriate record. After the death of a benefactor all correspondence concerning a legacy shall be dealt with on behalf of the Trust by the Director of Finance and Information who alone will be empowered to legally acknowledge receipt of the legacy on behalf of the Trust.
- 16.2.5 The Director of Finance and Information shall advise the Board of Directors on the financial implications of any proposal for fund raising activities which the Trust may initiate, sponsor or approve.

16.3 EXPENDITURE

- 16.3.1 All expenditure from charitable funds, with the exception of legitimate expenses of administering and managing those funds and expenditure for research purposes must be for the benefit of patients or staff.
- 16.3.2 Expenditure of any charitable funds shall be conditional upon the goods and services being within the terms of the appropriate charitable fund and upon the proviso that the expenditure does not result in further payments by the Trust which have not been agreed and funded.
- 16.3.3 All expenditure on charitable funds will be approved by the Board of Trustees. A bid must be submitted on appropriate documentation, signed by relevant Divisional Director/Assistant Divisional Director

16.4 INVESTMENTS

- 16.4.1 Charitable funds shall be invested by the Director of Finance and Information in accordance with the Trust's policy and statutory requirements.
- 16.4.2 In managing the investments the Trust shall take due account of the written advice received from its duly appointed Investment Advisors.
- 16.4.3 All title deeds to investments and property shall either be deposited with the Trust's nominated bankers or held securely in a safe with suitably restricted access. A record shall be kept of all physical movements of title deeds.
- 16.4.4 All sales of investments shall be executed under the Trust's official seal.

16.5 RECORDS

- 16.5.1 The Director of Finance and Information shall be responsible for the maintenance of written instructions covering all aspects of transactions involving charitable funds.

- 16.5.2 The Director of Finance and Information shall maintain such accounts and records as are necessary to record and protect all transactions and funds of the Trust as corporate trustee of charitable funds, including an Investments Register. These accounts and records shall be maintained in accordance with the requirements of the Charity Commission and other legislative requirements, including any directions of the Secretary of State.
- 16.5.3 New charitable funds will only be opened where the wishes of benefactors cannot be accommodated within existing funds and in all cases must comply with the requirements of the Charity Commission.

17 RETENTION OF DOCUMENTS

17.1 GENERAL

The Chief Executive shall be responsible for maintaining archives for all documents as delegated to the Director of Finance and Information and Information which are required to be retained under the direction contained in the DH

- 17.1.1 Records Management Roadmap Framework 07/06/2007 and also the National Archive Retention Scheduling.
- 17.1.2 The documents held in archives shall be capable of retrieval by authorised persons.
- 17.1.3 Documents shall be retained for at least the retention periods indicated in the DH Records Management Roadmap Framework 07/06/2007 For the Record - Managing Records in the NHS Trust and also the National Archive Retention Scheduling, depending upon the types of documents involved.
- 17.1.4 Where appropriate under DH Records Management Roadmap Framework 07/06/2007. For the Record - Managing Records in the NHS Trust and also the National Archive Retention Scheduling, documents held shall only be destroyed at the express instigation of the Chief Executive. Records shall be maintained of documents so destroyed.
- 17.1.5 The methods used for the destruction of confidential records should ensure that their confidentiality is fully maintained. Normally destruction should be by incineration or shredding.

18 RISK MANAGEMENT AND INSURANCE

18.1 GENERAL

- 18.1.1 The Chief Executive shall ensure that the Trust has a risk management strategy and a programme of risk management, which are approved and monitored by the Board.
- 18.1.2 The risk management strategy shall contain the following elements:
- 18.1.2.a the continuous identification and prioritisation of key risks
 - 18.1.2.b a description of actions taken to manage each key risk; and
 - 18.1.2.c the identification of how risk is measured.
- 18.1.3 The programme of risk management shall include:
- 18.1.3.a a process for identifying and quantifying risks and potential liabilities;
 - 18.1.3.b engendering amongst all levels of staff a positive attitude towards the control of risk;
 - 18.1.3.c management processes to ensure all significant risks and potential liabilities are addressed, including effective systems of internal control, cost effective insurance cover and decisions on the acceptable level of retained risk;
 - 18.1.3.d contingency plans to offset the impact of adverse events;
 - 18.1.3.e audit arrangements including internal audit, clinical audit and health and safety review; and
 - 18.1.3.f arrangements to review the risk management programme.
- 18.1.4 The existence, integration and evaluation of the above elements will provide a basis to make a statement on the effectiveness of the system for internal control within the Annual Accounts, and on the existence of a comprehensive risk management strategy within the Annual Report.
- 18.1.5 The Director of Finance and Information shall ensure that, where appropriate, adequate insurance arrangements exist in accordance with the risk management programme.

19 TENDERING AND CONTRACT PROCEDURE

19.1 EU DIRECTIVES GOVERNING PUBLIC PROCUREMENT

- 19.1.1 Directives by the Council of the European Union promulgated by the DoH prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Orders.
- 19.1.2 The Trust shall comply as far, as is practicable with the requirements of Monitor's guidance relating to capital investment. In the case of management consultancy contracts the Trust shall comply as far as is practicable with NHS guidance.
- 19.1.3 The Tendering and Contract Procedure is governed by three ranges of expenditure:-
- a) Formal Competitive Tendering Above £30,000
(details are contained in sections 9.5 to 9.10)
 - b) Competitive Quotations Between £15,001 and £29,999
(details are contained in sections 9.11 to 9.16)
 - c) Tendering or Competitive Quotations are not required below £15,000

19.2 FORMAL COMPETITIVE TENDERING

- 19.2.1 The Trust shall ensure that competitive tenders are invited for the supply of goods, materials and manufactured articles and for the rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the DoH); for the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); and for disposals.
- 19.2.2 Where contracts are negotiated for the supply of proprietary pharmaceuticals which are only available from a single source, the Trust will either utilise agreements negotiated on its behalf by the Yorkshire Consortia administered by Leeds Teaching Hospital (or its successor) or will negotiate its own agreements. Under such circumstances the Director of Finance and Information must be satisfied with the procurement arrangements.
- 19.2.3 Formal tendering procedures may be waived by officers to whom powers have been delegated by the Chief Executive without reference to the Chief Executive only where the supply is proposed under special arrangements negotiated by the DoH, Office of Government Commerce, NHS Commercial Procurement Collaborative(CPC), NHS Supply Chain and Connecting for Health, in which event the said special arrangements must be complied with, and the value of money test of the contract value requirement can be determined without further competition. Procurement advice should be sought when making this decision.
- 19.2.4 Procurement Decision Tree

19.2.5 Other than the above, Formal Tendering Procedures can only be waived by the Director of Finance and Information (the Chief Executive in his/her absence) in the following circumstances:

- a) the timescale genuinely precludes competitive tendering. Failure to plan the work properly is not a justification for single tender; or
- b) specialist expertise is required and is available from only one source; or
- c) 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; or
- d) there is a clear benefit to be gained from maintaining either continuity with an earlier project and/or conformity with existing equipment or systems . However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering; or
- e) where provided for in the Capital Investment Manual (or other relevant guidance); or
- f) where the Director of Finance and Information and the Supplies Manager agree that it is possible to obtain value for money by benchmarking costs with other Trusts, Buying Solutions, NHS Commercial Procurement Collaborative and, NHS Supply Chain, this would be grounds for not seeking competitive tenders or quotes. However, a benchmarking exercise should be performed once every three years to ensure that these figures are still competitive.

19.2.6 The limited application of the single tender rules 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.

19.2.7 Where it is decided that competitive tendering is not applicable and should be waived by virtue of (a) to (d) above the fact of the waiver and the reasons should be documented and reported by the Director of Finance and Information to the next Audit Committee meeting for ratification.

19.2.8 Except where SFI 19.2.3, or a requirement under SFI 19.1, applies, the Board shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, having regard to their capacity to supply the goods or materials or to undertake the services or works required. The minimum number of tenders to be invited is three other than in cases where the Director of Finance and Information (the Chief Executive in his/her absence) gives approval in writing for fewer tenders to be invited.

19.2.9 Competitive tendering shall be carried out in accordance with procedures ("Tendering Procedure") set out in Annex 1.

19.2.10 The Board shall review the Tendering Procedure not less than every two years.

- 19.2.11 Competitive Quotations - are required where formal tendering procedures are waived under SFI 19.2.3 and where the intended expenditure or income exceeds, or is reasonably expected to exceed £15,000.
- 19.2.12 Where quotations are required, under SFI 19.2.8 they should be obtained from at least three firms/individuals as per the Annex based on specifications or terms of reference prepared by, or on behalf of, the Board.
- 19.2.13 Quotations should be in writing unless the Director of Finance and Information (the Chief Executive in his/her absence) determine that it is impractical to do so in which case quotations may be obtained by email, Electronic Quote System (CPC) or telephone. Confirmation of quotations should be obtained as soon as possible and the reasons why the email/telephone quotation was obtained should be set out in a permanent record.
- 19.2.14 All quotations should be treated as confidential and should be retained for inspection.
- 19.2.15 The Chief Executive or his nominated officer should evaluate the quotations and select the one that gives the best value for money and/or the most economically advantageous. If this is not the lowest then this fact and the reasons why the lowest quotation was not chosen should be in a permanent record.
- 19.2.16 Formal quotation procedures may be waived by officers to whom powers have been delegated by the Chief Executive without reference to the Chief Executive only where the supply is proposed under special arrangements negotiated by the DoH in which event the said special arrangements must be complied with.
- 19.2.17 Other than the above, Formal Quotation Procedures can only be waived by the Director of Finance and Information (the Chief Executive in his/her absence) in the following circumstances:
- a) the timescale genuinely precludes competitive quotations. Failure to plan the work properly is not a justification for single quotation; or
 - b) specialist expertise is required and is available from only one source; or
 - c) 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; or
 - d) there is a clear benefit to be gained from maintaining either continuity with an earlier project and/or conformity with existing equipment, or systems. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;
 - e) where provided for in the Capital Investment Manual.
 - f) where the Director of Finance and Information and the Supplies Manager agree that it is possible to obtain value for money by benchmarking costs with other Trusts, Buying Solutions,, Commercial Procurement Collaborative and NHS Supply Chain or Connecting for Health, this would be grounds for not seeking competitive tenders or

quotes. However, a benchmarking exercise should be performed once every three years to ensure that these figures are still competitive.

19.2.18 Where it is decided that competitive quotations is not applicable and should be waived by virtue of (a) to (d) above the fact of the waiver and the reasons should be documented and reported by the Director of Finance and Information to the next Audit Committee meeting for ratification.

19.2.19 Where tenders or quotations are not required, because expenditure is below £15,000, the Trust shall procure goods and services in accordance with procurement procedures approved by the Board.

19.2.20 The Chief Executive shall be responsible for ensuring that best value for money can be demonstrated for all services provided under contract or in-house. The Board may also determine from time to time that in-house services should be market tested by competitive tendering (SO 11 and SFI 21).

19.3 PRIVATE FINANCE

19.3.1 When the Board proposes, or is required, to use finance provided by the private sector the following should apply:

- a) The Director of Finance and Information shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- b) Where the sum exceeds delegated limits £600,000, a business case must be referred to Monitor for approval or treated as per current guidelines.
- c) The proposal must be specifically agreed by the Board in the light of such professional advice as should reasonably be sought in particular with regard to ultra vires
- g) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

19.4 CONTRACTS

19.4.1 The Trust may only enter into contracts within its statutory powers and shall comply with:

- a) these Standing Orders;
- b) the Trust's SFIs;
- c) EU Directives and other statutory provisions;
- d) any relevant directions including the Capital Investment Manual and guidance on the Procurement and Management of Consultants; and
- e) such of the NHS Standard Contract Conditions as are applicable
- f) enforceable guidance issued by Monitor.

19.4.2 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.

- 19.4.3 In all contracts made by the Trust, the Board shall endeavour to obtain best value for money. The Chief Executive shall nominate an officer who shall oversee and manage each contract on behalf of the Trust.

19.5 PERSONNEL AND AGENCY OR TEMPORARY STAFF CONTRACTS

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

19.6 HEALTHCARE SERVICES CONTRACTS

- 19.6.1 Agreements made between two NHS organisations for example with health organisations for the supply of healthcare services, must be legal contracts based on model contracts issued by the DoH.
- 19.6.2 The Chief Executive shall nominate officers with power to negotiate for the provision of healthcare services with purchasers of healthcare.

19.7 CANCELLATION OF CONTRACTS

- 19.7.1 Forbearing to do or for having done or forborne to do any action in relation to the obtaining or execution of the contract or any other contract with the Trust, or for showing or forbearing to show favour or disfavour to any person in relation to the contracts or any other contract with the Trust, or if the like acts shall have been done by any person employed by him or acting on his behalf (whether with or without the knowledge of the contractor), or if in relation to any contract with the Trust the contractor or any person employed by him/her or acting on his/her behalf shall have committed any offence under the Prevention of Corruption Acts 1889 and 1916, the Bribery Act 2010 and other appropriate legislation.

19.8 DETERMINATION OF CONTRACTS FOR FAILURE TO DELIVER GOODS OR MATERIAL

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

19.9 CONTRACTS INVOLVING FUNDS HELD ON TRUST

- 19.9.1 Shall be maintained individually to a specific named fund. Such contracts involving charitable funds shall comply with the requirements of the Charities Acts.

20 IN-HOUSE SERVICES

20.1 GENERAL

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

- a) Specification group, comprising the Chief Executive or nominated officer(s) and specialist(s);
- d) In-house tender group, comprising representatives of the in-house team, a nominee of the Chief Executive and technical support;
- e) Evaluation group, comprising normally a specialist officer, a supplies officer and a Director of Finance and Information representative. For services having a likely annual expenditure exceeding £250,000, a non-executive director should be a member of the evaluation team.

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

20.1.3 The evaluation group shall make recommendations to the Board.

20.1.4 The Chief Executive shall nominate an officer to oversee and manage the contract.

21 ANNEX 1

21.1 TENDERING PROCEDURE

1. Invitation to Tender

- 1.1 All invitations to tender on a formal competitive basis shall state that no tender will be considered for acceptance unless submitted in either:

a plain, sealed package bearing a pre-printed label supplied by the Trust (or bearing the word `Tender' followed by the subject to which it relates and the latest date and time for the receipt of such tender); or

in a special envelope supplied by the Trust to prospective tenderers and the tender envelopes/packages shall not bear any names or marks indicating the sender; or

if necessary, by email to the stipulated officer, to be received in an unalterable format (eg a "pdf" file).

- 1.2 Every tender for goods, materials, manufactured articles supplied as part of a works contract and services shall embody such of the main contract conditions as may be appropriate in accordance with the contract forms described in Section 1.3 and 1.4 below.

- 1.3 Every tender for building and engineering works, except for maintenance work only where Estmancode guidance should be followed, shall embody or be in the terms of the current edition of the appropriate Joint Contracts Tribunal (JCT) or Department of the Environment (GC/Wks) standard forms of contract amended to comply with Concode. When the content of the works is primarily engineering, tenders shall embody or be in the terms of the General Conditions of Contract recommended by the Institutions of Mechanical Engineers and the Association of Consulting Engineers (Form A) or, in the case of civil engineering work, the General Conditions of Contract recommended by the Institution of Civil Engineers. The standard documents should be amended to comply with Concode and, in minor respects, to cover special features of individual projects. Tendering based on other forms of contract may be used only after prior consultation with the DoH.

- 1.4 Every tender for goods, materials, services (including consultancy services) or disposals shall embody such of the NHS Standard Contract Conditions as are applicable. Every tenderer must have given or give a written undertaking not to engage in collusive tendering or other restrictive practice.

2. Receipt, Safe Custody and Record of Formal Tenders

- 2.1 Formal competitive tenders shall be addressed to the Secretary to the Board.
- 2.2 The date and time of receipt of each tender shall be endorsed on the unopened tender envelope/package.
- 2.3 The Chief Executive shall designate an officer or officers, not from the originating department, to receive tenders on his behalf and to be responsible for their

endorsement and safe custody until the time appointed for their opening, and for the records maintained in accordance with Section 3.

3. Opening Formal Tenders

- 3.1 As soon as practicable after the date and time stated as being the latest time for the receipt of tenders they shall be opened in the presence of one senior manager and one member of staff of band 6 or above designated by the Chief Executive and not from the originating department.
- 3.2 Every tender received shall be stamped with the date of opening and initialled by two of those present at the opening.
- 3.3 A permanent record shall be maintained to show for each set of competitive tender invitations despatched:
 - (a) the names of firms/individuals invited;
 - (b) the names of and the number of firms/individuals from which tenders have been received;
 - (c) the total price(s) tendered;
 - (d) closing date and time;
 - (e) date and time of opening; and
 - (f) the record shall be signed by the persons present at the opening.
- 3.4 Except as in Section 3.5 below, a record shall be maintained of all price alterations on tenders, i.e. where a price has apparently been altered, and the final price shown shall be recorded. Every price alteration appearing on a tender and the record should be initialled by two of those present at the opening.
- 3.5 A report shall be made in the record if, on any one tender, price alterations are so numerous as to render the procedure in Section 3.4 unreasonable.

4. Admissibility and Acceptance of Formal Tenders

- 4.1 In considering which tender to accept, if any, the designated officers shall have regard to whether value for money will be obtained by the Trust and whether the number of tenders received provides adequate competition. In cases of doubt they shall consult the Chief Executive or Director of Finance and Information.
- 4.2 Tenders received after the due time and date may be considered only if the Chief Executive or Director of Finance and Information decides that there are exceptional circumstances, e.g. where significant financial, technical or delivery advantages would accrue, and is satisfied that there is no reason to doubt the bona fides of the tenders concerned. The Chief Executive or nominated officer shall decide whether such tenders are admissible and whether re-tendering is desirable. Re-tendering may be limited to those tenders reasonably in the field of consideration in the original

competition. If the tender is accepted the late arrival of the tender should be reported to the Board at its next meeting.

- 4.3 Technically late tenders (i.e. those despatched in good time but delayed through no fault of the tenderer) may at the discretion of the Chief Executive be regarded as having arrived in due time.
- 4.4 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) should be dealt with in the same way as late tenders under Section 4.2.
- 4.5 Where examination of tenders reveals errors which would affect the tender figure, the tenderer is to be given details of such errors and afforded the opportunity of confirming or withdrawing his offer.
- 4.6 Necessary discussions with a tenderer of the contents of his tender, in order to elucidate technical points etc, before the award of a contract, need not disqualify the tender.
- 4.7 While decisions as to the admissibility of late, incomplete, or amended tenders are under consideration and while re-tenders are being obtained, the tender documents shall remain strictly confidential and kept in safekeeping by an officer designated by the Chief Executive.
- 4.8 Where only one tender/quotation is received the Trust shall, as far as practicable, ensure that the price to be paid is fair and reasonable.
- 4.9 A tender other than the lowest (if payment is to be made by the Trust), or other than the highest (if payment is to be received by the Trust) shall not be accepted unless for good and sufficient reason the Director of Finance and Information decides otherwise and the decision is recorded in the record referred to in 3.3 above and reported to the next Audit Committee meeting for ratification. Sufficient reasons shall include scoring in accordance with the evaluation criteria required in accordance with Public Procurement Requirements 2006.
- 4.10 Where the form of contract includes a fluctuation clause all applications for price variations must be submitted in writing by the tenderer and shall be approved by the Chief Executive or nominated officer.
- 4.11 All Tenders should be treated as confidential and should be retained for inspection.
- 4.12 Prior to acceptance of any tender:
 - a) for building, engineering or related maintenance works, the Chief Operating Officer or his nominated officer shall satisfy himself that the tenderer has the requisite capacity and technical competence to undertake the works;
 - b) for the provision of healthcare services to the Trust by a private sector provider the Medical Director or his nominated officer shall satisfy himself that the tenderer has the requisite medical and technical competence to provide the services;

- c) in the case of the supply of other goods, works or services of a type not referred to in (a) and (b) above, the Chief Executive or his nominated officer shall satisfy himself that the tenderer has the necessary capability and technical competence;
- d) in the case of any tender where the Trust will be required to pay the tenderer in excess of £50,000, the Director of Finance & Information or his nominated officer shall satisfy himself that the tenderer has sufficient financial standing to undertake the tender.

5. Lists of Approved Firms

- 5.1 The Trust shall maintain such lists of approved individuals/firms as it may from time to time determine. Inclusion and removal of individuals/firms from such Approved Lists shall be carried out in accordance with procedures agreed from time to time by the Associate Director of Estates and Facilities and Facilities and Internal Audit. If the value of the contract requirement is above the OJEU level the Trust will assess the capabilities of all organisations who express an interest before determining which organisations shall receive the Trust's tender documents.
- 5.2 The Trust may also seek tenders from individual/firms recognised existing purchase order systems.
- 5.3 If in the opinion of the Chief Executive or Director of Finance and Information it is impractical to restrict invitations to tender to individuals/firms on approved lists (as in 5.1) or on NHS Supplies databases (as in 5.2), the Chief Executive should ensure that appropriate checks are carried out as to the technical and financial capability of other firms or individuals invited to tender

