

The Dudley Group of Hospitals   
NHS Foundation Trust

# STANDING FINANCIAL INSTRUCTIONS

**Trust Board Approval:** August 2009

**New Review Date:** August 2010

**Responsible Officer:** Director of Finance

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## **1. INTRODUCTION**

### **1.1 GENERAL**

1.1.1 These Standing Financial Instructions (SFIs) are issued in accordance with the Financial Directions issued by the Secretary of State under the provisions of Sections 99(3), 97(A)(4) and (7) of the National Health Service Act 1977 for the regulation of the conduct of the Trust in relation to all financial matters. They shall have effect as if incorporated in the Standing Orders (SOs) of the Trust.

1.1.2 These 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 Scheme of Delegation adopted by the Trust.

1.1.3 These SFIs identify the financial responsibilities which apply to everyone working for the Trust. 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 Finance Director.

1.1.4 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Finance Director must be sought before acting. The user of these SFIs should also be familiar with and comply with the provisions of the Trust's SOs.

1.1.5 **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

- a) "Trust" means the Dudley Group of Hospitals NHS Foundation Trust;
- b) "Board" means the Board of the Directors of Foundation Trust;
- c) "Board of Governors" means the Board of Governors as constituted in accordance with the constitution of the Trust;
- d) "Budget" means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust;
- e) "Budget Holder" means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation;
- f) "Chief Executive" means the chief officer of the Foundation Trust;
- g) "Finance Director" means the chief financial officer of the Foundation Trust;

- h) "Funds held on trust" shall mean those funds which the Foundation Trust holds at date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under S.90 of the NHS Act 1977, as amended. Such funds may or may not be charitable;
- i) "Legal Adviser" means the properly qualified person appointed by the Trust to provide legal advice;
- j) "Monitor" refers to the Independent Regulator of NHS Foundation Trusts;
- k) *"The Chairman" is the Chairman of the Board of Directors and the Board of Governors.*

1.2.2 Wherever the title Chief Executive, Finance Director, or other nominated officer is used in these instructions, it shall be deemed to include such other director 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 Board exercises financial supervision and control by:

- (a) formulating the financial strategy;
- (b) requiring the submission and approval of budgets within overall income;
- (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money); and
- (d) defining specific responsibilities placed on directors and employees as indicated in the Scheme of Delegation.

1.3.2 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the Scheme of Delegation.

1.3.3 The Board will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Trust.

1.3.4 Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board, and as accountable officer to the Secretary of State, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall 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.

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

1.3.6 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.

1.3.7 The Finance Director is responsible for:

- (a) implementing the Trust's financial policies and for co-ordinating any corrective action necessary to further these policies;
- (b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- (c) ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Trust at any time;

and, without prejudice to any other functions of directors and employees to the Trust, the duties of the Finance Director include:

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

1.3.8 All directors and employees, severally and collectively, are responsible for:

- (a) the security of the property of the Trust;
- (b) avoiding loss;
- (c) exercising economy and efficiency in the use of resources; and
- (d) conforming with the requirements of Monitor, the terms of authorisation, Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Delegation.

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

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

## **2        AUDIT**

### **2.1        AUDIT COMMITTEE**

2.1.1        In accordance with Standing Orders the Board shall formally establish an Audit Committee, with clearly defined terms of reference, The Committee will provide an independent and objective view of internal financial control and clinical governance arrangements by:

- (a)        overseeing Internal and External Audit services;
- (b)        reviewing systems;
- (c)        *monitoring compliance with Standing Orders and Standing Financial Instructions;*
- (d)        *reviewing schedules of losses and special payments and making recommendations to the Board.*

2.1.2        Where the Audit Committee feel there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the committee wish to raise, the chairman of the Audit Committee should raise the matter at a full meeting of the board. Exceptionally, the matter may need to be referred to the NHS Executive.

2.1.3        It is the responsibility of the Finance Director 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 Finance Director shall monitor and ensure compliance with SofS 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. The Local Counter Fraud Specialist shall report to the Finance Director and shall work with staff in the Directorate of Counter Fraud Services and the Counter Fraud Operational Service in accordance with the NHS Executive Fraud and Corruption Manual.

### **2.3        FINANCE DIRECTOR**

2.3.1        The Finance Director is responsible for:

- (a)        ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;
- (b)        ensuring that the internal audit is adequate and meets the NHS mandatory audit standards;
- (c)        deciding at what stage to involve the police in cases of misappropriation, and other irregularities;

- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee. The report must cover:
  - (i) a clear statement on the effectiveness of internal control,
  - (ii) major internal control weaknesses discovered,
  - (iii) progress on the implementation of internal audit recommendations,
  - (iv) progress against plan over the previous year,
  - (v) strategic audit plan covering the coming three years,
  - (vi) a detailed plan for the coming year.

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

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

## 2.4 **ROLE OF INTERNAL AUDIT**

2.4.1 *Internal Audit is an independent appraisal function of the Trust, designed to assist the Board and all levels of management to fulfil the corporate governance responsibilities.*

2.4.2 *The Internal Audit service will be subject to market testing every three years. Applications will be considered from private firms and from NHS audit agencies.*

2.4.3 *The terms of reference, the respective responsibilities of each party, the agreed services and total fee payable, together with the agreed qualitative and quantitative levels of performance shall be specified in an annual Service Level Agreement.*

2.4.4 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 Finance Director must be notified immediately.

2.4.5 The Service Level Agreement will be managed by the Finance Director.

2.4.6 The services provided under the Service Level Agreement will be planned, carried out and managed in accordance with the NHS Internal Audit Standards and Internal Audit Manual.

2.4.7 The Internal Audit Provider will retain the right to plan, perform and report audit work independently.

- 2.4.8 The Internal Audit Provider will liaise with the Trust's Chief Executive, Finance Director, Foundation Trust Secretary and the Audit Committee when drawing up a detailed audit plan for the forthcoming year. The plan will be based on a demonstrable assessment of risk and will show what areas are to be addressed, why they should be addressed and the benefits to the organisation of each risk and area audited.
- 2.4.9 Internal Audit will review, appraise and report upon:
- (a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
  - (b) the adequacy and application of financial and other related management controls;
  - (c) the suitability of financial and other related management data;
  - (d) the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
    - (i) fraud and other offences,
    - (ii) waste, extravagance, inefficient administration,
    - (iii) poor value for money or other causes.
- 2.4.10 The Internal Audit provider will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chairman and Chief Executive of the Trust.
- 2.4.11 *The Internal Audit provider will liaise with the appointed external auditor and other organisations as necessary. Internal and external audit plans should be coordinated and maximise added value to the Trust.*

## 2.5 **EXTERNAL AUDIT**

- 2.5.1 The external auditor is appointed by the Board of Governors. The Audit Committee must help ensure that the auditor provides a cost-efficient service. Should there appear to be a problem, this should be resolved in accordance with the Audit Code for NHS Foundation Trusts.



### **3 BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL, AND MONITORING**

#### **3.1 PREPARATION AND APPROVAL OF BUSINESS PLANS AND BUDGETS**

3.1.1 The Chief Executive will compile and submit to the Board an annual business plan which takes into account financial targets and forecast limits of available resources. The annual business plan will contain:

- (a) a statement of the significant assumptions on which the plan is based;
- (b) details of major changes in workload, delivery of services or resources required to achieve the plan;
- (c) *a summary Financial Plan; and*
- (d) *such other requirements as may be determined by the Independent Regulator for Foundation Trusts.*

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

- (a) be in accordance with the aims and objectives set out in the annual business plan;
- (b) accord with workload and manpower plans;
- (c) be produced following discussion with appropriate budget holders;
- (d) be prepared within the limits of available funds; and
- (e) identify potential risks.

3.1.3 The Finance Director shall monitor financial performance against budget and business plan, periodically review them, and report to the Board.

3.1.4 All budget holders must provide information as required by the Finance Director to enable budgets to be compiled.

3.1.5 *Service charges and developments must be financially appraised and include the FULL recovery of overheads, unless agreed with the Finance Director.*

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

#### **3.2 BUDGETARY DELEGATION**

3.2.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:

- (a) the amount of the budget;
- (b) the purpose(s) of each budget heading;
- (c) individual and group responsibilities;
- (d) authority to exercise virement;

- (e) achievement of planned levels of service; and
  - (f) the provision of regular reports.
- 3.2.2 The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board.
- 3.2.3 Authority for virements between budgets held by any one employee shall be limited to:
- over £250,000 Board of Directors
  - £75,000 - £250,000 Chief Executive & Finance Director
  - £50,000 - £75,000 Executive Directors
  - £10,000 - £50,000 Relevant Director
  - Below £10,000 Budget Holder
  - (or lower limit for individual budget holders as set by the Chief Executive)
- 3.2.4 *Expenditure for which no provision has been made in an approved budget and which is not subject to funding under delegated powers of virement shall only be incurred after proper authorisation – i.e. by the Chief Executive, or the Chairman and Chief Executive jointly, or the Board of Directors as appropriate within the delegated limits.*
- 3.2.5 *Unless approved by the Chief Executive individually or jointly with the Chairman, after taking the advice of the Finance Director, budgets shall only be used for the purpose for which they were provided. Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement.*
- 3.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive.
- 3.3 **BUDGETARY CONTROL AND REPORTING**
- 3.3.1 The Finance Director will devise and maintain systems of budgetary control. These will include:
- (a) monthly financial reports to the Board in a form approved by the Board
    - (i) income and expenditure to date showing trends and forecast year-end position;
    - (ii) movements in working capital; detailed balance sheet analysis including debtors and creditors movements;
    - (iii) cash flow forecasts;
    - (iv) capital project spend and projected outturn against plan;
    - (v) explanations of any material variances from plan;
    - (vi) details of any corrective action where necessary and the Chief Executive's and/or Finance Director's view of whether such actions are sufficient to correct the situation;
  - (b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
  - (c) investigation and reporting of variances from financial, workload and manpower budgets;
  - (d) monitoring of management action to correct variances; and

- (e) arrangements for the authorisation of budget transfers;
- (f) *adequate on-going training to budget holders to help them manage successfully.*

3.3.2 Each Budget Holder is responsible for ensuring that:

- (a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;
- (b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement; and
- (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.

#### 3.4 **CAPITAL EXPENDITURE**

3.4.1 *Expenditure on fixed assets for the Trust must follow the correct delegation and reporting lines specifically designed for approval of capital expenditure detailed in the delegation of powers. Accounting for fixed assets must comply with the Capital Accounting Manual for Foundation Trusts.*

3.4.2 *Fixed assets should not be purchased from revenue funds.*

#### 3.5 **MONITORING RETURNS**

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

## **4        ANNUAL ACCOUNTS AND REPORTS**

### **4.1        ANNUAL ACCOUNTS**

4.1.1        *The Trust (through its Chief Executive and accounting officer) shall prepare in respect of each Financial Year annual accounts in such form as Monitor may, with the approval of the Treasury, direct.*

4.1.2        In preparing its annual accounts, the Trust shall comply with any directions given by Monitor with the approval of the Treasury as to:

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

4.1.3        The Trust shall: -

- (a)        Lay a copy of the annual accounts, and any report of the auditor on them, before Parliament; and
- (b)        Once it has done so, send copies of those documents to Monitor in accordance with the timetable prescribed by Monitor.

### **4.2        ANNUAL REPORT AND FORWARD PLANS**

The Trust shall prepare annual reports and send them to Monitor. The reports are to give: -

4.2.1        Information on any steps taken by the Trust to secure that (taken as a whole) the actual membership of any public constituency and the Patient's constituency is representative of those eligible for such membership; and

4.2.2        Any other information the Monitor requires.

4.2.3        The Trust shall comply with any decision Monitor makes as to: -

- the form of the reports.
- when the reports are to be sent to him.
- the periods to which the reports are to relate.

4.3        The Trust shall give information as to its forward planning in respect of each financial year to Monitor. This information shall be prepared by the Board of Directors, who must have regard to the views of the Board of Governors.

4.4        The annual report shall also be held at the Trust Headquarters for public inspection and shall be made available via the Trusts website.

4.5        The Trust's annual accounts, any report of the auditor on them and annual report must be presented to the Board of Governors at a public meeting together with, where applicable, summary financial statements.

## **5 BANK AND PGO ACCOUNTS**

### **5.1 GENERAL**

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

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

5.1.3 *The Board of Directors shall approve the banking arrangements.*

### **5.2 BANK AND PGO ACCOUNTS**

5.2.1 The Finance Director is responsible for:

- (a) bank accounts and Paymaster General Office (PGO) accounts;
- (b) establishing separate bank accounts for the Trust's non-exchequer funds;
- (c) *approve the use of the Working Capital facility.*
- (d) *reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn.*

### **5.3 BANKING PROCEDURES**

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

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

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

5.3.3 *The Finance Director may enter into a formal agreement with other bodies for payment to be made on behalf of the Trust by electronic funds transfer (e.g.BACS). Where such an agreement is entered into, the Finance Director shall ensure satisfactory security arrangements are made.*

### **5.4 TENDERING AND REVIEW**

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

- 5.4.2 *Competitive tenders should be sought at least every five years. The result of the tendering exercise should be reported to the Board of Directors.*
- 5.4.3 *Banking arrangements may be extended up to a maximum of two years if the Trust obtains a valuable benefit from the extension.*

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

### **6.1 INCOME SYSTEMS**

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

### **6.2 FEES AND CHARGES**

6.2.1 The Trust shall follow the NHS Executive's advice in the "Costing For Contracting" Manual in compiling annual costing data and in establishing values for Service Agreements with commissioners

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

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

6.2.4 *Only designated staff, identified by the Finance Director, may raise invoices on behalf of the Trust.*

### **6.3 DEBT RECOVERY**

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

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

6.3.3 Should an overpayment be detected recovery will be initiated.

### **6.4 SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

6.4.1 *The Finance Director shall prescribe systems and procedures for any employee handling cash, pre-signed cheques and negotiable securities on behalf of the Trust, including:-*

- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- (b) ordering and securely controlling any such stationery;
- (c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin

operated machines; and

- (d) *arrangements for safe-keeping of duplicate keys and for the replacement of lost keys*
- (e) *procedures for receiving and banking of cash, cheques and other forms of payment*
- (f) *circumstances in which unofficial funds may be deposited in safes (see also 6.4.9 below).*

- 6.4.2 *Employees shall be informed in writing on appointment, of their responsibilities and duties for the collection, handling, distribution of cash, cheques etc. Any employee whose duty it is to collect or hold cash shall be provided with a safe or with a lockable cash-box which will normally be deposited in a safe. The employee concerned shall hold only one key.*
- 6.4.3 *During the absence (e.g. on holiday) of the holder of a safe or cash-box key, the employee who acts in their place shall be subject to the same controls as the normal holder of the key. There shall be written discharge for the safe and/or cash-box contents on the transfer of responsibilities and the discharge document must be retained for inspection.*
- 6.4.4 *All cash, cheques and other forms of payment received by any other employee shall be passed immediately to the holder of a safe or cash-box key or to the cashier, from whom a signed receipt shall be obtained.*
- 6.4.5 *All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Finance Director.*
- 6.4.6 *Official money may never be used for the encashment of private cheques.*
- 6.4.7 *The opening of coin operated machines (including telephones) and the counting and recording of the takings shall be undertaken by two employees together, unless authorised in writing by the Finance Director. The coin-box keys shall be held only by the nominated employee.*
- 6.4.8 *Any loss or shortfall of cash, cheques or other cash equivalents, however occasioned, shall be reported immediately in accordance with the agreed procedure for reporting losses (see also Section 13 Disposals, Losses and Special Payments)*
- 6.4.9 *The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss.*



## **7        CONTRACTING FOR PROVISION OF SERVICES**

- 7.1        The Chief Executive is responsible for negotiating contracts for the provision of services to patients in accordance with the Business Plan, and for establishing the arrangements for providing extra-contractual services. In carrying out these functions, the Chief Executive should take into account the advice of the Finance Director regarding:
- (a)       costing and pricing of services;
  - (b)       payment terms and conditions; and
  - (c)       amendments to contracts
- 7.2        Contracts should be so devised as to minimise risk whilst maximising the Trust's opportunity to generate income.
- 7.3        The Finance Director shall produce regular reports detailing actual and forecast contract income with a detailed assessment of the impact of the variable elements of income.
- 7.4        ***Any pricing of contracts at marginal cost must be undertaken by the Finance Director and reported to the Board.***
- 7.5        Services provided to non-NHS organisations with a value greater than £250,000 over a three year period or the period of the contract if longer, must be performed under a legal contract and approved by the Board.
- 7.6        *The risks and revenue streams associated with non-NHS activities should be approximately insured with commercial (i.e. non-NHSLA) underwriters.*

## **8            TERMS OF SERVICE AND PAYMENT OF DIRECTORS AND EMPLOYEES**

### **8.1        REMUNERATION AND TERMS OF SERVICE**

8.1.1      In accordance with Standing Orders the Board shall establish a Remuneration and Terms of Service Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

8.1.2      The Committee will:

- (a)      advise the Board about appropriate remuneration and terms of service for the Chief Executive and other executive directors including:
  - (i)      all aspects of salary
  - (ii)     provisions for other benefits, including pensions and cars;
  - (iii)    arrangements for termination of employment and other contractual terms;
- (b)      *make such recommendations to the Board on the remuneration and terms of service of executive directors to ensure they are fairly rewarded for their individual contribution to the Trust – having proper regard to the Trust circumstances and performance and to the provisions of any national arrangements for such staff where appropriate;*
- (c)      *monitor and evaluate the performance of individual executive directors through the Chief Executives monitoring framework; and*
- (d)      *advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.*
- (e)      *ensure that all termination payments however arising, must be approved by the Finance Director and the Director of HR (and having taken the appropriate advice from the Foundation Trust Secretary and Chief Internal Auditor) to confirm that, respectively, funding is available, no alternative employment opportunities exist and that current regulatory guidance is followed.*

8.1.3      In accordance with Standing Orders, the Council of Governors shall establish a Remuneration Committee, with clearly defined terms of reference, specifying which posts fall into its area of responsibility, its composition and the arrangements for reporting.

8.1.4      The Council of Governors Remuneration Committee will advise the Council about appropriate remuneration and allowances and other terms and conditions of office of the Chairman and Non Executive Directors'.

### **8.2        ESTABLISHMENT**

8.2.1      The manpower plans incorporated within the annual budget, will form the establishment.

8.2.2 *The funded establishment of any department may not be increased without a business case being approved in line with the business case process.*

### 8.3 **STAFF APPOINTMENTS**

8.3.1 No director or employee may engage, re-engage, or regrade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:

- (a) unless authorised to do so by the Chief Executive; and
- (b) within the limit of his approved budget and funded establishment.

8.3.2 The Chief Executive will approve procedures for the determination of commencing pay rates, conditions of service, etc, for employees.

8.3.3 *It is the duty of any director or authorised employee who engages staff to ensure that references are obtained and qualifications claimed are authenticated prior to commencement. These checks must be certified as performed and documentary evidence retained on the applicants personal file.*

### 8.4 **PROCESSING OF PAYROLL**

8.4.1 The Finance Director is responsible for:

- (a) specifying timetables for submission of properly authorised time records and other notifications;
- (b) the final determination of pay (with the advice of the Director of Human Resources);
- (c) making payment on agreed dates; and
- (d) agreeing method of payment.

8.4.2 The Finance Director will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees;
- (c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- (d) security and confidentiality of payroll information;
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;
- (g) methods of, and procedures for, payment;
- (h) procedures for the recall of cheques and bank credits;

- (i) maintenance of regular and independent reconciliation of pay control accounts;
- (j) separation of duties of preparing records and handling cash; and
- (k) a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.

8.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) submitting time records, and other notifications in accordance with agreed timetables;
- (b) *the certification of staff expense claim forms. The certification by or on behalf of the Budget Holder or Budget Manager shall be taken to mean that the authorising officer is satisfied that the journeys made were authorised, that expenses claimed were properly and necessarily incurred and that allowances are properly payable by the Trust. Eligible employees authorised claims for reimbursement of expenses shall be on an appropriate document which shall be in a form approved by the Finance Director. Completed and authorised claims, supported by receipts as appropriate, shall be submitted to the Finance Director on a regular basis in accordance with an agreed timetable, and as soon as practicable after the expense has been incurred.*
- (c) expense claims over 6 months old, but less than 12 months old have to be authorised by the Finance Director, in addition to the authorising officer.
- (d) claims over 12 months old may not be paid, at the discretion of the Finance Director.
- (e) completing time records and other notifications in accordance with the Finance Director's instructions and in the form prescribed by the Finance Director; and
- (f) 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 they have left without notice, the Finance Director must be informed immediately.

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

8.4.5 *Payment to an individual shall not be made in advance of the normal pay day, unless there are extenuating circumstances, supported in writing by the appropriate Budget Holder or Budget Manager, authorised by the Finance Director, and will not exceed the net pay due at the time of payment. In no circumstances will an advance be made for less than £100.*

8.4.6 *All new employees shall be paid monthly by bank credit transfer (BACS), unless otherwise agreed by the Finance Director. No employee will be able to transfer from payment by bank credit transfer to payment in cash.*

8.5 **Contracts of Employment**

8.5.1 The Board shall delegate responsibility to each Executive Director for:

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

8.5.2 *The Board shall delegate responsibility to the Director of HR for the authorisation of variations from Agenda for Change – Terms and Conditions of Service Handbook and Consultant Contracts.*

## **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.

9.1.2        The Chief Executive will set out:

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

9.1.3        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 adviser on supply shall be sought. Where this advice is not acceptable to the requisitioner, the Finance Director shall be consulted.

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

9.2.3        The Finance Director will:

- (a)        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 in standing orders and regularly reviewed;
- (b)        prepare procedural instructions on the obtaining of goods, works and services incorporating the thresholds;
- (c)        be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
  - (i)        A list of directors/employees (including specimens of their signatures) authorised to certify invoices.
  - (ii)        Certification of invoices/goods received notes.
  - (iii)        A timetable and system for submission to the Finance Director 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.
  - (d) 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 and when agreed by the Finance Director. The budget holder is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the Finance Director if problems are encountered.
- 9.2.5 Official Orders must:
- (a) be consecutively numbered;
  - (b) be in a form approved by the Finance Director;
  - (c) state the Trust's terms and conditions of trade; and
  - (d) only be issued to, and used by, those duly authorised by the Chief Executive.
- 9.2.6 Managers must ensure that they comply fully with the guidance and limits specified by the Finance Director and that:
- (a) all contracts (other than for a simple purchase permitted within the Authorised Limits or delegated budget), leases, tenancy agreements and other commitments which may result in a liability are notified to the Finance Director in advance of any commitment being made;
  - (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);
  - (c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the NHS Executive;
  - (d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
    - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
    - (ii) conventional hospitality, such as lunches in the course of working visits;
- Employees receiving such offers shall notify the appropriate director; details of hospitality received shall be entered in a register maintained by the Chief Executive's Office; and visits at a suppliers expense to inspect equipment etc. should not be undertaken without the prior approval of the Chief Executive.

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Finance Director on behalf of the Chief Executive;
- (f) 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;
- (g) verbal orders must only be issued very exceptionally - by employees designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order, clearly marked "Confirmation Order";
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (i) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (j) changes to the list of directors/employees authorised to certify invoices are notified to the Finance Director;
- (k) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Finance Director; and
- (l) petty cash records are maintained in a form as determined by the Finance Director.
- (m) certification of satisfactory delivery of the goods or services to the Finance Department is completed through the part-delivery advice (PDA) or "goods received note" process within 48 hours of receipt.

9.2.7 The Finance Director 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 Director of Planning and Development.



## **10        EXTERNAL BORROWING AND INVESTMENTS**

### **10.1        EXTERNAL BORROWING**

- 10.1.1    *The Trust must comply with the code, determined by Monitor and laid before Parliament, for the total amount of borrowing.*
- 10.1.2    *The Trust may borrow money for the purpose of or in connection with its functions.*
- 10.1.3    *The total amount of the Trust's borrowing is subject to the limit imposed by its authorisation and Monitor's prudential borrowing list.*
- 10.1.4    *The limit is reviewed annually by the Monitor.*
- 10.1.5    *Any application for a loan or overdraft or the use of any Working Capital Facility will only be made by the Finance Director or by an employee so delegated by him/her.*
- 10.1.6    *The Finance Director must prepare detailed procedural instructions concerning applications for loans and overdrafts.*
- 10.1.7    *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 by the Finance Director.*
- 10.1.8    *All Long Term borrowing must be consistent with the plans outlined in the current Business Plan approved by the Board of Directors.*

### **10.2        PUBLIC DIVIDEND CAPITAL**

*The amount that was the public dividend capital immediately prior to becoming a Foundation Trust continues as the public dividend capital of the Trust.*

- 10.2.1    *The dividend paid by the Trust is to be the same as that payable by NHS Trusts in England in pursuance of section 9(7) of the 1990 Act (dividend on public dividend capital) and must be authorised by the Chief Executive;*
- 10.2.2    *Any amount paid to the Secretary of State by the Trust by way of repayment of public dividend capital is to be paid into the Consolidated Fund.*

### **10.3        INVESTMENTS OF SURPLUS CASH**

- 10.3.1    *The Trust may invest money (other than money held by it as trustee) for the purposes of or in connection with its functions.*
- 10.3.2    *The investment may include investment by:*
  - a)        *Forming or participating in forming, bodies corporate;*
  - b)        *Otherwise acquiring membership of bodies corporate.*
- 10.3.3    *The Trust may not undertake any investment which contains financial risk to the Trust. All investments must be authorised by the Finance Director or by a delegated officer.*

- 10.3.4 *A Treasury Management policy will be formulated by the Finance Director in conjunction with Audit and Finance Committees and approved by the Board of Directors.*

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

### **11.1      CAPITAL INVESTMENT**

#### **11.1.1      The Chief Executive:**

- (a)    shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans;
- (b)    is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
- (c)    *that the capital investment is not undertaken without the availability of resources to finance all revenue consequences, including capital charges.*

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

- (a)    *that a business case, prepared to a standard format as determined by the Board of Directors 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; and
- (b)    that the Finance Director has certified professionally to the costs and revenue consequences detailed in the business case, and that the extent of commissioner support is identified.

#### **11.1.3      For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of "Estatecode".**

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

#### **11.1.4      The approval of a capital programme shall not constitute approval for expenditure on any scheme. The Chief Executive shall issue to the manager responsible for any scheme:**

- (a)    specific authority to commit expenditure;
- (b)    authority to proceed to tender;
- (c)    approval to accept a successful tender.

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

- 11.1.5 The Finance Director shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

## 11.2 **PRIVATE FINANCE**

- 11.2.1 When the Trust proposes to use finance which is to be provided other than through its own resources or direct borrowing within its Prudential Borrowing Limit.

- (a) The Finance Director shall demonstrate in the business case that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) Where the sum involved exceeds delegated limits, the business case must be referred to the appropriate approving body(ies)
- (c) The proposal must be specifically agreed by the Board.

## 11.3 **ASSET REGISTERS**

- 11.3.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Finance Director concerning the form of any register and the method of updating, and arranging for physical checks of assets against the asset register to be conducted annually.

- 11.3.2 Each Trust shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be as specified in the Capital Accounting Manual as issued by the NHS Executive.

- 11.3.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:

- (a) properly authorised and approved agreements, architects' certificates, suppliers' invoices and other documentary evidence in respect of purchases from third parties;
- (b) stores requisitions for own materials, appropriate overheads; and
- (c) lease agreements in respect of assets held under a finance lease and capitalised.
- (d) the appropriate guidance on assets potentially arising as a consequence of PFI contracts (e.g. deferred assets and residual interests).

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

- 11.3.6 The value of each asset shall be revalued and depreciated inline with the Trust's revaluation and depreciation policy as agreed by the Board.
- 11.3.7 *Buildings should be designated protected or non-protected.*
- 11.4 **SECURITY OF ASSETS**
- 11.4.1 The overall control and security of fixed assets is the responsibility of the Chief Executive.
- 11.4.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Finance Director. This procedure shall make provision for:
- (a) recording managerial responsibility for each asset;
  - (b) identification of additions and disposals;
  - (c) identification of all repairs and maintenance expenses;
  - (d) physical security of assets;
  - (e) annual verification of the existence of, condition of, and title to, assets recorded;
  - (f) identification and reporting of all costs associated with the retention of an asset; and
  - (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 11.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Finance Director.
- 11.4.4 Whilst each employee has a responsibility for the security of property of the Trust, it is the responsibility of directors and managers 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 the Trust's premises, 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        Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- (a)        kept to a minimum;
  - (b)        subjected to annual stocktake;
  - (c)        valued at the lower of cost and net realisable value.
- 12.2        Subject to the responsibility of the Finance Director for the systems of control, overall responsibility for the control of stores shall be delegated by the Chief Executive. The day-to-day responsibility may be delegated by him to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Finance Director. The control of Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of fuel oil and coal of a designated estates manager.
- 12.3        The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated manager. Wherever practicable, stocks should be marked as health service property.
- 12.4        The Finance Director shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 12.5        Stocktaking arrangements shall be agreed with the Finance Director.
- 12.6        The designated manager shall be responsible for a system approved by the Finance Director for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated officer shall report to the Finance Director any evidence of significant overstocking and of any negligence or malpractice (see also 13, Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out (see 13) for disposal of all surplus and obsolete goods.

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

### **13.1        DISPOSALS AND CONDEMNATIONS**

13.1.1    The Finance Director must prepare detailed procedures for the disposal of surplus/obsolete assets including condemnations, and ensure that these are notified to managers.

13.1.2    When it is decided to dispose of a Trust asset, the head of department or authorised deputy will determine and advise the Finance Director of the estimated market value of the item, taking account of professional advice (e.g. procurement) where appropriate. For those items likely to have a value, the means of disposal will be agreed by the Finance Director. Monitor and the relevant PCT's must be notified through the Annual Plan and agree any disposal of protected assets.

13.1.3    All unserviceable articles shall be:

- (a)    condemned or otherwise disposed of by an employee authorised for that purpose by the Finance Director;
- (b)    recorded by the Condemning Officer in a form approved by the Finance Director 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 Finance Director.

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

### **13.2        LOSSES AND SPECIAL PAYMENTS**

13.2.1    The Finance Director must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. The Finance Director must also prepare a 'fraud response plan' that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.

13.2.2    Any employee discovering or suspecting a loss of any kind must immediately inform their head of department, who must inform their director or directorate manager. This officer will then appropriately inform the Finance Director and/or Chief Executive. Where a criminal offence (theft or arson) is suspected, the Police should be informed immediately. In cases of suspected fraud and corruption, the employee may wish to report suspicions to an officer independent from line management. In such circumstances, options include: -

- any of the Trust's directors
- any member of the Audit Committee
- the head of Internal Audit

In such cases, the particular circumstances will determine at what stage the Police should be notified - this decision will be made by the Finance Director, subject to procedural guidance laid down in the NHS Fraud and Corruption Manual.

- 13.2.3 For significant losses apparently caused by theft, arson, neglect of duty or gross carelessness, the Finance Director must immediately notify:
- (a) the Board, and
  - (b) the External Auditor.
- 13.2.4 Within limits delegated to it by Monitor, the Board shall approve the writing-off of losses.
- 13.2.5 The Finance Director shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 13.2.6 For any loss, the Finance Director should consider whether any insurance claim can be made.
- 13.2.7 The Finance Director shall maintain a Losses and Special Payments Register in which write-off action is recorded.



## **14      INFORMATION TECHNOLOGY AND FINANCE SYSTEMS**

- 14.1      The Finance Director, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall:
- (a)      devise and implement any necessary procedures to ensure adequate protection of the Trust's data, for which he/she is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, having due regard for the Data Protection Act 1984;
  - (b)      ensure that adequate controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
  - (c)      ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
  - (d)      ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as he/she may consider necessary are being carried out.
- 14.2      The Finance Director shall satisfy him/herself 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.
- 14.3      The Finance Director shall ensure that contracts for computer services for financial applications with 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.
- 14.4      Where another agency provides a computer service for financial applications, the Finance Director shall periodically seek assurances that adequate controls are in operation.
- 14.5      Where computer systems have an impact on corporate financial systems the Finance Director shall satisfy him/herself that:
- (a)      systems acquisition, development and maintenance are in line with corporate policies.
  - (b)      data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - (c)      Finance Director staff have access to such data; and
  - (d)      such computer audit reviews as are considered necessary are being carried out.

**15      PATIENTS' PROPERTY**

- 15.1      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.
- 15.2      The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission 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.
- 15.3      The Finance Director must provide detailed written instructions on the collection, custody, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients.
- 15.4      Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.

## **16        CHARITABLE FUNDS**

### **16.1        INTRODUCTION**

- 16.1.1    Standing Orders (SOs) identify the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust 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.
- 16.1.2    As management processes overlap most of the sections of these SFIs will apply to the management of funds held on trust. This section covers those instructions which are specific to the management of funds held on trust.
- 16.1.3    The over-riding principle is that the integrity of each trust must be maintained and statutory and trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

### **16.2        CHARITABLE FUNDS**

- 16.2.1    Within this section "charitable funds" are those gifts, donations and endowments made under the relevant charities legislation and held on trust for purposes relating to the National Health Service, the objects of which are for the benefit of the National Health Service in England. They are administered by the Board acting as trustees.
- 16.2.2    The Finance Director shall maintain such accounts and records as may be necessary to record and protect all transactions and funds of the Trust as trustees of charitable funds including an Investments Register.
- 16.2.3    The Finance Director shall prepare detailed procedural instructions concerning the receiving, recording, investment and accounting for charitable funds.
- 16.2.4    All gifts 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 donations. For the protection of the Trust and its officers, all monies donated to the Trust, or any department thereof, shall be credited only to authorised bank accounts held by the Trust. As the Trust can accept gifts only for all or any purposes relating to the Health Service, officers shall, in cases of doubt, consult the Finance Director before accepting any gifts. Advice to the Board on the financial implications of fund raising activities by outside bodies or organisations shall be given only by the Finance Director.
- 16.2.5    The Finance Director shall be required to advise the Board on the financial implications of any proposal for fund raising activities which the Trust may initiate, sponsor or approve.
- 16.2.6    The Finance Director shall be kept informed of all enquiries regarding legacies and shall keep an appropriate record. After the death of a testator all correspondence concerning a legacy shall be dealt with on behalf of the Trust by the Finance Director who alone shall be empowered to give and execute a good discharge.

- 16.2.7 Charitable funds shall be invested by agreement of the Trust's Investment Panel in accordance with the Trust's policy and subject to statutory requirements.
- 16.2.8 Expenditure of any charitable funds shall be conditional upon the item being within the terms of the appropriate donation and the procedures approved by the Board. Approval limits are set out in the Appended Schedule of Authorised Limits.
- 16.2.9 Where it becomes necessary for the Trust to obtain Grant of Probate, or to make application for grant of letters of administration, in order to obtain a legacy due to the Trust under the terms of a Will, the Finance Director shall be the Trust's nominee for the purpose.

## **17      STANDARDS OF BUSINESS CONDUCT**

### **17.1      POLICY**

- 17.1.1      *Staff must comply with the national guidance contained in HSG(93)5 Standards of Business Conduct for NHS staff and the Trust's policy on Standards of Business Conduct. Key issues addressed in the policy are stated below.*

### **17.2      PRINCIPLES OF CONDUCT IN THE NHS**

- 17.2.1      *To provide high quality health care, employees must;*
- (a)    be impartial and honest in the conduct of their role and staff should ensure their actions remain above and beyond suspicion*
  - (b)    ensure that the interest of patients remains paramount at all times*
  - (c)    effectively utilise the funds entrusted to them to the best advantage of the service*
  - (d)    declare to their manager, should they secure private work through or as a result of their employment within the Trust*
  - (e)    declare any external work undertaken*

### **17.3      THE LEGAL POSITION**

- 17.3.1      *Under the Trust's Disciplinary Policy and the terms and conditions of an employee's contract, it is an offence for staff to accept any inducement or reward for:*
- (a)    doing, or refraining from doing anything in their official capacity*
  - (b)    showing favour or disfavour to any person in their official capacity*

### **17.4      CONFIDENTIALITY**

- 17.4.1      *Employees in the course of their duties may gain access to business information in relation to the running of the Trust. Employees may also gain access to information that relates to staff, patients and/or other clients. Such information is regarded by the Trust as **CONFIDENTIAL**. Therefore all members of staff **must not** disclose such information either in the course of their duties whilst in employment or at any time after the termination of their contract, to any person who does not have the right to this information.*
- 17.4.2      *Employees are also not permitted to release in any form the whole or part of any document belonging to the Trust, except where **express consent** by a Director has been given, in relation to the proper performance of an employee's duties.*

### **17.5      CASUAL GIFTS**

- 17.5.1      *Casual gifts offered by contractors or others, may not be in any way connected with an employee's performance of duties so as to constitute an offence under the terms and conditions of their employment contract. Articles of low intrinsic value such as pens or diaries, or small tokens of gratitude from service users*

or their relatives, need not necessarily be refused and need not be declared. Staff should consult their line manager if in doubt.

## **17.6 HOSPITALITY**

- 17.6.1 *Appropriate hospitality may be acceptable and should be declared in the hospitality register held by the Trust Secretary. Any hospitality from pharmaceutical companies must comply with the Association of British Pharmaceutical Industries (ABPA) guidelines.*
- 17.6.2 *Trust staff should decline all other offers of gifts, hospitality or entertainment which are over and above this level. Staff should consult their line manager if in doubt.*

## **17.7 INTEREST OF OFFICERS IN CONTRACTS**

- 17.7.1 *If it comes to the knowledge of a director or an officer of the Trust that a contract in which he has any pecuniary interest whilst not being a contract to which he is himself a party, has been, or is proposed to be, entered into by the Trust he/she shall, at once, give notice in writing to the Chief Executive of the fact that he/she is interested therein. In the case of married persons (or persons) living together as partners, the interest of one partner shall, if known to the other, be deemed to be also in the interest of that partner.*

## **17.8 PRIVATE TRANSACTIONS**

- 17.8.1 *Trust staff must not seek or accept preferential rates or benefits in kind for private transactions carried out with companies with which they have had, or may have official dealings on behalf of the Trust*
- 17.8.2 *An officer must also declare to the Chief Executive any other employment or business or other relationship of his, or of a cohabiting **partner**, that conflicts, or might reasonably be predicted could conflict with the interests of the Trust.*
- 17.8.3 *All board members are required, upon appointment, to subscribe to the NHS Code of Conduct and Code of Accountability.*

## **17.9 CANVASSING OF AND RECOMMENDATIONS BY DIRECTORS IN RELATION TO APPOINTMENTS**

- 17.9.1 *Canvassing of directors of the Trust or members of any committee of the Trust directly or indirectly for any appointment under the Trust shall disqualify the candidate from such an appointment. The contents of this paragraph of the Standing Order shall be included in employment contracts or otherwise brought to the attention of candidates.*

## **17.10 RELATIVES OF DIRECTORS OR OFFICERS**

- 17.10.1 *Candidates for any staff appointment shall when making application disclose in writing whether they are related to any director or the holder of any office under the Trust. Failure to disclose such a relationship may disqualify a candidate and, if appointed, render him/her liable to instant dismissal*
- 17.10.2 *The directors and every officer of the Trust with recruitment responsibility shall disclose to the Director of Human Resources any relationship with a candidate of whose candidature that director or officer is aware. It shall be the duty of the Director of Human Resources to put appropriate safeguards in place to*

*ensure the decision making process is operated fairly.*

- 17.10.3 On appointment, directors (and prior to acceptance of an appointment in the case of executive directors) should disclose to the Trust whether they are related to any other director or holder of any office under the Trust.
- 17.10.4 Where the relationship of an officer or another director to a director of the Trust is disclosed, the Standing Order headed 'Disability of directors in proceedings on account of pecuniary interest' shall apply.
- 17.10.5 Staff must ensure that no special favour is shown to current or former employees or their close relatives or associates in awarding contracts to private or other businesses run by them or employing them in a senior or relevant management capacity. Contracts may be awarded to such businesses, but scrupulous care must be taken to ensure that the tendering and selection processes are conducted impartially, and that staff who are known to have a relevant interest take no part in the selection process.

## **17.11 EMPLOYMENT**

- 17.11.1 Staff are advised not to engage in outside employment which may conflict with the Trust's business or be detrimental to it or its reputation.
- 17.11.2 Staff are also reminded of their responsibility to ensure that work undertaken in addition to their substantive contractual duties with the Trust is not detrimental to their employment and does not impair their ability to perform their duties for the Trust. This must be declared, in addition to the declaration requirements under the Working Time Regulations.

## **17.12 PRICIPLES OF PRIVATE WORK**

- 17.12.1 For medical staff: -
  - (a) Consultants and Associate Specialists employed under the Terms and Conditions of Service for Hospital Medical and Dental staff are permitted to carry out private practice in NHS Hospitals subject to the conditions outline in the handbook, "A Guide to the Management of Private Practice in the NHS". Consultants who have signed new contracts with the Trust will be subject to the terms applying to private practice in those contracts.
  - (b) All medical staff are entitled to fees for other work outside the NHS contractual duties under "Category 2" (Paragraph 37 of the Terms and Conditions for Medical and Dental staff) e.g. examinations and reports for life insurance purposes.
  - (c) Doctors in training should not undertake locum work outside their contracts where such work would be in breach of the New Deal provisions and/or breach of the Working Time Regulations.
- 17.12.2 *All other types of NHS staff employed by the Trust are encouraged to refrain from carrying out private work. Under exceptional circumstances employees may request formal agreement from their line-manager to engage in private work. If an employee does engage in private work the following criteria must be complied with:*

- (a) *They do not use their NHS titles or the Trust's name in advertising their private work,*
- (b) *They do not use any NHS resource including Trust buildings or facilities, stationary, secretarial support, equipment or postage,*
- (c) *It does not adversely affect their capacity to perform their NHS duties,*
- (d) *Private work is only undertaken at times when staff are off duty or on annual leave,*
- (e) *They do not leave business cards or place posters in Trust premises,*
- (f) *Appropriate adherence is paid to Working Time Regulations and issues of Health and Safety in relation to working hours*

*If agreed, it is an Audit Committee requirement that the line manager must formally notify the arrangement to the Trust Board Secretary as a Declaration of Interest.*

*Furthermore, it should be noted that any remuneration received from external organisations or individuals through lecturing, teaching activities or for services provided during Trust time, is income that belongs to the NHS and should therefore be paid into the relevant directorate budget. This does not include SPA activities.*

### **17.13 REWARDS FOR INITIATIVE**

- 17.13.1 *The Trust will ensure that it is in position to identify potential intellectual property rights (IPR), so that it may ensure that its staff receive any rewards or benefits e.g. royalties in respect of any work carried out by Trust employees. Appropriate specifications and provisions will be incorporated into contractual agreements.*
- 17.13.2 *Rewards may be given voluntarily to Trust staff who within the course of their duties have produced innovative work of outstanding benefit to the NHS. Similar rewards may also be applied to other activities such as publishing articles and giving lectures.*
- 17.13.3 *In the case of collaborative research work with manufacturers, the Trust will ensure that it obtains a fair reward for the input provided. The Trust will also ensure that involvement with a particular manufacturer does not influence the purchase of other supplies from that manufacturer.*

### **17.14 COMMERCIAL SPONSORSHIP**

- 17.14.1 *Acceptance by Trust staff of commercial sponsorship for attendance at relevant conferences/course is acceptable on provision of the staff seeking permission in advance and the manager is satisfied that acceptance will not compromise any purchasing decisions. This must be declared.*
- 17.14.2 *Pharmaceutical companies may offer to sponsor a post for the Trust. The sponsorship must not effect on the purchasing decisions made by the Trust and this will be monitored. Pharmaceutical companies may request*



*collaboration in drug trials on their product. These will in all cases, be regulated by the local ethical committee. Any financial arrangements must comply with the Association of British Pharmaceutical Industries (ABPI) regulations and must be declared.*

*17.14.3 Under no circumstances will the Trust agree to “linked deals”, whereby sponsorship is linked to the purchase of particular products or services.*

*17.14.4 In circumstances where a firm offers free equipment, the free loan of equipment, or to provide equipment at what is , prima facie, less than cost:-*

*(a) the individual who has been approached must seek authority from his/her line manager, in order to ensure that this offer can in no way be construed as an inducement for future purchase.*

*(b) great caution must be exercised. In such cases, managers will be expected to ensure that the transaction will bear external scrutiny.*

## **17.15 COMMERCIAL IN CONFIDENCE**

*17.15.1 Trust staff must avoid using or making public, internal information of “Commercial Significance”, particular if its disclosure would prejudice the principle of a fair purchasing system.*

*17.15.2 This information does not relate to service delivery and activity levels, which should be publicly available as outlined in the NHS guidelines on openness.*

## **17.16 PROFESSIONAL CODES OF CONDUCT**

*17.16.1 Professional Staff are reminded that they are also bound by their own codes of conduct within their profession. Professional staff should be aware of their codes of conduct. Managers will ensure that current Codes of Conduct are available for access by their staff.*

## **17.17 WHISTLE BLOWING**

*17.17.1 Managers should create a climate for staff to report any inappropriate behaviour in the workplace. Trust staff must feel that their legitimate views will be welcomed and, where appropriate, acted on positively. The Trust will seek to offer practical support to staff. Refer to the Trust’s ‘Whistleblowers Policy’ for further guidance.*

*(a) All Trust staff have a clear duty to inform their managers of any instances of malpractice towards service users.*

*(b) The Trust expects openness to be fostered so that staff should be encouraged freely to contribute their views on all aspects of Trust activities, especially the delivery of care to service users.*

*(c) All Trust staff have a clear duty to inform their managers of financial irregularities.*

*(d) All Trust staff have a clear duty to inform their managers of any instances of unprofessional conduct.*

## **17.18 DECLARATION OF INTEREST**

- 17.18.1 The Trust shall maintain a hospitality register, detailing both hospitality accepted and that which has been offered but declined. The register will be held by the Foundation Trust Secretary.*
- 17.18.2 The Trust shall maintain a declaration of interests register. The register will be held by the Foundation Trust Secretary.*

## **18        RETENTION OF DOCUMENTS**

- 18.1        The Chief Executive shall be responsible for maintaining archives for all documents required to be retained under the direction contained in *“Records Management: NHS Code of Practice”*, and to enable requests under the *Freedom of Information Act (2000)*, to be met.
- 18.2        The documents held in archives shall be capable of retrieval by authorised persons.
- 18.3        Documents held under *“Records Management: NHS Code of Practice”*, shall only be destroyed at the express instigation of the Chief Executive, records shall be maintained of documents so destroyed.

**19      RISK MANAGEMENT AND INSURANCE**

19.1      The Chief Executive shall ensure that the Trust has a programme of risk management which will be approved and monitored by the Board.

19.2      The programme of risk management shall include:

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

19.3      The Finance Director shall ensure that insurance arrangements exist in accordance with the risk management programme.

**SCHEDULE OF AUTHORISED LIMITS****1. SIGNATORIES ON FINANCIAL INSTRUMENTS**

£

Limit on single signatory payments	-	To third parties (inc. Charitable Funds)	10,000
	-	To obtain cash	1,500

**2. PETTY CASH**

Petty cash limit	-	Reimbursement of patients monies (inc. payments to relatives of deceased patients)	100
	-	All other payments	50
	-	Reimbursement of petty cash above £50 and patients monies above £100 by prior approval of the Finance Director	

**3. QUOTATIONS AND TENDERS (all to be sought by the Procurement Department)**

2 minimum verbal quotations for goods & services	5,000
3 written quotations for goods & services	5,001 – 50,000
4 written quotations for goods & services	50,001 – 91,391*
Competitive Tendering (*OJEU)	91,391 +
Single Tender and quotation dispensation (Waivers)	
Procurement Manager	0 - 25,000
Chief Executive and Director of Finance	25,001 - 100,000
Trust Board	Over 100,000
Level above which a Non-Executive Director should be present at tender opening	150,000
Level above which tender evaluation should include:	
(i) Executive Director	150,000
(ii) Non-Executive Director	400,000
Level above which contract award must be approved by Board	200,000
Level above which building/engineering contracts should be executed under seal	50,000

**4. WRITE OFFS**

Limit of authority to approve write-offs:

(i)	Financial Services Manager	500
(ii)	Director of Finance & Information	1,000
(iii)	Trust Board	above 1,000

**5. REVENUE BUDGET REQUISITIONS****Authority to approve requisition for goods and service within budget levels approved by the Board of Directors**

Authorising Officers	Lead Nurses/ Midwives Department Heads	up to	3,000
Budget Managers	Theatre Specialty Managers Manager – Wheelchair Service Head of Technical Services – Cardiology Pharmacists – DRUGS ONLY Matrons	up to	10,000

Medical Heads of Service  
 Head of IT  
 Service Heads – Clinical and Specialist Support Services  
 Laboratory Managers  
 Radiology Manager  
 Head of Information  
 General Managers  
 Principal Pharmacists – DRUGS ONLY

Budget Holders	Clinical Directors Performance Director Head of Estates and FM Associate Operations Director Deputy Directors – Corporate Departments	up to	50,000
Directors	Director of Human Resources Nursing Director Medical Director	up to	75,000
	Operations Director	up to	125,000
	Chief Executive and Finance Director	up to	250,000
	Trust Board	Over	250,000

**NOTE:** Immediate Line Manager required to sign in postholders absence

#### 6. VARIATIONS TO PROJECT AGREEMENT WITH PRIVATE FINANCE PARTNER

Operations Director	Annual Recurrent	up to	50,000
	Non Recurrent	up to	125,000
Chief Executive and Finance Director	Annual Recurrent	up to	150,000
	Non Recurrent	up to	250,000
Full Board	Annual Recurrent	over	150,000
	Non Recurrent	over	250,000

#### 7. CAPITAL BUDGET REQUISITIONS

Developments Manager	up to	25,000
Operations Director	up to	125,000
Chief Executive and Finance Director	up to	250,000
Trust Board	Over	250,000

#### 8. BUSINESS CASE APPROVAL

Full Board	over	250,000
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**NOTE:** In respect of capital schemes these will need to have been included in the Capital Programme approved by the Board and the revenue consequence having been agreed by the Directorate

#### 9. CHARITABLE FUNDS – APPROVALS AND REQUISITIONS

##### All Funds

Medical Head of Service Matrons	} up to	1,000
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All Directors	up to	5,000
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Chief Executive and Finance Director	} countersigned by Treasury Manager/Income Manager	up to	50,000
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Full Board	over	50,000
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**Note:** Countersignature of Treasury Manager is required to confirm availability of funding. (Financial Controller or Income Manager to sign in postholder absence)