



# STANDING FINANCIAL INSTRUCTIONS

## 2023-24

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The Trust is committed to promoting an environment that values diversity. All staff are responsible for ensuring that all patients and their carers are treated equally and fairly and not discriminated against on the

grounds of race, sex, disability, religion, age, sexual orientation or any other unjustifiable reason in the application of this policy, and recognising the need to work in partnership with and seek guidance from other agencies and services to ensure that special needs are met.

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## **INTRODUCTION**

### **Governance Framework**

These Standing Financial Instructions (SFIs) are issued in accordance with the Trust (Functions) Directions 2000 issued by the Secretary of State which require that each Trust shall agree SFIs for the regulation of the conduct of its Members and Officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs).

### **Purpose**

These SFI's are issued for the regulation of the conduct of the Trust. They are designed to ensure the Trust's financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness in the way the Trust manages public resources. They should be used in conjunction with the Reservation of Powers and Scheme of Delegation.

### **Authority and Compliance**

These SFI's identify the financial responsibilities that apply to everyone working for the Trust and its constituent organisations including Trading Units. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Chief Financial Officer.

All aspects of these SFIs are relevant to both Trust spending and charitable funds for which the Trust Board is responsible as corporate trustee.

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

Failure to comply with SFIs and SOs can in certain circumstances be regarded as a disciplinary matter that may be subject to a full investigation and appropriate disciplinary action, which could result in dismissal. Where failure to comply constitutes a criminal offence it may result in criminal investigation, and criminal sanctions will be considered and applied as appropriate.

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

Monitoring of compliance is also the responsibility of all staff. The Chief Financial Officer should be advised of any refractor. In addition, compliance is monitored by the Finance Department on an on-going basis.

## **Responsibilities and delegation**

### **The Trust Board**

The Board exercises financial supervision and control by:

- formulating the financial strategy.
- requiring the submission and approval of budgets within approved allocations/overall income.
- defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money).
- defining specific responsibilities placed on members of the Board and employees as indicated in the Reservation of Powers and Scheme of Delegation document.

In addition

- The board and non-executive directors should provide clear and demonstrable support and strategic direction for counter fraud, bribery, and corruption work.
- The board will review the proactive management, control and the evaluation of counter fraud, bribery, and corruption work.

The board and non-executive directors will scrutinise NHSCFA assessment reports, where applicable, and ensure that the recommendations are fully actioned.

The Board has resolved that it may only exercise certain powers and decisions in formal session. These are set out in the Reservation of Powers and Scheme of Delegation document. All other powers have been delegated to such other Committees as the Trust has established.

### **The Chief Executive and Chief Financial Officer**

The Chief Executive and Chief Financial Officer will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control. Within these 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 Chairman and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.

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

### **The Chief Financial Officer**

The Chief Financial Officer is responsible for:

- implementing the Trust's financial policies and for coordinating any corrective action necessary to further these policies.
- 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.
- ensuring that sufficient records are maintained to show and explain the Trust's

transactions, to disclose, with reasonable accuracy, the financial position of the Trust at any time.

Without prejudice to any other functions of the Trust, and employees of the Trust, the duties of the Chief Financial Officer include:

- the provision of financial advice to other members of the Board and employees.
- the design, implementation and supervision of systems of internal financial control.
- 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.
- 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.
- ensuring that the Internal Audit is adequate and meets the NHS mandatory audit standards.
- deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption.
- ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee and the Board. The report must cover:
  - A clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by the Department of Health including for example compliance with control criteria and standards.
  - major internal financial control weaknesses discovered.
  - progress on the implementation of internal audit recommendations.
  - progress against plan over the previous year.
  - strategic audit plan covering the coming three years, and
  - a detailed plan for the coming year.
- The Chief Financial Officer or designated auditors are entitled without necessarily giving prior notice to require and receive:
  - access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature.
  - access at all reasonable times to any land, premises or members of the Board or employee of the Trust.
  - the production of any cash, stores, or other property of the Trust under a member of the Board and an employee's control, and
  - explanation of any matter under investigation.

### **Board Members and Employees**

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

- the security of the property of the Trust, avoiding loss.
- exercising economy and efficiency in the use of resources.
- conforming with the requirements of SOs, SFIs, Financial Procedures and the Reservation of Powers and Scheme of Delegation.
- in carrying out a financial function, ensuring the form in which financial records are kept and the manner the duty is performed is to the satisfaction of the Chief Financial Officer.

### **Contractors and their employees**

The Chief Executive will ensure any contractor or employee of a contractor who is empowered by the Board 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.

## **STANDING FINANCIAL INSTRUCTION NO. 1**

### **AUDIT AND COUNTER FRAUD SERVICES**

#### **1.1 Audit Committee**

- 1.1.1 In accordance with Standing Orders, the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the latest NHS Audit Committee Handbook and the Cabinet Office Combined Code of Corporate Governance, which provide an independent and objective view of internal control.
- 1.1.2 The Committee shall review the establishment and maintenance of an effective system of integrated governance, risk management and internal control. This should cover the whole of the Trust's activities (both clinical and non-clinical) that supports the achievement of the Trust's organisational objectives. The committee is also responsible for:
- overseeing Internal and External Audit services.
  - reviewing financial and information systems, monitoring the integrity of the annual financial statements and reviewing significant financial reporting judgments.
  - monitoring compliance with Standing Orders and Standing Financial Instructions.
  - reviewing schedules of losses and compensations and making recommendations to the Board.
  - reviewing the arrangements in place to support the Assurance Framework process prepared on behalf of the Board and advising the Board accordingly.
  - reviewing the information to support the annual governance statement prepared on behalf of the Board and advising the Board accordingly, and
  - examining areas of compliance (not just financial).
- 1.1.3 The committee will be supported by the Finance department and the Trust Secretary to ensure that it is fully informed of activity in other sub-committees and so it may take action, through the Trust Secretary where appropriate, to discharge its duties robustly. If the Audit Committee and Trust Secretary are confident that an issue can be resolved at sub-committee level, it need not be brought to the Board. Where there is a high level of risk, it will be referred to the Board for debate and decision.
- 1.1.4 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes 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 Department of Health via the Chief Financial Officer in the first instance.
- 1.1.5 It is the responsibility of the Chief Financial Officer to ensure an adequate Internal Audit service is provided and the Audit Committee shall be involved in the selection process when/if an Internal Audit service provider is changed.
- 1.1.6 The Audit Committee are responsible for seeking assurance that the Trust has adequate arrangements in place for countering fraud and bribery and compliance with NHSCFA requirements. This will include but is not limited to reports from the LCFS, the annual self-

assessment submission to NHSCFA (counter fraud functional standard return), and from NHSCFA inspection reports.

Actions resulting from counter fraud activity including NHSCFA quality assessment reports will be monitored

The Committee is also responsible for approving the annual counter fraud work plan and the outcomes of all anti-fraud and bribery work within the Trust.

## 1.2 Role of Internal Audit

### 1.2.1 Internal Audit will review, appraise and report upon:

- the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures.
- the adequacy and application of financial and other related management controls.
- the suitability of financial and other related management data.
- the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
  - fraud and other offences.
  - waste, extravagance, inefficient administration.
  - poor value for money or other causes.
- Internal Audit shall also independently verify the Assurance Framework Statements of Internal Control and registration with the Care Quality Commission.
- The efficient use of resource and achievement of value for money.
- The suitability, reliability and integrity of management information systems.
- The management of risk within the Trust.
- Should any suspicions of fraud, bribery or corruption be identified by Internal Audit these must be referred to LCFS immediately.

1.2.2 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 Chief Financial Officer must be notified immediately.

1.2.3 The Chief Internal Auditor 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.

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

1.2.5 The designated officers must carry out agreed audit recommendations within the timescale for action agreed in audit reports. Failure to do so shall be reported to the Audit Committee and if unresolved escalated to the Chief Executive who shall take action to ensure compliance with the recommendations.



### 1.3 External Audit

- 1.3.1 The External Auditor is appointed by the Trust as from 1 April 2017 under the Local Audit and Accountability Act 2014. The Audit Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the External Auditor, then this should be raised with the External Auditor and referred on to the Audit Committee if the issue cannot be resolved. The Audit Committee manages the terms of engagement of the External Auditor and reviews their work and findings. For further details on External Auditor please refer to terms of reference for the Audit Committee available from the Trust offices at Watford General Hospital.

Should any suspicions of fraud, bribery or corruption be identified by Internal Audit these must be referred to LCFS immediately.

### 1.4 Fraud, Bribery and Corruption

- 1.4.1 "Fraud" shall mean any person who dishonestly makes a false representation to make a gain for themselves or another, or who dishonestly fails to disclose to another person information which he is under a legal duty to disclose or commits fraud by abuse of position including any offence as defined in the Fraud Act 2006.
- 1.4.2 "Bribery" shall mean any person giving or receiving a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith, including any offence as defined under the Bribery Act 2010..
- 1.4.3 The Bribery Act 2010 replaces the fragmented and complex offences at common law, the Public Bodies Corrupt Practices Act 1889 and in the Prevention of Corruption Acts 1889-1916. The 2010 Act broadly defines the sections below:
- (1) to give, promise or offer a bribe.
  - (2) to request, agree to receive or accept a bribe.
  - (3) bribing a foreign public official, and
  - (4) failure of a commercial organisation to prevent bribery being undertaken on its behalf.
- 1.4.4 The Bribery Act 2010 makes corrupt activity in the public sector a criminal offence and the Act includes reversal of the normal presumption of innocence so that where a payment is made to an employee of a public body it is for the defence to prove that the payment was not illegal.
- 1.4.5 It is a common law offence of bribery to bribe the holder of a public office and it is similarly an offence for the office holder to accept a bribe.
- 1.4.6 The Trust will be liable to prosecution if a person associated with it bribes another person intending to obtain or retain business or an advantage in the conduct of business for that organisation, unless it can show that despite a particular case of bribery it nevertheless had adequate procedures in place to prevent persons associated with it from bribing.

To demonstrate that the Trust has in place sufficient and adequate procedures, as required by the Bribery Act 2010, and to show openness and transparency, all staff are required to comply with the requirements of the Standing Financial Instructions. For a more detailed explanation, see the Trust's Counter Fraud Policy and Anti-Bribery Policy.

- 1.4.7 In line with their responsibilities, the Trust Chief Executive and Chief Financial Officer shall monitor and ensure compliance with the NHSCFA requirements under the Government Functional Standard GovS013: Counter Fraud, primarily using a local risk-based approach to fraud, in conjunction with its LCFS.
- 1.4.8 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the NHS Counter Fraud Authority guidance.
- 1.4.9 The LCFS shall report to the Trust Chief Financial Officer and shall work with staff in NHS Counter Fraud Authority (NHS CFA) in accordance with the NHS Counter Fraud and Corruption Manual. The Chief Financial Officer shall decide at what stage to involve the police in any investigation.
- 1.4.10 In accordance with the Counter Fraud Policy and Anti-Bribery Policy, suspected offences of fraud or bribery should be reported to the Trust's LCFS for formal investigation. The Chief Financial Officer should inform the LCFS of any referrals received directly.
- 1.4.11 The Trust will ensure that policies and procedures for all work related to fraud and bribery are implemented. The Trust will consider the major findings of investigations and respond accordingly.
- 1.4.12 The LCFS will attend audit committee meetings on a periodic basis and provide a written report, at least annually, on counter fraud work within the Trust or as specified in the contract.
- 1.4.13 The Trust is required to complete the Counter Fraud Functional Standard Return (CFFSR), a self-assessment tool developed by the NHSCFA, to measure the effectiveness of counter fraud processes and demonstrate the level of compliance with NHSCFA requirements on an annual basis.

## **1.5 Security Management**

- 1.5.1 In line with their responsibilities, the Trust Chief Executive will monitor and ensure compliance with Directions issued by the Secretary of State on NHS security management.
- 1.5.2 The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary of State in guidance on NHS security management.
- 1.5.3 The Trust shall nominate a Non-Executive Director to be responsible to the Board for NHS security management.
- 1.5.4 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS).

## **STANDING FINANCIAL INSTRUCTION NO 2**

### **ALLOCATIONS, PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING**

#### **2.1 Preparation and Approval of Annual Plans and Budgets**

2.1.1 The Chief Executive, with the assistance of the Chief Financial Officer shall, prior to the start of the financial year, compile and submit to the Board a plan that takes into account relevant financial and non-financial targets. The plan will contain:

- a statement of the significant assumptions on which it is based.
- details of major changes in workload, delivery of services or resources required to achieve the plan.

2.1.2 The Chief Financial Officer will, on behalf of the Chief Executive, prepare and submit Revenue & Capital Budgets for approval by the Board. Such budgets will:

- be in accordance with the aims and objectives set out in the plan.
- be in accord with workload and manpower plans.
- be produced following discussion with appropriate budget holders.
- be prepared within the limits of available funds; and
- identify potential risks.

2.1.3 All budget holders will participate in the budget setting process, agree, and sign up to their allocated budgets at the commencement of each financial year.

2.1.4 The Chief Financial Officer shall monitor financial performance against budget and plan, periodically review them, and report to the Board. As a consequence, the Chief Financial Officer shall have right of access to all records that may have an implication of a financial nature.

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

#### **2.2 Budgets**

2.2.1 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:

- the budget holder.
- the amount of the budget.
- the purpose(s) of each budget heading; individual and group responsibilities; authority to exercise virement; achievement of planned levels of service; the provision of regular reports.

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

All budget holders are required to manage spend within the allocated budget. Should a manager be under pressure to exceed the budget the budget holder is required to explore all safe options to manage and move budgets and service demand.

Should this not be possible a business case would need to be completed and approved for increased budget (de-minimis £5,000) in accordance with section 2.2.6 below. No spending in excess of budget can be permitted without approval in line with SFI 2.2.6. Additional controls are described below to ensure that spending only takes place after explicit approval.

If a Trust Business Case approval requires a spending or a contractual change in excess of £1m (see 2.2.6) or a change to the Trust's Annual Plan or current Long Term Financial Model, then the case must be approved by the Trust Board.

2.2.3 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.

2.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive, as advised by the Chief Financial Officer.

2.2.5 The Chief Executive shall require the Chief Financial Officer to devise and maintain systems of budgetary control in accordance with the above and in addition to include:

- monthly financial reports to the Board in a form approved by the Board containing:
  - income and expenditure to date showing trends and forecast year-end position.
  - movements in working capital.
  - movements in cash and capital.
  - capital project spend and projected outturn against plan.
  - explanations of any material variances from plan.
  - details of any corrective action where necessary and the Chief Executive's and/or Chief Financial Officer's view of whether such actions are sufficient to correct the situation.
- the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
- investigation and reporting of variances from financial, workload and manpower budgets;
- monitoring of management action to correct variances; and
- arrangement for the authorisation of budget transfers.

2.2.6 In carrying out their delegated responsibility each Budget Holder is responsible for ensuring that:

- any planned overspending or reduction of income that cannot be met by virement is incurred only with prior approval of relevant business cases:

Delegation	Limit
Divisional Finance Performance Review meetings (for revenue expenditure) and Capital Finance Planning Group (for capital expenditure)	£0 - £150,000
Trust Executive Committee	£150,001 up to £1,000,000
Trust Board (Revenue)	Over £1,000,001
Trust Board (Capital)	Over £1,000,000 up to £15,000,000

<sup>1</sup> The Trust Board's objectives ensure that agreement supports the delivery of the approved Annual Plan.

- 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;
- no permanent employees are appointed without the approval of the Chief Executive or other approval mechanisms in force from time to time other than those provided for within the available resources and manpower establishment as approved by the Board.

2.2.7 The Trust Executive is responsible for recommending to the Board cost improvements, cost savings and income generation initiatives in accordance with the Annual Plan, for monitoring implementation and delivering of associated performance.

2.2.8 Capital Expenditure: the general rules applying to delegation and reporting shall also apply to capital expenditure. (see also SFI No. 11 Capital Investment, private financing and leasing)

### **2.3 External financing limits (EFLs) and External Borrowing**

2.3.1 The Chief Executive shall require the Chief Financial Officer to ensure the Trust does not breach the Trust's EFL as set by the Department of Health and Social Care (DHSC), or NHS England and NHS Improvement (NHSEI). All external borrowing to be authorised by the Board and agreed through the EFL with the Department of Health and Social Care (see also SFI 4.5).

### **2.4 Monitoring Returns**

2.4.1 The Chief Executive is responsible for ensuring that all required monitoring forms are submitted to the requisite monitoring organisation in a timely manner.

## **STANDING FINANCIAL INSTRUCTION NO. 3**

### **ANNUAL ACCOUNTS AND REPORTS**

#### **3.1 Role of Chief Financial Officer**

3.1.1 The Chief Financial Officer, on behalf of the Trust, will:

3.1.1 Prepare financial returns in accordance with the accounting policies and guidance given by the Department of Health and the Treasury, the Trust's accounting policies, and generally accepted accounting practice.

3.1.2 Prepare and submit annual financial reports to the Department of Health certified in accordance with current guidelines.

3.1.3 Submit financial returns to the Department of Health\* in accordance with the timetable prescribed.

3.1.4 Ensure the Trust's Annual Accounts are audited by an auditor appointed by the Trust Board. The Trust's audited Annual Accounts are presented at the Annual General Meeting of the Board and made available to the public.

### **3.2 Annual report**

- 3.2.1 The Trust will publish an Annual Report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with the Department of Health's Manual for Accounts and other relevant good practice.

*(\*Reference to Department of Health and Social Care may be read as appropriate reporting body such as the Trust Development Agency or NHS England and NHS Improvement (NHSEI))*

## **STANDING FINANCIAL INSTRUCTION NO. 4.**

### **BANK AND GOVERNMENT BANKING SERVICE**

#### **4.1 General**

4.1.1 The Chief Financial Officer 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 consider guidance / Directions issued from time to time by the Department of Health. In line with Cash Management in the NHS the Trust will minimise the use of commercial bank accounts.

4.1.2 The Board shall approve the banking arrangements.

#### **4.2 Bank and Government Banking Service Accounts**

4.3 The Chief Financial Officer is responsible for all bank accounts and the Government Banking Service (GBS) accounts including:

- establishing separate bank accounts for the Trust's non-exchequer funds; ensuring payments made from bank or consolidated GBS accounts do not exceed the amount credited to the account except where arrangements have been made.
- reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn.
- monitoring compliance with Department of Health guidance on the level of cleared funds.

#### **4.4 Banking Procedures**

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

- the conditions under which each bank and GBS account is to be operated.
- those authorised to sign cheques or other orders drawn on the Trust's accounts within delegated limits as set out in schedule A.

4.4.2 The Chief Financial Officer will ensure the Trust's commercial bank accounts are operated in accordance with signed mandates.

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

4.4.4 All funds shall be held in accounts in the name of the Trust. No officer other than the Chief Financial Officer shall open any bank account in the name of the Trust.

4.4.5 The Chief Financial Officer shall be authorised to make payments using BACs and CHAPS and to establish appropriate procedures in accordance with locally agreed arrangements.

4.4.6 All payment instruments shall be treated as controlled stationery and be the responsibility of the Head of Operational Finance who will maintain records as prescribed by the Chief Financial Officer.

4.4.7 Where payments are made by direct debit, each mandate shall be approved by the Chief Financial Officer and shall be recorded in a register. Payments shall be verified against such approvals on a periodic basis.

4.4.8 The Chief Financial Officer will review the commercial banking arrangements of the Trust at regular intervals to ensure they reflect best practice and represent value for money. Where appropriate, competitive tenders shall be sought, this is not necessary for GBS accounts.

#### **4.5 External Borrowing and Public Dividend Capital**

4.5.1 The Chief Financial Officer will advise the Board concerning the Trust's ability to pay interest on and repay the Public Dividend Capital and any Department of Health Loans and advise the Board of the Trust's borrowing limit as set by the Department of Health.

4.5.2 The Chief Financial Officer is also responsible for reporting periodically to the Board concerning outstanding loan balances and interest payments.

4.5.3 All external borrowing must be approved by the Board.

#### **4.6 Charitable Donations and Funds Held in Trust**

4.6.1 Standing Orders outline the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust.

4.6.2 The discharge of the Trust's corporate trustee responsibilities is distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.

4.6.3 The Chief Financial Officer shall ensure that each trust fund which the Trust is responsible for managing is managed appropriately regarding its purpose and requirements.

4.6.4 The trustee responsibilities must be discharged separately, and full recognition given to the Trust's dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for all funds held on trust.

4.6.5 The Schedule of Matters Reserved to the Board and the Scheme of Delegation make clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken and by whom. The Board of Directors must take account of that guidance before acting.

4.6.6 In so far as it is possible to do so, most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust.

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

4.6.8 The charitable funds associated with the Trust are administered by the Trust Board as corporate trustee. The Charitable Fund operates general funds, held in a separate bank account not to be confused with those operated by the Trust for its Exchequer funds. The opening of Bank accounts is the sole responsibility of the Chief Financial Officer.



## **STANDING FINANCIAL INSTRUCTION NO. 5**

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

#### **5.1 Income Systems**

- 5.1.1 The Chief Financial Officer is responsible for designing, maintaining, and ensuring compliance with systems for the proper recording, invoicing, collecting, and coding of all monies due, including NHS, commercial and Development (R&D) income.
- 5.1.2 The Chief Financial Officer is also responsible for the prompt banking of all monies received.

#### **5.2 Fees and Charges**

- 5.2.1 The Chief Financial Officer is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the Trust's commercial sponsorship policy must be fully complied with.
- 5.2.2 All employees must inform the Chief Financial Officer promptly of money due arising from transactions which they manage, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.
- 5.2.3 All employees must seek the advice of the Chief Financial Officer in advance of entering into service agreements or contracts for the provision of patient or other services. Agreement to service agreements or contracts is subject to the boundaries of delegated authority.
- 5.2.4 No employee, except within the boundaries of any delegated authority, can confirm or agree with a third party a reduction or waiver to the Trust's normal charges, without the prior express authority of the Chief Financial Officer.

#### **5.3 Debt Recovery**

- 5.3.1 The Chief Financial Officer is responsible for the appropriate recovery action on all outstanding debts.
- 5.3.2 Income not received should be dealt with in accordance with losses procedures.
- 5.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.
- 5.3.4 The Head of Operational Finance has delegated authority from the Chief Financial Officer to authorise write offs of irrecoverable debts once all methods of recovery including use of external debt recovery services have been exhausted.

#### **5.4 Raising of credit notes against invoices**

- 5.4.1 When credit notes are raised against the sales ledger the approval limits are as follows:

Delegation	Limit
Head of Financial Accounts	£0-£50,000
Head of Operational Finance	£50,001-£100,000
Associate Director of Finance	£100,001-£500,000
Chief Financial Officer	greater than £500,000

## 5.5 Security of Cash, Cheques and other Negotiable Instruments

5.5.1 The Chief Financial Officer is responsible for:

- approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable.
- arranging for the ordering and secure control of any such stationery.
- 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.
- prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.

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

5.5.3 All cheques, postal orders, cash etc. shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Chief Financial Officer.

5.5.4 Any loss or shortfall of cash, cheques or other negotiable instruments however occasioned shall be reported to the Chief Financial Officer.

5.5.5 The opening of incoming post should where possible be undertaken by two officers unless otherwise formally agreed by the Chief Financial Officer. All cash, cheques and postal orders and other forms of payment received by an officer is passed to cashiers who will then enter immediately in an approved form of register.

5.5.6 An official receipt shall be made out by the cashier for every sum of cash received and shall show the type of remittance and the reason for payment.

5.5.7 The opening of cash tills and other coin operated machines and the counting and recording of takings shall be recorded by two officers together. Both shall sign the records and the keys shall be held by a separate nominated officer.

5.5.8 The Chief Financial Officer shall ensure that there is a system for recording the transfer of custody of cash, cheques, and other negotiable instruments from one person to another, and in what circumstances such records should be made.

5.5.9 Any employee who has any indication that the safe custody of cash, etc. on the Trust's premises or in transit may be at risk, must immediately notify the Chief Financial Officer or the Head of Operational Finance.

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

written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss.

## **STANDING FINANCIAL INSTRUCTION NO. 6**

### CONTRACTS FOR THE PROVISION OF HEALTHCARE SERVICES

- 6.1 The Chief Executive, as the Accountable Officer, is responsible for ensuring the Trust enters into suitable Contracts, with ICS (formerly Commissioners), using the standard NHS contract terms and conditions, detailing the basis on which the Trust will provide healthcare services. Contracts will take account of national policies and initiatives at the time of negotiation. Any variations to the standard terms and conditions will be approved in accordance with the Scheme of Delegation.
- 6.2 The Chief Executive has delegated the Chief Financial Officer as the officer responsible for negotiating contracts for the provision of services to patients in accordance with the Annual Plan. The contracts are to include the costing and pricing of services, payment terms and conditions and arrangements for contract amendments.
- 6.3 Contracts should be so devised as to achieve activity and performance targets, minimise risk, and maximise the Trust's opportunity to generate income. The Chief Financial Officer will produce local tariffs in accordance with NHS guidelines, for services outside the scope of the national tariff.
- 6.4 The Chief Financial Officer shall ensure that a summary of the Trust's agreed contracts is reported annually to the Board, prior to the start of the financial year. The Chief Financial Officer shall also produce regular reports to the Board detailing actual and forecast contract income with a detailed assessment of the variable elements of income.

## **STANDING FINANCIAL INSTRUCTION NO. 7**

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

#### **7.1 Remuneration Committee**

**7.1.1** The Board should formally agree and record in the minutes of its meetings, the terms of reference of the Remuneration Committee, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

**7.1.2** In accordance with Standing Orders, the Board shall formally establish as a delegated function a Remuneration Committee, the terms of reference will:

- determine appropriate remuneration and terms of service for the Chief Executive and Executive Directors and other senior employees as necessary on:
  - all aspects of salary (including any performance-related elements/bonuses).
  - provisions for other benefits, including pensions and cars; and
  - arrangements for termination of employment and other contractual terms.
- make such recommendations to the Board on the remuneration and terms of service of Executive Directors and other senior employees to ensure they are fairly rewarded for their individual and collective contribution to the Trust - having proper regard to the Trust's circumstances and performance and to the provisions of any national arrangements for such members and staff where appropriate.
- 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.
- Report in writing to the Board its advice and its bases about remuneration and terms of service of directors and senior employees.

**7.1.3** The Trust will pay allowances to the Chairman and Non-Executive Directors of the Board in accordance with instructions issued by the Secretary of State.

**7.1.4** The committee will be responsible for authorising pay awards for all staff with significant financial responsibilities.

#### **7.2 Funded Establishment**

**7.2.1** The funded establishment is to be contained within the Annual Financial Plan.

**7.2.2** The funded establishment of any department may not be varied without the prior approval of the Chief Executive. Virements of pay budgets is permissible within the Trusts virement policy. However, virements must not reduce clinical budgets below levels of safe clinical staffing as agreed by the Trust Board. This also applies to skill mix within budgets which can be authorised by the budget-holder, provided this meets the service specifications.

#### **7.3 Staff Appointments and Redundancies**

**7.3.1** No director or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary basis, or hire agency staff, or agree to changes in any aspect of remuneration unless:

- it is within the approved budget and funded establishment and the director or employee

has appropriate delegated responsibility.

- the proposal conforms to establishment control procedure in place at the time.
- associated costs are budgeted for through approved virement.

**7.3.2** All vacancies must be approved by the Vacancy Panel, with the exception of posts where there is a high level of vacancy (as defined by HR). This is currently:

- All existing /established frontline nursing posts (bands 2-6)
- Existing / established radiographers (band 5 only)
- Existing / established Occupational Therapists and Physiotherapists (band 5 only)

**7.3.3** All consultant appointments whether new or replacement must be supported by a Trust Business Case. A Trust Business Case for a consultant appointment must be approved by TMC before the appointment can be made Replacement posts are approved by the Divisional Performance Review Group. New posts must be approved by the Trust Executive Committee.

**7.3.4** No director or employee must commit the Trust to any redundancy, early retirement, or negotiated employment termination settlement without the approval in advance of the Chief Financial Officer and Chief People Officer or the Vacancy Panel.

**7.3.5** All interim arrangements for staff with significant financial responsibilities must be on payroll.

**7.3.6** All appointments with a gross cost of more than £100,000 per annum must be supported by a business case and approved by the Divisional Financial Performance Group.

## **7.4 Processing of Payroll**

**7.4.1** The Chief Financial Officer is responsible for specifying timetables for submission of properly authorised time records and other notifications. These include:

- the final determination of pay and allowances.
- making payment on agreed dates.
- agreeing method of payment; and
- issuing instructions (as listed in SFI 7.4.2).

**7.4.2** The Chief Financial Officer will issue instructions regarding:

- verification and documentation of data.
- the timetable for receipt and preparation of payroll data and the payment of employees and allowances.
- maintenance of subsidiary records for superannuation, income tax, social security and other authorized deductions from pay.
- security and confidentiality of payroll information.
- checks to be applied to completed payroll before and after payment.
- authority to release payroll data under the provisions of the Data Protection Act; methods of payment available to various categories of employee and officers; procedures for payment by cheque, bank credit, or cash to employees and officers.

- procedures for the recall of cheques and bank credits, pay advances and their recovery.
- maintenance of regular and independent reconciliation of pay control accounts, separation of duties of preparing records and handling cash.
- a system to ensure the recovery from those leaving the employment of the Trust of sums of money and property due by them to the Trust; and
- Salary sacrifice schemes which the Trust's staff are using.

#### **7.4.3 Budget Holders have delegated responsibility for:**

- submitting time records, and other notifications in accordance with agreed timetable
- completing time records and other notifications in accordance with the Chief Financial Officer's instructions and in the form prescribed by the Chief Financial Officer.
- submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's resignation, termination, or retirement.

#### **7.4.4 Where an employee fails to report for duty or to fulfill obligations in circumstances that suggest they have left without notice, the Chief Financial Officer must be informed immediately.**

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

### **7.5 Contract of Employment**

#### **7.5.1 The Chief People Officer is responsible for:**

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

### **7.6 Staff Expenses**

#### **7.6.1 The Chief Financial Officer shall be responsible for establishing procedures for the management of expense claims submitted by Trust employees. The Chief Financial Officer shall arrange for duly approved expense claims to be processed through the Trust's payroll system. The Trust's expenses policy can be found on the Intranet.**

#### **7.6.2 Expense claims shall be authorised in accordance with the Scheme of Delegation.**

#### **7.6.3 Travel expenses will be settled as determined by the Trust's expenses system unless a clear explanation is provided and approved in accordance with the Scheme of Delegation.**

#### **7.6.4 The Chief Financial Officer shall refer to the Trust's general policies on staff expenses and may reject expense claims where there are material breaches of Trust policies. In this regard the Chief Financial Officer shall liaise with the Chief Executive where appropriate.**

## **7.7 Substantive Staff Control Procedures**

- 7.7.1** Substantive staff may only be employed with budgetary provision to cover employment costs
- 7.7.2** Where a vacant budgeted position is available but overspends elsewhere in the department have consumed the funds otherwise available, an explanation of the overspend and recovery proposal must be included within vacancy panel recruitment forms.
- 7.7.3** Where budgetary provision is not available due to the absence of an established post, SFI 2.2.6 provides details on how additional budgetary provision may be obtained in unusual circumstances.
- 7.7.4** Routine HR recruitment processes must be followed to support the employment of substantive staff.



## STANDING FINANCIAL INSTRUCTION NO. 8

### NON-PAY EXPENDITURE

#### 8.1 Delegation of Authority

- 8.1.1 All employees have a responsibility to ensure the Trust is only committed to budgeted expenditure.
- 8.1.2 No employee shall commit or authorise expenditure without written delegated authority to do so.
- 8.1.3 As part of the approval of annual budgets as set out in SFI No. 2, the Board will approve non-pay budgets.
- 8.1.4 Budget holders have delegated authority to commit or authorise non pay expenditure up to the budget for the purpose of the budget subject to the limits set out in paragraph 8.1.7.
- 8.1.5 Virement of budget is permissible within the Trust's virement policy.
- 8.1.6 Total spending after virement in excess of the delegated budget must be approved by the Chief Executive or Board, as below

Delegation	Limit
Chief Executive	£0 - £1,000,000
Trust Board	More than £1,000,000 (including Business Case)

- 8.1.7 Most goods or services will be ordered by Hertfordshire and West Essex NHS Procurement Service ("H&WE ICS NHS Procurement Service") following a requisition raised by requisitions. The limits budget holders may authorise in a single requisition are as follows:

Employee	Limit
Budget holder	£25,000
Associate Directors / Divisional Directors / Divisional Managers / Deputy Directors / Heads and Deputy Heads of Departments	£100,000
Directors and Chief Officers	£250,000
Chief Executive and Chief Financial Officer	£1,000,000
Trust Board or Trust Chairman in conjunction with the Chief Financial Officer	More than £1,000,000 (no limit on inter NHS contracts)

Note that requisitions are raised when budgetary provision in line with SFI 2.2 allows.

- 8.1.8 A single requisition may involve, for example, the requisition of a contract involving a number of annual payments. These payments must be added together to determine the limit.
- 8.1.9 Requisitions may not be split or otherwise placed in a manner devised to avoid the financial limits tabled above.

- 8.1.10 An Order for goods or service may result in a contract or license is to be signed by both the Trust and the supplier. These documents may only be signed in accordance with the delegated limits tabled below.

<b>Employee</b>	<b>Limit</b>
Chief Officer (i.e. a Director directly reporting to the Chief Executive)	£250,000
Chief Executive or Chief Financial Officer	£1,000,000
Chief Executive (after approval by the Board or Trust Chairman in conjunction with the Chief Financial Officer)	More than £1,000,000 (no limit on inter NHS contracts)

- 8.1.11 Most invoices relating to goods requisitioned and purchased via an Order issued by H&WE ICS NHS Procurement Service do not require authorisation. H&WE ICS NHS Procurement Service matches the confirmation of receipt with the invoice and invoice value and resolves any differences. Occasionally H&WE ICS NHS Procurement Service will seek budget holder assistance with this.

- 8.1.12 Where there is an ongoing contract and an order has not been matched, the delegated limits for confirming the Trust is required to make payment are set out below.

<b>Employee</b>	<b>Limit</b>
Employee delegated by budget holder	£1,000
Budget holder	£25,000
Associate Directors / Divisional Directors / Divisional Managers / Deputy Directors / Heads and Deputy Heads of Departments	£100,000
Chief Executive / Chief Financial Officer (or nominated deputies)	£1,000,000
Chief Executive / Chief Financial Officer Collectively	No limit

- 8.1.13 The Chief Financial Officer is responsible for maintaining the lists of employees and their delegated limits. Managers are responsible for advising the Chief Financial Officer of all changes (see paragraph 8.3 below).

- 8.1.14 Over £50,000 contracts for management consultancy will require approval from NHSE if the Trust is in receipt of financial support. Under £50,000 will need approval of Chief Executive and Chief Financial Officer collectively.

## **8.2 Procedures for obtaining Goods and Services**

- 8.2.1 In choosing the item to be supplied (or the service to be performed) the advice of Procurement (H&WE ICS NHS Procurement Service) shall be sought. This is to obtain value for money and as far as possible meet the sustainability obligations of the Trust.
- 8.2.2 The only exception to the above is the Pharmacy. Pharmacy is permitted to procure drugs without seeking the advice of Procurement (H&WE ICS NHS Procurement Service).
- 8.2.3 Where the advice of Procurement (H&WE ICS NHS Procurement Service) is not acceptable, the Chief Financial Officer (and/or the Chief Executive) shall be consulted and may approve procurement contrary to the advice received.

- 8.2.4 Goods may not be taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase.
- 8.2.5 The procedure that Procurement (H&WE ICS NHS Procurement Service) shall follow to raise Official Orders and the employees' role in this is set out in SFI No. 9 and 10.
- 8.2.6 No Order shall be issued for any item or items to any firm which has made an offer of gifts, rewards or benefit to directors or employees, other than isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars, conventional hospitality such as lunches in the course of working visits.
- 8.2.7 These SFIs apply equally to goods or services relating to charitable expenditure (see SFI No. 9.10.3 for delegated limits).

### **8.3 Confirmation of Receipt of Goods and Services**

- 8.3.1 The system for receipt of goods and services shall provide for:
- a list of Trust employees authorised to certify invoices (see paragraph 8.1.8).
  - certification that goods have been duly received, examined and are in accordance with specification and the prices are correct.
  - certification that 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, that the expenditure is in accordance with regulations and all necessary authorisations have been obtained.
  - the account is arithmetically correct; the account is in order for payment.
  - instructions to employees regarding the handling and payment of accounts within the Finance Department.

### **8.4 Payment for Goods or Services**

- 8.4.1 All contracts, for example' leases, tenancy agreements and other commitments, which may result in a liability, shall be notified to the Chief Financial Officer.
- 8.4.2 The Chief Financial Officer is responsible for the prompt payment of accounts and claims these shall be in accordance with contract terms, or otherwise, in accordance with national guidance.
- 8.4.3 The Chief Financial Officer is responsible for designing and maintaining a system of verification, recording and payment of all amounts payable.
- 8.4.4 The Chief Financial Officer is responsible for designing and maintaining procedures regarding the use and control of purchasing cards.
- 8.4.5 Prepayments are only permitted where exceptional circumstances apply. In such instances:

- the budget holder must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the prepayment agreement unable to meet their commitments;
- the Chief Financial Officer may approve the prepayment, permitting the prepayment arrangement to progress if:
  - the proposed arrangements takes into account the ~~EU~~ public procurement rules where the contract is above a stipulated financial threshold; and
  - the financial advantage outweighs the disadvantages.
- the budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately advise the appropriate Director or Chief Executive if problems are encountered.

## 8.5 Petty Cash

- 8.5.1 Purchases from petty cash are restricted in value and by type of purchase as tabled below and must be supported by receipt(s) and certified by a budget holder within their delegated limit. (see 8.1.7 above)

Description	Amount
Return of Patients Cash	Up to the amount of cash deposited for Safe keeping
Payment of Patients Fares or Funeral expenses for which the Trust is liable	Up to the amount of fares paid or funeral expense
All other petty cash payments	£100

- 8.5.2 The Chief Financial Officer will determine record keeping and other instructions relating to petty cash.

## STANDING FINANCIAL INSTRUCTION NO. 9

### TENDERING AND CONTRACTING FOR NON-PAY EXPENDITURE

#### 9.1 Duty to comply with Standing Orders and Standing Financial Instructions

9.1.1 The procedure for making all contracts by or on behalf of the Trust shall comply with these SOs and SFIs (except where SO 4.13 Suspension of Standing Orders is applied).

9.1.2 All contracts will:

- be within the Trust's powers as delegated by the Secretary of State.
- comply with relevant Department of Health guidance as advised by the Director of Procurement (H&WE ICS NHS Procurement Service).
- incorporate such of the Standard NHS terms and conditions as are applicable; and
- endeavour to obtain best value for money.
- 

9.1.3 These SOs and SFIs apply also to where the Trust elects to invite tenders for the supply of health care services.

9.1.4 Directives by the Council of the European Union or its legal replacements promulgated by the Department of Health prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these SOs and SFIs.

9.1.5 All purchases must be in line with Standing Financial Instructions.

- For any purchase the manager must assure him or herself that the purchase provides sound value for money.
- For purchases greater than **£10,000 but less than £50,000** three written quotations are required from separate suppliers.
- Purchases in excess of £50,000 a formal tender is required. This may be satisfied by procuring with the use of a procurement framework if the terms of the framework are adhered with. (Contact the Procurement Department for advice).

#### 9.2 Procedure for procurement of non-pay items (other than the "employment of temporary staff" - see SFI No. 10)

9.2.1 SFI No. 8.2.2 refers to procedures concerning the procurement of drugs. In this instance the Trust is not required to use H&WE ICS NHS Procurement Service. The head of pharmacy is to follow similar procurement procedures as those set out below.

9.2.2 The budget-holder or other employee within their delegated limit (see SFI No. 8.1.7) will requisition H&WE ICS NHS Procurement Service to order the required goods or services.

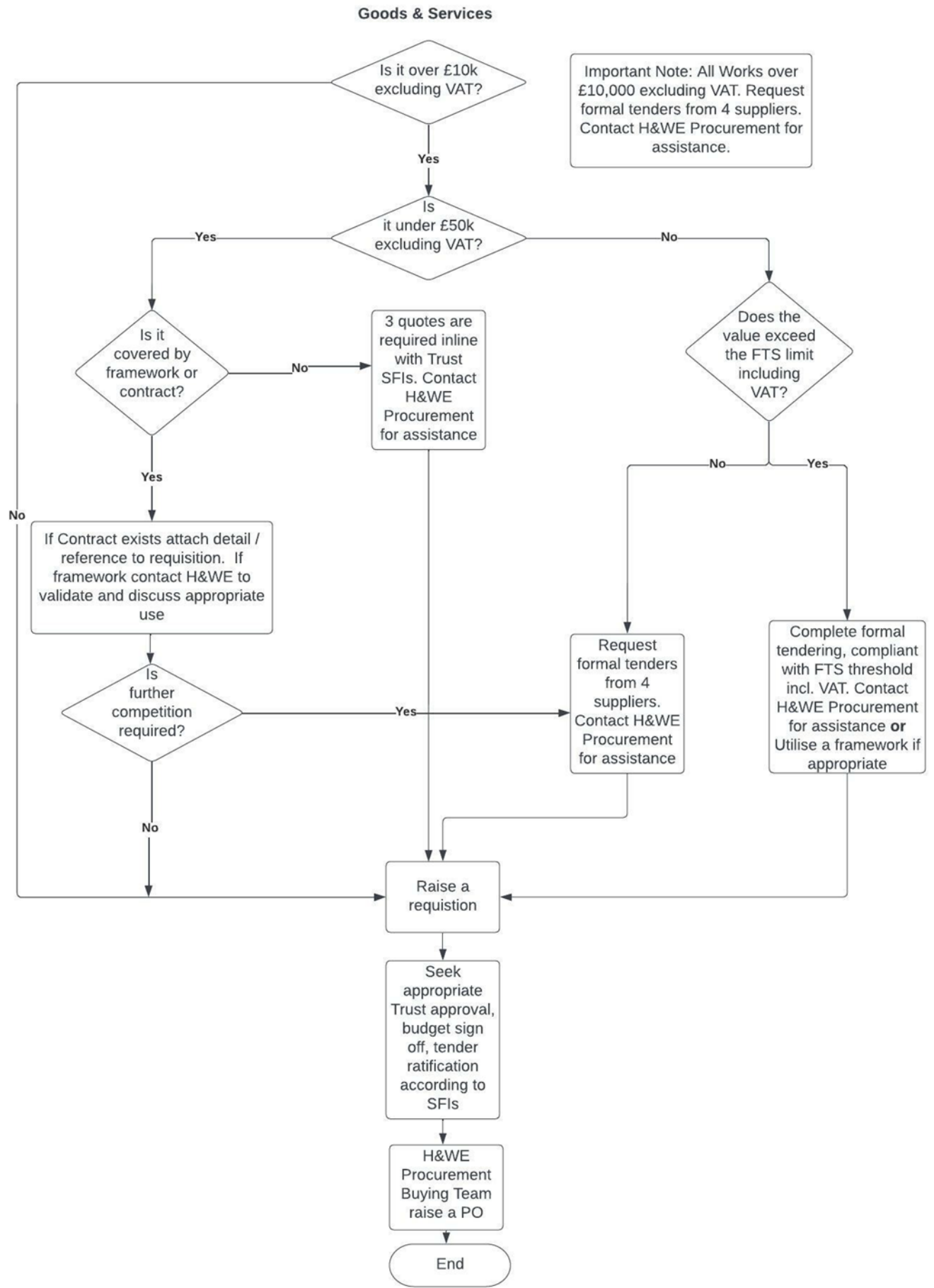
9.2.3 H&WE ICS NHS Procurement Service will follow the process as set out in the flow charts for the procurement of goods or services dependent on the likely cost as tabled below. (based on prevailing public procurement thresholds)

Limits	Procedure
£0 - £10,000 excluding VAT	Obtain best value

£10,000 to £50,000 excluding VAT	Quotations: At least 3 to be issued and at least 3 returned
£50,000 excluding VAT to Current FTS Threshold Limit excluding VAT	Formal tendering: At least 4 tenders to be issued and at least 3 returned
More than Current FTS Threshold Limit excluding VAT	Formal tendering complying with FTS
Works £10,000 to Current FTS Limit which excludes VAT	Formal tendering: At least 4 tenders to be issued and at least 3 returned
FTS Threshold Link which shows current limits	<a href="https://www.gov.uk/guidance/public-sector-procurement-policy">www.gov.uk/guidance/public-sector-procurement-policy</a>

The procurement team endeavours to support the Trust in obtaining three quotes to meet SFI compliance requirements. Where this is not possible due to timescales, evidenced efforts to obtain additional quotations, patient and staff safety requirements, etc., and where no framework options exist, a waiver will be required for processing in the £10k-£50k threshold.

NO



Note that the references above concerned OJEU have now been superseded by the Appropriate Relevant Regulations since BREXIT. The regulations followed are now the following:

- Public Contracts Regulations 2015
- Utilities contracts regulations 2016
- Concessions Contracts Regulations 2016

9.2.4 H&WE ICS NHS Procurement Service to use their knowledge base and compiled catalogues of suppliers and prices to obtain best value.

9.2.5 A minimum of three written quotations are required where the contract value is expected to be between £10,000 and £50,000 (excluding works).

9.2.6 Competitive quotations should:

- be obtained based on specifications or terms of reference prepared by, or on behalf of, the budget-holder.
- be in writing.
- be treated as confidential and should be retained for inspection; and
- be evaluated by Procurement and the quote which gives the best value for money should be selected. If this is not the lowest quotation, if payment is to be made by the Trust, or the highest, if payment is to be received by the Trust, then the choice made, and the reasons why should be recorded in a permanent record.

9.2.7 Items estimated to be below the limit set in this SFI that subsequently exceed the limit shall be reported to the Chief Financial Officer and Audit Committee along with circumstances where formal tendering procedures have been waived.

9.2.8 Where the likely contract value exceeds £50,000 for goods or services and £10,000 for works, formal tendering will be undertaken.

9.2.9 Following receipt of a requisition for goods or services likely to cost more than £50,000 and requisitions for works in excess of £10,000, H&WE ICS NHS Procurement Service will advise the budget-holder that a formal tender is required and request details of the project team to be involved in completing this. H&WE ICS NHS Procurement Service will lead the tendering process on behalf of the budget-holder.

### **9.3 Procedure for tendering**

9.3.1 All tenders will be undertaken through the public sector e-tendering portal Atamis. This will enable:

- the required levels of calls for competition a supplier information database.
- a process to request for prequalification information evaluation of Expression of Interest & prequalification creation of quotation / tender documents.
- an invitation to Tender receipt of Tenders opening Procedures.
- an evaluation award and ratification contract management; and archiving of Tender documentation.

9.3.2 Tenders will be returned to an electronic safe and locked until the due date for the receipt of bids from invited suppliers:

- As soon as practicable after the date and time stated as being the latest time for



the receipt of tenders, the tenders shall be opened by the Director of Procurement (H&WE ICS NHS Procurement Service) as the Chief Executive nominated representative. Should the Director of Procurement (H&WE ICS NHS Procurement Service) not be available the task may be further delegated to a H&WE ICS NHS Procurement Service staff member trained in the use of the Atamis e-tendering portal.

9.3.3 The Director of Procurement (H&WE ICS NHS Procurement Service) as guardian for the Atamis e-tendering portal system is responsible for ensuring all tenders are treated as confidential and retained for inspection. The system provides a register of:

- The name of all firms or individuals invited to tender.
- The names of firms or individuals from which tenders have been received.
- The date the tenders were opened.

9.3.4 There is generally no discretion to receive tenders after the due date. In exceptional circumstances the Director of Procurement (H&WE ICS NHS Procurement Service ) may approve the inclusion of a late tender. The request will include an explanation of the exceptional circumstance and assurance that the tender process has not been compromised.

9.3.5 Acceptance of tender

- If fewer than three tenders are received, the Chief Executive, Director of Procurement or Chief Financial Officer shall, as far as practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the Trust.
- Any discussions with a tenderer which are deemed necessary to clarify technical aspects of the tender before the award of a contract will not disqualify the tender.
- The most economically advantageous tender shall be accepted as determined by the tender evaluation criteria set by the tender project team at the start of the tender process.
- No tender shall be accepted which will commit expenditure more than that which has been allocated by the Trust and which is not in accordance with these Instructions except with the authorisation of the Chief Executive.
- The use of these procedures must demonstrate that the award of the contract was the most economically advantageous tender.

9.3.6 The Director of Procurement (H&WE ICS NHS Procurement Service) as the Chief Executive nominated officer responsible for tendering will report to the Trust Board on an exceptional circumstance basis as required by the Chief Executive.

## **9.4 Firms invited to quote or tender**

9.4.1 Procurement follow the guidance of the following bodies/frameworks

- Government frameworks
- Construction line Procure 22
- Crown Commercial Service frameworks
- EOECPh - East of England Collaborative Procurement Hub NHSSC – NHS Supply Chain
- Other relevant compliant frameworks

- 9.4.2 The Director of Procurement (H&WE ICS NHS Procurement Service) will determine which route to market may be used.
- 9.4.3 The Director of Procurement (H&WE ICS NHS Procurement Service) shall ensure all tenders provide open competition and comply with relevant DH guidance. This does not preclude the assessment at either or both pre-qualification questionnaire or evaluation of tender of contractor suitability in for example:
- experience and qualifications understanding of the Trust's needs.
  - feasibility and credibility of proposed approach viability to deliver the goods or services
  - health and safety record environmental considerations.
  - financial standing (Chief Financial Officer responsibility) clinical governance (Chief Medical Director responsibility).
- 9.4.4 Exceptions to usual procurement arrangements – Tender Quotation Waiver Request
- The waiving of competitive tendering procedures should not be used to:
    - avoid competition.
    - be for administrative convenience.
    - award further work to a consultant originally appointed through a competitive procedure.
  - Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented using a waiver form obtained from the Director of Procurement (H&WE ICS NHS Procurement Service).
- 9.4.5. The Chief Financial Officer should ensure that the waiver register includes details of previous waivers to the same supplier. Where procurement contest the use of the waiver there should be a clearly documented escalation to the signatories to set out the risks identified.
- 9.4.6 Authorised waivers are reported to the Audit Committee at each relevant meeting.

## **9.5 Where it is not possible to obtain three quotations/tenders.**

- This may occur where the goods or services are only available from a single supplier.
- In very exceptional circumstances where formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures, the circumstances must be detailed in an appropriate Trust record.
- Where specialist expertise is required and is available from only one source.
- When an unforeseeable task is required for a recently completed project and engaging different consultants for the new task would be inappropriate.
- Where there is a clear benefit to be gained from maintaining continuity with an earlier project. However, in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.
- For the provision of legal advice and services from a legal firm or partnership commissioned by the Trust.
- Where permitted by DH guidance, details of must be documented in waiving formal tendering.
- Where a tender process has been properly followed, but insufficient returns have been received.
- Where the Chief Executive recommends urgent capital works that need to be carried out. In this case, written confirmation must be obtained from the Chief Executive and

forwarded to the Chief Financial Officer with an agreed timetable for completion of procedures as detailed in SFI 9.2.

9.5.1 Please see 9.2 for quotation/tender limits.

9.5.2 It is Trust policy that all requests to progress with waivers must receive prior approval through the waiving of Standard Financial Instructions' procedure. All such Non Competitive Action (NCA) will require the completion of a Waiver Form. Waiver forms still require authorisation in line with the Trust's Scheme of Delegation. This is set out in the table below:

<b>Revenue Spend</b>	<b>Trust Money</b>
Director of Procurement (H&WE ICS NHS Procurement Service)	£0 - £50,000
Chief Executive or Chief Financial Officer	£50,000 - £100,000
Chief Executive and Chief Financial Officer Collectively	£100,000 - £500,000
Board/Chairman	Above £500,000

Any waivers requiring Board approval will be sent to the Chief Financial Officer by procurement with a covering narrative asking for the waiver request to be taken to the Board for formal approval.

9.5.3 It should be noted that Relevant Procurement Law applies at all times and in particular to proposed procurements in excess of the financial threshold appertaining at the time (FTS Limits January 2022 Supply, Services and Design Contracts £138,760, Works £5,336,937). The link is as follows: [Public procurement policy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/public-procurement-policy)

9.5.4 Relevant Procurement Law cannot be waived and the Trust Procurement will advise Budget holders as to how compliance can be achieved.

9.5.5 It should be noted that procurements estimated to be below limits set out as above for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the appropriate Trust Senior Officer.

9.5.6 The Audit Committee may, at its discretion, invite regular users of the waiver and non-competitive action procedures to explain the need and to advise how this action may be avoided.

9.5.7 The Director of Procurement will provide a bi-monthly report to the Audit Committee detailing the use made of NCA and an annual report highlighting an analysis by budget holder and the reason for the use of waivers.

## **9.6 Acceptance of a quote or tender**

9.6.1 Following evaluation and provided the winning quote or tender is within budget an official order is raised. Official orders must:

- be consecutively numbered.
- be in a form approved by the Chief Financial Officer, state the Trusts terms and conditions of trade, and
- only be raised by those authorised by the Chief Executive.

9.6.2 Those authorised by the Chief Executive are:

- Procurement (H&WE ICS NHS Procurement Service).
- Pharmacy (for procurement of drugs).

9.6.3 Verbal orders may only be issued very exceptionally by an employee listed in 9.6.1 and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order".

## **9.7 Auctions**

9.7.1 Should the Trust choose to access Auctions (of any kind) as a process for procurement, this must be done through H&WE ICS NHS Procurement Service and the Chief Financial Officer must be assured the process complies with best practice guidelines.

## **9.8 Disposals**

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

- 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 Director of Procurement (H&WE ICS NHS Procurement Service).
- obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the Trust.
- items to be disposed of with an estimated sale value of less than £5,000.
- items arising from works of construction, demolition, or site clearance, which should be dealt with in accordance with the relevant contract.
- land or buildings concerning which Department of Health guidance has been issued which shall be disposed of in compliance with such guidance.

## **9.9 In-house Services**

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

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

- specification group, comprising the Chief Executive or nominated lead officer and specialist.
- in-house tender group, comprising a nominee of the Chief Executive and technical support; and,
- evaluation team, comprising normally a specialist officer, supplies officer and a Chief Financial Officer representative.

9.9.3 Each group shall work independently of each other and individual Officers may be a member of more than one group, but no member of the in-house tender group may participate in the evaluation of tenders.

9.9.4 The evaluation team shall make recommendations to the Board.

## **9.10 Applicability to funds held in trust**

9.10.1 Standing Order No.4.6.1 outlines the Trust's responsibilities as a Corporate Trustee for the management of funds it holds on trust.

9.10.2 The Authority and Compliance section at the start of these SFIs makes it clear SFIs apply equally to charitable funds. In addition, there shall be full compliance with the legal requirements and best practice required by the Charity Commission.

9.10.3 The Chief Financial Officer shall ensure that each trust fund that the Trust is responsible for managing is managed appropriately regarding its purpose and to its requirements. Delegated limits for funds are:

Employee	Limit
Fund manager	£1,000
Divisional Clinical Director/Executive Director/Divisional Manager	£5,000
Chief Financial Officer	£25,000
Charitable Funds Committee	£100,000
Board of Trustee	No limit up to available funds

## 9.11 Contract and Contract Variation

- 9.11.1 Any legally binding agreement voluntarily entered into by two or more parties that places an obligation on each party to do or not do something for one or more of the other parties and that gives each party the right to demand the performance of whatever is promised to them by the other parties.
- 9.11.2 To be valid, all parties must be legally competent to enter a contract, neither the objective nor any of the obligations or promised performances may be illegal, mutuality of the agreement and of its obligations must exist, and there must be consideration.
- 9.11.3 For contract variation, please refer to the specific NHS Terms and Condition of contract, if you have bespoke Terms and Conditions refer to the section on variations.

## 9.12 Framework

- 9.12.1 A framework agreement is an umbrella agreement between one or more contracting authorities and one or more economic operators setting out all or some of the terms on which the parties can enter into contracts (call-offs) throughout the term of the umbrella agreement.
- 9.12.2 Call-offs are based on the terms of the framework agreement and may be either direct award or through further competition.
- 9.12.3 The terms of the framework agreement must be adhered to.
- 9.12.4 For further details on procurement please visit <http://www.hertsprocurement.nhs.uk>

## STANDING FINANCIAL INSTRUCTION NO. 10

### EMPLOYMENT OF TEMPORARY STAFF

## 10.1 Personnel and Agency or Temporary Staff Contracts

- 10.1.1 To ensure the Trust achieves best value and that where appropriate DBS checks have been made temporary staff will only be employed in accordance with this SFI.

## 10.2 Temporary Medical Staff

- 10.2.1 Budget holders within their delegated limit and budget constraint may request the employment of temporary staff. All such requests **must** be approved by the **Chief Medical Officer** (CMO) during normal working hours. The Medical Staffing Department will co-ordinate all requests for temporary medical staff made during normal working hours and

present these to the CMO for approval.

The Medical Staffing Department will confirm whether the gap requiring temporary cover should be covered by existing job plans.

Consequently, all requests for temporary medical staff made during normal working hours must be directed to the Medical Staffing department.

10.2.2 Temporary medical staff requested outside of normal working hours must be approved by the Senior Manager On call or the nominated deputy. The Medical Staffing Department must secure email confirmation of approval by the Senior Manager On call before booking temporary staff outside of normal working hours.

- Any requests for temporary medical staff made outside of normal working hours must be summarised by the Medical Staffing Department for approval by the CMO the following day.

### 10.3 Temporary Nursing Staff

10.3.1 Temporary nursing staff requests must be authorised by the Chief Nurse or her nominated deputy at the daily rota review meetings. Any requests for temporary nursing staff in excess of this agreement need to be approved by the Senior Manager On Call.

The Nursing Workforce manager will summarise all temporary nursing requests made for the previous day to be discussed at each daily ward rota review meeting.

10.3.2 All requests for temporary staff must be made through the Trust's temporary staff provider.

10.3.3 Any two of the following directors must approve the rate of pay for the shift where it is in excess of the agreed rate card<sup>1</sup>,

- Chief Financial Officer
- Chief People Officer
- Chief Medical Officer
- Chief Operating Officer

10.3.4 Should temporary staff not be available via the Trust's nominated bank temporary staff provider, budget holders, within their delegated limit and budget constraint, may employ staff from agencies where a framework agreement is in place. The request must be authorised by the Vacancy Review Panel. Once authorised, the booking must be placed via the Trust's mandated booking system.

10.3.5 The maximum rates set for grades and specialties will be in line with nationally mandated restrictions and will be reviewed periodically. The agreed rates will be available from the Chief Financial Officer. Under any other circumstance, approval of the Chief Executive is required.

10.3.6 The Chief Financial Officer will be responsible for managing the agency spend to a limit if set by NHS Improvement.

## **10.4 Interim Managers**

- 10.4.1 Managers are required to enter into formal contract for all interims either (a) NHS framework contract (b) Trust standard contract or (c) a negotiated contract approved by the Chief People Officer and Chief Financial Officer.
- 10.4.2 Purchase orders raised cannot be greater than £100,000 or six months of service. Any variation to this contract in excess of £100,000 or six months of service to be reported to the Trust's Remuneration Committee.
- 10.4.3 All interim staff contracts must be submitted to the Chief Financial Officer via the submission of the necessary approval forms and processes as mandated by the Chief Executive Officer.
- 10.4.4 As stated under HMRC Regulation IR 35, any temporary appointments of staff and engagement agreed via a personal service company, partnership, nationally mandated off payroll engagement rules apply.
- 10.4.5 The Trust is responsible for deducting the tax and national insurance relevant to these off-payroll engagements.
- 10.4.6 Prior to agreeing such appointments, the Trust's interim staff co-ordinator and the Head of Operational Finance must be notified in order to carry out tests using the HMRC toolkit. Any decision will be assured by using an IR35 specialist who will issue a certificate of the decision. The correct tax and national insurance will be deducted at source.
- 10.4.7 Further guidance is available on the HMRC website <https://www.gov.uk/guidance/ir35-find-out-if-it-applies>.

## **10.5 Interim contracts and non clinical agency**

- All new non clinical agency appointments need to be approved by the CFO and CPO.
- For any Interim staff arrangement expected to cost the Trust in excess of £10,000, 3 competitive quotations must be obtained.
- All Interim candidates on proposed daily rates must be interviewed before appointment.
- Managers are required to enter a formal contract for all Interims. There are three options available (a) NHS framework contract, (b) Trust standard contract, (c) A negotiated contract approved by the Director of OD and Chief Financial Officer.
- The formal contract must be approved by the Chief Financial Officer and the Chief People Officer before commencement.
- After selection and agreeing a contract, a formal requisition must be raised to raise an order to the supplying company. The value of the order must not exceed £100,000 or 6 months of service.
- Details of the order must be sent to the relevant Human Resources Business Partner to ensure that any necessary requirements (eg DBS checks) are completed



## STANDING FINANCIAL INSTRUCTION NO. 11

### CAPITAL INVESTMENT, PRIVATE FINANCE AND LEASING

#### 11.1 Capital Investment

##### 11.1.1 The Chief Executive:

- 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.
- will delegate responsibility to a named individual for the delivery of all stages of capital schemes and for ensuring that schemes are on time and to cost.
- shall ensure that the capital investment is not undertaken without confirmation of sufficient funding to meet any future revenue consequences, including capital charges.

11.1.2 The approval of a capital programme shall not constitute approval for expenditure on any scheme. Scheme agreement will be in accordance with the delegated limits tabled below; however, expenditure may not be committed until the Chief Financial Officer has issued capital expenditure approval (see paragraph 11.4.3)

Delegation – Trust *	Limit (excluding VAT)
Capital Finance Planning Group	£5,000- £150,000
Trust Executive Committee	£150,000 - £1,000,000
Trust Board	More than £1,000,000
NHS Improvement	In excess of Trust delegated limit

The expenditure limits for the Charity are reflected in SFI section 9.10.3 above.

11.1.3 For every capital expenditure proposal, the Chief Executive shall ensure that a Capital Approval Document and where necessary a pre-business case document (for schemes over £5k but less than £150k) or detailed Business Case (for schemes over £150k) is produced. This will be submitted to the relevant groups and committee for approval. The business case must include:

- an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs.
- the involvement of appropriate Trust personnel and external agencies, appropriate project management and control arrangements.
- that the relevant budget manager has certified to the future costs and revenue consequences detailed in the business case.

11.1.4 For capital schemes where the contracts stipulate stage payments these shall comply with any relevant DH guidance.

11.1.5 The Chief Financial Officer shall operate the construction industry tax deduction scheme in accordance with HMRC.

11.1.6 The Chief Financial Officer shall regularly report expenditure and commitment against authorised expenditure to the Trust Board.

## 11.2 Post Project Evaluation

11.2.1 Post project evaluation will be undertaken on all programmed capital investments and where the Business Case is approved by the Board the post project evaluation will be reviewed by the Board.

11.2.2 The project evaluation shall as a minimum consider:

- the extent to which the original objectives have been met.
- the cost and the extent to which value for money can be demonstrated.
- the outcome compared with, the do nothing or do minimum option; risk.
- user satisfaction.
- procurement route.
- implementation compared with plan; time and resources; and lessons learnt.

## 11.3 Private Financing (including Leasing)

11.3.1 The Trust should normally test for PFI or leasing when considering capital procurement. When the Trust proposes to use PFI or leasing (regardless of whether the lease is an operating or finance lease), the following procedures shall apply:

- the proposal must obtain approval commensurate with that which is required were the assets, goods or services to be obtained by outright purchase.
- the budget holder for the associated PFI/Lease cost must authorise that the costs are acceptable within their managed budget.
- the Chief Financial Officer shall demonstrate that the financing represents value for money and genuinely provides the desired transfer of risk; and
- any finance or lease document must be signed by the Chief Financial Officer and where this is more than the Chief Financial Officer's delegated limit, by the Chief Executive also.

11.3.2 In all other respects the procurement process contained within SFI 9 applies to PFI and Leasing.

11.3.3 All PFI contracts must be approved by the Board.

## 11.4 Capital Delegated Limits

11.4.1 All initial allocations for capital schemes within the constraints of the Board approved programme will be set by Finance.

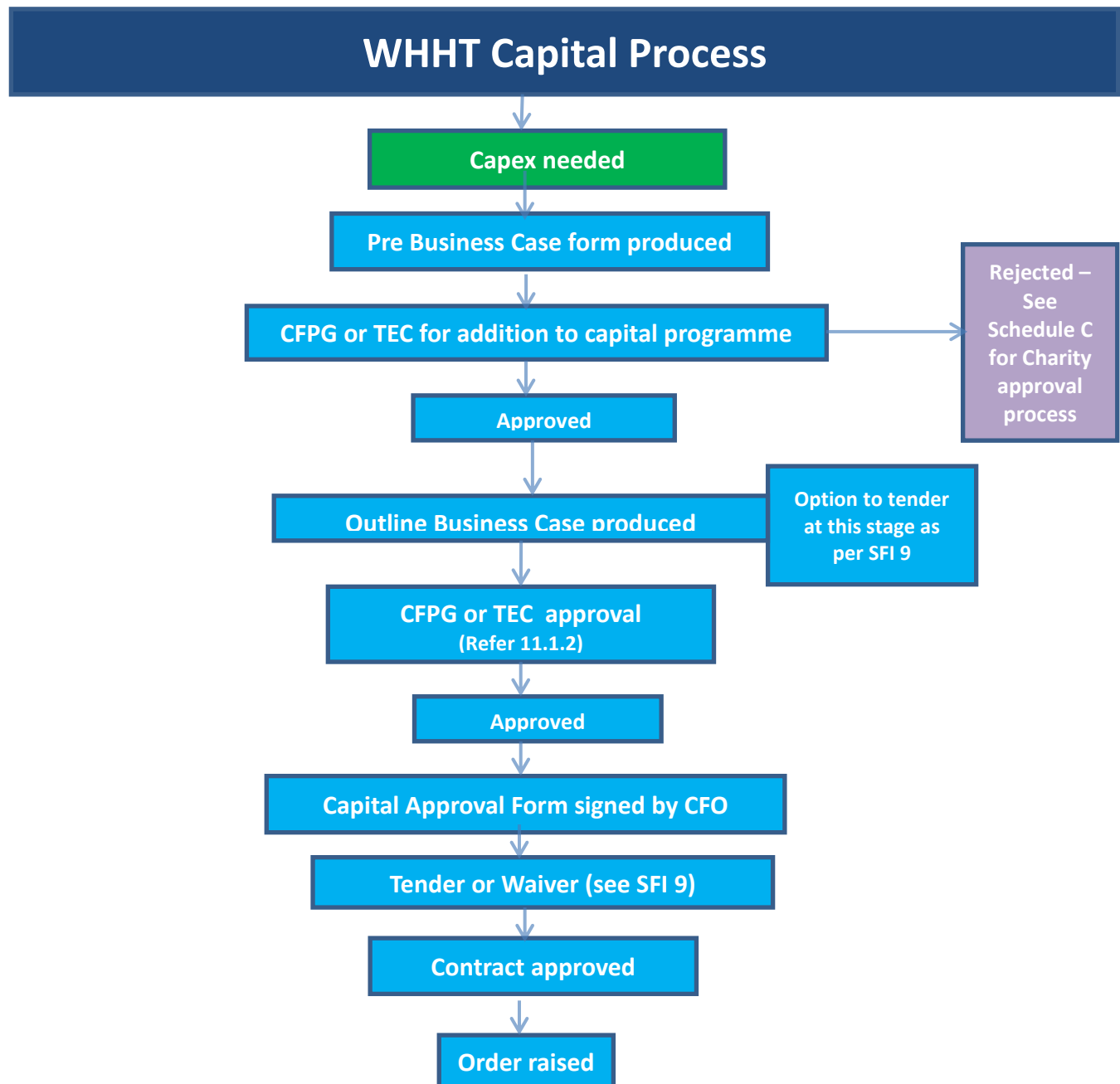
11.4.2 Following a tendering/quotation action and the approval of a business case, a Capital Expenditure Approval Request Form must be approved by the Chief Financial Officer and a Capital Approval Number (CAN) set up on the financial ledger for a purchase order to be raised. See the flow diagram (paragraph 11.4.4) below detailing the process to be followed before any capital commitment can be made.

11.4.3 The limits set out below relate to the subsequent authorisation of all requisitions, orders and invoices. All procurement is subject to the procedures set out in SFI No. 9.

Employee	Limit
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Project Manager	£100,000
Chief Executive / Director / Project Director / Head of Operational Finance	£1,000,000
Chief Executive/ Chief Financial Officer collectively	No limit

11.4.4 Any waivers raised should be in accordance with SFI 9 section 9.5.



## **STANDING FINANCIAL INSTRUCTION NO. 12**

### **PROPERTY, PLANT and EQUIPMENT and INTANGIBLE ASSET REGISTERS, AND SECURITY**

#### **12.1 Asset Registers**

- 12.1.1 The Chief Financial Officer is responsible for the maintenance of registers of assets and arranging for periodic physical checks of assets against the asset register.
- 12.1.2 The Trust shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be as specified by the Department of Health Financial Reporting Manual (FReM).
- 12.1.3 Additions to the fixed asset register must be clearly identified so that it may be physically verified by reference to:
- Existence.
  - Suppliers' invoices and other documentary evidence in respect of transfer of ownership.
  - stores, requisitions and wages records for own materials and labour including appropriate overheads; and,
  - lease agreements in respect of assets held under a finance lease and capitalised.
- 12.1.4 Where capital assets are sold, scrapped, lost, or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).
- 12.1.5 The Chief Financial Officer shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 12.1.6 The asset register will show:
- The historical cost of each asset.
  - adjustments for valuation in accordance with FReM and Trust accounting policies; and,
  - depreciation in accordance with FReM and Trust accounting policies.
- 12.1.7 The Chief Financial Officer shall calculate and pay capital charges as specified by the Department of Health.

#### **12.2 Security of Assets**

- 12.2.1 The overall control of assets is the responsibility of the Chief Executive.
- 12.2.2 Asset control procedures (including plant, property and equipment, cash, cheques, and negotiable instruments, and also including donated assets) must be approved by the Chief Financial Officer. This procedure shall make provision for:
- recording managerial responsibility for each asset; identification of additions and disposals.
  - identification of all repairs and maintenance expenses; physical security of assets.
  - periodic verification of the existence of, condition of, and title to, assets recorded;
  - identification and reporting of all costs associated with the retention of an asset; reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

- 12.2.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Chief Financial Officer.
- 12.2.4 Whilst each employee and officer have a responsibility for the security of property of the Trust, it is the responsibility of Board members 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 agreed procedures.
- 12.2.5 Any damage to the Trust's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Board members and employees in accordance with the procedure for reporting losses.
- 12.2.6 Where practical, assets should be marked as Trust property.

## **STANDING FINANCIAL INSTRUCTION NO. 13**

### **MANAGEMENT OF INVENTORIES (including stores and stocks)**

#### **13.1 Stores**

- 13.1.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- kept to a minimum.
  - subjected to annual stock take.
  - valued at the lower of cost and net realisable value.
- 13.1.2 Subject to the responsibility of the Chief Financial Officer for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the Chief Executive. The day-to-day responsibility may be delegated to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Chief Financial Officer. The control of any Pharmaceutical stocks shall be the responsibility of a designated pharmaceutical officer, the control of any fuel oil and coal of a designated estates manager.
- 13.1.3 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager/Pharmaceutical officer. Wherever practicable, stocks should be marked as health service property.
- 13.1.4 The Chief Financial Officer shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.

#### **13.2 Stocks**

- 13.2.1 Stocktaking arrangements shall be agreed with the Chief Financial Officer and there shall be a physical check covering all items in store at least once a year.
- 13.2.2 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Chief Financial Officer.
- 13.2.3 The designated Manager/Pharmaceutical officer shall be responsible for a system approved by the Chief Financial Officer for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated officer shall report to the Chief Financial Officer any evidence of significant overstocking and of any negligence or malpractice (see also overlap with SFI No. 14 Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

## **STANDING FINANCIAL INSTRUCTION NO. 14**

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

#### **14.1 Disposals and Condemnations**

14.1.1 The Chief Financial Officer must prepare detailed procedures for the disposal of assets including condemnations and ensure that these are notified to managers. When it is decided to dispose of a Trust asset, the Head of Department or authorised deputy will determine and advise the Chief Financial Officer of the estimated market value of the item, taking account of professional advice where appropriate.

14.1.1 All unserviceable articles shall be:

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

14.1.2 The Condemning Officer shall satisfy himself as to whether there is evidence of negligence in use and shall report any such evidence to the Chief Financial Officer who will take the appropriate action.

#### **14.2 Losses and Special Payments**

14.2.1 The Chief Financial Officer must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.

14.2.2 Any employee or officer discovering or suspecting a loss of any kind must immediately inform their head of department, who following investigation must inform the Chief Executive and the Chief Financial Officer and notify the employee discovering or suspecting the loss of their action. Where a criminal offence is suspected, the Chief Financial Officer must immediately inform the police if theft or arson is involved. In cases of fraud, bribery, and corruption or of anomalies which may indicate fraud, bribery or corruption, the Chief Financial Officer must inform the relevant LCFS in accordance with the Government Functional Standard GovS013: Counter Fraud. All losses and Compensation claims will be reviewed by the Litigation Department / Patient Affairs before sending to Finance for final approval and payment.

14.2.3 The Chief Financial Officer must notify the LCFS and the External Auditor of all frauds.

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

14.2.5 The write-off of losses will be approved within the delegated limits set out below and reported to the audit committee for review.

DESCRIPTION	£000	£000	£000
Cash Losses (Theft Fraud, Salary Overpayments, Losses of Cash)	0-1 Head Of Financial Accounts/Charity 1-10 Head of Operational Finance	10-50 Chief Financial Officer	>50 Board
Loss or damage to personal property or effects	0-1 Head Of Financial Accounts/ Charity 1-10 Head of Operational Finance	10-50 Chief Financial Officer	>50 Board
Bad Debts and Abandoned Claims	0-50 Head of Operational Finance	50-250 Chief	>250 Board
Fruitless Payments (including Abandoned Capital Schemes)	0-50 Estates Director	50-100 Chief	100-250 Chief Executive
Loss of Damage to Trust Buildings, Property, Equipment	0-50 Estates Director	>50 Relevant Divisional Director	
Loss of Stock	0-50 Relevant Divisional Director	>50 0	
Extra Contractual Payments to Contractors	0-50 Chief Financial Officer	>50 0	

- 14.2.6 The Chief Financial Officer shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 14.2.7 For any loss, the Chief Financial Officer should consider whether any insurance claim can be made.
- 14.2.8 The Chief Financial Officer shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 14.2.9 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.
- 14.2.10 All losses and special payments must be reported to the Audit Committee at every meeting.



## **STANDING FINANCIAL INSTRUCTION NO. 15**

### **COMPUTERISED SYSTEMS AND FREEDOM OF INFORMATION**

#### **15.1 Responsibilities and duties of the Chief Financial Officer**

15.1.1 The Chief Financial Officer, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall:

- devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which the director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998.
- 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.
- ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment.
- ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Chief Financial Officer may consider necessary is being carried out.

15.1.2 The Chief Financial Officer shall ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.

15.1.3 Where computer systems have an impact on corporate financial systems the Chief Financial Officer shall ensure that:

- systems acquisition, development and maintenance are in line with corporate policies such as an IM&T Strategy.
- data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists.
- such computer audit reviews as are considered necessary are carried out.

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

15.1.5 Where another health organisation or any other agency provides a computer service for financial applications, the Chief Financial Officer shall periodically seek assurances that adequate controls are in operation.

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

15.2.1 The Chief Executive will ensure each system is the responsibility of a designated officer.

15.2.2 Each designated officer will ensure the information contained is necessary for the operation of Trust business and as far as possible is accurate and up to date.

15.2.3 All Trust systems are operated in accordance with relevant Trust practices.

15.2.4 Each designated officer shall ensure that risks to the Trust arising from the use of each system are effectively identified and considered and appropriate action taken to mitigate or control risk. This shall include the preparation and testing of appropriate disaster recovery plans.

**15.3 Freedom of Information**

15.3.1 The Chief Information Officer and SIRO as the Chief Executive's nominated officer, shall publish and maintain a Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the information ICS Commissioner. The Publication Scheme is a complete guide to the information routinely published by the Trust it describes the classes or types of information publicly available.

## **STANDING FINANCIAL INSTRUCTION NO. 16**

### **PATIENTS' PROPERTY**

- 16.1 The Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") that is either 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.
- 16.2 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 by:
- notices and information booklets; (notices are subject to sensitivity guidance) hospital admission documentation and property records.
  - the oral advice of administrative and nursing staff responsible for admissions.
- 16.3 The Chief Financial Officer must provide detailed written instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money to maximise the benefits to the patient.
- 16.4 Where Department of Health instructions require the opening of separate accounts for patients' moneys, these shall be opened and operated under arrangements agreed by the Chief Financial Officer.
- 16.5 In all cases where property of a deceased patient is of a total value more than £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.
- 16.6 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.
- 16.7 Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose unless any variation is approved by the donor or patient in writing.

## **STANDING FINANCIAL INSTRUCTION NO. 17**

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

- 17.1 The policy on acceptance of gifts, hospitality and sponsorship is detailed in the Trust's Conflicts of Interest policy. This policy is also relevant in respect to bribery prevention.
- 17.2 All Trust employees should be aware that they are responsible for public funds. Where staff wish to offer hospitality to third parties this shall be approved in accordance with the Scheme of Delegation, having due regard for materiality and intention and must comply with the Trust's Anti-Bribery and Conflicts of Interest Policy. The Trust Secretary shall be responsible for ensuring that all senior managers retain full records of all hospitality provided, with clear explanations of the hospitality offered, names of all Trust employees and third parties involved, and the financial cost incurred by the Trust.
- 17.3 It is an offence to offer, promise or give a financial advantage, or request, agree to receive or accept a financial or other advantage where the offeror or recipient believes, intends, or knows that the financial or other advantage will lead to improper performance of a relevant function. For further information on the Bribery Act 2012, please refer to the Trust's Anti Bribery Policy.
- 17.4 All staff must be aware of the potential risks in accepting gifts, hospitality, and sponsorship, even where they have acted in good faith. All staff must comply with the Trust's Conflicts of Interest Policy.
- 17.5 The Trust Secretary must be formally notified of, and is responsible for maintaining a register of, all offers of gifts and hospitality, both accepted and rejected.
- 17.6 Compliance with the Conflicts of Interest Policy must be reported to the Audit Committee regularly.

## **STANDING FINANCIAL INSTRUCTION NO. 18**

### **RETENTION OF RECORDS**

- 18.1 The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Department of Health guidelines.
- 18.2 The records held in archives shall be capable of retrieval by authorised persons.
- 18.3 Records held in accordance with latest Department of Health guidance shall only be destroyed at the express instigation of the Chief Executive. Detail shall be maintained of records so destroyed.
- 18.4 The Chief Financial Officer shall provide advice on the retention of financial records.

## **STANDING FINANCIAL INSTRUCTION NO. 19**

### **RISK MANAGEMENT AND INSURANCE**

#### **19.1 Programme of Risk Management**

- 19.1.1 The Chief Executive shall ensure that the Trust has a programme of risk management, in accordance with current Department of Health assurance framework requirements, which must be approved and monitored by the Board. The risk management strategy is approved at Risk Review Group and ratified at the Integrated Risk & Governance Committee a sub-committee of the Board. Due consideration should also be given to Risk Evaluation for Investment Decisions (REID) which outlines best practice governance and decision making processes (<http://www.monitor-nhsft.gov.uk/sites/default/files/Monitor%20Investment%20Risk%20Evaluation.pdf>)
- 19.1.2 The programme of risk management shall include:
- a process for identifying and quantifying risks and potential liabilities; engendering among all levels of staff a positive attitude towards the control of risk.
  - 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; contingency plans to offset the impact of adverse events; audit arrangements including Internal Audit, clinical audit, health and safety review.
  - a clear indication of which risks shall be insured; arrangements to review the Risk Management programme.
- 19.1.3 The existence, integration and evaluation of the above elements will assist in providing a basis to make an Annual Governance Statement on the effectiveness of Internal Control within the Annual Report and Accounts as required by current Department of Health guidance.

#### **19.2 Insurance: Risk Pooling Schemes administered by NHS Resolution**

- 19.2.1 The Board shall decide if the Trust will insure through the risk pooling schemes,

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

### **19.3 Insurance arrangements with commercial insurers**

19.3.1 There is a general prohibition on entering into insurance arrangements with commercial insurers. There are, however, three exceptions:

- The Trust may enter commercial arrangements for insuring motor vehicles owned by the Trust including insuring third-party liability arising from their use.
- where the Trust is involved with a consortium in a Private Finance Initiative contract and the other consortium members require that commercial insurance arrangements are entered into; and
- where income generation activities take place, income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the Trust for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from the Litigation Authority. In any case of doubt concerning a Trust's powers to enter into commercial insurance arrangements the Chief Financial Officer should consult the Department of Health.

19.3.2 The Trust has a specialist broker in place to deal with all commercial insurance, and all insurance should be managed through this broker.

### **19.4 Arrangements to be followed by the Board in agreeing Insurance cover**

19.4.1 Where the Board decides to use the risk pooling schemes administered by NHS Resolution, the Chief Financial Officer shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Chief Financial Officer shall ensure that documented procedures cover these arrangements.

19.4.2 Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, the Chief Financial Officer shall ensure that the Board is informed of the nature and extent of the risks that are self-insured because of this decision. The Chief Financial Officer will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed.

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

## Schedule A

### Bank Authorisation and Access to Public Dividend Capital or Loans agreed by the Department of Health

#### Government Banking Services (GBS) Bank accounts

The signatory panel is for authorising the transfer of funds from the Trust's bank account in settlement of a Trust liability(s) that has been authorised in accordance with the Trust's SFIs.

Authorisation shall be any one of the following signatories

- Chief Executive
- Chief Financial Officer
- Head of Operational Finance
- Senior Finance Managers (≥Grade 7))

#### Commercial Bank

The signatory panel is for authorising the transfer of funds from the Trust's commercial bank account, in settlement of a Trust liability(s) that have been authorised in accordance with the Trust's SFIs. These payments will usually be urgent payments or transactions with non-UK organisations.

<u>Name (Signatory)</u>	<u>Group</u>
Chief Executive	A
Chief Financial Officer	A
Head of Operational Finance	B
Senior Finance Manager ≥Grade 7	B

#### Signing Limits

Up to £19,999.99	Any Two signatories
£20,000 - £49,999.99	Two signatories of which one must be an "A"
£50,000 and over	Two signatories both of which one must be an "A"

#### Public Dividend Capital

The signatory panel is for transferring to the Trust's bank account additional public dividend capital and/or loans agreed by the Department of Health.

Authorisation shall be any two of the following signatories:

- Chief Executive
- Chief Financial Officer, Chief Operating Officer, Chief Medical Officer
- Chief Nurse and Director of Infection Prevention and Control

## Schedule B

### Version 2.0 Updates

The SFIs were reviewed and the changes are detailed below. Changes are minor and mainly updating with better controls as suggested and reflecting any changes to current legislation.

- SFI 7.2 Previously no virements between the funded establishment was permitted in the SFIs. In practice the re-organisation within teams and divisions takes place. The changes in 7.2.2 reflect the current practice of the virement of monies within a departmental budget.
- SFI 9 Minor changes include the changes in the name of the procurement portal from Bravo to Atamis, and the changes from EU/OJEU references to appropriate relevant regulations (post BREXIT)- see SFI 9.
- SFI 9.5.2 The increase in the limits of authorisation on the waiver process for revenue spend, so that now the Chief Executive and the Chief Financial Officer collectively have the power to approve waivers between £100,000 and £500,000 (previously between £100,000 and £250,000).
- Schedule C The Charity (RAISE) has changed its grant making process, and a revised grant application process flowchart is incorporated within the SFIs (see schedule C)

### Version 9.0 updates

Changes apart from those mentioned below are minor reflecting changes in names of committees and/or post names

- SFI 2.2.6 The delegated responsibility for the Trust Board for capital has been increased from between £1-£5m to £1m-£15m
- SFI 7.3.2 The section has been amended to reflect current practice identifying posts for which the vacancy panel does not have to approve certain, high level vacancy, posts.
- SFI 8 and 9 Reflects changes in name of relevant entity where applicable.

### Version 10.0 updates

- SFI 5.4.1 This section has been amended to reflect current processes of the authorization levels in the raising of credit notes
- SFI 2.2 Budgets – this section has been amended to improve the controls over budgets so that any overspends on budgets have more senior budget authorisations. Similarly SFI9 tendering the approval limits have been amended
- SFI 7.7 and 8.1 Processes have been tightened up in the authorisation of new substantive posts and in the authorisation of temporary nursing and medical staff
- SFI 1.4 Amendments and changes in wording have been made re fraud and bribery as recommended by the Trusts internal auditors
- SFI 7.1.2 The Board have formally delegated to the Remuneration Committee the setting



of the appropriate remuneration levels of Executive Directors and Senior Board members.

## Schedule C

### West Herts Charity Capital Process

