

**Southend University Hospital NHS
Foundation Trust**

**STANDING FINANCIAL
INSTRUCTIONS**

August 2012

FOREWORD

The Audit Committee approved these Standing Financial Instructions on behalf of the Board of Directors of Southend University Hospital NHS Foundation Trust in August 2012.

CONTENTS

SECTION	SUBJECT	PAGE
1	INTRODUCTION	2
2	AUDIT	6
3	BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING	9
4	ANNUAL ACCOUNTS AND REPORTS	12
5	BANK AND GBS ACCOUNTS	13
6	INCOME, FEES & CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS	15
7	NHS SERVICE CONTRACTS FOR PROVISION OF SERVICES	17
8	COMMISSIONING	18
9	PROCUREMENT OF CAPITAL EXPENDITURE	19
10	TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF DIRECTORS AND EMPLOYEES	21
11	ACCEPTANCE OF GIFTS, HOSPITALITY AND OTHER BENEFITS	24
12	NON PAY EXPENDITURE	26
13	EXTERNAL BORROWING AND INVESTMENTS	30
14	CAPITAL INVESTMENT, FIXED ASSETS AND SECURITY OF ASSETS	32
15	STORES AND RECEIPT OF GOODS	35
16	DISPOSAL AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS	36
17	INFORMATION TECHNOLOGY	38
18	PATIENTS PROPERTY	40
19	FUNDS HELD ON TRUST	41
20	RETENTION OF DOCUMENTS	42
21	RISK MANAGEMENT	43
22	DATA PROTECTION ACT AND FREEDOM OF INFORMATION ACT	44

1 INTRODUCTION

1.1 GENERAL

- 1.1.1 These Standing Financial Instructions (SFIs) shall have effect as if incorporated in the Standing Orders of the Foundation Trust.
- 1.1.2 These SFIs detail the financial responsibilities, policies and procedures to be adopted by the Foundation Trust. They are designed to ensure that its financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the 'Scheme of Delegation' adopted by the Trust.
- 1.1.3 These SFIs identify the financial responsibilities that apply to everyone working for the Trust and any association organisations. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance **MUST BE SOUGHT BEFORE ACTING**. The user of these SFIs should also be familiar with and comply with the provisions of the Trust's Standing Orders.
- 1.1.5 **FAILURE TO COMPLY WITH SFIs IS A DISCIPLINARY MATTER THAT COULD RESULT IN DISMISSAL**
- 1.1.6 **Overriding SFIs** – 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 (significant issues of non-compliance shall be reported immediately to the Chairman of the Audit Committee). All directors and staff have a duty to disclose any non-compliance with these SFIs to the Director of Finance as soon as possible.

TERMINOLOGY

- 1.1.7 Any expression to which a meaning is given in Health Service Acts, or in Directions made under the Acts, shall have the same meaning in these instructions; and in addition:

"Board of Directors" means the Board of Directors as constituted in accordance with the constitution of the Trust. Where reference is made to the Board of Directors it is implied that certain responsibilities may be delegated to the Chief Executive.

"Board of Governors" means the Board of Governors as constituted in accordance with the constitution of the Trust.

"Budget" means a resource, expressed in financial terms, proposed by the Chief Executive for the purpose of carrying out, for a specific period, any or all of the functions of the Trust.

"Budget Holder" means the director, business unit director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the Trust.

"Chief Executive" means the chief executive officer of the Board of Directors of the Trust

"Director of Finance" means the Director of Finance of the Trust and who is a voting member of the Board of Directors.

"Executive director" means an officer of the Trust and who is a member of the Board of Directors.

"Funds held on trust" shall mean those funds, which the Trust holds or receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under S.90 of the NHS Act 1977, as amended. Such funds may or may not be charitable.

"Legal Adviser" means the properly qualified person appointed by the Trust to provide legal advice.

"Officer" means employee of the Trust or any other person holding a paid appointment or office with the Trust.

"Trust" means Southend University Hospital NHS Foundation Trust.

"Monitor" means the body corporate known as the Independent Regulator of NHS Foundation Trusts.

"The Chairman" is the chairman of the Board of Directors and the Board of Governors.

1.1.8 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include such other director or employees who have been duly authorised to represent them.

1.1.9 Wherever the term "employee" or "staff" is used and where the context permits it shall be deemed to include volunteers and employees of third parties contracted to the Trust when acting on behalf of the Trust.

1.1.10 Reference to the masculine shall also relate to the feminine and vice versa.

RESPONSIBILITIES AND DELEGATION

1.1.11 The Board of Directors exercises financial supervision and control through its governance processes and procedures. In enacting these procedures the Chief Executive is responsible for:

- (a) formulating the financial strategy for approval of the Board;
- (b) requiring that annual budgets be set within the parameters of the financial strategy;
- (c) defining and approving essential features in respect of important procedures, as referenced in this document, and financial systems (including the need to obtain value for money); and
- (d) defining specific responsibilities in the Scheme of Delegation document;
- (e) reporting against a series of KPI's and targets and presenting action plans where performance is unsatisfactory.

- 1.1.12 The Board of Directors has resolved that it may only exercise certain powers and decisions in formal session. These are set out in the 'Matters Reserved' Board document held by the Trust Secretary.
- 1.1.13 The Board of Directors will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Trust.
- 1.1.14 Within SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board of Directors, and as accountable officer, to Parliament, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities; is responsible to the Board of Directors for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control. The Chief Executive is responsible for ensuring that financial planning does not risk financial jeopardy and is derived from a multi-year plan.
- 1.1.15 The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.
- 1.1.16 It is a duty of the Chief Executive to ensure that employees and all new appointees are notified of, and understand, their responsibilities within these Instructions.

1.1.17 The Director of Finance is responsible for:

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

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

- (d) the provision of advice on the financial matters of the Trust to the Directors and Employees.
- (e) the design, implementation and supervision of systems of internal financial control;
- (f) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties; and
- (g) the preparation of both short term and longer term financial plans and strategies.

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

- (a) the security of the property and assets of the Trust;
- (b) avoiding loss;
- (c) exercising economy and efficiency in the use of resources; and

- (d) conforming to the requirements of Monitor, the Terms of Authorisation, Constitution, Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Delegation.

1.1.19 Any contractor or employee of a contractor who is empowered by the Trust to commit it to expenditure or who is authorised to obtain income shall be covered by these instructions. The Chief Executive is required to ensure that such persons are made aware of their responsibilities and are appropriately trained.

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

2 AUDIT

2.1 AUDIT COMMITTEE

- 2.1.1 In accordance with the Constitution, the Board of Directors has formally established an Audit Committee of non-executive directors, with clearly defined terms of reference, to obtain assurance on the systems of internal control by:
- (a) overseeing Internal and External Audit services;
 - (b) reviewing financial systems;
 - (c) monitoring compliance with Standing Orders and Standing Financial Instructions;
 - (d) reviewing schedules of losses and compensations and making recommendations to the Board;
 - (e) reviewing the information prepared to support the Assurance Framework and Annual Governance Statement prepared on behalf of the Board and advising the Board accordingly;
 - (f) reviewing the annual accounts and report and changes to accounting policies.
- 2.1.2 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, its Chairman should raise the matter at a full meeting of the Board of Directors. Exceptionally following discussion with the Director of Finance the matter may need to be referred to Monitor.
- 2.1.3 It is the responsibility of the Director of Finance to ensure an adequate internal audit service is provided and the Audit Committee shall be involved in the selection process when/if an internal audit service provider is changed.

2.2 DIRECTOR OF FINANCE

- 2.2.1 The Director of Finance is responsible for:
- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;
 - (b) ensuring that the internal audit is adequate and meets the NHS mandatory audit standards;
 - (c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption;

- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee and the Board of Directors. The report must cover:
 - (i) a clear opinion on the effectiveness of internal control in accordance with current assurance guidance issued by the Department of Health including for example compliance with control criteria and standards,
 - (ii) major internal financial control weaknesses discovered,
 - (iii) progress on the implementation of internal audit recommendations,
 - (iv) progress against plan over the previous year,
 - (v) strategic audit plan covering the coming three years and
 - (vi) detailed plan for the coming year.

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

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

2.3 ROLE OF INTERNAL AUDIT

2.3.1 Internal Audit will review, appraise and report upon:

- (a) the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
- (b) the adequacy and application of financial and other related management controls;
- (c) the suitability of financial and other related management data;
- (d) the extent to which the Trust's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
- (e) fraud and other offences,
- (f) waste, extravagance, inefficient administration,
- (g) poor value for money or other causes,
- (h) the assurance framework supported by the Chief Executive's statement on internal control.

- 2.3.2 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately, and the matter be referred to the Local Counter Fraud Specialist.
- 2.3.3 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chairman and Chief Executive of the Trust.
- 2.3.4 The Head of Internal Audit shall be accountable to the Director of Finance. The reporting system for internal audit shall be agreed between the Director of Finance, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on Reporting contained in the NHS Internal Audit Manual. The reporting system shall be reviewed at least every 3 years.

2.4 FRAUD AND CORRUPTION

- 2.4.1 In line with their responsibilities, the Chief Executive and Director of Finance shall monitor and ensure compliance with Monitors' NHS FT Code of Governance..
- 2.4.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the Department of Health Fraud and Corruption Manual and guidance.
- 2.4.3 The Local Counter Fraud Specialist shall report to the Director of Finance ,and shall work with staff within NHS Protect in accordance with the Department of Health Fraud and Corruption Manual. and ensure that the Trust has adequate procedures in place to prevent bribery and corruption as defined by the Bribery Act 2010.

2.5 EXTERNAL AUDIT

The external auditor is appointed by the Board of Governors. The Audit Committee must ensure a cost-efficient service. Any issues with the delivery of external audit services should be resolved in accordance with the Audit Code for NHS Foundation Trusts.

3 BUSINESS PLANNING, BUDGETS, BUDGETARY CONTROL, AND MONITORING

3.1 PREPARATION AND APPROVAL OF BUSINESS PLANS AND BUDGETS

3.1.1 Following consultation with the Board of Governors, the Chief Executive will compile and submit for approval to the Board of Directors, annually, a business plan that sets out financial targets and forecast limits of available resources for the next three years. The plan will be deemed to be an interpretation of the Board's strategic vision formulated within its governance processes and procedures, and will contain:

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

That plan will also form part of and be consistent with the Trust's five year financial strategy.

3.1.2 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit budgets in line with the Annual Plan for that coming year for approval by the Executive Board. Such budgets will:

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

3.1.3 The Director of Finance shall monitor financial performance both current and forecast against the budget and business plan on a monthly basis and report to the Board of Directors.

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

3.1.5 All budget holders will agree to their allocated budgets at the commencement of each financial year in accordance with any accountability framework set by the Chief Executive.

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

3.1.7 The Chief Executive has the ability to approve in-year variances (e.g. for new service developments) in accordance with the scheme of delegation.

3.2 BUDGETARY DELEGATION

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

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

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

3.2.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement as set out in the accountability framework.

3.2.4 All budget virements must be signed as agreed by both budget holders.

3.2.5 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive.

3.3 BUDGETARY CONTROL AND REPORTING

3.3.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:

- (a) regular reports to the Board of Directors summarising the Trusts performance against plan across a range of key performance indicators and the future financial strategy of the Trust;
- (b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
- (c) investigation and reporting of variances from financial, workload and manpower budgets;
- (d) monitoring of management action to correct variances; and
- (e) arrangements for the authorisation of budget transfers.

3.3.2 Each Budget Holder is responsible for ensuring that:

- (a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Director of Finance;
- (b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement; and
- (c) no permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and manpower establishment as approved by the Chief Executive.

3.3.3 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Annual Business Plan.

3.4 CAPITAL EXPENDITURE

3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI Section 14.)

3.5 MONITORING RETURNS

3.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the Board of Directors and Monitor.

3.5.2 The internal monitoring of the Trust's and departmental business plans will take place through performance reviews in a manner and time period as determined by the Chief Executive.

4 ANNUAL ACCOUNTS AND REPORTS

- 4.1 The Director of Finance, on behalf of the Trust, will:
- 4.1.1 prepare in respect of each Financial Year annual accounts in such form as Monitor may with the approval of the Treasury direct.
- 4.1.2 In preparing its annual accounts, the Trust shall comply with any directions given by Monitor with the approval of the Treasury as to:
- (a) the methods, principles and legal requirements to which the accounts are to be prepared; and
 - (b) the information to be given in the accounts.
- 4.1.3 The Trust shall:-
- (a) lay a copy of the annual accounts, and any report of the auditor on them, before Parliament; and
 - (b) send copies of those documents to Monitor in accordance with the timetable prescribed by Monitor.

ANNUAL REPORT AND FORWARD PLANS

In conjunction with the timetable for the production of the annual accounts the Chief Executive, as accounting officer, shall co-ordinate the preparation of an annual report for each financial year and shall send a copy of the report to Monitor. Each report is to give:-

- 4.2.1 Information on any steps taken by the Trust to secure that (taken as a whole) the actual membership of any public constituency and the Patients' constituency is representative of those eligible for such membership; and
- 4.2.2 Any other information the Monitor requires.
- 4.2.3 The Trust shall comply with any decision Monitor makes as to:-
- the form of the reports.
 - when the reports are to be sent.
 - the periods to which the reports are to relate.
- 4.2.4 The Trust shall give information as to its forward planning in respect of each financial year to Monitor. This information shall be prepared by the Board of Directors, who must have regard to the views of the Board of Governors.
- 4.2.5 The annual report shall also be held at the Trust for public inspection and shall be made available via the Trust's website.
- 4.2.6 The Trust's annual accounts, any report of the auditor on them and the annual report must be presented to the Board of Governors at a public meeting.

5 BANK AND GBS ACCOUNTS

5.1 GENERAL

5.1.1 The Director of Finance is responsible for managing the Trust's banking arrangements and for advising the Trust on the provision of banking services and operation of accounts.

5.1.2 The Board of Directors shall approve the banking arrangements.

5.2 BANK AND GBS ACCOUNTS

5.2.1 The Director of Finance is responsible for:

- (a) bank accounts and the Government Banking Service (GBS) accounts;
- (b) establishing separate bank accounts for the Trust's non-exchequer funds;
- (c) ensuring payments made from bank or GBS accounts do not exceed the amount credited to the account except where arrangements have been made;
- (d) reporting to the Board of Directors all arrangements made with the Trust's bankers for accounts to be overdrawn; and
- (e) approving the use of the Working Capital Facility and reporting usage on a monthly basis to the Board
- (f) preparing a treasury management policy which shall be approved by the Board.

5.3 BANKING PROCEDURES

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

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

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

5.3.3 The schedule of payments will be supported by two authorised signatories

5.4 REVIEW OF BANKING FACILITIES

5.4.1 The Director of Finance will review the banking arrangements of the Trust annually to ensure they reflect best practice and represent best value for money.

5.4.2 Competitive tendering for banking services, other than GBS accounts, should be sought at least every five years. The results of the tendering exercise should be reported to the Board.

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

6.1 INCOME SYSTEMS

- 6.1.1 The Director of Finance is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.
- 6.1.2 The Director of Finance is also responsible for the prompt banking of all monies received.
- 6.1.3 The Trust shall follow the 'Payments by Results' financial regime including any code of conduct issued by Monitor.
- 6.1.4 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health. Independent professional advice on matters of valuation shall be taken as necessary.
- 6.1.5 All employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patients undertakings and other transactions.

6.2 DEBT RECOVERY

- 6.2.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.
- 6.2.2 Income not received should be dealt with in accordance with losses procedures. (See section 16)
- 6.2.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

6.3 SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

- 6.3.1 The Director of Finance is responsible for:
 - (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
 - (b) ordering and securely controlling any such stationery;
 - (c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
 - (e) prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.

- 6.3.2 Official money shall not under any circumstances be used for the encashment of private cheques, nor IOU's.
- 6.3.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.
- 6.3.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss.
- 6.3.5 To minimise the risk of money laundering under no circumstances will the Trust accept cash payments in excess of £10,000 in respect of any single transaction. Any attempts by an individual to effect payment above this limit should be notified immediately to the Director of Finance.

7 NHS SERVICE CONTRACTS FOR PROVISION OF SERVICES

- 7.1 The Chief Executive is responsible for negotiating healthcare contracts for the provision of services to patients in accordance with the Annual Plan. In carrying out these functions, the Chief Executive should take into account the advice of the Director of Finance regarding;
- a) costing and pricing of services;
 - b) payment terms and conditions;
 - c) amendments to contracts and extra-contractual arrangements; and
 - d) payment by results.
- 7.2 Contracts should be so devised as to minimise risk whilst maximising the Trust's opportunity to Generate income.
- 7.3 Prices should match national tariff where appropriate and locally agreed prices where applicable.
- 7.4 The Director of Finance shall produce regular reports detailing actual and forecast income [linked to activity} with a detailed assessment of the impact of the variable elements of income.
- 7.5 The Director of Finance shall oversee and approve cash flow forecasts and the collection of cash.
- 7.6 The Chief Executive shall ensure that legal advice is used to support any contractual agreements.

8 COMMISSIONING

- 8.1 The commissioning of goods and services must be in line with the Trust's Annual Plan, and in accordance with its authorisation by Monitor.

9 PROCUREMENT OF CAPITAL EXPENDITURE

- 9.1 The Director of Finance shall issue procedures governing, investment appraisal, the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.
- 9.1.1 For capital projects where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating best industry practice.
- 9.1.2 The Director of Finance shall produce regular reports of expenditure and commitment against budget.
- 9.1.3 The Trust shall ensure that selection of Contractors for procurement of goods or services (including contracts for building and engineering works) shall be selected from company registers with accredited bodies. (e.g. Constructionline for building and engineering works). In addition officers of the Trust will undertake additional checks for tendering exercises valued over £500,000 as set out below.

A financial check i.e. D & B compact report or similar

Seeking of 2 trade references.

Use of the approved list for large contracts shall have due regard for the competition provisions of the GATT and the European Union.

- 9.1.4 An official order of acceptance for every contract resulting from an invitation to tender shall be issued with a contract value up to £1,000,000 (one million pounds).

Every contract with a value exceeding £1,000,000 (one million pounds) shall be executed under the common seal of the Trust.

- 9.1.5 Payments to contractors on account of contracts shall be made only on consecutively numbered certificates issued by the Director of Estates and Facilities. Accounts received from contractors, and external consultants where engaged, will be examined and checked by the appropriate Project Manager before being passed to the Associate Director or his/her nominated deputy, for approval.
- 9.1.6 All changes in the contract should be supported by a variation order authorised by the Project Manager appointed by the Associate Director. This authorisation should be issued before work is carried out or, in the case of an emergency, not later than the next working day.
- 9.1.7 The Project Manager may authorise the release of contingency sums with an estimated cost of up to £1,000 (one thousand pounds) without prior approval, provided that the cost of the instruction can be met within the approved sum for the project. Where this delegated authority is exercised, retrospective approval shall be sought from the Associate Director.
- 9.1.8 The Associate Director has delegated powers to approve variations within contingency sums allowed as long as, individually and collectively, they do not cause total contract value to change by more than £5,000 or 10% of the contract value, whichever is the smaller.

Where the change exceeds £5,000 the Director of Finance must approve it. Such approvals do not in themselves represent changes in the authorised budget for the project.

- 9.1.9 Where it is proposed to use a form of contract, which includes a fluctuation clause, it shall be submitted to the Associate Director. All applications for price variations within such contracts must be submitted in writing by the contractor for approval by the Project Manager.
- 9.1.10 Claims from contractors for payments in excess of the contract sum and beyond the contingency sum allowed require approval in accordance with the Scheme of Delegation
- 9.1.11 Claims on contractors for delays: It shall be the duty of the Associate Director to take appropriate action in respect of any claim after taking legal advice where appropriate. Such action should be reported to the Director of Finance.
- 9.1.12 On completion of a contract the contractor's final account will be examined by the Associate Director (or nominated deputy) who will, if it is correct, certify that it is reasonable and in accordance with the contract.

The Director of Finance may request that the final account, together with all supporting documents, should be provided for audit examination prior to the release of retention money.

- 9.1.13 Without prejudice to the responsibilities of any commissioned consultant or works officer under contract, the Director of Finance may carry out such financial examination, and the designated works officer such general examination of a contractor's account in the case of works of construction or maintenance, as may be necessary before the designated works officer or other responsible person under any such contract issues a final certificate.
- 9.1.14 The Director of Finance will in the case of capital projects, compare the total final cost of each project (including expenditure on consultants' fees and equipment) with the approved allocations and report any variations greater than £100,000 to the Chief Executive together with explanations provided by appropriate officers.

10 TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF DIRECTORS AND EMPLOYEES

10.1 REMUNERATION AND TERMS OF SERVICE

10.1.1 In accordance with the Constitution, the Board of Directors has established a Remuneration Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting. .

10.1.2 The Committee will:

- (a) within a defined remuneration framework determine the appropriate remuneration and terms of service for the Chief Executive, other executive directors employed by the Trust and recommend and monitor the level and structure of remuneration for other senior defined employees including:
 - (i) all aspects of salary (including any performance-related elements/bonuses);
 - (ii) provisions for other benefits, including pensions and cars;
 - (iii) arrangements for termination of employment and other contractual terms where appropriate;
- (b) approve remuneration or other awards made outside contractual obligations (with HM Treasury approval where appropriate) and
- (c) oversee contractual arrangements, where appropriate, for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

10.1.3 Minutes of the Committee's meetings should record such decisions and be retained by the Trust Foundation Secretary.

10.2 FUNDED ESTABLISHMENT

10.2.1 The manpower plans incorporated within the annual budget will form the funded establishment.

10.2.2 The funded establishment of any department must only be varied within the guidance contained within the Trust's Scheme of Delegation

10.3 STAFF APPOINTMENTS

10.3.1 No director or employee may engage, re-engage, or regrade employees, on a permanent or fixed term contract without the process being conducted through Human Resources and via the completion of the appropriate forms.

10.3.2 The hiring of temporary/agency staff must comply with the Trust's Scheme of Delegation.

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

10.4 PROCESSING PAYROLL

10.4.1 The Director of Finance is responsible for:

- (a) specifying timetables for submission of properly authorised time records and other notifications;
- (b) the final calculation of pay and allowances;
- (c) making payment on agreed dates; and
- (d) agreeing method of payment.

10.4.2 The Director of Finance will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- (c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- (d) security and confidentiality of payroll information;
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;
- (g) methods of payment available to various categories of employee and officers;
- (h) procedures for payment by cheque or bank credit to employees and officers;
- (i) procedures for the recall of cheques and bank credits
- (j) pay advances and their recovery;
- (k) maintenance of regular and independent reconciliation of pay control accounts;
- (l) separation of duties of preparing records and handling cash; and
- (m) a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.

10.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) submitting time records, and other notifications in accordance with agreed timetables;
- (b) completing time records and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance; and

- (c) submitting authorised appointment and change documents to the Director of Finance and the Director of Human Resources in accordance with agreed timetables, in forms prescribed by the Director of Finance and in compliance with section 10.3; and
- (d) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.

10.4.4 Regardless of the arrangements for providing the payroll service, the Director of Finance 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.

10.4.5 No extra contractual or discretionary payments shall be agreed or paid without the written approval of the Director of Finance and the Director of Human Resources.

10.4.6 No director or employee shall authorise or make any payment to a director or employee of the Trust out of exchequer funds, or funds held on trust, in a way which avoids proper accounting for tax or National Insurance due or avoids the statutory reporting requirements for such payments.

10.5 **CONTRACTS OF EMPLOYMENT**

10.5.1 The Director of Human Resources is responsible for:

- (a) ensuring that all employees and directors are issued with a Contract of Employment in a form approved by the Board and which complies with employment legislation; and
- (b) dealing with variations to, or termination of, contracts of employment. (Where termination of contracts involves staff that fall within the remit of the Remuneration Committee, discussions **MUST** take place with the Remuneration Committee prior to any action taking place).

11 ACCEPTANCE OF GIFTS, HOSPITALITY AND OTHER BENEFITS

- 11.1 The conduct of staff in the Hospital Trust should be scrupulously impartial and honest both in fact and in appearance.
- 11.2 The Director of Finance shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff. This policy should follow the guidance contained in the Department of Health "Standards of Business Conduct for NHS Staff." And the Bribery Act 2010.
- 11.3 Employees should exercise the utmost discretion in accepting offers of gifts, hospitality or other benefits from actual or potential suppliers or contractors or their representatives and should be aware of the criminal provisions of the Prevention of Corruption Acts 1906 and 1916 as they relate to employees of public bodies. In cases of doubt, staff should seek advice from the Director of Finance and should report any case where an offer is pressed which might raise objection. In addition, directors are bound by the Board of Directors' Terms of Reference and the Board Members' Code of Conduct.
- 11.4 No order shall be issued for any item for which an offer of money, gift, hospitality or other benefit has been received (other than trivial items) from the person interested in supplying goods and services. An employee receiving such an offer shall notify the Director of Finance as soon as practicable.
- 11.5 It is accepted that in some circumstances (outside of the circumstances mentioned in 11.4 above), it may be perfectly appropriate for a Director or Employee of the Trust to agree to receive modest gifts and/or hospitality from third parties. For example, the receipt of items such as pens or calendars from organisations with which the Trust does business or the acceptance of hospitality which arises out of the conduct of normal Trust business and where this can reasonably be regarded as being in the Trust's best interests. The test that needs to be applied in all such situations is whether a fair minded member of the public, knowing the facts of the matter, would see anything improper or suspicious in the receipt of the gift and/or hospitality. If an employee of the Trust proposes to accept a gift or hospitality which can reasonably be regarded as having a monetary value of more than £25, then the Employee must (a) first obtain the approval of the unit director and (b) assuming such approval is obtained, must then (within 14 days of receipt) provide the details of the gift and/or hospitality, so that such details may be entered in the appropriate directorate Register. Directors must in addition report any such offers of gifts or hospitality for themselves to the Chief Executive.
- 11.6 Visits at a supplier's expense to inspect equipment etc must not be undertaken without the prior approval of an Executive Director.
- 11.7 Employees having official dealings with contractors or other suppliers should avoid transacting any kind of private business with them outside their normal commercial terms. No favour or preference regarding price or otherwise which is not generally available should be sought or accepted. In addition, directors are bound by the Board of Directors' governance processes and procedures including the Board Code of Conduct.

- 11.8 If it comes to the knowledge of an employee of the Trust that a contract in which he or any person related to him has a direct or indirect pecuniary interest is proposed to be or has been entered into the Trust, he shall at once give notice of the fact in writing to the Chief Executive.
- 11.9 Goods (e.g. medical, engineering and office equipment) shall not be taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase.
- 11.10 Acceptance by staff of commercial sponsorship for attendance at relevant conferences and courses is acceptable, but only where the employee has obtained permission from the Chief Executive or Medical Director in advance and the conference or course is in line with the Trust's normal business.

HOSPITALITY AND GIFTS (GIVING)

- 11.11 A Directors Expenses Policy shall be approved by the Board of Directors indicating Hospitality and Gifts (Giving).

12 NON-PAY EXPENDITURE

DELEGATION OF AUTHORITY

- 12.1 The Chief Executive will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to budget managers. Budget holders may appoint nominees who must be approved by the Director of Finance. The budget holder remains responsible for the actions of nominees when they act in place of the budget holder.
- 12.2 The Chief Executive will set out:
- (a) the list of managers who are authorised to approve orders for the supply of goods and services; and
 - (b) the maximum level of each order and the system for authorisation above that level.
- 12.3 The Chief Executive shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

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

- 12.4 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Trust in accordance with guidelines issued by the Trust's Procurement Manager. These guidelines can only be waived in exceptional circumstances and with the prior approval of the Director of Finance (and/or the Chief Executive)
- 12.5 The Director of Finance shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.
- 12.6 The Director of Finance will:
- (a) advise the Board of Directors regarding the thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated into the Scheme of Delegation and regularly reviewed;
 - (b) prepare procedural instructions [where not already provided in the Scheme of Delegation or procedure notes for budget holders] on the obtaining of goods, works and services incorporating the thresholds;
 - (c) be responsible for the prompt payment of all properly authorised accounts and claims;
 - (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:

- (i) A list of Board members/employees (including specimens of their signatures) authorised to certify invoices.

- (ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct;
 - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
 - where appropriate, the expenditure is in accordance with regulations and necessary authorisations have been obtained;
 - the account is arithmetically correct;
 - the account is in order for payment.

- (iii) A timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.

- (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.

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

12.7 Prepayments are only permitted where exceptional circumstances apply or it is a normal requirement of the particular industry in question (eg. maintenance contracts, insurance fees, rentals etc) In cases where it is not normal practice, then the following applies:

- (a) Prepayments are only permitted where the financial advantages outweigh the disadvantages.

- (b) the appropriate executive director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments;

- (c) the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold); and
- (d) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and he must immediately inform the appropriate Director or Chief Executive if problems are encountered.

12.8 Official Orders must:

- (a) be uniquely identified by use of an internally approved process ;
- (b) be in a form approved by the Director of Finance;
- (c) state the Trust's terms and conditions of trade and
- (d) only be issued by, and used by, those duly authorised by the Chief Executive.
- (e) may be transmitted by a system of Electronic Data Interchange (EDI) approved by the Director of Finance.

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

- (a) all contracts [other than for a simple purchase permitted within the Scheme of Delegation or delegated budget], leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU and GATT rules on public procurement and comply with the White Paper on Standards, Quality and International Competitiveness (CMND 8621);
- (c) no order shall be issued for any item or items to any supplier which has made an offer of gifts, reward or benefit to directors or employees, other than:
 - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
 - (ii) conventional hospitality, such as lunches in the course of working visits;
- (d) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- (e) all goods, services, or works are ordered on an official order (including call off orders) except works and services executed in accordance with a contract, those for the supply of utilities, purchases from petty cash or on purchase cards;

- (f) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- (g) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (h) drugs shall only be ordered via the Pharmacy Department. This includes free of charge items, clinical trial material and named patient drugs/special products, unless specifically authorised by the Director of Pharmacy;
- (i) purchase of all IT equipment must be approved by the Director of IT;
- (j) all equipment needs to comply with current Health and Safety requirements;
- (k) purchase of electrical equipment and battery operated equipment must be approved by the Technical Services Department;
- (l) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (m) changes to the list of directors/employees and officers authorised to certify invoices are notified to the Director of Finance;
- (n) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance; and
- (o) petty cash records are maintained in a form as determined by the Director of Finance;
- (p) all invoices are authorised and goods received documentation is provided in a timely manner, in order to facilitate prompt settlement of supplier accounts.

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

13 EXTERNAL BORROWING, PUBLIC DIVIDEND CAPITAL AND CASH INVESTMENTS

13.1 EXTERNAL BORROWING

- 13.1.1 The Trust must comply with the Prudential Borrowing Code, determined by Monitor and laid before Parliament, for the total amount of borrowing.
- 13.1.2 The Trust may borrow money for the purposes of or in connection with its functions.
- 13.1.3 The total amount of the Trust's borrowing is subject to the limit imposed by its authorisation and Monitor's Prudential Borrowing Limit.
- 13.1.4 The limit is reviewed annually by Monitor.
- 13.1.5 Any application for a loan or overdraft or the use of any Working Capital Facility will only be made by the Director of Finance or by an employee so delegated by him/her.
- 13.1.6 The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts as per the Treasury Management Policy.
- 13.1.7 All short term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position. Any short term borrowing requirement in excess of one month must be authorised by the Director of Finance.
- 13.1.8 All long term borrowing must be consistent with the plans outlined in the current Business Plan approved by the Board of Directors.

13.2 PUBLIC DIVIDEND CAPITAL

- 13.2.1 The dividend paid by the Trust is to be the same as that payable by NHS trusts in England in pursuance of section 9(7) of the 1990 Act (dividend on public dividend capital) and must be authorised by the Director of Finance.
- 13.2.2 Any amount paid to the Secretary of State by the Trust by way of repayment of public dividend capital is to be paid into the Consolidated Fund.

13.3 INVESTMENTS OF SURPLUS CASH

- 13.3.1 The Trust may invest money (other than money held by it as trustee) for the purposes of or in connection with its functions.
- 13.3.2 The investment may include investment by:
- a) forming, or participating in forming, bodies corporate;
 - b) otherwise acquiring membership of bodies corporate.

- 13.3.3 The Trust may give financial assistance (whether by way of loan, guarantee or otherwise) to any person for the purposes of or in connection with its functions, providing that assistance is within the appropriate thresholds contained within the Investment Policy.
- 13.3.4 The Trust may not undertake any investment that is not in line with an investment policy which will be formulated by the Director of Finance, approved by the Chief Executive and compliant with policies of the Board of Directors. All investments must be authorised by the Director of Finance or by a delegated officer.
- 13.3.5 The investment policy will be reviewed annually by the Finance and Investment Committee.

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

CAPITAL INVESTMENT

14.1 The Chief Executive:

- (a) shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans;
- (b) shall ensure that the capital investment is not undertaken without the availability of resources to finance all revenue consequences, including capital charges.

14.2 For every capital expenditure proposal the Chief Executive shall ensure:

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

14.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating appropriate industry guidance.

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

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

14.4 The approval of a capital programme shall not constitute approval for the initiation of expenditure on any scheme.

The Chief Executive (or nominated deputy) shall issue to the manager responsible for any scheme:

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

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

- 14.5 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.
- 14.6 The Director of Finance shall ensure that all capital projects are managed within the approved financial parameters schemes and agreed timescales.

LEASING AND PURCHASES BY DEFERRED PAYMENT

- 14.7 The permission of the Director of Finance must be obtained in advance where goods or services are to be obtained on deferred payment terms (including hire purchase, leasing, extended credit) involving either the delay of part of the payment into a future financial year or the incurring of additional charges beyond the cash price of the goods or services.
- 14.8 The Director of Finance shall establish procedures to ensure value for money is properly assessed in any such deferred payment proposal.

ASSET REGISTERS

- 14.9 The Director of Finance is responsible for the maintenance of registers of assets in an appropriate form and arranging for a physical check of assets against the asset register to be conducted once a year.
- 14.10 The minimum data set to be held within these registers shall be as specified in the Capital Accounting Manual as issued by Monitor.
- 14.11 The electrical equipment asset register will comply with best practice on EBME.
- 14.12 Additions to the fixed asset register must be clearly auditable, identified to an appropriate budget holder and be validated by reference to:
 - (a) properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
 - (b) stores, requisitions and wages records for own materials and labour including appropriate overheads; and
 - (c) lease agreements in respect of assets held under a finance lease and capitalised.
- 14.13 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). The disposal must be authorised by the appropriate disposal officer.
- 14.14 The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 14.15 The value of all appropriate assets shall be indexed to current values in accordance with methods specified in the Capital Accounting Manual issued by Monitor.

- 14.16 The value of each asset shall be depreciated using methods and rates as specified in the Capital Accounting Manual issued by Monitor.

Buildings should be designated protected or non-protected in line with the authorisation.

SECURITY OF ASSETS

- 14.17 The overall control of fixed assets is the responsibility of the Chief Executive.
- 14.18 The Director of Finance must approve asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets). This procedure shall make provision for:
- (a) recording managerial responsibility for each asset;
 - (b) identification of additions and disposals;
 - (c) identification of all repairs and maintenance expenses;
 - (d) physical security of assets;
 - (e) periodic verification of the existence of, condition of, and title to, assets recorded;
 - (f) identification and reporting of all costs associated with the retention of an asset; and
 - (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 14.19 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.
- 14.20 Whilst each employee and officer has 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 Trust property as may be determined by the Chief Executive. Any breach of agreed security practices must be reported in accordance with instructions.
- 14.21 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.
- 14.22 Where practical, assets should be marked as Trust property.

15 STORES AND RECEIPT OF GOODS

- 15.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- (a) kept to a minimum;
 - (b) subjected to annual stock take;
 - (c) valued at the lower of cost and net realisable value.
- 15.2 Subject to the responsibility of the Director of Finance for the systems of control, the Chief Executive shall delegate responsibility for the control of stores to the relevant budget holder. The day-to-day responsibility may be delegated by him to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. 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.
- 15.3 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 Trust property.
- 15.4 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 15.5 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.
- 15.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 15.7 The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also 16, 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.
- 15.8 For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note and notify the Director of Finance of any discrepancies in order that credits against future deliveries can be obtained.

16 DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

DISPOSALS AND CONDEMNATIONS

- 16.1 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.
- 16.2 When it is decided to dispose of a Trust asset, the head of department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.
- 16.3 All unserviceable articles shall be:
- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance;
 - (b) recorded by the condemning officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Director of Finance.
- 16.4 The condemning officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who will take the appropriate action.

LOSSES AND SPECIAL PAYMENTS

- 16.5 The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.
- 16.6 Any employee discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Director of Finance and/or Chief Executive. Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies, which may indicate fraud, or corruption, the Director of Finance must inform the Local Counter Fraud Specialist (LCFS) in accordance with Secretary of State Directions.
- 16.7 The LCFS in conjunction with the Director of Finance will decide whether to inform the relevant CFOS regional team who will decide, in consultation with the Director of Finance, whether notification to the Department of Health Directorate of Counter Fraud Services is appropriate. The External Auditor will be notified of all frauds.
- 16.8 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must immediately notify:
- (a) the Board,
and
 - (b) the External Auditor.

- 16.9 The Director of Finance and the Chief Executive Officer are authorised to write-off amounts as specified in the Scheme of Delegation all other amounts need to be approved by the Board . A summary of all losses will be reported to the Audit Committee at least annually.
- 16.10 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust's interests in bankruptcies and company liquidations.
- 16.11 For any loss, the Director of Finance should consider whether any insurance claim could be made.
- 16.12 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.

17 INFORMATION TECHNOLOGY

17.1 The Director responsible for the accuracy and security of the computerised data of the Trust, shall:

- (a) devise and implement any necessary procedures to ensure adequate protection of the Trust's data, programs and computer hardware for which he is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act; Human Rights Act and the Freedom of Information Act.
- (b) ensure that adequate controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
- (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
- (d) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as may be considered necessary are being carried out.

17.2 The Director of Finance shall satisfy himself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation and represent good value for money. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.

17.3 In the case of computer systems which are proposed General Applications (e.g. those applications which a number of NHS bodies wish to sponsor jointly) all responsible directors and employees will provide:-

- (a) details of the outline design of the system;
- (b) in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement.

17.4 The Director of Finance 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.

17.5 Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation.

17.6 Where computer systems have an impact on corporate financial systems, the Director of Finance shall satisfy himself that:

- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;

- (b) data assembled for processing by financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
- (c) finance staff have access to such data; and
- (d) such computer audit reviews are being carried out as are considered necessary.

RISK ASSESSMENT

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

18 PATIENTS' PROPERTY

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

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

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

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

18.3 The Director of Finance must provide detailed written instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.

18.4 Where Monitor's instructions require the opening of separate accounts for patients' moneys, these shall be opened and operated under arrangements agreed by the Director of Finance.

18.5 In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.

18.6 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.

18.7 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.

19 FUNDS HELD ON TRUST

- 19.1 These SFIs apply were appropriate to funds held on trust including charitable funds.
- 19.2 The declaration made on the 6th March 1996 by Southend Health Care (NHS) Trust (later to become SUHFT, 'the Trust') identifies the responsibilities of the Trust as Corporate Trustee of SUHFT Charity ('the charity') for the management of funds it holds on trust.
It is recognised that the Charity's management processes will overlap with those of the Trust's but that the trustees' responsibilities must be discharged separately and full recognition will be given to the dual accountabilities to the Charity commission for charitable funds held , and to the Secretary of State for all funds held on trust.
- 19.3 The Scheme of Delegation makes it clear where decisions regarding the exercise of discretion are to be taken and by whom. Directors and officers must take account of that guidance before taking action. SFIs are intended to provide guidance to persons who have been delegated to act on behalf of the corporate trustee.
- 19.4 As management processes overlap most of the sections of these SFIs will apply .
- 19.5 The over-riding principle is that the integrity of each trust must be maintained and statutory and trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

20 RETENTION OF DOCUMENTS

- 20.1 The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with appropriate guidelines
- 20.2 The records held in archives shall be capable of retrieval by authorised persons.
- 20.3 Records held in accordance with current guidelines shall only be destroyed at the express instigation of the Chief Executive. Audit trails shall be maintained of records so destroyed.

21 RISK MANAGEMENT

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

21.2 The programme of risk management shall include:

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

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

The Chief Executive through the Director of Finance shall ensure all appropriate insurance policies are in place.

22. DATA PROTECTION ACT AND THE FREEDOM OF INFORMATION ACT

The Trust shall take into account the Data Protection Act 1998 and Freedom of Information Act and comply fully with relevant elements.