

# Standing Financial Instructions

Many current BTHFT policy documents contain references to the “Divisions” (Medicine, Surgery, Womens & Newborn) which were in place until 31st March 2019, when they were replaced by Clinical Business Units and Care Groups. Whilst the policies still remain valid, from 1st April 2019 all BTHFT policy should be applied in the context of the new organisational structure and its associated governance. Any queries about the application of the new governance to this policy document should be directed to the Director of Governance and Corporate Affairs.

## Document control

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<b>Target audience</b>	All Managers
<b>Summary</b>	The Standing Financial Instructions, including associated policy and procedure notes, set the business rules which Board members and officers must follow when taking action on behalf of the Board.
<b>Changes since last revision</b>	Updates throughout the document.
<b>Monitoring arrangements</b>	Internal audit process and reports to the Audit and Assurance Committee.
<b>Training requirements</b>	Not applicable
<b>Equality Impact Assessment</b>	Not applicable

Foreword.....	4
1 Introduction .....	5
2 Audit .....	9
3 Allocations, Business Planning, Budgets, Budgetary Control and Monitoring .....	11
4 Annual Accounts and Reports.....	14
5 Bank and GBS Accounts.....	14
6 Income, Fees and Charges and security of cash, cheques and other negotiable instruments .	16
7 NHS Contracts for provision of Services .....	18
8 Terms of Service and Payment of Board Members and Employees.....	18
9 Non-Pay Expenditure .....	20
10 External Borrowing, Leasing and Investments .....	24
11 Capital Investment, Private Financing, Fixed Asset Registers and Security of Assets .....	26
12 Stores and receipt of Goods .....	29
13 Disposal and Condemnations, Losses and Special Payments.....	30
14 Information Technology .....	31
15 Patient’s Property .....	34
16 Charitable Funds - Funds held on Trust.....	35
17 Retention of records .....	40
18 Risk management and insurance .....	40
19 Research and development.....	41
20 Acceptance of gifts by staff, standard of business conduct.....	41
21 Tendering and Contracting Procedure .....	41

## Foreword

The National Health Service Act 2006 as amended by Health and Social Care Act 2012 and the Foundation Trust's Constitution require that all the powers of the Foundation Trust are exercisable by the Board on its behalf. Standing Orders, Reservation of Powers to the Board and Scheme of Delegation, together with these Standing Financial Instructions and such other locally generated rules and instructions, including financial procedure notes, as may exist for use within the Foundation Trust provide a regulatory and business framework for the conduct of the Board. Collectively these documents must comprehensively cover all aspects of financial management and control. In effect, they set the business rules which Board members and officers must follow when taking action on behalf of the Board.

# 1 Introduction

## 1.1 General

- 1.1.1 These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the Foundation Trust. They are designed to ensure that the Foundation 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. They should be used in conjunction with the Reservation of Powers to the Board and Scheme of Delegation adopted by the Foundation Trust. As stated in Standing Order No.4.7, they shall have effect as if incorporated in the Standing Orders of the Foundation Trust.
- 1.1.2 These Standing Financial Instructions identify the financial responsibilities which apply to everyone working for the Foundation 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 Director of Finance.
- 1.1.3 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Director of Finance must be sought before acting. All Foundation Trust staff involved in the management of Foundation Trust funds or committing the Foundation Trust to expenditure must be familiar with and comply with the provisions of the Foundation Trust's Standing Orders and these Standing Financial Instructions.
- 1.1.4 The failure to comply with these Standing Financial Instructions and the Foundation Trust's Standing Orders can in certain circumstances be regarded as a disciplinary matter which could result in dismissal.**
- 1.1.5 **Overriding Standing Financial Instructions** – If for any reason these Standing Financial Instructions 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 and Assurance Committee for referring action or ratification. The Board and all staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible.
- 1.1.6 **Outsourced Services** – Where any operation is carried out on the Foundation Trust's behalf by NHS Shared Business Services or any other Board approved outsourced service provider, detailed procedures will be the responsibility of such a provider. The following are the principal areas for which some or all processes are currently the responsibility of such a provider:
- Accounts payable;
  - Accounts receivable;
  - Treasury and cash;
  - General ledger;
  - VAT services;
  - IT system administration services.

These may be subject to variation.

However, the ultimate responsibility lies with the Foundation Trust to ensure prior to award or renewal of any contract, that they are satisfied that the detailed procedures exist and are sufficiently robust through its contract management processes.

### **1.1.7 Terminology**

1.1.8 Any expression to which a meaning is given in Health Service Acts or in the Financial Regulations made under the Acts shall have the same meaning in these Standing Financial Instructions and in addition:

- (a) 'Board' means the Board of the Foundation Trust;
- (b) 'Budget' means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Foundation Trust;
- (c) 'Budget Holder' means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation;
- (d) "Chairman" is the person appointed by the Council of Governors to lead the Board of Directors and to ensure that it successfully discharges its overall responsibility for the Foundation Trust as a whole;
- (e) 'Chief Executive' means the Chief Executive Officer of the Foundation Trust;
- (f) "Committee" means a committee of the Board of Directors;
- (g) "Constitution" means the constitution of the Foundation Trust;
- (h) "Council of Governors" means the Council of Governors of the Foundation Trust as constituted by the Constitution;
- (i) 'Director of Finance' means the Chief Financial Officer of the Foundation Trust;
- (j) 'Funds held on trust' shall mean those funds which the Foundation Trust holds on date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under S.90 of the NHS Act 1977 as amended and S.51 of the National Health Service Act 2006. Such funds may or may not be charitable.
- (k) 'Foundation Trust' means the Bradford Teaching Hospitals NHS Foundation Trust.
- (l) ['Monitor' means the body corporate known as Monitor, as provided by section 61 of the Health and Social Care Act 2012.]
- (m) "NHSI" means the body NHS Improvement

- 1.1.9 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 directors or employees who have been duly authorised to represent them.
- 1.1.10 Wherever the term 'officer' is used and where the context permits it shall be deemed to include employees of third parties contracted to the Foundation Trust when acting on behalf of the Foundation Trust.
- 1.1.11 All references to the masculine gender will be deemed to apply equally to the feminine gender when used with these instructions.

## **1.2 Responsibilities and Delegation**

### **1.2.1 The Board**

The Board exercises financial supervision and control by:

- (a) formulating the financial strategy;
- (b) approving annual budgets including the overall income / expenditure and departmental allocations;
- (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money);
- (d) defining specific responsibilities placed on the Board and officers as indicated in the Scheme of Delegation document.

- 1.2.2 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the 'Reservation of Powers to the Board' document. All other powers have been delegated to such other committees as the Foundation Trust has established.
- 1.2.3 The Board will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Foundation Trust.
- 1.2.4 **The Chief Executive and the Director of Finance**
- 1.2.5 Within the Standing Financial Instructions it is acknowledged that the Chief Executive is ultimately accountable to the Board and, as accountable officer, to [Monitor], for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Foundation 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 Foundation Trust's system of internal control. The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.
- 1.2.6 It is a duty of the Chief Executive to ensure that the Board and officers and all new appointees are notified of, and put in a position to understand, their responsibilities within these Instructions.
- 1.2.7 **The Director of Finance**
- 1.2.8 The Director of Finance is responsible for:
- (a) implementing the Foundation Trust's financial policies and 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 Foundation Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Foundation Trust at any time;
- 1.2.9 and, without prejudice to any other functions of the Foundation Trust, and officers of the Foundation Trust, the duties of the Director of Finance include:
- (a) the provision of financial advice to the Board and officers;
  - (b) the design, implementation and supervision of systems of internal financial control;
  - (c) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Foundation Trust may require for the purpose of carrying out its statutory duties.

### 1.2.10 **Board Members and Officers**

All Board members and officers, severally and collectively, are responsible for:

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

### 1.2.11 **Contractors and their Employees**

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

1.2.13 For the Board and any officers who carry out a financial function, the form in which financial records are kept and the manner in which the Board and such officers discharge their duties must be to the satisfaction of the Director of Finance.

## **2 Audit**

### 2.1.1 **Audit and Assurance Committee**

2.1.2 In accordance with Standing Orders, the Board shall formally establish an Audit and Assurance Committee, with clearly defined terms of reference, attached at Annex 6 to the Standing Orders, and following guidance from the NHS Audit Committee Handbook (2011) and the Audit Code for NHS Foundation Trusts published by Monitor, which will provide an independent and objective view of internal control.

2.1.3 The Board shall satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience.

2.1.4 Where the Audit and Assurance Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Audit and Assurance Committee wishes to raise, the chairman of the Audit and Assurance Committee should raise the matter at a full meeting of the Board (with the Director of Finance in the first instance). Exceptionally, the matter may need to be referred to Monitor.

2.1.5 It is the responsibility of the Director of Finance to ensure an adequate internal audit service is provided, and the Audit and Assurance Committee shall be involved in the selection process when/if an internal audit service provider is changed.

## **2.2 Fraud and Corruption**

- 2.2.1 In line with their responsibilities, the Chief Executive and Director of Finance shall monitor and ensure compliance with Directions issued by the Secretary of State for Health on fraud and corruption.
- 2.2.2 The Foundation Trust shall, via the Internal Audit function, have access to a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the NHS Counter Fraud and Corruption Manual and guidance.
- 2.2.3 The Local Counter Fraud Specialist shall provide regular reports and advice to the Foundation Trust via the Audit and Assurance Committee and shall work with staff in NHS Counter Fraud Authority (previously known as NHS Protect) in accordance with the NHS Counter Fraud Standards.
- 2.2.4 The Local Counter Fraud Specialist will provide a written annual report, on counter fraud work within the Foundation Trust to the Audit and Assurance Committee.

## **2.3 Director of Finance**

- 2.3.1 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 and Assurance Committee and, as appropriate, the Board. The report must cover:
    - (i) a clear opinion on the effectiveness of internal control;
    - (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;
    - (vi) a detailed plan for the coming year.
  - (e) ensuring there is an annual review of the continued appropriateness of the spend commitment and invoice authorisation limits of designated authorising officers within the Foundation Trust.

- 2.3.2 The Director of Finance and designated auditors are entitled without necessarily giving prior notice to require and receive:
- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
  - (b) access at all reasonable times to any land, premises or Board member or officer of the Foundation Trust;
  - (c) the production of any cash, stores or other property of the Foundation Trust under the control of a Board member or officer;
  - (d) explanations concerning any matter under investigation.

## **2.4 Role of Internal Audit**

- 2.4.1 Internal Audit will review, appraise and report upon:
- 2.4.2 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.
- 2.4.3 The Head of Internal Audit will normally attend Audit and Assurance Committee meetings and has a right of access to all Audit and Assurance Committee members, the Chairman and the Chief Executive of the Foundation Trust.
- 2.4.4 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 and Assurance 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 Standards. The reporting system shall be reviewed at least every three years.
- 2.4.5 Managers in receipt of audit reports referred to them have a duty to take appropriate remedial action within the timescales specified in the report. The Director of Finance shall identify a formal review process to monitor the extent of compliance with audit recommendations. Where appropriate remedial action has failed to take place within a reasonable period, the matter shall be reported to the Director of Finance. Changes implemented must be maintained in the future and not viewed as merely satisfying an immediate audit point.

## **2.5 External Audit**

- 2.5.1 The external auditor is appointed by the Council of Governors.
- 2.5.2 The Audit Code for NHS Foundation Trusts (the 'Audit Code') contains the directions of Monitor under paragraph 24 (5) of Schedule 7 to the National Health Service Act 2006, with respect to the standards, procedures and techniques to be adopted by the auditor.
- 2.5.3 The Foundation Trust shall comply with the Audit Code.
- 2.5.4 The external auditor shall comply with the Audit Code.

## **2.6 Security Management**

- 2.6.1 In line with his responsibilities, the Foundation Trust Chief Executive will monitor and ensure compliance with Directions issued by the Secretary of State for Health and Social Care on NHS security management.
- 2.6.2 The Foundation Trust shall nominate suitable individuals to carry out the duties of the Local Security Management Specialist (LSMS) and Security Management Director (SMD) as specified by the Secretary of State for Health guidance on NHS security management.
- 2.6.3 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).

## **3 Allocations, Business Planning, Budgets, Budgetary Control and Monitoring**

### **3.1 Preparation and Approval of Business Plans and Budgets**

- 3.1.1 The Chief Executive and Director of Finance will compile and submit to the Board an annual business plan which takes into account financial targets and forecast limits of available resources. The annual business plan will contain:
  - (a) a statement of the significant assumptions on which the plan is based;
  - (b) details of major changes in workload, delivery of services or resources required to achieve the plan.
- 3.1.2 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit budgets for approval by the Board. Such budgets will:
  - (a) be in accordance with the aims and objectives set out in the annual business plan;
  - (b) accord with workload and workforce plans;
  - (c) be produced following discussion with appropriate budget holders;
  - (d) be prepared within the limits of available funds available to the Trust;

- (e) identify potential risks; and
  - (f) set out the implications to the Trusts Use of Resources assessment framework.
- 3.1.3 The Director of Finance shall monitor financial performance against budget and business plan, periodically review them, and report to the Board.
- 3.1.4 Budget holders shall provide the Director of Finance with all financial, statistical and other relevant information as necessary, for the compilation of such budgets, plans, estimates and forecasts.
- 3.1.5 All budget holders will sign up to their allocated budgets at the commencement of each financial year.
- 3.1.6 The Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage successfully.
- 3.1.7 The Director of Finance shall keep the Chief Executive and the Board of Directors informed of the financial consequences of changes in policy, pay awards, and other events and trends affecting budgets and shall advise on the financial and economic aspects of future plans and projects.
- 3.1.8 Operating surpluses may be used to:
- (a) spend on revenue;
  - (b) meet locally determined health needs;
  - (c) build cash reserves for future investments;
  - (d) finance an investment or purchase;
  - (e) make payments on a loan

## **3.2 Budgetary Delegation**

- 3.2.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:
- (a) the amount of the budget;
  - (b) the purpose(s) of each budget heading;
  - (c) individual and group responsibilities;
  - (d) authority to exercise virement;
  - (e) achievement of planned levels of service;
  - (f) the provision of regular reports.

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

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

3.2.4 Non-recurring budgets should not be used to finance recurring expenditure.

### **3.3 Budgetary Control and Reporting**

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

(a) monthly financial reports to the Finance & Performance Committee and regular financial reports to the Board in a form approved by the Board, containing:

(i) income and expenditure to date, showing trends and forecast year-end position;

(ii) movements in working capital;

(iii) summary cash flow and forecast year-end position ;

(iv) summary balance sheet;

(v) capital project spend and projected outturn against plan;

(vi) performance against any permissible borrowing or covenants;

(vii) explanations of any material variances from plan supported by recovery plans;

(viii) details of any corrective action where necessary and the view of the Chief Executive and/or Director of Finance as to whether such actions are sufficient to correct the situation;

(b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;

(c) investigation and reporting of variances from financial, workload and manpower budgets;

(d) monitoring of management action to correct variances;

(e) arrangements for the authorisation of budget transfers.

3.3.2 Financial reports shall be received monthly by the Board of Directors.

3.3.3 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;
- (c) no permanent employees are appointed without giving due consideration of the ongoing financial resources required to fund the post within the approved budget;
- (d) the systems of budgetary control established by the Director of Finance are complied with fully.

3.3.4 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the annual business plan and a balanced budget.

3.3.5 The Chief Executive is responsible for ensuring the Trust is financially viable, meets its financial duties, and takes such action as is necessary.

### **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 11.) All items of capital expenditure must be referred to the Director of Finance for inclusion in the capital planning and approval processes.

### **3.5 Monitoring Returns**

3.5.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to NHSI within the specified timescales.

## **4 Annual Accounts and Reports**

4.1.1 The Director of Finance, on behalf of the Foundation Trust, will prepare financial returns in accordance with the accounting policies and guidance laid down within International Financial Reporting Standards, as modified by the guidance given by NHSI with the approval of the Treasury.

4.1.2 The procedures to be followed in relation to annual accounts and reports are set out in the Foundation Trust's Constitution, paragraph 14, 'Accounts' and paragraph 15, 'Annual reports and forward plans'.

4.1.3 The Council of Governors, in general meeting, shall receive and consider the annual accounts, any report by the external auditor on them and the annual report, as provided by paragraph 6.8.2 of the Foundation Trust's Constitution.

4.1.4 The Foundation Trust's Audited Annual Accounts must be presented to the Board of Directors for approval and received by the Council of Governors at a public meeting. A copy will be laid before Parliament and copies forwarded to NHSI.

## **5 Bank and GBS Accounts**

### **5.1.1 General**

5.1.2 The Director of Finance is responsible for managing the Foundation Trust's banking

arrangements and for advising the Foundation Trust on the provision of banking services and operation of accounts.

5.1.3 The Board shall approve the banking arrangements.

#### **5.1.4 Bank and GBS Accounts**

5.1.5 The Director of Finance is responsible for:

- (a) bank accounts and Government Banking Service (GBS) accounts and other forms of working capital financing;
- (b) establishing separate bank accounts for the Foundation Trust's non-exchequer funds;
- (c) ensuring payments made from bank and GBS accounts do not exceed the amount credited to the account except where arrangements have been made;
- (d) reporting to the Board all arrangements made with the Foundation Trust's bankers for accounts to be overdrawn, together with the remedial action taken.

5.1.6 All accounts should be held in the name of the Foundation Trust. No officer other than the Director of Finance shall open any account in the name of the Foundation Trust or for the purpose of furthering Foundation Trust activities.

#### **5.1.7 Banking Procedures**

5.1.8 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) the limit to be applied to any overdraft;
- (c) those authorised to sign cheques or other orders drawn on the Foundation Trust's accounts.

5.1.9 The Director of Finance shall approve security procedures for any cheques issued without a handwritten signature, e.g. lithographed. Manually produced cheques shall be signed by the authorised officer(s) in accordance with the bank mandate.

5.1.10 All cheques shall be treated as controlled stationery, in the charge of a duly designated officer controlling their issue.

#### **5.1.11 Review of Banking Arrangements**

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

5.1.13 Competitive tenders should be sought at least every five years. The results of the

tendering exercise should be reported to the Board. This review is not necessary for GBS accounts.

## **6 Income, Fees and Charges and security of cash, cheques and other negotiable instruments**

### **6.1 Income Systems**

- 6.1.1 The Director of Finance is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.
- 6.1.2 The Director of Finance is also responsible for the prompt banking of all monies received.

### **6.2 Fees and Charges**

- 6.2.1 The Foundation Trust shall follow relevant Department of Health and NHSI advice in setting prices for contracts with NHS organisations and non NHS organisations.
- 6.2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or Monitor 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 guidance in the Department of Health's 'Commercial Sponsorship – Ethical standards in the NHS' shall be followed.
- 6.2.3 All officers must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.
- 6.2.4 Where the Trust provides services to organisations other than NHS Commissioners a signed contract or official purchase is required before services are provided.
- 6.2.5 The Director of Finance can order service provision to be halted where services are discretionary and the Trust payment terms are not being met.

### **6.3 Private Health Care**

- 6.3.1 General Managers in conjunction with the Medical Director and the Director of Finance shall be responsible for the maintenance and operation of procedures for the management of private practice in the Foundation Trust. The procedure shall also cover Fee Paying work, overseas visitors and amenity beds.
- 6.3.2 All consultants and associated specialists undertaking private practice and Category II work within the Foundation Trust shall be responsible for informing the responsible officer(s) as nominated by the Foundation Trust when private / Fee Paying Work patients are seen, to ensure that the Foundation Trust receives all amounts due to it.

## **6.4 Debt Recovery**

6.4.1 The Director of Finance is responsible for:

- (a) the appropriate recovery action on all outstanding debts including legal action where appropriate.
- (b) writing off income not received and ensuring processes are in place to report losses.
- (c) Detecting (or preferably preventing) and initiating recovery of overpayments.

## **6.5 Security of Cash, Cheques and other Negotiable Instruments**

6.5.1 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 (no form of receipt which has not been specifically authorised by the Director of Finance should be issued);
- (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;
- (d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the Foundation Trust.

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

6.5.3 All cheques, postal orders, cash, etc. shall be banked promptly intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.

6.5.4 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

6.5.5 made clear to the depositors that the Foundation Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Foundation Trust from responsibility for any loss.

6.5.6 Any loss or shortfall of cash, cheques or other negotiable instruments, however occasioned, shall be monitored and recorded within the Finance Department. Any significant trends should be reported to the Director of Finance and internal audit via the incident reporting system. Where there is prima facie evidence of fraud or corruption, this process should follow the form of the Foundation Trust's Fraud and Corruption Response Plan and the guidance provided by NHS Counter Fraud Authority (formally NHS Protect) and Security Management Service). Where there is no evidence of fraud or corruption, the loss should be dealt with in line with the Foundation Trust's Losses and Special Payments procedures.

## **7 NHS Contracts for provision of Services**

### **7.1 NHS Contracts for services provided by the Trust**

- 7.1.1 The Chief Executive, as the accounting officer, is responsible for ensuring that the Foundation Trust enters into suitable NHS Contracts with service commissioners for the provision of NHS services.
- 7.1.2 All NHS Contracts should aim to implement the agreed priorities contained within the annual business plan and, wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive should take into account:
- (a) the standards of service quality expected;
  - (b) the relevant national service framework (if any);
  - (c) the provision of reliable information on cost and volume of services;
  - (d) the NHS National Performance Assessment Framework;
  - (e) ensuring that NHS Contracts build where appropriate on existing Joint Investment Plans;
  - (f) ensuring that NHS Contracts are based on integrated care pathways.

### **7.2 Non-NHS Contracts for services provided to the Foundation Trust**

Non-NHS Contracts provided to the Foundation Trust requires approval by the Director of Finance or his Deputy/Assistant Finance Director and the relevant Manager and Executive Director in line with the Scheme of Delegation.

## **8 Terms of Service and Payment of Board Members and Employees**

### **8.1 Remuneration Committee (see also Annex 7 to Standing Orders)**

- 8.1.1 In accordance with Standing Orders the Board shall establish a Remuneration Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting (see NHS guidance contained in the Higgs report).

### **8.2 Funded Establishment**

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

### **8.3 Staff Appointments**

- 8.3.1 No officer 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:

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

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

#### **8.4 Processing of Payroll**

8.4.1 The Director of Finance is responsible for:

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

8.4.2 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 payments to employees and of 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;
- (h) procedures for payment by cheque, bank credit, or cash to employees;
- (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;
- (m) a system to ensure the recovery from leavers of sums of money and property due by them to the Foundation Trust.

8.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) processing a signed copy of the contract/appointment form and such other

documentation as may be required immediately upon an employee commencing duty

- (b) submitting time records and other notifications in accordance with agreed timetables;
- (c) completing time records and other notifications in accordance with the instructions of the Director of Finance and in the form prescribed by the Director of Finance;
- (d) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest he has left without notice, the Director of Finance must be informed immediately.

8.4.4 If circumstances are such that fraud or corruption might be expected, this fact also must be reported to the Director of Finance.

8.4.5 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.

## **8.5 Contracts of Employment**

8.5.1 The Board shall delegate responsibility to an officer for:

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

## **9 Non-Pay Expenditure**

### **9.1 Delegation of Authority**

9.1.1 The Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to budget managers:

9.1.2 The Chief Executive will set out in the Scheme of Delegation:

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

## 9.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services

### 9.2.1 Requisitioning & Use of Purchase Orders

9.2.2 The requisitioner, in choosing the item to be supplied (or the service to be performed) must assess the need and the suitability of the selected supply. Best value for money must always be demonstrably sought for the Foundation Trust and the Tendering and Contracting Procedure set out in paragraph 21 of these Standing Financial Instructions must always be followed. In so doing, the advice of colleagues in Procurement or (where applicable), Pharmacy shall be sought.

9.2.3 All goods, services and works must be ordered by raising a requisition (using iProc) and a Purchase Order (PO) through the Trust's electronic ordering system save in respect of categories of supply or spend listed on the PO Exception List, as maintained and updated by the Director of Finance from time to time.

### 9.2.4 System of Payment and Payment Verification

9.2.5 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.

9.2.6 The Director of Finance will:

- (a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; once approved, the thresholds should be incorporated in Standing Orders and Standing Financial Instructions and regularly reviewed;
- (b) prepare procedural instructions or guidance within the Scheme of Delegation 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 and officers (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 and plant and machinery have been examined;

- where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
- the account is arithmetically correct; and
- the account is in order for payment.

(iii) A timetable and system for submission to the Director of Finance 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.

(e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received. The only exceptions are set out in SFI 9.2.4.

#### 9.2.7 **Pre-payments**

9.2.8 Pre-payments are only permitted where exceptional circumstances apply. In such instances;

- (a) prepayments are only permitted where the financial advantages outweigh the disadvantages and the intention is not to circumvent cash limits;
- (b) The appropriate Director must provide, in the form of a written report, a case setting out all relevant circumstances on the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of prepayment agreement unable to meet the commitments;
- (c) the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed; and
- (d) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the appropriate Director or Chief Executive if problems are encountered.

#### 9.2.9 **Official Orders**

9.2.10 Official Orders must:

- (a) be consecutively numbered;
- (b) be in a form approved by the Director of Finance;
- (c) state the Foundation Trust's terms and conditions of trade;
- (d) only be issued to, and used by, those duly authorised by the Chief Executive.

### 9.2.11 Duties of Managers and Officers

9.2.12 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 (except as otherwise provided for in the Scheme of Delegation), 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) no order is issued for any item or items to any firm which has made an offer of gifts, reward or benefit to Board members or officers, 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. (This provision needs to be read in conjunction with Standing Order No. 7 and the principles outlined in the national guidance contained in HSG 93 (5) 'Standards of Business Conduct for NHS Staff' and NHSE Guidance on managing Conflict of Interest w/e June 2017)
- (c) 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;
- (d) verbal orders are issued only very exceptionally, by an officer 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';
- (e) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (f) goods are not taken on trial or loan in circumstances that could commit the Foundation Trust to a future uncompetitive purchase;
- (g) changes to the list of Board members/officers authorised to certify invoices are notified to the Director of Finance;
- (h) purchases from petty cash and on purchase cards are restricted in value and by type of product or service in accordance with instructions issued by the Director of Finance;
- (i) petty cash records are maintained in a form as determined by the Director of Finance.

9.2.13 The Director of Finance shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within Estate code. The technical audit of these contracts shall be the responsibility of the relevant Board member.

### **9.3 Joint Finance Arrangements with Local Authorities and Voluntary Bodies**

- 9.3.1 Payments to local authorities and voluntary organisations made under the powers of section 28A of the NHS Act shall comply with procedures laid down by the Director of Finance which shall be in accordance with this Act.
- 9.3.2 The financial limits for officers' approval of payments are set out in the Scheme of Delegation.

## **10 External Borrowing, Leasing and Investments**

### **10.1 General**

- 10.1.1 The Board will approve policies concerning all external borrowing and investments. The Director of Finance will prepare detailed procedural instructions concerning all external borrowing and investments and the records to be maintained.

### **10.2 External Borrowing**

- 10.2.1 The Foundation Trust must ensure compliance with the Prudential Borrowing Code set by the Independent Regulator to limit the amount of borrowing for Foundation Trusts.
- 10.2.2 The Prudential Borrowing Code will determine the Prudential Borrowing Limit. The Foundation Trust must not borrow outside of the limit imposed by the Independent Regulator in the Terms of Authorisation. This limit is to be reviewed annually by the Independent Regulator.
- 10.2.3 The Director of Finance will advise the Board of Directors concerning the Trust's ability to pay interest on, and repay, both Public Dividend Capital and any proposed new borrowing, within the limits set by NHSI. The Director of Finance is also responsible for reporting periodically to the Board of Directors concerning the originating debt and all loans and overdrafts.
- 10.2.4 The Foundation Trust will secure the most preferential interest rate for borrowing;
- Any application for a loan or overdraft will only be made by the Director of Finance or by an employee so delegated by him, and within the limits set and governance processes prescribed by NHS Improvement.
- 10.2.5 The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 10.2.6 Any borrowing in excess of one month must be authorised by the Director of Finance. All long-term borrowing must be consistent with plans outlined in the current Business Plan.
- 10.2.7 Assets protected under the authorisation agreement with the Independent Regulator shall not be used as collateral for borrowing. Non-Protected assets will be eligible as security for loan.

### **10.3 Public Dividend Capital**

- 10.3.1 The Director of Finance should be made aware of all applications for Public Dividend Capital or central Department of Health and Social Care funding.
- 10.3.2 Draw down of Public Dividend Capital should be authorised in accordance with the mandate held by the Department of Health and Social Care Cash Funding Team and is subject to approval by the Secretary of State.
- 10.3.3 All Utilisation Requests must be signed by two authorised signatories.

### **10.4 Leasing**

- 10.4.1 All lease agreements must be authorised by the Director of Finance (or deputy), prior to a final agreement being made.
- 10.4.2 The Director of Finance has authority to determine if an asset should be purchased or leased.
- 10.4.3 All lease agreements must be signed on behalf of the Trust by the Director of Finance (or deputy) in addition to be being accompanied by the usual order and duly authorised in accordance with SFIs.
- 10.4.4 All lease agreements should be supported by a business case demonstrating why leasing provides value for money.

### **10.5 Investments**

- 10.5.1 Temporary cash surpluses must be held only in such investments and with such financial institutions as approved by the Board and with the terms of guidance issued by the Financial Regulator.
- 10.5.2 The Director of Finance is responsible for advising the Board on investment strategy and shall report periodically to the Board concerning the performance of the investments held.
- 10.5.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and records to be maintained.

### **10.6 Foreign Exchange Contracts**

- 10.6.1 Foreign exchange contracts can only be entered into for the purpose of obtaining best value for money when contracts are taken out in foreign currencies. Foreign exchange contracts will not be entered into for the purpose of trading for profit in foreign currencies.
- 10.6.2 Foreign exchange contracts can only be entered into with the direct knowledge and authorisation of the Director of Finance. All contracts must be signed on behalf of the Trust by the Director of Finance (or in his absence his deputy). The goods and

services which are being purchased with foreign exchange currency will have the appropriate order and duly authorised in accordance with the SFIs.

10.6.3 The Board will be informed of any such foreign exchange contracts entered into.

## **11 Capital Investment, Private Financing, Fixed Asset Registers and Security of Assets**

### **11.1 Capital Investment**

11.1.1 The Chief Executive:

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

11.1.2 For every capital expenditure proposal the Chief Executive shall ensure (in accordance with the limits outlined in the Scheme of Delegation):

- (a) that a business case (in line with the guidance contained within the Annual Reporting Manual issued by NHSI) 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;
  - (ii) the involvement of appropriate Foundation Trust personnel and external agencies;
  - (iii) appropriate project management and control arrangements;
- (b) that the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case.
- (c) that the Chief Executive has certified to indicate endorsement of the operational assumptions.
- (d) that the business is submitted and approved in accordance with the delegated powers set out in the Scheme of Delegation.
- (e) That all proposal to lease, hire or rent fixed assets have been subject to appraisal of their impact on the Trust's ability to achieve its financial targets.

11.1.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management.

11.1.4 The Director of Finance shall assess the requirement for the operation of the

construction industry tax deduction scheme in accordance with HM Revenue & Customs guidance.

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

11.1.6 The approval of a capital programme shall not constitute approval for expenditure on any scheme.

11.1.7 The Chief Executive shall issue to the manager responsible for any scheme:

(a) specific authority to commit expenditure;

(b) authority to proceed to tender

(c) approval to accept a successful tender

11.1.8 The Chief Executive will issue a scheme of delegation for capital investment management in accordance with the Foundation Trust's Standing Orders.

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

## **11.2 Private Finance**

11.2.1 The Foundation Trust may test for PFI when considering capital procurement. The following procedures shall apply:

(a) The Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector.

(b) The proposal must be specifically agreed by the Board.

(c) The selection of a contractor / finance company must be on the basis of competitive tendering or quotations (see also SFI 21, Tendering and Contracting Procedure).

## **11.3 Capital Asset Registers**

11.3.1 The Chief Executive is responsible for the maintenance of a capital asset register, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating. A physical check of capital assets against the register should be conducted every two years.

11.3.2 The Foundation Trust shall maintain an asset register recording capital assets. The minimum data set to be held within these registers shall be as specified in the Annual Reporting Manual issued by -NHSI.

11.3.3 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by

reference to authorisation documents and invoices (where appropriate).

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

11.3.5 Indexation and depreciation should be in line with guidance issued by NHSI.

#### **11.4 Protected Property**

11.4.1 A register of protected property must be maintained in accordance with the requirements of the Independent Regulator.

11.4.2 No protected property may be disposed of without the approval of the Independent Regulator.

11.4.3 Non-protected assets may be used to raise funds for the development of services.

#### **11.5 Security of Assets**

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

11.5.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. These procedures 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;
- (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

- 11.5.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.
- 11.5.4 Whilst each officer has a responsibility for the security of property of the Foundation Trust, it is the responsibility of Board members and senior officers 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.
- 11.5.5 Any damage to the Foundation Trust's premises, vehicles and equipment, or any loss of equipment, stores or supplies, must be reported by Board members and officers in accordance with the procedure for reporting losses.
- 11.5.6 Where practical assets should be marked as Foundation Trust property.
- 11.5.7 The Trust's asset may only be used in pursuance of the Trust's business. Private use of the Trust's assets is only allowable with written approval of the Chief Operating Officer.

## **12 Stores and receipt of Goods**

### **12.1 General Position**

- 12.1.1 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.

### **12.2 Control of Stores, Stocktaking, Condemnations and Disposal**

- 12.2.1 Subject to the responsibility of the Director of Finance for the systems of control, overall responsibility for the control of stores shall be delegated to an officer by the Chief Executive. The day-to-day responsibility may be delegated by him to departmental officers and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer, the control of fuel oil and the Estates Stores the responsibility of a designated Estates Officer.
- 12.2.2 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated officer. Wherever practicable, stocks should be marked as health service property.
- 12.2.3 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 12.2.4 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.
- 12.2.5 Where a complete system of stores control is not justified, alternative arrangements

shall require the approval of the Director of Finance.

12.2.6 The designated 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 SFI 13, Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

### **12.3 Goods supplied by NHS Supply and Bunzl Healthcare**

12.3.1 For goods supplied via the NHS Supply and Bunzl Healthcare 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 before forwarding this to the Director of Finance, who shall satisfy himself that the goods have been received before accepting the recharge.

## **13 Disposal and Condemnations, Losses and Special Payments**

### **13.1 Disposals and Condemnations**

#### **13.1.1 Procedures**

13.1.2 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations and ensure that these are notified to managers.

13.1.3 When it is decided to dispose of a Foundation 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.

13.1.4 All unserviceable articles shall be:

- (a) condemned or otherwise disposed of by an officer 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 officer authorised for the purpose by the Director of Finance.

13.1.5 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.

### **13.2 Losses and Special Payments**

#### **13.2.1 Procedures**

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

responsible for investigating it.

- 13.2.3 Any officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance, or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then as appropriate 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 and NHS Protect (previously known as NHS Counter Fraud and Security Management Service) Area Anti- Fraud Specialist in accordance with Directions of the Secretary of State for Health.
- 13.2.4 The Director of Finance must notify the external auditor of all frauds.
- 13.2.5 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,
  - (b) the external auditor.
- 13.2.6 Approval of the writing off of losses and special payments shall be in accordance with the Scheme of Delegation.
- 13.2.7 The Director of Finance shall be authorised to take any necessary steps to safeguard the Foundation Trust's interests in bankruptcies and company liquidations.
- 13.2.8 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 13.2.9 The Director of Finance shall maintain a Losses and Special Payments Register in which write offs are recorded, which will be presented to the Audit Committee.

## **14 Information Technology**

### **14.1 Responsibilities and Duties of the Director of Finance and of the Director of Strategy and Integration**

- 14.1.1 The Director of Finance, who is responsible for the accuracy and security of the computerised financial data of the Foundation Trust, shall:
- (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Foundation Trust's financial data, programs and computer hardware from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998 and the Computer Misuse Act 1990;
  - (b) ensure that adequate (reasonable) controls exist over financial 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 financial computer operation is separated from development, maintenance and amendment;
- (d) ensure that adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent via transmission networks;
- (e) ensure that an adequate management (audit) trail exists through the financial computerised system and that such computer audit reviews as he may consider necessary are being carried out.

14.1.2 The Director of Finance shall need to 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.

14.1.3 The Director of Strategy and Integration shall publish and maintain a Freedom of Information (FOI) Publication Scheme or adopt a model Publication Scheme approved by the Information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about the Foundation Trust that it makes publicly available.

## **14.2 Responsibilities and Duties of other Board Members and Officers in relation to Financial Computer Systems of a General Application**

14.2.1 In the case of financial computer systems which are proposed general applications (i.e. normally those applications which the majority of NHS organisations in the region wish to sponsor jointly), all responsible Board members and officers will send to the Director of Finance:

- (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.

## **14.3 Contracts for Financial Computer Services with other Health Bodies or Outside Agencies**

14.3.1 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.

14.3.2 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.

## **14.4 Risk Assessment**

14.4.1 The Director of Finance shall ensure that risks to the Foundation Trust arising from the use of IT in a financial context 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.

## **14.5 Requirements for Computer Systems which have an impact on Corporate Financial Systems**

14.5.1 Where computer systems have an impact on corporate financial systems the Director of Finance shall need to be satisfied that:

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

## 15 Patient's Property

- 15.1.1 The Foundation Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as 'property') handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.
- 15.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission 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, that the
- 15.2.1 Foundation 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 patient's property record is obtained as a receipt.
- 15.2.2 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.
- 15.2.3 Where Department of Health instructions require the opening of separate accounts for patients' monies, these shall be opened and operated under arrangements agreed by the Director of Finance.
- 15.2.4 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.
- 15.2.5 Staff should be informed, on appointment, by the appropriate departmental or senior manager, of their responsibilities and duties for the administration of the property of patients.
- 15.2.6 Where patients' property or income is received for specific purposes and held for safekeeping, the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.

## 16 Charitable Funds - Funds held on Trust

### 16.1 INTRODUCTION

16.1.1 The discharge of the Charitable Fund's corporate trustee responsibilities are distinct from its responsibilities for corporate 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. In particular, the purchasing rules and delegated financial limits that apply to Trust purchasing also apply to charitable funds purchasing. These delegated limits, including the associated authorisation requirements, are summarised in the Bradford Hospitals Charity Policy. Trustee responsibilities cover both charitable and non-charitable purposes. The Director of Finance shall ensure that each fund is managed appropriately with regard to its purpose and to its requirements.

16.1.2 The Director of Finance is responsible for ensuring that these SFIs are applied.

16.1.3 The Charitable Funds Committee (CFC) is a Committee of the Corporate Trustee of the Charitable Funds (the Trust's Board of Directors). Its purpose is to undertake the routine management of the Charitable Funds and to give additional assurance to the Trustee that the Trust's Charitable activities are within the law and regulations set by the Charity Commissioners for England and Wales. The CFC on behalf of the Charitable Trustee is responsible for fundraising in compliance with all statutes and regulations. The Directors with responsibility for Fundraising and Finance will advise the CFC.

### 16.2 EXISTING CHARITABLE FUNDS

16.2.1 The Director of Finance shall arrange for the administration of all existing charitable funds. He shall ensure that a governing instrument exists for every charitable fund and shall produce detailed codes of procedure covering every aspect of the financial management of funds held on trust, for the guidance of directors and officers. Such guidelines shall identify the restricted nature of certain funds where applicable.

16.2.2 The Director of Finance shall periodically review the funds in existence and shall make recommendations to the Charitable Fund's corporate trustees regarding the potential for rationalisation of such funds within statutory guidelines.

16.2.3 The Director of Finance may recommend an increase in the number of funds where this is consistent with the Charitable Funds corporate trustee policy for ensuring the safe and appropriate management of restricted funds, eg, designation for specific wards or departments.

### **16.3 NEW CHARITABLE FUNDS**

- 16.3.1 The Director of Finance shall arrange for the creation of a new charitable fund where funds and/or other assets, received in accordance with the Charitable Funds corporate trustee's policies, cannot adequately be managed as part of an existing fund.
- 16.3.2 Where no fund matches a donor's specific purpose the advice of the CFC should be sought to establish if a new fund is required or whether the donation should be rejected if the donor's wishes cannot be accommodated.

### **16.4 SOURCES OF NEW FUNDS**

16.4.1 In respect of Donations, the Director of Finance shall:

- (a) provide guidelines to the Charitable Fund corporate trustees as to how to proceed when offered funds. These include:
  - (i) the identification of the donors' intentions;
  - (ii) where possible, the avoidance of new trusts;
  - (iii) the avoidance of impossible, undesirable or administratively difficult objects
  - (iv) sources of immediate further advice
  - (v) treatment of offers for personal gifts
- (b) provide secure and appropriate receipting arrangements which will indicate that funds have been accepted directly into the Charitable Funds and that the donor's intentions have been noted and accepted.

16.4.2 In respect of Legacies and Bequests, the Director of Finance shall:

- (a) provide guidelines to officers of the Charitable Funds covering any approach regarding:
  - (i) the wording of wills;
  - (ii) the receipt of funds/other assets from executors;
- (b) where necessary, obtain grant of probate, or make application for grant of letters of administration, where the Charitable Funds are the beneficiary;
- (c) be empowered, on behalf of the Charitable Funds corporate trustees, to negotiate arrangements regarding the administration of a will with executors and to discharge them from their duty;

- (d) be directly responsible for the appropriate treatment of all legacies and bequests;
- (e) be kept informed of all enquiries regarding legacies and keep an appropriate record. After the death of a testator all correspondence concerning a legacy shall be dealt with on behalf of the Trust by the Director of Finance, who alone shall be empowered to give an executor a good discharge.

16.4.3 In respect of Fund-raising, the nominated Executive lead shall:

- (a) deal with all arrangements for fund-raising by and/or on behalf of the Charitable Funds and ensure compliance with all statutes and regulations;
- (b) be empowered to liaise with other organisations/persons raising funds for this Body and provide them with an adequate discharge.
- (c) be responsible for alerting the Board to any irregularities regarding the use of the Charitable Fund's name or its registration numbers; and
- (d) be responsible for the appropriate treatment of all funds received from this source.
- (e) be required to advise the Board on the financial implications of any proposal for fund raising activities which the Trust may initiate, sponsor or approve.

16.4.4 In respect of Charitable Fund's Trading Income, the Director of Finance shall:

- (a) be primarily responsible, along with other designated officers, for any trading undertaken by the Charitable Fund's as corporate trustee;
- (b) be primarily responsible for the appropriate treatment of all funds received from this source.

16.4.5 In respect of Investment Income, the Director of Finance shall be responsible for the appropriate treatment of all dividends, interest and other receipts from this source (see below).

## **16.5 INVESTMENT MANAGEMENT**

16.5.1 The Director of Finance shall be responsible for all aspects of the management of the investment of funds held on trust. The issues on which he shall be required to provide advice to the Charitable Fund's corporate trustees, or the Charitable Funds Working Group, shall include:

- (a) the formulation of investment policy within the powers of the Charitable Funds under statute and within governing instruments to meet its requirements with regard to income generation and the enhancement of capital value;
- (b) the appointment of advisers, brokers, and, where appropriate, fund managers and:
  - (i) the Director of Finance shall agree the terms of such appointments; and for which
  - (ii) written agreements shall be signed by the Chief Executive or a duly authorised officer;

- (c) pooling of investment resources and the preparation of a submission to the Charity Commission for them to make a scheme;
- (d) the participation by the Charitable Funds corporate trustees in common investment funds and the agreement of terms of entry and withdrawal from such funds;
- (e) that the use of trust assets shall be appropriately authorised in writing and charges raised within policy guidelines;
- (f) the review of the performance of brokers and fund managers;
- (g) the reporting of investment performance.

## **16.6 DISPOSITION MANAGEMENT**

16.6.1 The exercise of the Charitable Funds dispositive discretion shall be managed by the Director of Finance in conjunction with the Charitable Funds corporate trustees. In so doing he shall be aware of the following:

- (a) the objects of various funds and the designated objectives;
- (b) the availability of liquid funds within each trust;
- (c) the powers of delegation available to commit resources;
- (d) the avoidance of the use of Trust funds to discharge Charitable Fund liabilities (except where administratively unavoidable) and to ensure that any indebtedness to the Trust shall be discharged by Charitable Funds at the earliest possible time;
- (e) that funds are to be spent rather than preserved, subject to the wishes of the donor and the needs of the Charitable Funds;
- (f) the definitions of "charitable purposes" as agreed with the Charity Commission.

## **16.7 BANKING SERVICES**

16.7.1 The Director of Finance shall advise the Board and, with its approval, shall ensure that appropriate banking services are available to the Charitable Funds as corporate trustee. These bank accounts should permit the separate identification of liquid funds to each trust where this is deemed necessary by the Charity Commission.

## **16.8 ASSET MANAGEMENT**

16.8.1 Assets in the ownership of or used by the Charitable Funds as corporate trustee, shall be maintained along with the general estate and inventory of assets of the Charitable Fund. The Director of Finance shall ensure:

- (a) that appropriate records of all assets owned by the Charitable Fund as corporate trustee are maintained and that all assets, at agreed valuations, are brought to account;
- (b) that appropriate measures are taken to protect and/or to replace assets. These to include decisions regarding insurance, inventory control and the reporting of losses;

- (c) that donated assets received on trust shall be accounted for appropriately;
- (d) that all assets acquired from funds held on trust which are intended to be retained within the trust funds are appropriately accounted for.

## **16.9 REPORTING**

- 16.9.1 The Director of Finance shall ensure that regular reports are made to the Charitable Funds corporate trustees with regard to, inter alia, the receipt of funds, investments and the disposition of resources.
- 16.9.2 The Director of Finance shall prepare annual accounts in the required manner which shall be submitted to the Charitable Funds corporate trustees within agreed timescales.
- 16.9.3 The Director of Finance shall prepare an annual trustees' report (separate reports for charitable and non-charitable trusts) and the required returns to the Independent Regulator and the Charity Commission for adoption by the Charitable Funds corporate trustees.

## **16.10 ACCOUNTING AND AUDIT**

- 16.10.1 The Director of Finance shall maintain all financial records to enable the production of reports as above and to the satisfaction of internal and external audit.
- 16.10.2 The Director of Finance shall ensure that the records, accounts and returns receive adequate scrutiny by internal audit during the year. He will liaise with external audit and provide them with all necessary information.
- 16.10.3 The Charitable Funds corporate trustees shall be advised by the Director of Finance on the outcome of the Charitable Funds annual audit. The Chief Executive shall submit the Management Letter to the Charitable Funds corporate trustees.

## **16.11 ADMINISTRATION COSTS**

- 16.11.1 The Director of Finance shall identify all costs directly incurred in the administration of funds held on trust and, in agreement with the Charitable Funds Working Group, shall charge such costs to the appropriate trust accounts.

## **16.12 TAXATION AND EXCISE DUTY**

- 16.12.1 The Director of Finance shall ensure that the Charitable Funds liability to taxation and excise duty is managed appropriately, taking full advantage of available concessions, through the maintenance of appropriate records, the preparation and submission of the required returns and the recovery of deductions at source.

## **17 Retention of records**

17.1.1 The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with Department of Health guidelines.

17.1.2 The records held in archives shall be capable of retrieval by authorised persons.

17.1.3 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 Risk management and insurance**

### **18.1 Programme of Risk Management**

18.1.1 The Chief Executive shall ensure that the Foundation Trust has a programme of risk management, which must be approved and monitored by the Board.

18.1.2 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) a clear indication of which risks shall be insured;
- (g) arrangements to review the risk management programme.

18.1.3 The existence, integration and evaluation of the above elements will assist in providing a basis to make an Annual Governance Statement (AGS) within the annual report and accounts.

### **18.2 Insurance: Risk Pooling Schemes administered by the NHS Litigation Authority**

18.2.1 It is the responsibility of the Board to decide if the Foundation Trust will insure through the risk pooling schemes administered by the NHS Litigation Authority. The decision whether the Trust will join the pooling schemes, self-insure or procure insurance cover for some or all of the risks covered by these schemes shall be reviewed annually.

### **18.3 Insurance Arrangements with Commercial Insurers**

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

#### **18.4 Arrangements to be followed by the Board in agreeing Insurance Cover**

18.4.1 Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority, the Director of Finance shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Director of Finance shall ensure that documented procedures cover these arrangements.

18.4.2 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 Director of Finance shall ensure that the Board is informed of the nature and extent of the risks that are self-insured as a result of this decision. The Director of Finance 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 Research and development**

19.1.1 All research and development activities within the Foundation Trust shall be notified to the Director of Research.

19.1.2 The Director of Finance shall ensure that procedures are put in place to ensure that all such activities are properly accounted for and that all funding is utilised appropriately.

### **20 Acceptance of gifts by staff, standard of business conduct**

20.1 The Trust Secretary shall ensure that all staff are made aware of the Foundation Trust's policy on acceptance of gifts and other benefits in kind by staff. This policy follows the guidance contained in the NHSE Guidance June 2017 and Department of Health circular HSG (93) 5 'Standards of Business Conduct for NHS Staff', NHS England guidance 'Managing Conflicts of Interest in the NHS ref 06419 and is also deemed to be an integral part of Standing Orders and Standing Financial Instructions (see also SO No. 7).

### **21 Tendering and Contracting Procedure**

#### **21.1 Duty to comply with these Standing Financial Instructions**

21.1.1 The procedure for making all contracts by or on behalf of the Foundation Trust shall comply with these Standing Financial Instructions.

#### **21.2 Public Contracts Regulations 2015**

21.2.1 The procurement of all goods, services and works must be undertaken in accordance with all applicable laws and the requirements set out in these Standing Financial Instructions. The Public Contracts Regulations 2015 ("PCR 2015") and Procurement Policy Notes issues by the Government from time to time shall have effect as if incorporated in these Standing Financial Instructions. .

21.2.2 Orders must not be placed for goods, services or works which have been split or

otherwise placed in a manner to avoid the financial thresholds for tendering.

### **21.3 Electronic Tendering/Quotation**

21.3.1 The Foundation Trust shall have processes and procedures in place for electronic quotation and tendering.

### **21.4 Guidance on Capital Investment**

21.4.1 The Foundation Trust will comply with the requirements of the Government Financial Manual and the “Estate code” in respect of capital investment and estate and property transactions.

### **21.5 Competitive Tendering**

21.5.1 As a general rule, the procurement of any and all goods, services and works by or on behalf of the Foundation Trust must be tendered in an open, transparent and fair manner and so as to promote economy, efficiency and effectiveness in the Foundation Trust’s expenditure.

21.5.2 The relevant tender process to be followed depends on the estimated total value of the proposed contract (including any extension period but excluding VAT).

21.5.3 In limited circumstances, the requirement for competitive tendering may be waived in accordance with the provisions of paragraph 21.5.9 below.

21.5.4 Once awarded, all contracts with an aggregate value of over £25,000 must be advertised on Contracts Finder.

### **21.6 Procurements below £10,000**

21.6.1 There is no requirement for competitive quotes or a formal tender process for the purchase of goods, services or works with an estimated value of less than £10,000 (excluding VAT). The budget holder must, however, be able to demonstrate (and evidence) that the purchase represents good value for money.

### **21.7 Procurements between £10,000 and £25,000**

21.7.1 The purchase of goods, services or works with an estimated value of more than £10,000 (excluding VAT) but less than £25,000 (excluding VAT) requires a minimum of 3 quotations to be obtained (or where the market is limited such lower number as may be reasonably practicable provided this is notified to, and approved by, the Strategic Head of Procurement).

### **21.8 Procurements between £25,000 and the PCR 2015 Procurement Threshold**

21.8.1 The purchase of goods, services or works with an estimated value of more than £25,000 (excluding VAT) but less than the procurement threshold (currently £189,330 (excluding VAT)) requires a formal tendering process.

### **21.9 Procurements above the PCR 2015 Procurement Threshold**

21.9.1 The purchase of goods, services or works with an estimated value in excess of the

PCR 2015 threshold for the procurement of goods and services (currently £189,330 (excluding VAT)) requires a full formal tendering process in accordance with the procedures and timescales set out in the PCR 2015. The requirement to tender in these circumstances is an absolute obligation which cannot be waived.

## **21.10 Exceptions to Competitive Tendering Requirements**

21.10.1 For proposed tenders with an estimated aggregate value (including any extension period but excluding VAT) that is below the threshold for the procurement of goods and services as set pursuant to PCR 2015 (currently, £189,330), competitive tendering procedures may be waived where it can be established to the reasonable satisfaction of the Strategic Head of Procurement that:

- (a) there is an urgent or emergency requirement and the timescales genuinely preclude competitive tendering (note: the failure to plan procurement activity in a timely manner is not a justification for seeking to rely on this ground);
- (b) there is only one supplier and there is no reasonably satisfactory alternative supply;
- (c) the requirement is essential to complete an existing project and engaging a different supplier for the requirement would lead to a technically inferior outcome;
- (d) 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;
- (e) the supply is of legal advice and services, provided that any legal firm commissioned by the Foundation Trust is regulated by the Solicitors Regulation Authority for the conduct of its business (or by the Bar Council for England and Wales in relation to the obtaining of Counsel's opinion) and is generally recognised as having sufficient expertise in the area of work for which it is commissioned. The Strategic Head of Procurement will ensure that any fees paid are reasonable and within commonly accepted rates for such work;
- (f) a consortium or a national arrangement is in place and a lead organisation has been appointed to carry out tendering activity on behalf of the consortium members.

21.10.2 A budget holder or procurement officer seeking to rely on an exception to the competitive quote/ tendering requirements as otherwise required by these Standing Financial Instructions must complete a Waiver of Tender Application Form which must be approved by the Strategic Head of Procurement prior to any supplier being awarded a contract.

21.10.3 An exception to competitive tendering requirements should not be used to avoid competition or for administrative convenience or to award further work to a supplier originally appointed through a competitive procedure.

## **21.11 National Arrangements and Framework Agreements**

21.11.1 Where a national arrangement for the supply of goods and services has been established by or on behalf of the Department of Health and Social Care in compliance with PCR 2015 and all other applicable laws for the benefit and use of

NHS providers, the Foundation Trust may utilise such national arrangement in lieu of an open competitive tendering process.

21.11.2 Where a Framework Agreement has been established by or on behalf of the Foundation Trust or by a third party (but to which the Foundation Trust has secured access) in accordance with the requirements of the PCR 2015, then the Foundation Trust may utilise such Framework Agreement in lieu of an open competitive tendering process provided that the Foundation Trust complies with the requirements of the relevant Framework Agreement in awarding a contract pursuant to it.

## **21.12 Building, Engineering & Construction Works**

21.12.1 For the avoidance of doubt, the competitive tendering requirements set out in these Standing Financial Instructions shall apply to the procurement of building, engineering construction works.

## **21.13 Estimated Contract Values**

21.13.1 All estimates of contract values for the purpose of establishing the appropriate procurement route must be made in good faith and supported by appropriate documentary evidence. Contract values should include any extension period allowed under the proposed contract but exclude any applicable VAT. Where, subsequent to the commencement of a procurement process, it transpires that an estimated contract value breaches a financial threshold then such procurement shall be cancelled and recommenced using the appropriate procurement route unless the Strategic Head of Procurement is satisfied that, on balance, it is in the interests of the Foundation Trust to continue with the existing procurement.

## **21.14 Contract Variations & Extensions**

21.14.1 Contract variations and extensions are allowed only in the following limited circumstances:

- (a) where the modifications have been provided for in the original procurement documents in clear, precise and unequivocal terms;
- (b) for additional goods, services or works that have become necessary and were not included in the initial procurement, where a change of contractor:
  - (i) cannot be made for economic or technical reasons; or
  - (ii) would cause significant inconvenience or substantial duplication of costs, provided that any increase in price does not exceed 50% of the value of the original contract;
- (c) where:
  - (i) the need for the modification has been brought about by circumstances which could not have been foreseen; and
  - (ii) the modification does not alter the overall nature of the contract, provided

that, any increase in price does not exceed 50% of the value of the original contract;

(d) where the modification does not:

- (i) render the contract materially different in scope or character from the one originally concluded;
- (ii) introduce any terms or conditions which, had they been part of the original procurement, would have impacted on the participation in that procurement;  
or
- (iii) change the economic balance of the contract in favour of the supplier.

21.14.2A budget holder or procurement officer seeking to vary or extend a contract must complete a Contract Variation or Extension Form which in respect of any contract with a value:

- (a) up to the PCR 2015 threshold for the procurement of goods and services (currently £189,330), must be approved by the Strategic Head of Procurement; and
- (b) greater than the PCR 2015 threshold for the procurement of goods and services (currently £189,330), must be approved by the Strategic Head of Procurement and the Director of Finance,

21.14.3 prior to any supplier being awarded such variation or extension to a contract.

## **21.15 Evaluation of Tenders**

21.15.1 Tenders must be evaluated strictly in accordance with the evaluation criteria and scoring methodology disclosed to the bidders in the tender documents.

21.15.2 The evaluation criteria must be based on securing the Most Economically Advantageous Tender (MEAT), taking into account both cost and quality. A weighting of less than 40% cannot be allocated to the cost criterion without the prior written agreement of the Strategic Head of Procurement. Total life cycle costing should be included, wherever possible.

## **21.16 Awarding of Contracts**

21.16.1 Provided that all the conditions and requirements set out in these Standing Financial Instructions have been complied with, formal authorisation and awarding of a contract must be undertaken by levels of staff appropriate to the value of the contract as set out in the Scheme of Delegation.

## **21.17 Engagement of Staff & Pay Rates**

21.17.1 The Chief Executive shall nominate officers with delegated authority to enter into contracts of employment regarding staff, agency staff or temporary staff service contracts.

21.17.2 Agreement of any off-payscale pay rates outside of the national agenda for change

and medical and dental paycales may only be done with the prior written approval of the Director of Finance and the Director of Human Resources.

### **21.18 Cancellation of Contracts**

21.18.1 A contract for the supply of goods, services or works may only be cancelled prior to the expiry of its term with the prior written approval of the Strategic Head of Procurement.

### **21.19 Procurement Manual**

21.19.1 The detailed procurement processes and procedures set out in the Foundation Trust's Procurement Manual, as amended and updated from time to time with the approval of the Strategic Head of Procurement, must be followed save to the extent otherwise agreed in advance and in writing with the Strategic Head of Procurement.

### **21.20 Disposals (see also SFI 13, Disposals and Condemnations, Losses and Special Payments)**

21.20.1 Tendering or quotation procedures shall not apply to the disposal of:

- (a) any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his nominated officer;
- (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the policy of the Foundation Trust;
- (c) items to be disposed of with an estimated sales value of less than £10,000 (exclusive of VAT), this figure to be reviewed periodically;
- (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- (e) land or buildings concerning which any relevant guidance has been issued, subject to compliance with such guidance.
- (f) Disposal of items on the asset register, which originally cost not less than £5,000 must be notified to the Finance Department. Capital Equipment costs which originally cost not less than £5,000 should include VAT.

### **21.21 In-House Services**

21.21.1 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 Foundation Trust may also determine from time to time that in-house services should be market tested.

21.21.2 The findings shall be documented and reported to the Director of Finance, for onward communication to the Board.

### **21.22 Applicability of SFIs on Tendering and Contracting to Funds Held on Trust (see also SFI 16, Funds Held on Trust)**

21.22.1 These Instructions shall not only apply to expenditure from Exchequer funds but also to works, services and goods purchased from the Foundation Trust's funds held on Trust.

### **21.23 Confidentiality of Contract Information**

21.23.1 All documentation and minutes relating to contract prices shall at all times be treated as confidential save to the extent otherwise required by law.