

# GLOUCESTERSHIRE HOSPITALS NHS FOUNDATION TRUST

## Standing Financial Instructions (SFIs)

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## Foreword

1. The Gloucestershire Hospitals NHS Foundation Trust is a public benefit corporation which was established on 1<sup>st</sup> July 2004 under the Health & Social Care (Community Health & Standards) Act 2003 (subsequently consolidated into Chapter 5 of the National Health Service Act 2006). NHS Foundation Trusts are governed by a range of statutes, including the National Health Service and Community Care Act 1990 (NHS & CC Act 1990) and the National Health Service Act 1977 (NHS Act 1977). The statutory functions conferred on the Trust are set out in the NHS & CC Act 1990 (Schedule 2), Chapter 5 of the National Health Service Act 2006 and the Trust's constitution.

2. As a public benefit corporation, the Trust has specific powers to do anything which appears to be necessary or desirable for the purposes of, or in connection with, its functions. In this respect it is accountable to the Charity Commission for those funds deemed to be charitable. The Trust also has a common law duty as a bailee for patients' property held by the Trust on behalf of patients.

3. The Membership and Procedure Regulations 1990 (SI (1990)2024) require Trusts to adopt Standing Orders (SOs) for the regulation of their procedures and business whilst the "Directions on Financial Management in England" issued under HSG (96)12 in 1996, require Health Authorities to adopt Standing Financial Instructions (SFIs) setting out the responsibilities of individuals. These Directions are not mandatory on NHS Foundation Trusts but are being observed, as far as they are relevant, as a matter of good practice.

4. In addition the Code of Accountability for NHS Boards (published by the Department of Health in April 1994, EL(94)40) requires Boards to draw up Standing Orders, a Schedule of Decisions reserved to the Board and Standing Financial Instructions. The Code also requires Boards to ensure that there are management arrangements in place to enable responsibility to be clearly delegated to senior executives. Additionally, Boards will have drawn up locally generated rules and instructions, including financial procedural notes, for use within their organisation. Collectively these must comprehensively cover all aspects of (financial) management and control. In effect, they set the business rules which directors and employees (including employees of third parties contracted to the Trust) must follow when taking action on behalf of the Board.

## 1. Introduction

### 1.1 General

- 1.1.1 These SFIs detail the financial responsibilities, policies and procedures to be adopted by the Trust and shall have effect as if incorporated in the Standing Orders (SOs) of the Trust. They are designed to ensure that its financial transactions are carried out in accordance with the law and government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board and the Scheme of Delegation adopted by the Trust.
- 1.1.2 These SFIs identify the financial responsibilities which apply to everyone working for the Trust and its constituent organisations including Trading Units. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with the Trust's detailed corporate policy documents, financial procedures and any departmental 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 SFIs then the advice of the Director of Finance or delegated officer must be sought before acting. The user of these SFIs should also be familiar with and comply with the provisions of the Trust's SOs.
- 1.1.4 The National Health Service Act 2006, The Health Act 2009 and the Foundation Trust's Constitution require that all the powers of the Foundation Trust are exercisable by the Board of Directors on its behalf. Standing Orders and the 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 of Directors. 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.

### 1.2 Terminology

- 1.2.1 Any expression to which a meaning is given in Health Service Acts, or in the Financial Directions made under the Acts, shall have the same meaning in these instructions; and
- a. "Trust" means the Gloucestershire Hospitals NHS Foundation Trust;
  - b. "Board" means the Board of Directors of the Trust as set out in the Constitution;
  - c. "Committee" means any committee established by the Council of Governors or the Board of Directors for the purposes of fulfilling its functions;
  - d. "Council of Governors" means the body of elected and appointed governors, authorised to be members of the Council of Governors and to act in accordance with the Constitution;
  - e. "Constitution" means the constitution, approved by the Independent Regulator, and which describes the operation of the Foundation Trust;
  - f. "Chief Executive" means the chief officer of the Trust;
  - g. "Director of Finance" means the chief financial officer of the Trust;
  - h. "2006 Act" refers to the National Health Service Act 2006;
  - i. "Authorisation agreement" refers to the document issued by the Regulator at the inception of the Trust authorising it to operate as a Foundation Trust in accordance with Chapter 5 of the National Health Service Act 2006;

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- j. "Budget" means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Trust;
  - k. "Budget Holder" means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation;
  - l. "Funds held on trust" shall mean those funds which the Trust holds at the date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under the NHS Act 2006, as amended. Such funds may or may not be charitable;
  - m. "Legal Adviser" means the properly qualified person appointed by the Trust to provide legal advice;
  - n. "Mandatory services" are those services which the Regulator has deemed it compulsory that the Trust provides, as listed in the Authorisation agreement;
  - o. "Protected assets" refers to those assets of the Trust deemed by the Regulator to be essential to the provision of mandatory services (see above) and listed as such in the Authorisation agreement;
  - p. "Regulator" means the Independent Regulator for the purposes of the 2006 Act;
  - q. "Shared Services" means the Shared Services for Finance and Procurement, hosted by the Gloucestershire Hospitals NHS Foundation Trust;
  - r. "SFIs" means Standing Financial Instructions;
  - s. "SOs" means Standing Orders; and
  - t. "Virement" means the transfer of budgetary provision from one budget head to another.
- 1.2.2 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include such other director or employees who have been duly authorised to represent them.
- 1.2.3 Wherever the term "employee" is used and where the context permits it shall be deemed to include employees of third parties contracted to the Trust when acting on behalf of the Trust.

### **1.3 Responsibilities and Delegation**

- 1.3.1 The Board exercises financial supervision and control by:
- a. formulating the financial strategy;
  - b. requiring the submission and approval of budgets;
  - c. defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money); and
  - d. defining specific responsibilities placed on directors and employees as indicated in the Scheme of Delegation document.
- 1.3.2 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the 'Reservation of Powers to the Board' document.
- 1.3.3 The Board will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation document adopted by the Trust.
- 1.3.4 Within the SFIs, it is acknowledged that the Chief Executive is accountable to the Board for ensuring that the Trust fulfils the functions and responsibilities set out in the Authorisation agreement within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities, is responsible to the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.

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- 1.3.5 The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities but they remain accountable for financial control.
- 1.3.6 It is a duty of the Chief Executive to ensure that existing directors and employees and all new appointees are notified of and understand their responsibilities within these Instructions.
- 1.3.7 The Director of Finance is responsible for:
- a. implementing the Trust's financial policies and for coordinating any corrective action necessary to further these policies;
  - b. maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
  - c. ensuring that sufficient records are maintained to show and explain the Trust's transactions, in order to disclose, with reasonable accuracy, the financial position of the Trust at any time; and
  - d. ensuring that good financial practice is followed in accordance with accepted professional standards and advice received from internal and external auditors.
- And, without prejudice to any other functions of Directors and employees to the Trust, the duties of the Director of Finance include:
- e. the provision of financial advice to the Trust and its Directors and employees;
  - f. the design, implementation and supervision of systems of internal financial control; and
  - g. the preparation and maintenance of such accounts, certificates, estimates, records and reports as the Trust may require for the purpose of carrying out its statutory duties.
- 1.3.8 All directors and employees, singularly and collectively, are responsible for:
- a. the security of the property of the Trust;
  - b. avoiding loss;
  - c. exercising economy and efficiency in the use of resources;
  - d. conforming with the requirements of Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Delegation; and
  - e. reporting suspected theft or fraud to the Director of Finance and/or Local Counter Fraud Service.
- 1.3.9 Any contractor or employee of a contractor who is empowered by the Trust to commit the Trust to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.
- 1.3.10 For any and all Directors and employees who carry out a financial function, the form in which financial records are kept and the manner in which directors and employees discharge their duties must be to the satisfaction of the Director of Finance.

## **2. Audit**

### **2.1 Audit and Assurance Committee**

- 2.1.1 In accordance with Schedule 7 (paragraph 23) of the 2006 Act and both the Trust's Constitution and Standing Orders, the Board shall formally establish an Audit and Assurance Committee of Non-Executive Directors to perform such monitoring, review and other functions as are appropriate. In particular the Audit and Assurance Committee will provide an independent and objective view of internal control by:
- a. overseeing Internal and External Audit services;
  - b. review systems of internal control and ensure they are fit for purpose;
  - c. monitoring compliance with Standing Orders and Standing Financial Instructions; and
  - d. reviewing schedules of losses and compensations
- 2.1.2 Where the Audit and Assurance Committee feels there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the Chair of the Audit and Assurance Committee should raise the matter at a full meeting of the Board. Exceptionally, the matter may need to be brought to the attention of the Council of Governors and the Regulator.
- 2.1.3 It is the responsibility of the Director of Finance to ensure that an adequate internal audit service is provided and the Audit and Assurance Committee shall be involved in the selection process when an internal audit service provider is changed. This will likely involve a nominated member of the Audit and Assurance Committee being the Trust's representative on the Countywide selection panel (where the service is countywide).
- 2.1.4 The Audit and Assurance Committee is responsible for making a recommendation to the Council of Governors to the appointment of external auditors. The Committee has a responsibility for assessing the external (financial) auditors on an annual basis, in terms of the quality of their work.

### **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 and/or NHS Counter Fraud Authority on fraud, bribery and corruption.
- 2.2.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist as specified by the NHS Fraud and Corruption Manual and guidance.
- 2.2.3 The Local Counter Fraud Specialist shall report to the Trust Director of Finance and shall work with staff within the NHS Counter Fraud Authority in accordance with the NHS Counter Fraud Manual.
- 2.2.4 The local counter Fraud Specialist will provide a written report, at least annually on counter fraud work within the Trust.
- 2.2.5 Any employee discovering or suspecting a loss of any kind must either immediately inform the Finance Director, or inform the Local Counter Fraud Specialist who will then appropriately inform the Finance Director and/or Chief Executive.

### **2.3 Director of Finance**

- 2.3.1 The Director of Finance is responsible for:
- a. ensuring that there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;

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- b. ensuring that the internal audit is adequate and meets the NHS mandatory audit standards;
- c. in conjunction with the Counter Fraud and Security Management Service, deciding at what stage to involve the police in cases of misappropriation, and other irregularities;
- d. ensuring that an annual Internal Audit Report is prepared for the consideration of the Audit and Assurance Committee and the Board. The report must cover:
  - i. a clear statement on the effectiveness of internal control, in accordance with current controls assurance guidance issued by the Department of Health including for example compliance with control criteria and standards,
  - ii. major internal control weaknesses discovered,
  - iii. progress on the implementation of internal audit recommendations,
  - iv. progress against plan over the previous year;
- e. ensuring that a three year strategic Internal Audit Plan is prepared for the consideration of the Audit and Assurance Committee and the Board; and
- f. ensuring that an annual Internal Audit Plan is produced for consideration by the Audit and Assurance Committee and the Board, which sets out the proposed activities for the function for the forthcoming financial year.

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

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

2.3.3 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 or Local Counter Fraud Service must be notified immediately.

### **2.4 Role of Internal Audit**

2.4.1 In accordance with the requirements of the Accounting Officer Memorandum issued by the Regulator, the Trust is required to establish an Internal Audit function. It is the responsibility of the Director of Finance to ensure that this function is in place and operates efficiently and effectively.

2.4.2 Internal Audit will provide assurances about the effectiveness of controls in place across all of the Trust's activities. To fulfill this function, Internal Audit will review the overall arrangements the Board itself has in place for securing adequate assurances and provide an opinion on those arrangements to support the Statement on Internal Control (see Section 5.2). This will entail reviewing the way in which the Board has identified objectives, risks, controls and sources of assurance on these controls, and assessed the value of assurances obtained.

2.4.3 In addition Internal Audit will provide specific assurances on the areas covered in the Internal Audit Plan as approved by the Audit and Assurance Committee (see 2.3.1), and will work alongside other professionals wherever possible to advise on systems of control and assurance arrangements. This is a distinct role, which is quite different to

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reviewing and commenting on the reliance of the assurances themselves, which is the responsibility of the Board.

2.4.4 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 Chair and Chief Executive of the Trust.

2.4.5 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 Manual. The reporting system shall be reviewed at least every 3 years.

### **2.5 External Audit**

2.5.1 The Trust is required to have an external (financial) auditor and is to provide such information and facilities as are necessary for the auditor to fulfil their responsibilities under Chapter 5 of the 2006 Act.

2.5.2 Under Schedule 7 (paragraph 23) of the 2006 Act and the Trust's Constitution, it is the responsibility of the Council of Governors at a General Meeting to appoint (or remove) the external (financial) auditor on behalf of the Trust. As part of the appointment process, the Trust must ensure that the auditors meet the selection criteria set out in Appendix B of the Audit Code for NHS Foundation Trusts.

2.5.3 In accordance with the Audit Code for NHS Foundation Trusts, a market testing exercise will be undertaken as a minimum every 5 years.

2.5.4 The Council of Governors also has the power to appoint (and remove) any external auditor appointed to review and report on any other aspect of the Trust's affairs.

### **2.6 Audit Code**

2.6.1 The Trust has a responsibility, under the terms of its Authorisation agreement, to comply with the Audit Code for NHS Foundation Trusts as approved by the Regulator. The Chief Executive has overall responsibility for ensuring compliance with the Code.

### **3. Financial Targets**

- 3.1 The Trust is required to meet such financial targets as are specified by the Regulator, either under the terms of the initial Authorisation agreement or subsequently.
- 3.2 Whilst there is no specific target regulating overall revenue performance in Foundation Trusts (e.g. a requirement to break-even year on year), the Regulator has the power to intervene in the Trust's affairs and potentially to revoke its Authorisation agreement where financial viability is seriously compromised.
- 3.3 The Chief Executive has overall executive responsibility for the Trust's activities and in this capacity is responsible for ensuring that the Trust aims to maintain its financial viability and meets any specific financial targets set by the Regulator. In this capacity the Chief Executive is responsible for setting appropriate internal targets in order to ensure financial viability and for signalling to the Finance and Digital Committee and the Board where the Trust's financial viability or key targets are at risk.
- 3.4 The Director of Finance is responsible for:
  - a. advising the Board and Chief Executive on progress in meeting these targets, recommending corrective action as appropriate;
  - b. ensuring that adequate systems exist internally to monitor financial performance ;
  - c. managing the cashflow and external borrowings of the Trust; and
  - d. providing the Regulator with such financial information as is necessary to monitor the financial viability of the Trust.

#### **4. Business Planning, Budgets and Budgetary Control**

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

- 4.1.1 Under the terms of Schedule 7 (paragraph 26) of the 2006 Act and its Constitution, the Trust is required to provide the Regulator with information concerning its forward plans for each financial year. In this respect, the Council of Governors is responsible for providing the Board with its views on those forward plans when they are being prepared and the Board correspondingly has a duty to consult them.
- 4.1.2 The Chief Executive will therefore compile and submit to the Board and the Council of Governors, 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; and
  - b. details of major changes in workload, delivery of services or resources required to achieve the plan.
- 4.1.3 Once approved, the Chief Executive will be responsible for submitting the Business Plan as required to the Regulator.
- 4.1.4 The Chief Executive is also responsible for ensuring on behalf of the Board that the Council of Governors is consulted on any significant changes to the Business Plan in year.
- 4.1.5 At the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit revenue and capital budgets for approval by the Board. Such budgets will:
- a. be in accordance with the aims and objectives set out in the annual business plan;
  - b. accord with workload and manpower plans;
  - c. be produced following discussion with appropriate budget holders/managers;
  - d. be prepared within the limits of available and identified funds;
  - e. identify all sources of those funds; and
  - f. identify potential risks.
- 4.1.6 The Director of Finance shall monitor financial performance against budget and business plan, periodically review them, and report to the Board.
- 4.1.7 All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled and to explain variances.
- 4.1.8 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 their budgets successfully.

##### **4.2 Budgetary Delegation**

- 4.2.1 The Director of Finance (on behalf of 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 staffing levels associated with that budget;
  - c. the purpose(s) of each budget heading;
  - d. individual and group responsibilities;
  - e. authority to exercise virement;
  - f. achievement of planned levels of service; and
  - g. the provision of regular reports.

- 4.2.2 Expenditure authorised by the Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board.
- 4.2.3 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.
- 4.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Director of Finance (on behalf of the Chief Executive).
- 4.2.5 The agreed budgetary delegation limits for the Trust are detailed in Appendix 1.

### **4.3 Budgetary Control and Reporting**

- 4.3.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:
  - a. monthly financial reports to the Board in a form approved by the Board containing:
    - i. income and expenditure to date showing trends and forecast year-end position;
    - ii. explanations of any material variances from plan;
    - iii. details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;
    - iv. approved use of Reserves, both by the Chief Executive under delegated powers and via specific Board decisions; and
    - v. capital expenditure to date versus plan.
    - vi. projected outturn capital expenditure against plan;
    - vii. explanations of any material variances from plan;
    - viii. details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;
  - b. the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
  - c. investigation and reporting of variances from financial, workload and manpower budgets;
  - d. monitoring of management action to correct variances; and
  - e. arrangements for the authorisation of budget transfers.
- 4.3.2 Each Budget Holder is responsible for ensuring that:
  - a. any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;
  - b. the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement; and
  - c. no permanent employees are appointed without the approval of an Executive Director other than those provided for in the authorised budgeted establishment.
- 4.3.3 The Chief Executive is responsible for ensuring the identification and implementation of cost improvements and income generation initiatives in accordance with the requirements of the annual Business Plan and agreed Control Total.
- 4.3.4 The Director of Finance is responsible for advising the Chief Executive and the Board on the financial consequences of any changes in policy, pay awards and other events impacting on budgets and will also advise on the financial implications of future plans

#### **4.4 Capital Expenditure**

4.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure (the particular applications relating to capital are contained in section 12 of these SFIs). The delegation limits for capital expenditure are detailed in Appendix 1.

#### **4.5 Performance Information and Monitoring Returns**

4.5.1 The Chief Executive, on behalf of the Trust, is responsible for providing the Regulator with such information as is necessary to monitor compliance with the terms of the Authorisation agreement.

4.5.2 The Chief Executive, on behalf of the Trust, is also responsible for ensuring that the Trust contributes to standard national NHS data flows which are required for NHS policy development/ funding decisions as well as performance assessment by the Healthcare Commission.

**5. Annual Accounts and Reports**

- 5.1 In accordance with Schedule 7 (paragraph 25) of the 2006 Act and the Trust's Constitution, the Trust must keep accounts, and in respect of each financial year must prepare annual accounts, in such form as the Regulator may, with the approval of the Treasury, direct. These responsibilities will be carried out by the Director of Finance who, on behalf of the Trust, will:-
- a. prepare annual accounts in accordance with the Regulator's Manual of Accounts and any other guidance from the same, the Trust's accounting policies and generally accepted accounting practice;
  - b. prepare and submit annual accounts to the Board and an audited summary of the Main Financial Statements to an Annual Members' Meeting convened by the Council of Governors, certified in accordance with current guidelines;
  - c. lay a copy of the annual accounts, and any report of the external (financial) auditor thereon, before Parliament and subsequently send them to the Regulator.
- 5.2 The annual accounts should, in accordance with the requirements set out in the Accounts Direction, include a Statement on Internal Control within the financial statements.
- 5.3 The Trust's annual accounts must be audited by the external (financial) auditor appointed by the Council of Governors and be presented at the Annual Members' Meeting referred to in 1 (b) above.
- 5.4 In accordance with Schedule 7 (paragraph 26) of the 2006 Act, the Trust will also prepare an annual report which, after approval by the Board, will be presented to the Council of Governors. It will then be published and made available to the public and also submitted to the Regulator. The annual report will comply with the Regulator's Annual Report Guidance for NHS Foundation Trusts and will include, inter alia:
- a. information on the steps taken by the Trust to ensure that the actual membership of the various constituencies ( public ,patients and staff) is representative of those eligible for such membership;
  - b. the Annual Accounts of the Trust in full or summary form;
  - c. details of relevant directorships and other significant interests held by Board members;
  - d. composition of the Audit and Assurance Committee and of the Remuneration Committee;
  - e. remuneration of the Chair, the Non-Executive Directors and Executive Directors, on the same basis as those specified in the Companies Act;
  - f. a statement of assurance by the Chief Executive in respect of organisational controls and risk management within the Trust (as per HSC 1999/123);
  - g. any other information required by the Regulator.
- 5.4.1 These responsibilities will be carried out by the Director of Corporate Governance who, on behalf of the Trust, will prepare and submit annual reports to the Board and an audited summary to an Annual Members' Meeting convened by the Council of Governors.
- 5.5 The Trust is to comply with any decision that the Regulator may make as to the form of the annual report, the timing of its submission and the period to which it relates.

## **6. Bank Accounts**

### **6.1 General**

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

### **6.2 Bank Accounts**

6.2.1 The Director of Finance is responsible for:

- a. bank accounts
- b. establishing separate bank accounts for the Trust's charitable funds;
- c. ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made; and
- d. reporting to the Board all arrangements made with the Trust's bankers for accounts to be overdrawn.

6.2.2 No officer other than the Director of Finance will open any bank account in the name of the Trust (or constituent hospitals) or relating to any activities of the Trust/hospital, or issue instructions to the Trust's bankers.

6.2.3 No officer should disclose details of the Trust's bank accounts without the approval of the Director of Finance. This is to ensure that the risk of fraud and money laundering to the Trust's accounts is minimised

### **6.3 Banking Procedures**

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

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

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

### **6.4 Tendering and Review**

6.4.1 The Director of Finance will review the banking arrangements of the Trust at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for the Trust's banking business. Where appropriate the Trust will conduct such reviews/tendering exercises in conjunction with other NHS organisations in Gloucestershire.

6.4.2 Competitive tenders should be sought at least every 5 years for any commercial banking arrangements. The results of the tendering exercise should be reported to the Board. The requirement to seek competitive tenders does not extend to any national initiative / direction re banking facilities, i.e. the Government Banking Service – GBS.

**7. Income, Fees and Charges and Security of Cash, Cheques and Other Negotiable Instruments**

**7.1 Income Systems**

- 7.1.1 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.
- 7.1.2 In this capacity, the Director of Finance will establish systems in order to ensure that timely and appropriate invoices are raised for income due under the terms of contracts with NHS commissioners (see Section 8).
- 7.1.3 The Director of Finance is also responsible for the prompt banking of all monies received.

**7.2 Fees and Charges**

- 7.2.1 The Trust will price its service contracts with NHS healthcare commissioners according to national tariffs published by the Department of Health. In areas where national tariff arrangements do not apply, the Trust will follow the Department of Health's guidance in the "Costing Manual" in costing/pricing NHS service contracts.
- 7.2.2 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 by Statute. Independent professional advice on matters of valuation shall be taken as necessary.

**7.3 Debt Recovery**

- 7.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts and in this capacity is responsible for providing the Finance and Digital Committee with a monthly analysis of debtors profiled by age and actions to recover.
- 7.3.2 Income not received should be dealt with in accordance with losses procedures.
- 7.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

**7.4 Security of Cash, Cheques and Other Negotiable Instruments**

- 7.4.1 The Director of Finance is responsible for:
- a. approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
  - b. ordering and securely controlling any such stationery;
  - c. the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
  - d. prescribing systems and procedures for handling cash and negotiable securities on behalf of the Trust.
- 7.4.2 Official money shall not under any circumstances be used for the encashment of private cheques.
- 7.4.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.
- 7.4.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Trust is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Trust from responsibility for any loss.

**8. NHS Contracts for the Provision of Services**

- 8.1 The Chief Executive, as the accountable officer, is responsible for ensuring that the Trust enters into suitable legally binding contracts with NHS commissioners both for the mandatory healthcare services specified in the Trust’s Authorisation agreement with the Regulator and also other healthcare services. In discharging this responsibility, the Chief Executive should ensure that these contracts take account of:-
- a. the standards of healthcare quality expected, including those published by the Secretary of State under Section 46 of the Act and the Health Act 2006. ;
  - b. relevant National Service Frameworks and guidelines published by the National Institute for Health and Clinical Excellence;
  - c. service priorities contained within the Trust’s Business Plan and agreed with healthcare commissioners;
  - d. national tariffs published by the Department of Health ( see 7.2.1) or other agreed local pricing mechanisms where national tariffs do not ( yet) apply;
  - e. the need to provide ancillary and other supporting services essential to the delivery of the healthcare involved;
  - f. the need to ensure the provision of reliable and on-going information on service cost, volume and quality;
  - g. previously agreed developments or investment plans.
- 8.2 A good contract for health care services will result from a dialogue between clinicians, users, carers, public health professionals and managers. It will reflect knowledge of local needs and inequalities. This will require the Chief Executive to ensure that the Trust works with all partner agencies involved in both the delivery and the commissioning of the service required. The contract will apportion responsibility for handling a particular risk to the party or parties in the best position to influence the event and financial arrangements should reflect this. In this way the Trust can jointly manage risk with all interested parties.
- 8.3 The Director of Finance will need to ensure that regular reports are provided to the Finance and Digital Committee and the Board detailing forecast/ budgeted and actual income from contracts with NHS commissioners. This analysis will particularly highlight the impact of differences between planned and actual numbers of patients treated and outline any action required to address such variances. Periodically, at intervals to be agreed with the Board, the Chief Executive will also provide information on the impact of differences between the actual cost to the Trust of treating patients in individual service lines and the relevant national tariff.
- 8.4 Where the Trust participates in a tendering exercise (whether in competition with others or not) for a health related or non-clinical service, approval must be sought according to the delegated authority limits.
- 8.5 Delegated authority limits associated with tendering:

	Director of Finance (in consultation with Chief Executive)	Trust Leadership Team	Trust Board
Decision not to bid	No limit	Not applicable	Not applicable

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Total or annual value range where services are provided by the Trust and tender is to retain the current provision	0 - £10m	>£10m - £50m	>£50m
Total or annual value range where services are not currently provided by the Trust and tender is to acquire provision	0 - £5m	>£5m - £25m	>£25m

8.6 No tender must be submitted without sign-off from the relevant authority.

## **9. Terms of Service and Payment of Directors and Employees**

### **9.1 Remuneration Committee**

9.1.1 In accordance with the requirements of the 2006 Act and Standing Orders, the Trust 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.

9.1.2 The Committee will:

- a. Periodically review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, making use of the output of the board evaluation process as appropriate, and make recommendations to the Board, and Governance and Nominations Committee of the Council of Governors, as applicable, with regard to any changes;
- b. Give full consideration to and make plans for succession planning for the chief executive taking into account the challenges and opportunities facing the trust and the skills and expertise needed on the Board in the future;
- c. Appoint candidates to fill all the executive director positions on the Board;
- d. Consider any matter relating to the continuation in office of any board executive director including the suspension or termination of service of an individual as an employee of the trust, subject to the provisions of the law and their service contract;
- e. Monitor and evaluate the performance of the Chief Executive through the Chair's appraisal process;
- f. Determine the remuneration and terms of service of Executive Directors;
- g. Discuss and, if appropriate, confirm the assessments made of performance related pay by the Chair for the Chief Executive the Chief Executive for the other Executive Directors;
- h. Determine pay rises and review the need for any other adjustments. If a performance related pay scheme is in operation then a meeting of the Committee will review the performance of individual directors prior to the award of any bonus payments. (If a group PRP scheme is in place covering the most senior managers as well as Executive Directors then the Committee will determine membership of the scheme and payments for the scheme as a whole); and
- i. Advise on and oversee appropriate contractual arrangements for Executive Directors, including any termination payments.

9.1.3 The Committee shall advise the Board in writing as to the basis for its recommendations. The Board shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of executive directors. Minutes of the Board's meetings should record such decisions.

9.1.4 The Board will after due consideration and amendment if appropriate approve proposals presented by the Chief Executive for setting of remuneration and conditions of service for those employees not covered by the Committee.

9.1.5 The Trust will remunerate the Chair and Non Executive Directors as determined by the Council of Governors.

### **9.2 Funded Establishment**

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

9.2.2 The funded establishment of any department may not be varied without the approval of the Vacancy Control Panel.

### **9.3 Staff Appointments**

- 9.3.1 No director or employee may engage, re-engage, or regrade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:
- a. unless authorised to do so by the Vacancy Control Panel; and
  - b. within the limit of their approved budget and funded establishment.
- 9.3.2 The Board will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc., for employees.

#### **9.4 Processing of Payroll**

- 9.4.1 The Director of Finance is responsible for:
- a. specifying timetables for submission of properly authorised time records and other notifications;
  - b. the final determination of pay;
  - c. making payment on agreed dates; and
  - d. agreeing method of payment.
- 9.4.2 The Director of Finance will issue instructions regarding:
- a. verification and documentation of data;
  - b. the timetable for receipt and preparation of payroll data and the payment of employees;
  - 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; and
  - m. a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.
- 9.4.3 Appropriately nominated managers have delegated responsibility for:
- a. submitting time records, and other notifications in accordance with agreed timetables;
  - b. completing time records and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance; and
  - c. submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.
- 9.4.4 Regardless of the arrangements for providing the payroll service, the Director of Finance shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

**9.5 Contracts of Employment**

9.5.1 The Board shall delegate responsibility to the Director People and OD for:

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

## **10. Non-pay Expenditure**

### **10.1 Delegation of Authority**

- 10.1.1 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 (including the level of virement between one budget holder and another). The financial limits are laid out in the Scheme of Delegation.
- 10.1.2 The Director of Finance will set out:
- a. the list of managers who are authorised to place requisitions for the supply of goods and services; and
  - b. the maximum level of each requisition and the system for authorisation above that level.
- 10.1.3 The Director of Finance will also be responsible for ensuring that the Trust has clearly established arrangements for the purchase of goods and services.
- 10.1.4 The Director of Finance will also be responsible for ensuring that the Trust makes optimum use of corporate, national or regional contracts for the acquisition of goods and services, in order to ensure best value for money.

### **10.2 Choice, Requisitioning, Ordering, Receipt and Payments for Goods and Services**

- 10.2.1 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Trust, i.e. consideration of whole life costs and contribution to the achievement of other Trust objectives (e.g. safety, sustainability). In so doing, the advice of the Procurement Shared Service shall be sought. Requisitions must therefore be directed through the Trust's official contracts negotiated by or on behalf of the Trust, where available. Where such official contracts are not available, quotations or tenders must be obtained through the Procurement Shared Service via local, regional or national contracts, in accordance with Standing Orders. Only for exempt goods and services should a good or service be obtained without a purchase order.
- 10.2.2 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.
- 10.2.3 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; and, once approved, the thresholds should be incorporated in standing orders and regularly reviewed;
  - b. prepare procedural instructions on the obtaining of goods, works and services incorporating the thresholds;
  - c. be responsible for the prompt payment of all properly authorised accounts and claims and for advising the Board on a monthly basis of performance against targets set under the Government's Better Payments Practice Code;
  - 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 directors/employees (including specimens of their signatures) authorised to requisition, receipt and certify invoices for payment in respect of goods/services provided to the Trust where those goods or services are exempt from the P2P system of Procurement.
    - ii. Certification that:
      - goods have been duly received, examined and are in accordance with specification and the prices are correct;

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- work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
- in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined and are reasonable
- where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
- the account is arithmetically correct;
- the account is in order for payment;
- correct treatment for VAT purposes.

iii. A timetable and system for submission to the Finance Shared Services Paymaster Services Manager 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 Shared Services.

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

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

- a. the financial advantages outweigh the disadvantages (i.e., cashflows must be discounted to Net Present Value) and the intention is not to circumvent cash management arrangements;
- b. the appropriate Director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Trust if the supplier is at some time during the course of the prepayment agreement unable to meet their 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 they must immediately inform the appropriate manager if problems are encountered.

10.2.5 Official Orders must:

- a. be consecutively numbered;
- b. be in a form approved by the Director of Finance;
- c. state the Trust's terms and conditions of trade; and
- d. only be issued to, and used by, the Procurement Shared Service.

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

- a. all contracts (other than for a simple purchase permitted within the Scheme of Delegation or delegated budget), leases, tenancy agreements and other commitments which may result in a liability are notified to the Procurement Shared Service and the Director of Finance in advance of any commitment being made;
- b. any contracts above specified thresholds are advertised, procured and awarded by the Procurement Shared Service in accordance with UK procurement legislation as amended and the principles of EU and WTO and GPA guidelines on public

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procurement and comply with current public procurement best practice and guidance;

- c. where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health and Social Care and relevant regulatory bodies;
- d. no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
  - i. isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
  - ii. conventional hospitality, such as lunches in the course of working visits;
- e. any gift, reward or benefit is recorded on the Trust's Hospitality Register;
- f. 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;
- g. all goods, services, or works are ordered on an official order except for purchases from petty cash and exempt expenditure agreed by the Director of Finance;
- h. verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- i. orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- j. goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- k. changes to the list of directors/employees authorised to certify invoices are notified to the Director of Finance;
- l. purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance; and
- m. petty cash records are maintained in a form as determined by the Director of Finance.

10.2.7 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 appropriate guidance. The technical audit of these contracts shall be the responsibility of the relevant Director.

### **10.3 Grants to Local Authorities and Voluntary Bodies**

10.3.1 Grants to local authorities and voluntary organisations made under the powers of section 28A of the NHS Act 2006 or section 64 of the Health Service and Public Health Act 1968 shall comply with procedures laid down by the Director of Finance which shall be in accordance with these Acts.

## **11. Treasury Management**

### **11.1 External Borrowing**

- 11.1.1 As a Foundation Trust, the Trust has freedom to access capital (i.e. borrow externally) subject to the following:-
- a. prohibition on the use of protected assets as security for borrowing; and
  - b. any additional degree of scrutiny required by financial institutions
- 11.1.2 The Director of Finance will advise the Board concerning the Trust's ability to pay a dividend on, and repay Public Dividend Capital (PDC) and any proposed new borrowing, within the limits set by the Department of Health. The Director of Finance is also responsible for reporting periodically to the Board concerning the PDC debt and all loans financing facilities and overdrafts.
- 11.1.3 The Director of Finance will advise the Board concerning the Trust's ability to pay a dividend on, and repay Public Dividend Capital (PDC) and any proposed new borrowing, within the limits set by the Department of Health. The Director of Finance is also responsible for reporting periodically to the Board concerning the PDC debt and all loans financing facilities and overdrafts
- 11.1.4 Any application for a loan, financing facility or overdraft will only be made by the Director of Finance or by an employee so delegated.
- 11.1.5 The Director of Finance must prepare detailed procedural instructions concerning applications for loans, financing facilities and overdrafts.
- 11.1.6 All short term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position. Any short term borrowing requirement must be authorised by the Director of Finance.
- 11.1.7 All long term borrowing must be consistent with the plans outlined in the current financial plan as reported to the Regulator.

### **11.2 Investments**

- 11.2.1 Under the terms of the 2006 Act and its Constitution, the Trust may invest money (other than money held by it as a Trustee) for the purposes of or in connection with its functions. This may include investment by forming or participating in forming bodies corporate or by otherwise acquiring membership of bodies corporate.
- 11.2.2 The Director of Finance is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments held, other than short term temporary cash surpluses.
- 11.2.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.
- 11.2.4 In the case of temporary cash surpluses, these may only be held in such form and with such public or private sector organisations as are approved by the Board. In giving approval to the mechanisms for short term investment, the Board will take account of instructions or guidelines issued by the Regulator to Foundation Trusts.
- 11.2.5 For other longer term forms of investment, including those referred to in 11.2, the approval of the Board will be obtained before proceeding.

### **11.3 Cash Flow Monitoring**

- 11.3.1 The Director of Finance is responsible for managing and monitoring the overall cash flow of the Trust and for providing reports thereon to the Finance and Digital Committee and the Board. These reports will include:-
- a. a comparison of month end outturn with the plan (monthly); and
  - b. a rolling 12 month projection of month end cash balances (quarterly)

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

### **12.1 Capital Investment**

#### 12.1.1 The Chief Executive:

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

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

- a. that a business case (in accordance with Monitor's guidance contained within Risk Evaluation for investment decisions by NHS Foundation Trusts) 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. 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 which is approved by the Board subject to agreed delegated limits.

#### 12.1.3 For capital schemes where the contracts stipulate stage payments, the Director of Finance will issue procedures for their management, incorporating the recommendations of "Estatecode" and procedures for the regular reporting of expenditure and commitment against authorised expenditure.

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

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

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

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

### **12.2 Private Finance**

#### 12.2.1 When the Trust proposes to access finance under the Private Finance Initiative, the following procedures shall apply:

- a. The Director of Finance shall demonstrate that the use of private finance represents value for money and appropriately transfers significant risk to the private sector;
- b. Where the sum involved exceeds delegated limits, the business case must be referred to the Regulator; and

- c. The proposal must be specifically agreed by the Board.

### **12.3 Asset Registers**

- 12.3.1 The Responsible Officer is responsible for the maintenance of registers of assets, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once every two years.
- 12.3.2 The Trust shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be consistent with best practice.
- 12.3.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:
- a. properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
  - b. stores, requisitions and wages records for own materials and labour including appropriate overheads; and
  - c. lease agreements in respect of assets held under a finance lease and capitalised.
- 12.3.4 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).
- 12.3.5 The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 12.3.6 The value of each asset shall be indexed to current values in accordance with best practice.
- 12.3.7 The value of each asset shall be depreciated using methods and rates as determined by the Director of Finance.

### **12.4 Security of Assets**

- 12.4.1 The overall control of fixed assets is the responsibility of the Chief Executive.
- 12.4.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:
- a. recording managerial responsibility for each asset;
  - b. identification of additions and disposals;
  - c. identification of all repairs and maintenance expenses;
  - d. physical security of assets;
  - e. periodic verification of the existence of, condition of, and title to, assets recorded;
  - f. identification and reporting of all costs associated with the retention of an asset; and
  - g. reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 12.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.
- 12.4.4 Whilst each employee has a responsibility for the security of property of the Trust, it is the responsibility of directors and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with instructions.

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12.4.5 Any damage to the Trust's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by directors and employees in accordance with the procedure for reporting losses.

12.4.6 Where practical, assets should be marked as Trust property.

### **13. Stores and Receipt of Goods**

- 13.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- a. kept to a minimum;
  - b. subjected to annual stocktake; and
  - c. valued at the lower of cost and net realisable value.
- 13.2 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 employee by the Chief Executive. The day-to-day responsibility may be delegated by him to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of fuel oil and coal of a designated estates manager.
- 13.3 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated manager/Pharmaceutical Officer. Wherever practicable, stocks should be marked as health service property.
- 13.4 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 13.5 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.
- 13.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 13.7 The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also 14, Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.
- 13.8 For goods supplied via the NHS Supply Chain central warehouses, the Director of Finance shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note.

## **14. Disposals and Condemnations, Losses and Special Payments**

### **14.1 Disposals and Condemnations**

- 14.1.1 Under the terms of the Authorisation agreement, the approval of the Regulator is required prior to the disposal of any protected assets (above any “de minimis” limit where specified). There are no external restrictions on the disposal of other assets provided that the proceeds are used to further the Trust’s public interest objectives.
- 14.1.2 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers. These procedures should take account of the requirements set out in (1) above.
- 14.1.3 When it is decided to dispose of a Trust asset, the head of department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.
- 14.1.4 All unserviceable articles shall be:
- a. condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance; and
  - b. recorded in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Director of Finance.
- 14.1.5 The 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.

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

- 14.2.1 The Director of Finance shall prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.
- 14.2.2 Any employee discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss or fraud confidentially. This officer will then appropriately inform the Director of Finance and/or Chief Executive. Where a criminal offence is suspected, the Director of Finance must immediately inform the police. The Director of Finance should comply with any requirements to report fraud as determined by the Regulator/Secretary of State.
- 14.2.3 For losses apparently caused by theft, fraud, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance (or the Local Counter Fraud Specialist on the Director’s behalf) must notify the Audit and Assurance Committee which will consider approval of write off on behalf of the Board.
- 14.2.4 The Director of Finance shall be authorised to take any necessary steps to safeguard the Trust’s interests in bankruptcies and company liquidations.
- 14.2.5 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 14.2.6 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.

**15. Information Technology**

- 15.1 The Trust, under the terms of its Authorisation agreement, is required to participate in the National Programme for Information Technology, in accordance with any guidance issued by the Regulator. This requirement extends to the Director of Finance in fulfilling their responsibilities for the computerised financial data of the Trust as set out below.
- 15.2 The Director of Finance, who is responsible for the accuracy and security of the computerised financial data of the Trust, shall:
- a. devise and implement any necessary procedures to ensure adequate (reasonable) protection of the Trust's data, programs and computer hardware for which they are responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 2018;
  - b. ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
  - c. ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
  - d. ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as he/she may consider necessary are being carried out.
- 15.3 Where a new financial system or significant amendment to a current financial system is proposed, the Director of Finance will ensure that an appropriate Business Case is prepared and approved in advance at the appropriate level. The Director of Finance will also ensure that such systems are developed in a controlled manner, with appropriate project planning mechanisms, and are thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.
- 15.4 In the case of new financial systems which are sponsored jointly by a number of healthcare or other organisations, including the Trust, the Director of Finance will seek to ensure that the same approval/ planning requirements as set out in paragraph 3 above are complied with and that the Trust is fully signed up to the development.
- 15.5 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.
- 15.6 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.
- 15.7 Where computer systems have an impact on corporate financial systems the Director of Finance shall satisfy him/her self that:
- 15.7.1 systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
  - 15.7.2 data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - 15.7.3 Director of Finance staff have access to such data; and
  - 15.7.4 such computer audit reviews as are considered necessary are being carried out.

**16. Patients' Property**

- 16.1 The Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.
- 16.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission by:
- notices and information booklets;
  - hospital admission documentation and property records; and
  - the oral advice of administrative and nursing staff responsible for admissions;
- that the Trust will not accept responsibility or liability for patients' property brought into Health Service premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt. The sole exception to this requirement is where patients are admitted in the circumstances outlined in paragraph 1 above.
- 16.3 The Chief Operating Officer must provide detailed written instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to safeguard the interests of the patient.
- 16.4 Where good practice guidance (e.g. Department of Health instructions to non-Foundation Trusts) suggests the need to open separate accounts for patients' moneys, these shall be opened and operated under arrangements agreed by the Director of Finance.
- 16.5 In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.
- 16.6 Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.
- 16.7 Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.

## **17. Funds Held on Trust (Charitable Funds)**

- 17.1 Standing Orders (SOs) identify the Trust's responsibilities as a corporate trustee for the management of funds it holds on trust (charitable funds) and define how those responsibilities are to be discharged. They explain that the trustee responsibilities must be discharged separately and full recognition given to the guidance and regulation as determined by the Charity Commission.
- 17.2 The Board, in its corporate trustee capacity, shall determine where decisions regarding the exercise of dispositive discretion are to be taken and by whom. Directors and officers must take account of that guidance before taking action. SFIs are intended to provide guidance to persons who have been delegated to act on behalf of the corporate trustee.
- 17.3 The over-riding principle is that the integrity of each trust must be maintained and statutory and trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

## **18. Acceptance of Gifts by Staff**

- 18.1 The Director of Finance shall ensure that all staff are made aware of the Trust's policy on acceptance of gifts and other benefits in kind by staff. This policy should follow the guidance contained in the Department of Health Standards of Business Conduct for NHS Staff.

## **19. Retention of Documents**

- 19.1 The Chief Executive shall be responsible for defining retention periods in accordance with the relevant legislation and guidance and for maintaining archives for all documents required to be retained.
- 19.2 The documents held in archives shall be capable of retrieval by authorised persons.
- 19.3 Documents so held in accordance with HSC 1999/053 shall only be destroyed at the express instigation of the Chief Executive. Records shall be maintained of documents so destroyed.

**20. Risk Management & Insurance**

- 20.1 The Chief Executive shall ensure that the Trust has a risk management strategy, in accordance with current controls assurance guidance, which must be approved and monitored by the Board.
- 20.2 The programme of risk management shall include:
- a. a process for identifying and quantifying risks and potential liabilities;
  - b. engendering among all levels of staff a positive attitude towards the control of risk;
  - c. management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk;
  - d. contingency plans to offset the impact of adverse events;
  - e. audit arrangements including; internal audit, clinical audit, health and safety review;
  - f. decision on which risks shall be insured; and
  - g. arrangements to review the risk management programme.
- 20.3 The existence, integration and evaluation of the above elements will provide the basis on which to make a statement on the effectiveness of Internal Financial Control within the Annual Report and Accounts as required in the Accounts Direction.
- 20.4 The Director of Finance shall ensure that insurance arrangements exist where appropriate. In this context, insurance will include any scheme administered by NHS Resolve (such as the risk pooling schemes) in addition to policies operated by commercial organisations. To this end, the Director of Finance shall:
- a. be responsible for arranging all cover as may be determined by the Board;
  - b. be informed promptly of any event which may involve the Trust in a claim, or intended activity, which may involve a risk which has not already been covered; and
  - c. for any loss, consider whether a claim can be made against the appropriate insurance policy or scheme.

**Appendix 1: Financial Delegation Limits**

**1. Revenue and Capital Expenditure**

1.1 The Standing Financial Instructions require that revenue and capital budgets are prepared for approval by the Board on an annual basis. SFIs 4.2.5 and 4.4.1 specifically require that budgetary delegation limits are set.

1.2 At the start of each financial year the Board will,

- (a) approve a financial plan for the year
- (b) approve details of budgets ("Budget Book") to be delegated to budget holders
- (c) approve levels for provisions and reserves identified in the financial plan. These will cover, inter alia, inflation, planned developments grouped by their nature, planned savings and a general contingency for unplanned developments and costs.

1.3 In accordance with SFIs 4.2.5 and 4.4.1 the Chief Executive may

- (a) approve expenditure against provisions and reserves identified in the financial plan.

All such approvals will

- be reported to the Board each month by the Finance Director as he monitors the position on all such provisions and reserves (both revenue and capital)
- be backed by documentary evidence signed by the Chief Executive and also by the Finance Director (who in signing is confirming that the expenditure is both appropriate and consistent with the Trust's financial plans and procedures).

Subject to the availability of funds a reserve for infrastructure, risk reduction, training, quality enhancement, etc. will be managed by the Main Board itself reflecting the subjectivity of prioritisation in this area

Capital business cases, for expenditure or asset disposal, over £1,000,000 require Board approval. (For disposals this is to be taken as the higher of book value and estimated sale proceeds)

- (b) approve increases in the real terms cost of revenue or capital developments identified specifically in the financial plans of the Trust, or reported individually in any Board agenda, provided that the cost increase can be funded within one of the approved provisions or reserves. Any increases exceeding 10% must be submitted to the Board for approval (as well as the reporting and authorisation requirements in 1.3(a) above)
- (c) seek in year variations from the Board to the limits on provisions and reserves
- (d) vire expenditure between approved revenue budgets and between capital budgets and identify savings for re-allocation, provided that variations which involve a significant change in Trust policy or reduction in services to patients are presented to the Board for approval
- (e) adjust approved budgets and development schemes for inflation, provided that additional costs can be met from the Inflation Reserve. It is expected that the Chief Executive will delegate this responsibility to the Finance Director, who

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will also adjust budgets as appropriate for other events totally outside the control of managers, e.g. taxation changes

- (f) exercise virement of the Trust's resources between years, after taking advice from the Finance Director.
- 1.4 In exercising these responsibilities the Chief Executive will delegate within agreed limits. For virement each Executive Director will be authorised to vire up to £100,000 between budgets within his or her control. Each Divisional Director will be authorised to vire up to £25,000 within budgets in his or her control but provided that the virement is agreed by each of the three (four) Divisional Directors that limit is increased to £100,000. Budget holders at the tier below Divisional Director level will be authorised to vire up to £5,000 between budgets under their control.
- 1.5 Individual budget holders will be authorised by the Directors to vire up to £5,000 non-recurringly and £1,000 recurringly between revenue budgets within their control.
- 1.6 In exercising the delegated powers outlined in paragraphs 1.3 to 1.6 above officers must liaise with the Director of Finance or his/her nominated representative to obtain advice and must ensure that full details are reported to him/her.

### **2. Revenue and Capital Income**

- 2.1 Payment by Results, Patient Choice and competition from Independent Sector Providers mean that the Trust's income streams are less certain and more complex than in the past.
- 2.2 The Chief Executive will
- (a) sign legally binding contracts with NHS commissioners and other funders
  - (b) ensure that the financial plan for the year reflects realistic income expectations and contains adequate flexibility
  - (c) organise clinical capacity and service delivery to optimum effect taking account of legally binding contracts, the Trust's commitment to its patients and its staff and the Trust's financial needs and opportunities
  - (d) report significant events and variations to the Board
  - (e) report systematically on patient activity against plan to the Board.
- 2.3 The Director of Finance will
- (a) report to the Board on actual income against planned income
  - (b) identify the implications for provisions and reserves in year and for the Trust in future years.
- 2.4 Capital income from borrowing will be limited to the net sum necessary to fund schemes authorised in accordance with the Financial Plan and section (1) above. Schemes funded from separate capital allocations will only be approved if revenue costs are authorised in accordance with section (1).
- 2.5 The Trust will only borrow revenue or capital funds for its own needs unless specific Board approval has been given.

### **3. Purchase Orders**

- 3.1 All purchase orders will be subject to the limits set below.

Upto £1,000	Budget Holder
£1,000 to £10,000	Level 2 Approvers
£10,000 to £50,000	Level 3 Approvers

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£50,000 to £100,000	Chief Executive and Director of Finance
£100,000 to £500,000	Trust Leadership Team
£above £500,000	Board

Purchase order limits and authorisation apply to agreed goods and services that are exempt from P2P.

### 4. Tendering Limits

4.1 The following limits will apply

Expenditure Range	Action Required
up to £5,000	Single supplier or quotations via Procurement Shared Services
£5,001 to £25,000	Competitive quotations/tenders via Procurement Shared Services
£25,001 to EU threshold	Formal tender procedure via Procurement Shared Service
Above EU threshold	Formal tender procedure via Procurement Shared Services under Public Contract Regulations

### 5. Authorisation to enter into and sign Contracts for goods and services

5.1 Where the Trust intends to award or extend a contract, approval must be sought according to the delegated authority limits.

5.2 The delegated authority limits for contract approval are:

	Level 3 Budget Holders	Trust Leadership Team	Finance and Digital Committee	Trust Board
Total contract value (over the lifetime of the contract including permitted extensions)	0 - £250k	>£250k - £1m	>£1m - £5m	>£5m

5.3 Contract approvals must be submitted to all relevant groups depending upon value.

5.4 Contracts must be signed by an authoriser in accordance with 3.1 above.

### 6. Charitable Funds

6.1 The following limits will apply for authorisation of Charitable Funds expenditure

Expenditure Range	Responsibilities
up to £1,000	Fund holders (unless a lower limit is specified by the Chief Operating Officer and Deputy Chief Executive.)

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£1,001 to £5,000	Chief Operating Officer and Deputy Chief Executive (who may delegate as he/she judges appropriate to senior managers)
Above £5,000	Charitable Funds Committee

***N.B. all of the above limits (Sections 3, 4 and 5) are excluding VAT***