

STANDING FINANCIAL INSTRUCTIONS

POLICY REFERENCE NUMBER	FP10
VERSION NUMBER	4
KEY CHANGES FROM PREVIOUS VERSION	Annual review; various changes throughout
AUTHOR	Head of Financial Accounts
CONSULTATION GROUPS	Audit Committee Executive Operational Committee Senior Finance Staff
IMPLEMENTATION DATE	April 2017
AMENDMENT DATE(S)	August 18 (GDPR), September 2018, September 2019, September 2020, September 2021
LAST REVIEW DATE	September 2021
NEXT REVIEW DATE	September 2022
APPROVAL BY AUDIT COMMITTEE	August 2021
RATIFIED BY BOARD OF DIRECTORS	September 2021
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POLICY SUMMARY
<p>This document provides a business and financial framework within which all officers of the trust are expected to work. This document should be read in conjunction with the trust's constitution, schedule of reservation and delegation, detailed scheme of delegations and supporting finance procedures.</p> <p>Failure to comply can result in disciplinary action.</p>
The Trust monitors the implementation of an compliance with this policy in the following ways:
<p>Internal audit workplan External audit workplan Local counter fraud specialist Audit committee</p>

Services	Applicable	Comments
Trustwide	✓	

**The Director responsible for monitoring and reviewing this policy is
Executive Chief Finance & Resources Officer**

ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST**STANDING FINANCIAL INSTRUCTIONS****CONTENTS**

1. INTRODUCTION
2. AUDIT
3. ANNUAL PLANNING, BUDGETS, BUDGETARY CONTROL, FINANCIAL REPORTING AND MONITORING
4. ANNUAL ACCOUNTS AND REPORTS
5. BANK ACCOUNTS
6. INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS
7. CONTRACTS WITH COMMISSIONERS
8. TERMS OF SERVICE AND PAYMENT OF BOARD MEMBERS AND EMPLOYEES
9. NON-PAY EXPENDITURE
10. EXTERNAL BORROWING AND INVESTMENTS
11. CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS
12. STORES AND RECEIPT OF GOODS
13. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS
14. INFORMATION TECHNOLOGY
15. PATIENTS' PROPERTY
16. FUNDS HELD ON TRUST (CHARITABLE FUNDS)
17. ACCEPTANCE OF GIFTS BY STAFF AND BOARD MEMBERS AND DECLARATION OF INTERESTS
18. RETENTION OF DOCUMENTS
19. INSURANCE AND RISK MANAGEMENT
20. NEW BUSINESS / INCOME OPPORTUNITIES

ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST**STANDING FINANCIAL INSTRUCTIONS****FOREWORD:**

These Standing Financial Instructions (SFIs) together with the Essex Partnership University NHS Foundation Trust's (the NHSFT) Constitution, and Standing Orders, provide a business and financial framework within which all Executive Directors, Directors, Non-Executive Directors and officers of the NHS Foundation Trust will be expected to work. All Executive Directors, Non-Executive Directors, Directors and other members of staff should be aware of the existence of these documents and, where necessary, be familiar with the detailed provisions.

These documents fulfil the dual role of protecting the interests of the NHSFT and protecting staff from any possible accusation that they have acted less than properly.

In addition to the Standing Orders and SFIs, there is a Detailed Scheme of Delegation, a Schedule of Reservation and Delegation, Finance Procedures and locally generated rules and instructions. Existing Finance Procedures, Procedure Notes and locally generated rules and instructions shall apply until these are revised (except where specifically overruled by these SFIs).

The SFIs have been formally adopted by the Board of Directors, and shall have effect as if incorporated in the standing orders.

Any queries regarding the contents of this document should in the first instance be raised with the Finance Manager responsible for your area.

**Executive Chief Finance Officer
September 2021**

1	INTRODUCTION
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1.1 GENERAL

- 1.1.1 These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the NHSFT. They are designed to ensure that financial transactions are carried out in accordance with the law, Government policy and the requirements of NHS Improvement (NHSI) in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Reservation and Delegation and the Detailed Scheme of Delegation adopted by the Board of Directors.
- 1.1.2 These Standing Financial Instructions identify the financial responsibilities that apply to everyone working for the Trust and its constituent organisations including Trading Units. They are not intended to provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. **All Trust wide financial policies and procedures must be approved by the Audit Committee on the recommendation of the Executive Chief Finance Officer.**
- 1.1.3 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Executive Chief Finance Officer **MUST BE SOUGHT BEFORE ACTING**. The user of these Standing Financial Instructions should also be familiar and comply with the provisions of all associated documents.
- 1.1.4 **FAILURE TO COMPLY WITH STANDING FINANCIAL INSTRUCTIONS AND STANDING ORDERS IS A DISCIPLINARY MATTER THAT 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 Committee for ratification. All members of the Board of Directors and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Executive Chief Finance Officer at the earliest opportunity.
- 1.1.6 The NHSFT may be responsible for providing shared financial and other corporate services to other NHS organisations.

The specific services to be provided will be defined in legally binding contracts between the NHSFT and the receiving organisation. Where these contracts do not cover a specific matter, the NHSFT's Standing Orders, Standing Financial Instructions, Schedule of Reservation and Delegation and Detailed Scheme of Delegation will take precedence.

- 1.1.7 The Trust has entered into collaborative arrangements in respect of the provision of core services. The specific arrangements will be defined in legally binding contracts between all parties and where these contracts do not cover a specific matter, the Trust's Standing Orders, Standing Financial Instructions, Schedule of Reservation and Delegation, and Detailed Scheme of Delegation will take precedence.

SAMPLE ONLY

1.2 TERMINOLOGY

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

- (a) **"Accounting Officer"** is the person who from time to time discharges the functions specified in paragraph 25(5) of Schedule 7 to the 2006 Act. For the Trust, this is the Chief Executive;
- (b) **"Board of Directors" or "Board"** means the Trust Chair, Executive and Non-Executive directors of the NHSFT collectively as a body in accordance with the constitution;
- (c) **"Board Member"** means Executive or Non-Executive Director including the Trust Chair and Chief Executive.
- (d) **"Budget"** means a resource, expressed in financial terms, proposed by the Board of Directors for the purpose of carrying out, for a specific period, any or all of the functions of the NHSFT;
- (e) **"Budget Holder"** means the Director or employee with delegated authority to manage finances (including income, expenditure and capital where relevant) for a specific area of the organisation;
- (f) **"Chairman / Chair of the Board / Trust Chair"** 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 NHSFT as a whole. The expression of "Trust Chair" shall be deemed to include the Vice-Chair if the Trust Chair is absent from the meeting or otherwise unavailable;
- (g) **"Chief Executive"** means the chief officer and accounting officer of the NHSFT;
- (h) **"Commissioning"** means the process for determining the need for and for obtaining the supply of healthcare and related services by the NHSFT within available resources;
- (i) **"Committee"** means a sub-committee of the Board of Directors;
- (j) **"Constitution"** means the Trust's constitution which has effect in accordance with Section 56(11) of the 2006 Act;
- (k) **"Council of Governors"** means the Council of Governors of the NHSFT as described in the constitution of the NHSFT;

- (l) **“Deputy Chief Executive”** means the Officer of the Trust nominated by the Chief Executive to act as their Deputy;
- (m) **“Director”** means a Director (as appointed by an Executive Director) of a service who does not hold Executive Director status, and therefore is not a member of the Board of Directors.
- (n) **“Executive Chief Finance Officer”** means the chief financial officer of the Trust;
- (o) **“Executive Director”** means a member of the Board of Directors who holds an executive office of the NHSFT;
- (p) **“Funds held on trust”** shall mean those funds which the Trust holds on date of incorporation, or chooses subsequently to accept under powers derived under S.90 of the NHS Act 1977, as amended. Such funds may or may not be charitable;
- (q) **“Legal Adviser”** means the properly qualified person or legal firm appointed by the NHSFT to provide legal advice;
- (r) **“Monitor”** means the body corporate known as Monitor, as provided by Section 61 of the 2012 Act;
- (s) **“NHSI”** means the office or an officer of NHS Improvement
- (t) **“Nominated Officer”** means an officer charged with the responsibility of discharging specific tasks under the Scheme of Reservation and Delegation;
- (u) **“Non-Executive Director”** means a member of the Board of Directors who does not hold an executive office of the NHSFT and is appointed by the Council of Governors;
- (v) **“NHS Act”** means the National Health Service Act 2006 as amended by the Health and Social Care Act 2012
- (w) **“NHSFT” or “Corporation”** means the Essex Partnership University NHS Foundation Trust constituted as a public benefit corporation in accordance with the National Health Service Act 2006;
- (x) **“Officer”** means employee of the Trust or any other person holding a paid appointment or office with the Trust. This also includes employees of third parties contracted and seconded from other organisations when acting on behalf of the NHSFT;
- (y) **“Principle Purpose”** means the delivery of goods and services for the purposes of the health service in England, as per Section 164 of the Health and Social Care Act 2012.

1.2.2 Wherever the title Chief Executive, Executive Chief Finance Officer, 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 or act on their behalf.

1.2.3 Any reference to an Act shall, where appropriate, include any Act amending or consolidating that Act and any regulation or order made under any such Act.

1.3 RESPONSIBILITIES AND DELEGATION

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

1.3.2 The Board will delegate responsibility for the performance of its functions in accordance with the Schedule of Reservation and Delegation adopted by the Board of Directors.

1.3.3 Within the Standing Financial Instructions, it is acknowledged that the Chief Executive is ultimately accountable to the Board of Directors, and as Accounting Officer accountable to Parliament, for ensuring that the Board of Directors meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the Trust's activities; is responsible to the Trust Chair and the Board of Directors for ensuring that its financial obligations and targets are met and has overall responsibility for the Trust's system of internal control.

1.3.4 The Chief Executive and the Executive Chief Finance Officer will delegate specific responsibilities, but they remain accountable for financial control.

1.3.5 It is a duty of the Chief Executive to ensure that systems and processes are in place so that the Board of Directors and other employees are notified and understand their responsibilities within these Instructions.

1.3.6 The Executive Chief Finance Officer is responsible for:

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

- (d) advising the Board of Directors regarding the financial performance, legality and vitality of the Trust

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

- (e) the provision of financial advice to other members of the Board of 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 NHSFT may require for the purpose of carrying out its statutory duties.

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

- (a) the security of the property of the NHSFT;
- (b) avoiding loss;
- (c) exercising economy and efficiency in the use of resources; and
- (d) conforming to the requirements of Standing Orders, Standing Financial Instructions, Finance Procedures and the Schemes of Delegation.

1.3.8 Any contractor or employee of a contractor who is empowered by the NHSFT to commit the NHSFT 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.

1.3.9 For any and all members of the Board of Directors and employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board of Directors and employees discharge their duties must be to the satisfaction of the Executive Chief Finance Officer.

2	AUDIT
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2.1 AUDIT COMMITTEE

The National Health Service Act 2006 specifies that auditors of NHSFTs shall comply with the directions of Monitor under paragraph 24 (5) of Schedule 1 to the Act with respect to the standards, procedures and techniques to be adopted.

- 2.1.1 In accordance with Standing Orders (and as set out in the National Health Service Act 2006) the Board of Directors shall formally establish an Audit Committee, comprising of Non-Executive Directors, with clearly defined formal terms of reference. The role of the Audit Committee will be to provide an independent and objective review of governance and assurance processes and arrangements.
- 2.1.2 The Board of Directors shall satisfy itself that the Chairman and members of the Audit Committee have recent and relevant financial experience or have appropriate training.
- 2.1.3 The Audit Committee must assess the work and fees of external audit on an annual basis to ensure that the work is of a sufficiently high standard and that the fees are reasonable.
- 2.1.4 The Audit Committee shall make a recommendation to the Council of Governors with respect to the re-appointment of the external auditors. If the work has been satisfactory and the charges reasonable, the Council of Governors may re-appoint the auditors for the following year without the need for a formal selection process. However, in line with National Audit Office Audit Code and the Local Audit and Accountability Act 2014 (LAAA), the NHSFT will undertake a market-testing exercise for the appointment of the external auditors at least once every 5 years.
- 2.1.5 Where the Audit Committee considers there is evidence of ultra vires transactions, improper acts, or other important matters that the committee feel it is justified to escalate, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board of Directors. Exceptionally, the matter may need to be referred to Monitor having been raised with the Executive Chief Finance Officer and Accounting Officer.
- 2.1.6 The Executive Chief Finance Officer, Audit Committee and Trust Governor shall be involved in the selection process when/if an audit service provider is changed.

2.2 EXECUTIVE CHIEF FINANCE OFFICER

- 2.2.1 The Executive Chief Finance Officer 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 purpose, authority and responsibility of internal audit is formally defined by the NSHFT in the Terms of Engagement with regard to professional best practice;
- (c) deciding at what stage to involve the police in cases of misappropriation, in consultation with the LSMS, and other irregularities not involving fraud or corruption. Where fraud and corruption is suspected and in consultation with the Local Counter Fraud Specialist, any irregularities should be investigated as appropriate.
- (d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee and the Board of Directors. The report must cover:
 - (i) a clear opinion on the effectiveness of internal financial control, risk management and organisational controls;
 - (ii) major internal control weaknesses discovered,
 - (iii) progress on the implementation of internal audit recommendations,
 - (iv) progress against plan,
 - (v) strategic audit plan covering the coming three years,
 - (vi) a detailed plan for the coming year.
- (e) Ensuring that the Chief Internal Auditor delivers an annual audit opinion on the effectiveness of the system of internal control.

2.2.2 The Executive Chief Finance Officer 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, members of the Board of Directors or employees of the NHSFT;
- (c) the production of any cash, stores or other property of the NHSFT under a member of the Board and employee's control; and
- (d) explanations concerning any matter under investigation.

2.3 AUDIT

(A) ROLE OF INTERNAL AUDIT

2.3.1 Internal Audit will, in accordance with recognised professional best practice and as included in the agreed plan for the year, review, appraise and report upon:

- (a) the extent to which the achievement of the NHSFT's objectives are monitored;
 - (b) the extent of compliance with, and the financial effect of risk associated with, relevant established policies, plans and procedures;
 - (c) the adequacy, efficiency and application of financial and other related management controls;
 - (d) the suitability and effective usage of financial and other related management data;
 - (e) the extent to which the NHSFT's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
 - (i) fraud and other offences,
 - (ii) waste, extravagance, inefficient administration,
 - (iii) poor value for money or other causes.
 - (f) Internal Audit will produce an annual audit opinion on the effectiveness of the systems of internal control
- 2.3.2 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Executive Chief Finance Officer must be notified immediately. (See also SFI 13 – Disposals and Condemnations, Losses and Special Payments).
- 2.3.3 The Chief Internal Auditor will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chairman and Chief Executive of the NHSFT.
- 2.3.4 The Chief Internal Auditor shall report directly to the Executive Chief Finance Officer and shall refer audit reports to the appropriate officers designated by the Chief Executive. Failure to take the necessary remedial action within a reasonable period shall be reported to the Executive Chief Finance Officer. Where, in exceptional circumstances, the use of normal reporting channels could be seen as a possible limitation on the objectivity of the audit the Chief Internal Auditor shall have access to report directly to the Audit Committee.
- 2.3.5 The Chief Internal Auditor shall co-ordinate internal audit plans and activities with line managers of the function being audited, external audit and other review agencies to ensure the most effective audit coverage is achieved and publication of effort is minimised.
- 2.3.6 The NHSFT will provide the Chief Internal Auditor with every facility and information which is reasonably required for the purposes of the functions under the terms of engagement.

(B) EXTERNAL AUDIT:

- 2.3.7 It is for the Council of Governors to appoint or remove the external auditors at a general meeting of the Council of Governors (also refer to 2.1.4 above).
- 2.3.8 The initial appointment must be made as soon as possible and no later than the end of the first period for which the NHSFT will be preparing accounts.
- 2.3.9 The NHSFT must ensure that the external auditor appointed by the Council of Governors meets the criteria included by the NAO Code of Audit Practice and the Local Audit and Accountability Act 2014 (LAAA).
- 2.3.10 The external audit responsibilities (in compliance with the requirements of Monitor and NHSI) are as follows:
1. to assess if they are satisfied that the accounts comply with the directions provided including compliance with the NHS Foundation Trust Annual Reporting Manual and the DH Group Accounting Manual (where relevant)
 2. to assess if they are satisfied that the accounts comply with the requirements of all other provisions contained in, or having effect under, any enactment which is applicable to the accounts
 3. to assess if they are satisfied that proper practices have been observed in compiling the accounts
 4. to assess if they are satisfied the quality report has been prepared in accordance with the detailed guidance issued by NHSI
 5. to assess if they are satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources and to provide commentary in line with the reporting criteria stated in the Code of Audit Practice 2020
 6. to comply with any directions given by NHSI as to the standards, procedures and techniques to be adopted, i.e. to comply with the NAO Code of Audit Practice and LAAA 2014.
 7. to consider the issue of a public interest report
 8. to certify the completion of the audit
 9. to express an opinion on the accounts
 10. to refer the matter to NHSI if the NHSFT, or an officer or Board Director of the NHSFT, makes or are about to make decisions involving potentially unlawful action likely to cause a loss or deficiency.
 11. to read the monthly / quarterly reports required under NHSI's Single Oversight Framework, the quality report, annual report and comparing the information to ensure there are no material inconsistencies;
 12. to review reports arising from Care Quality Commission planned and responsive reviews of the NHSFT and any consequent action plans developed by the NHSFT.

- 2.3.11 External auditors will ensure that there is a minimum of duplication of effort between themselves and relevant regulators. The auditors will discharge this responsibility by:
1. reviewing the statement made by the Chief Executive as part of the Annual Governance Statement and making a negative statement within the audit opinion if the Annual Governance Statement is not consistent with their knowledge of the NHSFT
 2. reviewing the results of the work of relevant assurers, for example the Care Quality Commission, to determine if the results of the work have an impact on their responsibilities
 3. undertake any other work that they feel necessary to discharge their responsibilities
- 2.3.12 The NHSFT will provide the external auditor with every facility and all information which they may reasonably require for the purposes of their functions under Part 1 of the 2006 Act
- 2.3.13 The NHSFT shall forward a report to NHSI within 30 days (or such shorter period as may be specified) of the external auditor issuing a public interest report in terms of Schedule 5 paragraph 3 of the Act. The report shall include details of the NHSFT's response to the issues raised within the public interest report.

2.4 FRAUD, BRIBERY AND CORRUPTION

- 2.4.1 In line with their responsibilities, the Trust's Chief Executive and Executive Chief Finance Officer shall monitor and ensure compliance with best practice on prevention of fraud, bribery and corruption.
- 2.4.2 The Executive Chief Finance Officer shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist.
- 2.4.3 The Local Counter Fraud Specialist shall report to the Trust's Executive Chief Finance Officer and shall work with staff in the NHS Counter Fraud Authority.
- 2.4.4 The Executive Chief Finance Officer is responsible for providing detailed procedures to enable the NHSFT to minimise and where possible, eliminate fraud and corruption. These procedures are included in the NHSFT's Fraud and Bribery Policy which sets out action to be taken by persons detecting a suspected fraud and responsibilities for investigating it.
- 2.4.5 The measures that are put in place shall be sufficient to satisfy all external bodies to whom the NHSFT is accountable to, through:
1. encouraging prevention;
 2. promoting detection; and,
 3. ensuring investigation and remedial actions are undertaken promptly, thoroughly and effectively.

- 2.4.6 Proven instances of fraud, theft and corruption shall normally be dealt with as gross misconduct under the NHSFT’s disciplinary policies and procedures.
- 2.4.7 It is expected that all officers shall act with utmost integrity, ensuring adherence to all relevant regulations and procedures. This responsibility has been delegated to the Executive Chief Finance Officer who will produce and issue these to the appropriate Directors and managers who should in turn ensure that all staff have access to these.
- 2.4.8 The Executive Director with the portfolio of Human Resources is responsible for ensuring that steps are taken at recruitment stage to establish, as far as possible, the previous record of potential officers in terms of their propriety and integrity.
- 2.4.9 Staff are expected to act in accordance with the NHSFT’s Standing Orders, Standing Financial Instructions and the Standards of Conduct (outlined in HRP27a Appendix 2).
- 2.4.10 The Bribery Act 2010 replaced the “Prevention of Corruption Acts 1906 and 1916” with new corporate and individual offences of bribery. The Executive Chief Finance Officer is responsible for ensuring that all staff and contractors are made aware of the Act and implementing procedures designed to ensure compliance with the Act by the Trust and staff. Any breach of the Act may result in criminal proceedings being commenced.
- 2.4.11 Non-Executive Directors are subject to the same standards of accountability and are required to declare and register any interest which might potentially conflict with those of the NHSFT.
- 2.4.12 The Local Counter Fraud Specialist shall be informed of all suspected or detected fraud so that they can consider the adequacy of the relevant controls, and evaluate the implication of fraud on the system of risk management, control and governance, reported to the Audit Committee.
- 2.4.13 Staff employed by the NHSFT are encouraged to raise any concerns they may have regarding suspected fraud and/or corruption (Please refer to the Fraud and Bribery Policy and the NHSFT’s Raising Concerns (Whistle Blowing) Policy). They can do this through:
1. their line manager;
 2. Internal Audit;
 3. the Executive Chief Finance Officer;
 4. The NHSFT’s Local Counter Fraud Specialist; or,
 5. the NHS National Fraud Hotline.
- 2.4.14 Any abuse of the procedures, such as unfounded or malicious allegations, will also be subject to full investigation and appropriate disciplinary action where appropriate.

2.5 SECURITY MANAGEMENT

- 2.5.1 In line with their responsibilities, the Trust's Chief Executive will monitor and ensure compliance with best practice on NHS security management.
- 2.5.2 The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary of State for Health guidance on NHS security management.
- 2.5.3 The Trust shall consider the need for a nomination of a Non-Executive Director to be responsible to the Board for NHS security management.
- 2.5.4 The Trust shall prepare a Security Policy that sets out measures to protect staff, visitors, premises and assets.
- 2.5.5 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Executive Director with the lead for Security Management and the appointed Local Security Management Specialist (LSMS).

3	ANNUAL PLANNING, BUDGETS, BUDGETARY CONTROL, AND MONITORING
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3.1 PREPARATION AND APPROVAL OF ANNUAL PLANS AND BUDGETS

3.1.1 The Chief Executive will compile and submit to the Board of Directors an Operational Plan in a format prescribed by NHSI which takes into account financial targets and forecast limits of available resources based on the Trust's Strategic Plans. The Operational Plan will contain:

- (a) a statement of the significant assumptions on which the plan is based;
- (b) details of major changes in workload, delivery of services or resources required to achieve the plan;
- (c) and, have due regard to the views of the Council of Governors, including confirmation by the Council of Governors that they are satisfied that any activities undertaken by the NHSFT for non-primary purposes will not to any significant extent, interfere with the fulfilment of their principle purpose or other functions.

3.1.2 Prior to the start of the financial year the Executive Chief Finance Officer will, on behalf of the Chief Executive, prepare and submit budgets to the Board of Directors for approval. These budgets may subsequently be amended as a result of the preparation of the Operational Plan, and any such changes should be reported to the Board at the earliest opportunity. Such budgets will:

- (a) include income, revenue operational expenditure and capital expenditure which will:
 - (i) be in accordance with the aims and objectives set out in the Operational Plan;
 - (ii) accord with workload and manpower plans;
 - (iii) align with the wider system financial plan.
- (b) be produced following discussion with appropriate budget holders;
- (c) be prepared within the limits of available funds; and
- (d) identify potential risks, and mitigating strategies.

3.1.3 The Executive Chief Finance Officer shall monitor financial performance against budget and the operational plan, including activity, workforce and other targets. These shall be periodically reviewed, and reported to the Board of Directors at every ordinary meeting of the Board.

3.1.4 All budget holders must provide information as required by the Executive Chief Finance Officer to enable budgets, plans, estimates and forecasts to be compiled.

3.1.5 The Executive Chief Finance Officer has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage resources successfully.

3.1.6 The Board of Directors must take appropriate action to manage and overcome, where possible, any potential operational deficit and decide on the appropriate use of any forecast operational surplus.

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 will normally form part of individual job descriptions. Through the annual budget setting and approval process, budget holders will be set:

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

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

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

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

3.3 BUDGETARY CONTROL AND REPORTING

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

- (a) Detailed monthly financial reports to the Executive Operational Committee and Finance and Performance Committee, and monthly financial assurance reports to the Board of Directors. Finance reports to the Executive Operational Committee and Finance and Performance Committee will be in a format agreed with the Executive Chief Finance Officer and may include the following:
 - (i) income and expenditure to date showing trends and forecast year-end position;
 - (ii) summary cash flow and forecast year-end position;
 - (iii) capital project spend, projected outturn against plan and fixed asset disposals;
 - (iv) explanations of any material variances that explain any movement from the plan at the end of the current month position;

- (v) performance against NHSI monitoring ratings currently in force;
 - (vi) Any changes to key financial assumptions underpinning the operational and strategic plans;
 - (vii) The use of working capital facilities and the management of working capital (if applicable);
 - (viii) Key balance sheet performance including cash, debtors and creditors as required;
 - (ix) Details of any corrective action where necessary and the Chief Executive's and/or Executive Chief Finance Officer'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.

3.3.2 Each Budget Holder is responsible for ensuring that:

- (a) any likely overspending or reduction of income that 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;
- (c) no permanent employees are appointed in excess of available resources as approved by the Board of Directors, without the approval of the Chief Executive and,
- (d) ensuring compliance with the systems of budgetary control established by the Executive Chief Finance Officer.
- (e) budgetary virements are only undertaken in line with the Detailed Scheme of Delegation

3.3.3 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Operational Plan and the Strategic Plan as authorised by the Board of Directors.

3.4 CAPITAL EXPENDITURE

3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI Section 11.)

3.5 FINANCIAL PERFORMANCE AND MONITORING:

3.5.1 The Chief Executive is responsible for ensuring that:

1. financial performance measures have been defined and are monitored;
2. reasonable targets have been identified for these measures;
3. a robust system is in place for managing performance against targets;
4. reporting lines are in place to ensure overall performance is managed;
5. arrangements are in place to manage/respond to adverse performance; and,
6. relevant financial information is submitted to the statutory authorities and other relevant organisations (e.g. STP's).

SAMPLE ONLY

4 ANNUAL ACCOUNTS AND REPORTS

- 4.1 The Executive Chief Finance Officer, on behalf of the NHSFT, will:
- (a) keep accounts, and in respect of each financial year must prepare annual accounts, in such form as NHSI may, with the approval of the Treasury direct;
 - (b) ensure that, in preparing annual accounts, the NHSFT complies with any directions given by NHSI with the approval of the Treasury as to:
 - 1. the methods and principles according to which the accounts are to be prepared; and
 - 2. the information to be given in the accounts.
 - (c) ensure that a copy of the annual accounts and annual report and any report of the external auditor on them, are laid before Parliament and that copies of these documents are sent to NHSI as required in the Annual Reporting Manual for Foundation Trusts.
- 4.2 The NHSFT will prepare a combined annual report and accounts as required by paragraph 26 of Schedule 1 of the Act. This will be presented to the Board of Directors for approval and received by the Council of Governors at a public meeting. A copy will be forwarded to NHSI. The report will give:
- (a) Information on any steps taken by the NHSFT to ensure (taken as a whole) the actual membership of its public constituency is representative of those eligible for such membership;
 - (b) Information explaining the impact of any non-primary purpose income on the delivery of goods and services for their principle purpose (i.e. the delivery of goods and services for purposes of health services in England); and
 - (c) Any other information required by NHSI.

5	BANK ACCOUNTS – ALSO REFER TO SFI 10: EXTERNAL BORROWING AND INVESTMENTS
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5.1 GENERAL

5.1.1 The Executive Chief Finance Officer is responsible for managing the NHSFT's banking arrangements and for advising the NHSFT on the provision of banking services, operation of accounts, financing and working capital facilities.

5.1.2 The Board of Directors shall approve the banking arrangements, financing and working capital facilities.

5.2 BANK ACCOUNTS AND WORKING CAPITAL FACILITIES

5.2.1 The Executive Chief Finance Officer is responsible for:

- (a) bank accounts, financing and working capital facilities;
- (b) establishing separate bank accounts for the NHSFT's non-exchequer funds;
- (c) reporting to the Board of Directors when working capital facilities are committed, liquidity headroom calculations, details of potential drawdown's and when accounts are overdrawn;

5.3 BANKING PROCEDURES

5.3.1 The Executive Chief Finance Officer will prepare detailed instructions on the operation of bank accounts that must include:

- (a) the conditions under which each bank account is to be operated;
- (b) those authorised to sign cheques or other orders drawn on the NHSFT's accounts and limitations on single signatory payments; and
- (c) the committed working capital facility (where relevant) approved by the Board of Directors to be operated under the terms and conditions agreed with the bank and approved by the Board of Directors;

5.3.2 The Executive Chief Finance Officer must advise the NHSFT's bankers in writing of the conditions under which each account will be operated.

5.3.3 All funds shall be held in accounts in the name of the NHSFT. No officer other than the Executive Chief Finance Officer shall open any bank account in the name of the NHSFT.

5.4 TENDERING AND REVIEW

- 5.4.1 The commercial banking arrangements of the Trust should be reviewed at regular intervals by the Executive Chief Finance Officer 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.

SAMPLE ONLY

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

6.1.1 The Executive Chief Finance Officer is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, and collection and coding of all monies due.

6.1.2 The Executive Chief Finance Officer is also responsible for the prompt banking of all monies received.

6.2 FEES AND CHARGES

6.2.1 The Executive Chief Finance Officer is responsible for approving and regularly reviewing the level of all fees and charges. 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 NHSFT's policies on these matters shall be followed.

6.2.2 In receiving cash payments, the Trust should adhere to the maximum value for a single transaction as specified in the Money Laundering Regulations.

6.2.3 All employees must inform the Executive Chief Finance Officer promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, and other transactions.

6.3 DEBT RECOVERY

6.3.1 The Executive Chief Finance Officer is responsible for the appropriate recovery action on all outstanding debts.

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

6.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

6.4 SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

6.4.1 The Executive Chief Finance Officer is responsible for:

- (a) approving the form of all receipt books, 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 NHSFT.
- 6.4.2 Official money shall not under any circumstances be used for the encashment of private cheques, nor “IOUs.”
- 6.4.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Executive Chief Finance Officer.
- 6.4.4 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 NHSFT is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the NHSFT from responsibility for any loss. A senior officer within each area responsible for holding cash, in discussion with the finance department, should ensure there are suitably secure arrangements in place to minimise the risk of loss.

6.5 INCOME FROM NON-PRINCIPAL PURPOSES

- 6.5.1 The Executive Chief Finance Officer is responsible for monitoring and reporting to the Board of Directors that the NHSFT is complying with its obligation under that the Health and Social Care Act 2012 that the total income derived from its principal purpose (i.e. the delivery of goods and services for the purposes of the health service in England) is greater than its total income from the provision of goods and services for "any other purposes" including the provision of private healthcare.
- 6.5.2 The Executive Chief Finance Officer is responsible for ensuring that the approval of the Council of Governors is obtained when it is proposed to increase by 5% or more the proportion of income derived from the provision of goods and services for non-primary purposes.

7 CONTRACTS WITH COMMISSIONERS:

- 7.1 The Chief Executive supported by the Directors holding the portfolios of Finance, Operational Services and Contracting, are responsible for negotiating contracts with commissioners for the provision of services to patients in accordance with the Operational and Strategic Plans.
- 7.2 Contracts with commissioners shall be devised to minimise risk. The contracts with commissioners are legally binding and appropriate legal advice, identifying the organisation's liabilities under the terms of the contract should be considered.
- 7.3 In carrying out these functions, the following should be taken into account:
1. activity (e.g. bed days, attendances, etc. attached to the legally binding contracts);
 2. payment terms and conditions;
 3. billing systems and cash flow management;
 4. any other matters of a financial nature;
 5. the contract negotiation process and timetable;
 6. the provision of contract data;
 7. monitoring arrangements;
 8. amendments to contracts;
 9. discretion to use spare capacity; and
 10. any other matter relating to contracts such as joint responsibility for the delivery and achievement of CIPs, QIPPs etc.
 11. any requirements of the NHS Constitution.
- 7.4 Regular reports detailing actual performance against signed contracts should be provided to the Board of Directors by the Directors holding the portfolios of Finance and Performance.
- 7.5 As required by the NHSFT's Terms of Authorisation, the NHSFT will maintain a public and up-to-date schedule of Commissioner Requested Services.

8 TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF EXECUTIVE DIRECTORS AND EMPLOYEES
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8.1 REMUNERATION AND TERMS OF SERVICE

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

8.1.2 The Committee will:

- a) advise the Board of Directors of their decisions in relation to the remuneration and terms of service for the Chief Executive and Executive Directors including:
 - (i) all aspects of salary (including any performance-related elements/bonuses);
 - (ii) provisions for other benefits, including pensions and cars.
 - (iii) arrangements for termination of employment and other contractual terms;
- b) monitor and evaluate the performance of the Chief Executive and Executive Directors

8.2 STAFF APPOINTMENTS

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

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

8.2.2 The Board of Directors will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees covered under the national Agenda for Change pay rates.

8.3 PROCESSING PAYROLL

8.3.1 The Executive Director with responsibility for Workforce and Payroll, together with support from the Executive Chief Finance Officer where appropriate, is responsible for:

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

8.3.2 The Executive Director with responsibility for Workforce and Payroll, together with support from the Executive Chief Finance Officer where appropriate, will issue instructions regarding:

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

- (l) separation of duties of preparing records and handling cash; and
- (m) a system to ensure the recovery from leavers of sums of money and property due by them to the NHSFT.

8.3.3 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 relevant Executive Directors instructions and in the form prescribed by the Executive Director with responsibility for Workforce and Payroll; and
- (c) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's resignation, termination or retirement.
- (d) Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, the Executive Director with the portfolio of Human Resources must be informed immediately.

8.3.4 Regardless of the arrangements for providing the payroll service, the Executive Director with responsibility for Workforce and Payroll 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.

8.4 **CONTRACTS OF EMPLOYMENT**

8.4.1 The Board of Directors shall delegate responsibility to the Executive Director holding the portfolio of Human Resources for:

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

8.5 PAYMENTS TO INDIVIDUALS WHO ARE NOT EMPLOYEES OF THE TRUST

8.5.1 The Executive Chief Finance Officer is responsible for issuing instructions to managers concerning:

- (a) Making payments of agency invoices
- (b) Making payments to self-employed individuals
- (c) Making payments to limited companies
- (d) Additional compliance requirements to be followed in assessing the employment status of individuals who are not employees of the Trust.

SAMPLE ONLY

9	NON PAY EXPENDITURE
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9.1 DELEGATION OF AUTHORITY

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

9.1.2 The Chief Executive will set out:

- (a) the list of managers who are authorised to approve requisitions for the supply of goods and services;
- (b) the maximum approval value for each manager and the system for authorisation above that level; and
- (c) delegate approval for establishing new or amending existing authorised signatories (via associated processes / forms) to the relevant Assistant Director, Director or Executive Director.

9.1.3 The Chief Executive shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

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

9.2.1 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the NHSFT. In so doing, the advice of the NHSFT's adviser on supply shall be sought, and policies and procedures on procurement are to be followed at all times. Where this advice is not acceptable to the requisitioner, the Executive Chief Finance Officer (and/or the Chief Executive) shall be consulted.

9.2.2 The Executive Chief Finance Officer shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms.

9.2.3 The Executive Chief Finance Officer will:

- (a) advise the Board of Directors 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 (where not already provided in the Detailed Scheme of Delegation or procedure notes for budget holders) on the obtaining of goods, works and services incorporating the thresholds;

- (c) be responsible for the prompt payment of all properly authorised accounts and claims;
- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
- (i) A list of directors/employees authorised to certify invoices
 - (ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct;
 - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
 - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
 - the account is arithmetically correct;
 - the account is in order for payment;
 - VAT is appropriately accounted for.
 - (iii) A timetable and system for submission to the Executive Chief Finance Officer 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, (except as below).

9.2.4 Where material (and not agreed under the terms of the contract or licensing arrangements), prepayments are only permitted where exceptional circumstances apply. In such instances:

- (a) Prepayments are only permitted where the financial advantages outweigh the disadvantages i.e. cashflows must be discounted to NPV using the base rate specified by the Executive Chief Finance Officer.
- (b) the appropriate Executive Director must provide a case setting out all relevant circumstances of the purchase. The report must set out the effects on the NHSFT if the supplier is at some time during the course of the prepayment agreement unable to meet their commitments;
- (c) the Executive Chief Finance Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold); and
- (d) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Chief Executive if problems are encountered.

9.2.5 Official Orders must:

- (a) be consecutively numbered;
- (b) be in a form approved by the Executive Chief Finance Officer;
- (c) state the NHSFT's terms and conditions of trade; and
- (d) only be issued to, used by or electronic access granted, to those duly authorised by the Chief Executive,

9.2.6 Managers and officers must ensure that they comply fully with the guidance and limits specified by the Executive Chief Finance Officer and that:

- (a) all contracts (other than for a simple purchase permitted within the Detailed Scheme of Delegation or delegated budget), leases, tenancy agreements and other commitments which may result in a liability are actioned as per the NHSFT's procedures on Losses;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement and comply with the latest Public Sector Procurement Directives. Where consultancy advice is being obtained, the procurement of such advice must be in accordance with best practice;

- (c) 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) hospitality as per the Trust's policy
- (d) no requisition/order is placed for any item or items which cannot be accommodated within total available resources;
- (e) all goods, services, or works are ordered on an official order except those detailed on the 'PO Exceptions List' which is maintained by the Purchasing Department. This includes for example: purchases from petty cash, purchase cards, agency payments for staff and utility invoices where it is deemed that alternative control mechanisms are in place. The Executive Chief Finance Officer or their nominated Deputy should review the 'PO Exceptions List' on an annual basis and ensure, where possible, these are minimised;
- (f) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- (g) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (h) goods are not taken on trial or loan in circumstances that could commit the Trust to a future uncompetitive purchase;
- (i) changes to the list of directors/employees and officers authorised to certify invoices are notified to the Executive Chief Finance Officer;
- (j) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Executive Chief Finance Officer ; and
- (k) petty cash records are maintained in a form as determined by the Executive Chief Finance Officer.

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

10 EXTERNAL BORROWING AND INVESTMENTS

10.1 The Executive Chief Finance Officer will be responsible for the management of the NHSFT's cashflow.

10.2 EXTERNAL BORROWING

10.2.1 The Executive Chief Finance Officer will advise the Board of Directors concerning the NHSFT's ability to pay interest on, and repay, both the originating capital debt and any existing or proposed new borrowing. The Executive Chief Finance Officer is also responsible for reporting periodically to the Board of Directors concerning the originating debt and all loans, overdrafts and associated interest.

10.2.3 Any application for new borrowing will only be made by the Executive Chief Finance Officer or by an officer so delegated by them. The Board of Directors is required to approve the acceptance of all external borrowing agreements.

10.2.4 The Executive Chief Finance Officer will prepare detailed procedural instructions concerning applications for new borrowing which comply with instructions issued by Monitor.

10.2.5 Assets supporting Commissioner Requested Services (CRS) shall not be used as collateral for borrowing. Non-Commissioner Requested assets will be eligible as security for a loan.

10.3 INVESTMENTS

10.3.1 Temporary cash surpluses must be held only in such investments as approved by the Board of Directors and within terms of guidance as may be issued by Monitor in accordance with the NHSFT's Operating Cash Management Policy.

10.3.2 The Executive Chief Finance Officer is responsible for advising the Board of Directors on investment strategy and shall report periodically to the Board of Directors concerning the performance of investments held.

10.3.3 The Executive Chief Finance Officer will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained as specified in the NHSFT Operating Cash Management Policy.

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

11.1.1 The Chief Executive, supported by the Executive Chief Finance Officer:

- (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 confirmation of purchaser(s) support and the availability of resources to finance all revenue consequences, including capital charges.

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

- (a) that a business case is prepared in accordance with the detailed scheme of delegation issued by the Chief Executive on the advice of the Executive Chief Finance Officer and approved by the Board of Directors. Where the financial value outlined in the detailed scheme of delegation is met, the Chief Executive supported by the Executive Chief Finance Officer shall ensure that a business case (in line with the guidance contained within the Capital Accounting manual and Risk Evaluation for Investment Decisions guidance issued by Monitor) is produced setting out:
 - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
 - (ii) appropriate project management and control arrangements;
- (b) that the Executive Chief Finance Officer has certified professionally to the costs and revenue consequences detailed in the business case and where required is submitted to the Board of Directors in accordance with the detailed scheme of delegation;
- (c) business cases requiring legal and tax expertise have been subjected to appraisal by the NHSFTs legal and tax advisor or the most appropriate legal and tax advice.

- 11.1.3 For capital schemes where the contracts stipulate stage payments, the Executive Chief Finance Officer will ensure there are processes in place for their management.

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

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

- 11.1.4 The approval of a capital programme by the Board of Directors shall not constitute approval for the initiation of expenditure on any scheme. The approval of the capital programme by the Board of Directors will include the approval of broad allocations to IT, Patient Safety, Health and Safety, Backlog Maintenance, and Equipment for example, as well as allocations to specific schemes subject to option appraisals/business cases being prepared.

The initiation of expenditure will be approved by the Executive Chief Finance Officer, the Chief Executive, or the People, Innovation and Transformation as per the limits specified in the detailed scheme of delegation. Each manager responsible for any scheme will be granted;

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

- 11.1.5 The Executive Chief Finance Officer 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 Trust may test for PFI when considering capital procurement. When the Trust proposes to use finance that is to be provided other than through its contracts, the following procedures shall apply:

- (a) The Executive Chief Finance Officer 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.

11.3 PROCURE 22

- 11.3.1 NHS ProCure 22 has been developed by the Department of Health with the objective of promoting better capital procurement in the NHS.
- 11.3.2 The Trust may consider P22 as a possible procurement route when considering building projects above the amount specified in the detailed scheme of delegation.
- 11.3.3 When the Board proposed, or is required, to use the P22 procurement route, the following should apply:
- (a) The Chief Executive and Executive Chief Finance Officer shall demonstrate that the use of P22 represents the best combination of value for money, project delivery time, and build quality, when compared with alternative procurement routes.
 - (b) The proposal must be specifically agreed by the Board.

The selection of a Principle Supply Chairman Partner (PSCP) must be carried out in accordance with Department of Health guidelines

11.4 ASSET REGISTERS

- 11.4.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Executive Chief Finance Officer 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 a year.
- 11.4.2 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.
- 11.4.3 The NHSFT must not dispose of any property that supports a Commissioner Requested Service (CRS) without the agreement of the Trust's main commissioner and notification to NHSI, where Monitor has given notice in writing to the Trust that it is concerned about the ability of the Trust to carry on

as a going concern. This includes the disposal of part of the property or granting an interest in it. Where protected property is lost or disposed of, the value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

- 11.4.4 The Executive Chief Finance Officer shall approve procedures for reconciling balances on fixed assets accounts in the statement of financial position against balances on fixed asset registers.
- 11.4.5 All land and buildings should undergo an interim revaluation every third year, and a formal revaluation every five years, in accordance with guidance issued by Monitor. Investment properties are revalued on an annual basis.
- 11.4.6 The value of each asset shall be depreciated using agreed methods and asset lives.
- 11.4.7 The Executive Chief Finance Officer of the Trust shall calculate and charge capital charges in the form of depreciation and PDC dividends, to the Trust's expenditure budget each month. The Executive Chief Finance Officer shall ensure PDC dividends are paid to HM Treasury in accordance with guidance.
- 11.4.8 The Board of Directors may approve the disposal of non-CRS assets 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, as advised by the Executive Chief Finance Officer for the accounting aspects and for the physical management and control
- 11.5.2 Asset control procedures must be approved by the Executive Chief Finance Officer. 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.
- 11.5.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to / approved by the Deputy Chief Finance Officer or Executive Chief Finance Officer and noted to / approved by the Audit Committee as per the Detailed Scheme of Delegation.
- 11.5.4 Whilst each employee and officer has a responsibility for the security of property of the NHSFT, it is the responsibility of the Board of Directors and senior employees in all disciplines to apply such appropriate routine security practices in relation to the property of the NHSFT as may be determined by the Board of Directors. Any breach of agreed security practices must be reported in accordance with instructions.
- 11.5.5 Any damage to the NHSFT'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.
- 11.5.6 Where practical, assets should be marked as NHSFT property.

12 STORES AND RECEIPT OF GOODS

- 12.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- (a) kept to a minimum;
 - (b) subjected to annual stock take;
 - (c) valued at the lower of cost and net realisable value.
- 12.2 Subject to the responsibility of the Executive Chief Finance Officer for the systems of control, overall responsibility for the control of stores shall be delegated to employees by the Chief Executive. The day-to-day responsibility may be delegated to departmental employees, subject to such delegation being entered in a record available and approved by the Chief Executive and the Executive Chief Finance Officer. The control of any Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of any fuel oil and coal of a designated Estates Manager.
- 12.3 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager/Pharmaceutical Officer. Wherever practicable, stocks should be marked as Trust property.
- 12.4 The Executive Chief Finance Officer shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 12.5 Stocktaking arrangements shall be agreed with the Executive Chief Finance Officer and there shall be a physical check covering all items in store at least once a year.
- 12.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Executive Chief Finance Officer.
- 12.7 The designated Manager/Pharmaceutical Officer shall be responsible for a system approved by the Executive Chief Finance Officer for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Executive Chief Finance Officer any evidence of significant overstocking and of any negligence or malpractice (see also 13, Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

- 12.8 For goods supplied via the NHS Supplies 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 Executive Chief Finance Officer who shall satisfy himself that the goods have been received before accepting the recharge.

SAMPLE ONLY

13	DISPOSALS, CONDEMNING, LOSSES AND SPECIAL PAYMENTS
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13.1 DISPOSALS AND CONDEMNING

- 13.1.1 The Executive Chief Finance Officer must prepare detailed procedures for the disposal of assets including condemning, and ensure that these are notified to managers. The NHSFT must not dispose of CRS property without the approval of the Trust's commissioners and without informing Monitor, if Monitor has given notice in writing to the Trust that it is concerned about the ability of the Trust to carry on as a going concern. These procedures shall comply with all appropriate Standing Orders and SFIs in addition to the requirements specified in the NHSFTs Policies and Procedures manual.
- 13.1.2 When it is decided to dispose of an NHSFT asset, the head of department or authorised deputy will determine and advise the Executive Chief Finance Officer of the estimated market value of the item, taking account of professional advice valuations where appropriate.
- 13.1.3 All unserviceable articles shall be:
- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Executive Chief Finance Officer;
 - (b) recorded by the Condemning Officer in a form approved by the Executive Chief Finance Officer that 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 Executive Chief Finance Officer.
- 13.1.4 Officers shall satisfy themselves as to whether or not to condemn, where evidence of negligence and shall report such evidence to the Executive Chief Finance Officer who will take the appropriate action.

13.2 LOSSES AND SPECIAL PAYMENTS

- 13.2.1 The Executive Chief Finance Officer must prepare procedural instructions on the recording of and accounting for condemnations, losses and special payments.
- 13.2.2 Any employee or 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 Executive Chief Finance Officer or inform an officer charged with responsibility for responding to concerns involving loss confidentially. This officer will then appropriately inform the Executive Chief Finance Officer and/or Chief Executive. Where a criminal offence is suspected, the Executive Chief Finance Officer must immediately inform the police, following consultation with the LSMS, if theft or arson is involved. In cases of

fraud and corruption or of anomalies that may indicate fraud or corruption, the Executive Chief Finance Officer must inform the Local Counter Fraud Specialist.

- 13.2.3 The Executive Chief Finance Officer must notify the NHS Counter Fraud Authority and the External Auditor of all frauds.
- 13.2.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Executive Chief Finance Officer must immediately notify:
- (a) the Board of Directors
 - (b) the Local Security Management Specialist; and
 - (c) the External Auditor.
- 13.2.5 The approval of the writing-off of losses is as per the limits set out in the detailed scheme of delegation.
- 13.2.6 The Executive Chief Finance Officer shall be authorised to take any necessary steps to safeguard the NHSFT's interests in bankruptcies and company liquidations.
- 13.2.7 For any loss, the Executive Chief Finance Officer should consider whether any insurance claim could be made.
- 13.2.8 The Executive Chief Finance Officer shall maintain a Losses and Special Payments Register.

14 INFORMATION TECHNOLOGY

- 14.1 The Executive Director with the portfolio for ITT, and who is responsible for the accuracy and security of the computerised data of the NHSFT, shall:
- (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the NHSFT'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 General Data Protection Regulation 2016;
 - (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 (including those obtained by external agency arrangements) and that such computer audit reviews as they may consider necessary are being carried out.
- 14.2 The Executive Chief Finance Officer, in conjunction with the ITT department, shall satisfy themselves 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.
- 14.3 In the case of computer systems which are proposed General Applications (i.e. including those applications which the majority of NHS bodies in the locality/region wish to sponsor jointly) all responsible NHS bodies, directors and employees will send to the Executive Director with the portfolio for ITT:
- (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.
- 14.4 The Executive Director with the portfolio for ITT 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.

- 14.5 Where another health organisation or any other agency provides a computer service for financial applications, the Executive Director with the portfolio for ITT shall periodically seek assurances that adequate controls are in operation.
- 14.6 Where computer systems have an impact on corporate financial systems the Executive Chief Finance Officer, shall satisfy themselves that:
- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
 - (b) data assembled for processing by financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
 - (c) finance staff have access to such data; and
 - (d) such computer audit reviews are being carried out as are considered necessary.

15	PATIENTS' PROPERTY
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- 15.1 The NHSFT 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,
 - hospital admission documentation and property records,
 - the oral advice of administrative and nursing staff responsible for admissions,
- that the Trust will not accept responsibility or liability for patients' property brought into Health Service premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.
- 15.3 The Executive Chief Finance 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 maximise the benefits to the patient.
- 15.4 The NHSFT will maintain a separate account for patients' money, which will be opened and operated under arrangements agreed by the Executive Chief Finance Officer. Any income relating to patients money which may temporarily be included within exchequer funds, will be reconciled and reported separately on a regular basis.
- 15.5 In all cases where property of a deceased patient is of a total value in excess of £10,000 (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 £10,000 or less, forms of indemnity shall be obtained.
- 15.6 Staff should be informed, on appointment, by the appropriate senior manager of their responsibilities and duties for the administration of the property of patients.
- 15.7 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.

16 FUNDS HELD ON TRUST (CHARITABLE FUNDS)

- 16.1 Standing Orders state the NHSFT'S responsibilities as a corporate trustee for the management of funds it holds on trust and define how those responsibilities are to be discharged. They explain that although the management processes may overlap with those of the organisation of the NHSFT, the trustee responsibilities must be discharged separately and full recognition given to its accountabilities to the Charity Commission for charitable funds held on trust.
- 16.2 The Schedule of Reservation and Delegation and the Detailed Scheme of Delegation make clear where decisions regarding the exercise of dispositive discretion are to be taken and by whom.
- 16.3 As management processes overlap most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust.
- 16.4 The over-riding principle is that the integrity of each fund must be maintained and statutory and trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.
- 16.5 The Board of Directors hereby nominates the Executive Chief Finance Officer to have primary responsibility to the Board of Directors for ensuring that Funds Held On Trust (Charitable Funds) are administered in line with our Standing Orders, Charity Commission guidance and other statutory provisions. The Executive Chief Finance Officer will prepare procedural guidance in relation to the management and administration, disposition, investment, banking, reporting, accounting and audit of all Trust Funds for the discharge of the Board of Directors responsibilities as Corporate Trustees.

17 ACCEPTANCE OF GIFTS BY STAFF AND DECLARATIONS OF INTEREST

- 17.1 The acceptance of gifts, hospitality or consideration of any kind from contractors or other suppliers of goods or services as an inducement or reward is not permitted under the Bribery Act 2010. The NHSFT's standards of business conduct guidance, (copy available from the Executive Chief Finance Officer), must be followed, and the Chief Executive notified immediately so that appropriate action can be taken.
- 17.2 The Executive Chief Finance Officer shall ensure that all staff are made aware of the Trust policy on acceptance of gifts and other benefits in kind by staff.
- 17.3 The Trust Secretary should review the Register of Interests for the Trust on an annual basis to tie in with the disclosures within the annual accounts.
- 17.4 The Register of Interests should also be referred to, prior to any major contracts in excess of £500,000 being awarded.

18 RETENTION OF DOCUMENTS

- 18.1 The Chief Executive, and the relevant Executive Director, shall be responsible for maintaining archives for all documents required to be retained.
- 18.2 The documents held in archives shall be capable of retrieval by authorised persons.
- 18.3 Documents so held shall only be destroyed at the express instigation of the Chief Executive; records shall be maintained of documents so destroyed.

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19 INSURANCE AND RISK MANAGEMENT

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

19.2 The programme of risk management shall include:

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

The existence, integration and evaluation of the above elements will assist in providing the Annual Governance Statement within the Annual Report and Accounts.

19.3 The Board of Directors shall decide if the NHSFT will insure through the risk pooling schemes administered by NHS Resolution (formerly the NHS Litigation Authority) or self insure for some or all of the risks covered by the risk pooling schemes. If the Board of Directors decide not to use the risk pooling schemes for any of the risk areas (clinical, property and employers/third party liability) covered by the scheme this decision shall be reviewed annually.

19.4 The Executive Chief Finance Officer is required to consider and make proposals to the Board of Directors regarding insurance. In addition, the Executive Chief Finance Officer will consider the use of top-up building insurance to the NHS Resolution risk pooling scheme where appropriate.

19.5 Where the Board decides to use the risk pooling schemes administered by NHS Resolution the Executive Directors holding the portfolios of Insurance and Risk Management shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The

Executive Chief Finance Officer shall ensure that documented procedures cover these arrangements.

- 19.6 Where the Board decides not to use the risk pooling schemes administered by NHS Resolution for one or other of the risks covered by the schemes, the Executive Chief Finance Officer 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 Executive Chief Finance Officer will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses that will not be reimbursed.
- 19.7 All the risk-pooling schemes require members to make some contribution to the settlement of claims (the 'deductible'). The Executive Chief Finance Officer should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

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20. NEW BUSINESS / INCOME OPPORTUNITIES
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- 20.1 The Chief Executive will ensure that there are processes in place to oversee the management of New Business Development and Income Generation opportunities. Such processes must ensure compliance with the Trust's terms of authorisation and adherence to NHSI's Single Oversight Framework and mandatory reporting requirements. The Trust's processes will also adhere to best practice guidance including Risk Evaluation for Investment Decisions (REID) or any subsequent guidance that may be issued by NHSI.
- 20.2 The Board of Directors will ensure there is a governance framework in place to scrutinise and consider any new initiatives which contain one or more of the following characteristics:
- an equity component;
 - significant reputational risk;
 - potential to destabilise the Trust's core business;
 - the inclusion of material contingent liabilities.
- 20.3 In the event a 'significant transaction' is being considered, then the Council of Governors also need to be involved in the approval process. The term 'significant transaction' is as per NHSI's definition detailed in the Single Oversight Framework, plus any other transaction in excess of a £10 million threshold and which has an overall risk rating (based on the Trust's risk management framework) which in the reasonable opinion of the Board of Directors, is considered to be significant.
- 20.4 The People, Innovation and Transformation Committee shall be chaired by a Non-Executive Director and comprise both Executive and Non-Executive Directors. The remit of this Committee will include:
- to establish the overall methodology, processes and controls of the Trust's investments and marketing initiatives/opportunities;
 - to ensure that robust processes are followed;
 - to ensure that Council of Governors approval has been obtained for any investment that would increase the proportion of income from non-principle purposes by 5% or more;
 - to evaluate, scrutinise and monitor significant investments and marketing initiatives / opportunities.
 - to ensure appropriate safeguards are in place for the investment of exchequer funds and review treasury management activities and performance.
- 20.5 The committee will also be responsible for consideration of investments or marketing initiatives / opportunities:

- where a change to the Trust’s corporate structure is required (for example establishment of subsidiary vehicle);
- there is potential significant risk associated with the project in accordance with REID or established best practice guidelines.

20.6 The initial evaluation of any initial marketing opportunities and to engage in any tender processes may be delegated by the Board of Directors to the Executive Operational Committee, and / or the People, Innovation and Transformation Committee in accordance with approved limits.

20.7 Approval of new contracts in relation to new business opportunities will be the responsibility of the Board of Directors unless delegated to the Executive Operational Committee within approved limits.

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