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STANDING FINANCIAL INSTRUCTIONS POLICY

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FOREWORD

These Standing Financial Instructions (SFIs) are issued in accordance with the Primary Care Trust (Functions) Directions 2000 as amended by the Primary Care Trust (Functions) (Amendment) Directions 2002 (revoked) and The Primary Care Trust (Executive Committees and Standing Financial Instructions) Directions 2007, issued by the Secretary of State which require that each Primary Care Trust shall agree Standing Financial Instructions for the regulation of the conduct of its members and officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs).

The Standing Financial Instructions of each Primary Care Trust shall take into account any guidance or directions given by the Secretary of State about the provisions to be incorporated in the Standing Financial Instructions.

Standing Financial Instructions given by the Primary Care Trust in accordance with any specific requirement in directions given by the Secretary of State may not be varied or dispensed with except as directed by the Secretary of State.

These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the PCT. They are designed to ensure that the PCT's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board and the Scheme of Delegation adopted by the PCT.

These Standing Financial Instructions identify the financial responsibilities which apply to everyone working for the PCT and its constituent organisations including Trading Units. **They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.**

Any difficulties arising with regard to the interpretation or application of any of the Standing Financial Instructions should be addressed to the Director of Finance for advice prior to acting. The user of these Standing Financial Instructions should also be familiar with and comply with the provisions of the PCT's Standing Orders.

The failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.

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 referring action or ratification. **All members of the Board and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible.**

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INTERPRETATION AND DEFINITIONS FOR STANDING FINANCIAL INSTRUCTIONS

Terminology

- (i) **"Accountable Officer"** means the NHS Officer responsible and accountable for funds entrusted to the PCT. The officer shall be responsible for ensuring the proper stewardship of public funds and assets. For this PCT it shall be the Chief Executive.
- (ii) **"Associate Member"** means a person appointed to perform specific statutory and non-statutory duties which have been delegated by the PCT Board for them to perform and these duties have been recorded in an appropriate PCT Board minute or other suitable record.
- (iii) **"Board"** means the Chairman, officer and non-officer members of the PCT collectively as a body.
- (iv) **"Budget"** means a resource, expressed in financial, manpower or activity terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the PCT.
- (v) **"Budget holder"** means the Director with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation.
- (vi) **"Budget manager"** means the employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation.
- (vii) **"Chairman of the Board (or PCT)"** is the person appointed by the Secretary of State for Health to lead the Board and to ensure that it successfully discharges its overall responsibility for the PCT as a whole. The expression "the Chairman of the PCT" shall be deemed to include the Vice-Chairman of the PCT if the Chairman is absent from the meeting or is otherwise unavailable.
- (viii) **"Chairman of the Clinical Executive"** means the person elected by the members of the Clinical Executive Committee to be Chairman in accordance with the Primary Care Trust Executive Committees and Standing Financial Instructions (Membership) Directions 2007.
- (ix) **"Chief Executive"** means the chief officer of the PCT.
- (x) **"Clinical Executive"** means the committee appointed in accordance with regulation 9(1) of the Primary Care Trust (Membership, Procedure and Administration Arrangements) Regulations 2000 as amended by the Primary Care Trust (Membership, Procedure and Administration Arrangements) Amendment (No.2) (England) Regulations 2002 (SI 2002 No. 557) and the Primary Care Trust (Membership, Procedure and Administration Arrangements) Amendment (England) Regulations 2003 (SI 2003 No. 1616) to exercise such functions of the PCT as are specified in directions given by the Secretary of State. Directions for membership of

the Executive Committee are set out in the Primary Care Trust (Executive Committees and Standing Financial Instructions) Directions 2007.

- (xi) **"Commissioning"** means the process for determining the need for and for obtaining the supply of healthcare and related services by the PCT within available resources.
- (xii) **"Committee"** means a committee or sub-committee created and appointed by the PCT.
- (xiii) **"Committee members"** means persons formally appointed by the Board to sit on or to chair specific committees.
- (xiv) **"Contracting and procuring"** means the systems for obtaining the supply of goods, materials, manufactured items, services, building and engineering services, works of construction and maintenance and for disposal of surplus and obsolete assets.
- (xv) **"Director of Finance"** means the Chief Financial Officer of the PCT.
- (xvi) **"Director of Public Health"** means a health care professional who is specialist in Public Health or a consultant in Public Health medicine who may hold the post of Director of Public Health.
- (xvii) **"Funds held on trust"** shall mean those funds which the PCT holds on date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under S.90 of the NHS Act 1977, as amended. Such funds may or may not be charitable.
- (xviii) **"Healthcare Professional member"** means a member of the Clinical Executive Committee, who is a member of a regulated healthcare profession as defined by the NHS Reform and Healthcare Professions Act 2002.
- (xix) **"Integrated Quality and Clinical Standards Committee"** means a committee whose functions are concerned with the arrangements for the purpose of monitoring and improving the quality of healthcare for which the Oxfordshire PCT has responsibility.
- (xx) **"Member"** means officer or non officer member of the Board or the Clinical Executive Committee as the context permits. Member in relation to the Board does not include its Chairman.
- (xxi) **"Membership, Procedure and Administration Arrangements Regulations"** means the Primary Care Trusts (Membership, procedure and Administration Arrangements) Regulations 2000 [(SI(2000)89)] as amended by the Primary Care Trusts (Membership, Procedure and Administration Arrangements) Amendment (No. 2) (England) Regulations 2002 (SI 2002 No. 557) and the Primary Care Trusts (Membership, Procedure and Administration Arrangements) Amendment (England) Regulations 2003 (SI 2003 No. 1616).
- (xxii) **"Nominated officer"** means an officer charged with the responsibility for discharging specific tasks within Standing Orders and Standing Financial Instructions.

- (xxiii) **"Non-officer member"** means a member of the PCT who is not an officer of the Trust and is not to be treated as an officer by virtue of regulation 1(3) of the Membership, Procedure and Administration Arrangements Regulations.
- (xxiv) **"Officer"** means employee of the PCT or any other person holding a paid appointment or office with the PCT.
- (xxv) **"Officer member"** means a member of the PCT who is either an officer of the PCT or is to be treated as an officer by virtue of regulation 1(3) (i.e. the Chairman of the PCT Clinical Executive Committee or any person nominated by such a Committee for appointment as a PCT member).
- (xxvi) **"Part II services"** means General Medical Services, General Dental Services, General Ophthalmic Services or Pharmaceutical Services under the NHS Act 1977.
- (xxvii) **"PCT"** means the Oxfordshire Primary Care Trust.
- (xxviii) **"SFIs"** means Standing Financial Instructions.
- (xxix) **"SOs"** means Standing Orders
- (xxx) **"Vice-Chairman"** means the non-officer member appointed by the Board to take on the Chairman's duties if the Chairman is absent for any reason.

1. GENERAL

- 1.1 These Standing Financial Instructions (SFIs) are issued in accordance with the Primary Care Trust (Functions) Directions 2000, as amended by the Primary Care Trust (Functions) (Amendment) Directions 2002 and The Primary Care Trust (Executive Committees and Standing Financial Instructions) Directions 2007, issued by the Secretary of State which require that each Primary Care Trust shall agree Standing Financial Instructions for the regulation of the conduct of its members and officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs).
- 1.2 These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the PCT. They are designed to ensure that the PCT's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Board and the Scheme of Delegation adopted by the PCT.
- 1.3 These Standing Financial Instructions identify the financial responsibilities which apply to everyone working for the PCT and its constituent organisations including Trading Units. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.4 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Director of Finance **MUST BE SOUGHT BEFORE ACTING**. The user of these Standing Financial Instructions should also be familiar with and comply with the provisions of the PCT's Standing Orders.
- 1.5 **FAILURE TO COMPLY WITH STANDING FINANCIAL INSTRUCTIONS AND STANDING ORDERS IS A DISCIPLINARY MATTER THAT COULD RESULT IN DISMISSAL.**
- 1.6 **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 referring action or ratification. All members of the Board and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible.

1.7 Contractors and their employees

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

1.8 For all members of the Board, Committee/Sub-Committee members and any employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board, Committee/Sub-Committee members and employees discharge their duties must be to the satisfaction of the Director of Finance.

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

1.10 Wherever the term "employee" is used and where the context permits it shall be deemed to include employees of third parties contracted to the PCT when acting on behalf of the PCT.

END

1. THE PCT BOARD

- 1.1 The Board exercises financial supervision and control by:
- (a) authorising the financial strategy;
 - (b) requiring the submission and approval of budgets within approved allocations/overall income;
 - (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money); and
 - (d) defining specific responsibilities placed on members of the Board, Committee/Sub-Committee members and employees as indicated in the Scheme of Delegation document.
 - (e) approving provision of shared services.
- 1.2 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the “Scheme of Delegation Reserved to the Board” document. All other powers have been delegated to such other Committees/Sub-Committees as the PCT has established.
- 1.3 All sub-committees of the Board may delegate responsibility for the performance of its functions in accordance with the “Scheme of Delegation” document adopted by the PCT, having regard to Standing Order 4 “Arrangements for the exercise of functions by delegation”

2. THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

- 2.1 The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.
- 2.2 Within the Standing Financial Instructions, it is acknowledged that the Chief Executive is ultimately accountable to the Board, and as Accountable Officer, to the Secretary of State, for ensuring that the Board meets its obligations within the available financial resources. The Chief Executive has overall executive responsibility for the PCT’s activities; is responsible to the Chairman and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for the PCT’s system of internal control.
- 2.3 It is a duty of the Chief Executive to ensure that members of the Board, Committees/Sub-Committees, employees and all new appointees are notified of, and put in a position to understand, their responsibilities within these instructions.

3. THE DIRECTOR OF FINANCE

3.1 The Director of Finance is responsible for:

- (a) implementing the PCT'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 PCT's transactions, in order to disclose, with reasonable accuracy, the financial position of the PCT at any time;

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

- (d) the provision of financial advice to other members of the Board and Committee/Sub-Committee members and employees;
- (e) the design, implementation and supervision of systems of internal financial control; and
- (f) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the PCT may require for the purpose of carrying out its statutory duties.
- (g) ensuring there are proper arrangements for the estimates, records and reports as the PCT may require for the purpose of carrying out its statutory duties as prepared and maintained by any shared service centre.

4. BOARD MEMBERS, COMMITTEE/SUB-COMMITTEE MEMBERS AND EMPLOYEES

4.1 All members of the Board, Committee/Sub-Committee and employees, severally and collectively, are responsible for:

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

5. CONTRACTORS AND THEIR EMPLOYEES

- 5.1 Any contractor or employee of a contractor who is empowered by the PCT to commit the PCT 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.

- 5.2 For all members of the Board, Committee/Sub-Committee members and any employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board and Committee/Sub-Committee members and employees discharge their duties must be to the satisfaction of the Director of Finance. In the case of shared services, such arrangements will be established and agreed through appropriate service level agreements with the shared service provider, as approved by the Board.

END

1. AUDIT COMMITTEE

- 1.1 An independent Audit Committee is a central means by which the Board ensures effective internal control arrangements are in place. In addition the Audit Committee provides a form of independent check upon the executive arm of the Board. In accordance with Standing Orders the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the '**NHS Audit Committee Handbook (2005)**' to achieve the following key objectives:

To consider and advise the Board and the Accountable Officer on the following;

- (a) The establishment, adequacy and maintenance of effective and robust:
- Accounting policies;
 - Management and financial controls;
 - Schemes of financial and non-financial delegation;
 - Systems to identify and manage key risks to all of the Trusts activities, clinical and non-clinical
 - Underlying assurance processes, both clinical and non-clinical, including a clinical audit facility.

In the light of any guidance published by the Department of Health, the Audit Commission and in compliance with current legislation.

- (b) Review the findings of other significant assurance functions, both internal and external to the PCT, with particular reference to regulatory, legal and code of conduct requirements and consider the implications to the good governance of the PCT;
- (c) The corporate governance of the PCT;
- (d) The effectiveness of the PCT's management policies and procedures to promote a culture of sound control;
- (e) The effectiveness of internal, counter fraud and external audit services, (including the resourcing, performance and terms on which all of these audit services are provided to the PCT:
- (f) The major findings of internal, counter fraud and external auditors' investigations and reports and management's responses to findings and recommendations:
- (g) The annual internal audit and counter fraud reports and the external auditors' management letter and management's responses thereto;
- (h) The PCT's statement on internal control (SIC) and its financial report and accounts, focusing particularly on changes in and compliance with accounting

policies and practices, major judgemental areas and significant adjustments resulting from the annual audits, and shall recommend the financial reports and the figures to the Accountable Officer for approval.

- (i) Best value, economy, effectiveness and efficiency in the use of resources and assets in the PCT, including major contracts and policy, and all losses and special claims involving cost to the Trust;
- (j) The promotion of an effective control culture, including policies and procedures, the maintenance of an effective investigation capacity, any other related issues brought to the attention of the Audit Committee through management reports or Whistleblowing procedures relating to compliance with the law, regularity, propriety, corporate governance or code of conduct issues;

1.2 The minutes of the Audit Committee meetings shall be formally recorded by a member or employee as nominated by the Chair of the Audit Committee) and submitted to the Board. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action. For each financial year the Chairman shall prepare a report to the Chairman of the Board and the Accountable Officer on the work of the Committee, which may be published in the Annual Report and Accounts domain.

1.3 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the committee wish to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the board. Exceptionally, the matter may need to be referred to the Department of Health.

2. DIRECTOR OF FINANCE

2.1 The Director of Finance is responsible for:

- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;
- (b) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption;
- (c) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee. The report must cover:
 - (i) a clear opinion on the effectiveness of internal control in accordance with current controls assurance guidance issued by the Department of Health including for example compliance with control criteria and standards;
 - (ii) major internal financial control weaknesses discovered;
 - (iii) progress on the implementation of internal audit recommendations;
 - (iv) progress against plan over the previous year;
 - (v) a detailed plan for the coming year.

- 2.2 The Director of Finance or designated internal or external auditor is entitled without necessarily giving prior notice to require and receive:
- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
 - (b) access at all reasonable times to any land, premises or members of the Board, Committee/Sub Committee members and employee (s) of the PCT;
 - (c) the production of any cash, stores or other property of the PCT under a member of the Board, Committee/Sub-Committee or employee's control; and
 - (d) explanations concerning any matter under investigation.

3. ROLE OF INTERNAL AUDIT

- 3.1 Internal Audit is an independent and objective appraisal service within an organisation which provides:
- (1) an independent and objective opinion to the Accountable Officer, the Board, and the Audit Committee on the degree to which risk management, control and governance, support the achievement of the organisation's agreed objectives;
 - (2) an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.
- 3.2 Internal Audit will review, appraise and report upon policies, procedures and operations in place to:
- (a) Establish and monitor the achievement of the organisation's objectives;
 - (b) Identify, access and manage the risks to achieving the organisation's objectives;
 - (c) Ensure the economical, effective and efficient use of resources;
 - (d) Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
 - (e) Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
 - (f) Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.
- 3.3 The Head of Internal Audit will provide to the Audit Committee:
- (a) A risk-based plan of internal audit work, discussed with management and approved by the Audit Committee, based upon the management's Assurance Framework that will enable the auditors to collect sufficient evidence to give an opinion on the adequacy and effective operation of the organisation;

- (b) Regular updates on the progress against plan;
 - (c) Reports of the management's progress on the implementation of the actions agreed as a result of internal audit findings;
 - (d) An annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This opinion is used by the Board to inform the Statement of Internal Control (SIC) and by the Strategic Health Authority as part of its performance management role;
 - (e) A report supporting the PCT's assurances to the Healthcare Commission on compliance with Standards for Better Health;
 - (f) Additional reports as requested by the Audit Committee.
- 3.4 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.
- 3.5 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chairman and Chief Executive of the PCT.
- 3.6 The Head of Internal Audit reports to the Audit Committee and is managed by the Director of Finance. The reporting system for internal audit shall be agreed between the Director of Finance, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed at least every 3 years.
- 3.7 The appointment and termination of the Head of Internal Audit and/or the internal audit service must be approved by the Audit Committee.
- 3.8 In obtaining third party assurance from other auditors, the Head of Internal Audit should seek assurance from other auditors as set out in the service level agreement between the shared service provider and Oxfordshire PCT.

4. EXTERNAL AUDIT

- 4.1 The external auditor is appointed by the Audit Commission and paid for by the PCT. If there are any problems relating to the service provided by the External Auditor, then this should be raised with the external auditor and referred on to the Audit Commission if the issue cannot be resolved.

5. FRAUD AND CORRUPTION

- 5.1 In line with their responsibilities, the PCT Chief Executive and Director of Finance shall monitor and ensure compliance with Directions issued by the Secretary of State for Health on fraud and corruption.
- 5.2 The PCT shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) as specified by the NHS Counter Fraud and Corruption Manual, and guidance.
- 5.3 The Director of Finance must also prepare a **'Counter Fraud Policy and Response Plan'** that sets out the action to be taken both by persons detecting a suspected fraud and those persons responsible for investigating it.
- 5.4 The LCFS shall report to the PCT Director of Finance and shall work with staff in the NHS Counter Fraud Service (NHS CFS) and the Operational Fraud Team (OFT) in accordance with the NHS Counter Fraud and Corruption Manual.
- 5.5 The LCFS will provide a written report, at least annually, on counter fraud work within the PCT.

6. SECURITY MANAGEMENT

- 6.1 In line with their responsibilities, the PCT Chief Executive will monitor and ensure compliance with Directions issued by the Secretary of State for Health on NHS security management.
- 6.2 The PCT 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.
- 6.3 The PCT shall nominate a Non-Executive Director to be responsible to the Board for NHS Security Management.
- 6.4 The Trust shall prepare a **'Security Management Policy'** that sets out measures to protect staff, visitors, premises and assets.
- 6.5 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD) and the appointed Local Security Management Specialist (LSMS).

END

1. RESOURCE LIMIT CONTROL

- 1.1 The PCT is required by statutory provisions not to exceed its Resource Limit. The Chief Executive has overall executive responsibility for the PCT's activities and is responsible to the PCT for ensuring that it stays within its resource limit.
- 1.2 The definition of use of resources is set out in RAB Directions on use of resources (available on the Departmental Finance Manual web-site).
- 1.3 Any sums received on behalf of the Secretary of State excluding charges arising under Part II of the 1977 NHS Act is treated as sums received by the PCT.
- 1.4 The Director of Finance will:
 - (a) provide monthly reports in the form required by the Secretary of State;
 - (b) ensure money drawn from the Department of Health against the financing requirement arising from the resource limit is required for approved expenditure only, and is drawn down only at the time of need, follows best practice as set out in **'Cash Management in the NHS'**;
 - (c) be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable the PCT to fulfil its statutory responsibility not to exceed its Annual Revenue and Capital Resource Limits.

END

ALLOCATIONS, OPERATING PLAN, BUDGETS, BUDGETARY CONTROL AND MONITORING



1. ALLOCATIONS

1.1 The Director of Finance of the PCT will:

- (a) periodically review the basis and assumptions used by the Strategic Health Authority (SHA) for distributing allocations and ensure that these are reasonable and realistic and secure the PCT's entitlement to funds;
- (b) prior to the start of each financial year submit to the PCT for approval a report showing the total allocations received and their proposed distribution including any sums to be held in reserve; and
- (c) regularly update the PCT Board on significant changes to the initial allocation and the uses of such funds.

2. PREPARATION AND APPROVAL OF OPERATING PLAN AND BUDGETS

2.1 The Chief Executive will compile and submit to the Board an Operating Plan (OP), which takes into account financial targets and forecast limits of available resources. The 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.

2.2 Prior to the start of the financial year the Director of Finance will, on behalf of the Chief Executive, prepare and submit budgets for approval by the Board. Such budgets will:

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

- 2.3 The Director of Finance shall monitor financial performance against budget and plan, periodically review them, and report to the Board.
- 2.4 All budget holders / managers must provide information as required by the Director of Finance to enable budgets to be compiled.
- 2.5 The Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders/ managers to help them manage successfully.

3. BUDGETARY DELEGATION

- 3.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:
 - (a) the amount of the budget;
 - (b) the purpose(s) of each budget heading;
 - (c) individual and group responsibilities;
 - (d) authority to exercise virement;
 - (e) achievement of planned levels of service; and
 - (f) the provision of regular reports.
- 3.2 The Chief Executive and delegated budget holders or budget managers must not exceed the budgetary total or virement limits set by the Board **(see 'PCT Virement Policy')**.
- 3.3 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.
- 3.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive, as advised by the Director of Finance.

4. BUDGETARY CONTROL AND REPORTING

- 4.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:
 - (a) monthly financial reports to the Board in a form approved by the Board containing:
 - (i) income and expenditure to date showing trends and forecast year-end position;
 - (ii) movements in working capital;
 - (iii) movements in cash and capital;
 - (iv) capital project spend and projected outturn against plan;

- (v) explanations of any material variances from plan;
 - (vi) details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;
- (b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder / manager, covering the areas for which they are responsible;
 - (c) investigation and reporting of variances from financial, workload and manpower budgets;
 - (d) monitoring of management action to correct variances; and
 - (e) arrangements for the authorisation of budget transfers.

4.2 Each Budget Holder and Budget Manager is responsible for ensuring that:

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

4.3 The Chief Executive is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Operating Plan and a balanced budget.

5. CAPITAL EXPENDITURE

5.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI 15).

6. MONITORING RETURNS

6.1 The Chief Executive is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation.

END

1. ANNUAL ACCOUNTS AND REPORTS

- 1.1 The Director of Finance, on behalf of the PCT, will:
- (a) prepare financial returns in accordance with the accounting policies and guidance given by the Department of Health and the Treasury, the PCT's accounting policies, and generally accepted accounting practice;
 - (b) prepare and submit annual financial reports to the Department of Health certified in accordance with current guidelines; and
 - (c) submit financial returns to the Department of Health for each financial year in accordance with the timetable prescribed by the Department of Health.
 - (d) where such documents as set out in 1.1 a) to c) are prepared by a shared service provider, detailed requirements will be specified in a service level agreement with the provider. However, accountability for such documents will remain with the Director of Finance of Oxfordshire PCT.
- 1.2 The PCT's annual accounts must be audited by an auditor appointed by the Audit Commission. The PCT's audited annual accounts must be presented to a public meeting and made available to the public.
- 1.3 The PCT will publish an annual report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with the Department of Health's Manual for Accounts.

END

1. GENERAL

- 1.1 The Director of Finance is responsible for managing the PCT's banking arrangements and for advising the PCT on the provision of banking services and operation of accounts. This advice will take into account guidance/ Directions issued from time to time by the Department of Health. In line with '**Cash Management in the NHS**' PCTs should minimise the use of commercial bank accounts and consider using Office of the Paymaster General (OPG) accounts for all banking services.
- 1.2 The Board is required to approve the banking arrangements.
- 1.3 Where banking processes are undertaken by a shared service provider the PCT's bank accounts will be operated under the approved instructions as set out in a service level agreement between the shared service provider and Oxfordshire PCT.

2. BANK AND OPG ACCOUNTS

- 2.1 The Director of Finance is responsible for:
- (a) bank accounts and Office of the Paymaster General (OPG) accounts;
 - (b) establishing separate bank accounts for the PCT's non-exchequer funds;
 - (c) ensuring payments made from bank or OPG accounts do not exceed the amount credited to the account except where arrangements have been made; and
 - (d) reporting to the Board all arrangements made with the PCT's bankers for accounts to be overdrawn.
 - (e) Monitoring compliance with Department of Health guidance on the level of cleared funds.
 - (f) Where such processes, 2.1 a) to d), are undertaken by a shared service provider, these will be specified in a service level agreement with the provider. In particular the Director of Finance will approve the detailed bank mandate procedures with the provider who will ensure an adequate panel of shared service provider officers to approve transactions on behalf of the PCT.

3. BANKING PROCEDURES

- 3.1 The Director of Finance will prepare detailed instructions on the operation of bank and OPG accounts which must include:
- (a) the conditions under which each bank and OPG account is to be operated;
 - (b) those authorised to sign cheques or other orders drawn on the PCT's accounts.

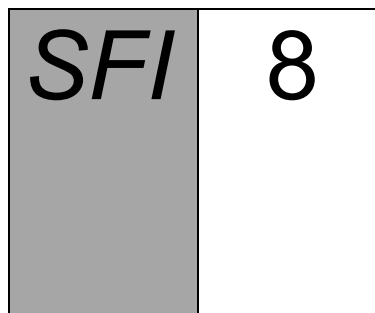
- 3.2 The Director of Finance must advise the PCT's bankers in writing of the conditions under which each account will be operated.
- 3.3 Such detailed instructions, 3.1 a) and b) will also be specified, if applicable to the shared service provider, by the Director of Finance.
- 3.4 The Director of Finance must advise the shared service provider, and the Office of the Paymaster General (OPG) in writing, including a copy of the Board's resolution, of the conditions under which each account will be operated; the limits to be applied to any overdraft and the limitation on single signatory payments and any changes that may be required by financial regulations of the National Health Service or by resolution of the Board of Directors as may be necessary from time to time. In addition, the Director of Finance shall advise the bankers and the Office of the Paymaster General, in writing, of the officer(s) and/ or Director(s) authorised to release money from, and draw cheques on, each bank account of Oxfordshire Primary Care Trust and shall notify promptly the cancellation of any such authorisation.
- 3.5 Where an agreement is entered into with the shared service provider, or other body, for payment to be made on behalf of Oxfordshire Primary Care Trust from bank accounts maintained in the name of the PCT or other body, or by Electronic Funds Transfer (BACS / CHAPS), the Director of Finance shall ensure that satisfactory security regulations of the PCT /shared service provider or other body relating to bank accounts exist and are observed. This will be specified in a service level agreement with the appropriate body.

4. TENDERING AND REVIEW

- 4.1 The Director of Finance will review the banking arrangements of the PCT at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for the PCT's commercial banking business.
- 4.2 Competitive tenders should be sought at least every 5 years. This review is not necessary for OPG accounts. The results of the tendering exercise should be reported to the Board.

END

INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER FINANCIAL INSTRUMENTS



1. INCOME SYSTEMS

- 1.1 The Director of Finance is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, and collection and coding of all monies due.
- 1.2 The Director of Finance is also responsible for the prompt banking of all monies received.
- 1.3 Where income matters are dealt with by a shared service provider, such arrangements will be incorporated in a service level agreement with the provider.

2. FEES AND CHARGES

- 2.1 The PCT shall follow the Department of Health advice in the **"Costing Manual"** and guidance in setting prices for NHS service agreements.
- 2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.
- 2.3 The Director of Finance shall notify the approved price list/fees to the shared service provider for suitable periodic checks against actual amounts collected or being billed. This will be specified in the service level agreement with the provider.
- 2.4 All employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

3. DEBT RECOVERY

- 3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts. Where the shared service provider agrees to carry out appropriate recovery action on outstanding debts, this will be specified in a service level agreement with the provider.
- 3.2 Income not received should be dealt with in accordance with losses procedures.
- 3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

4. SECURITY OF CASH, CHEQUES AND OTHER FINANCIAL INSTRUMENTS

- 4.1 The Director of Finance is responsible for:
- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
 - (b) ordering and securely controlling any such stationery;
 - (c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
 - (d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the PCT.
- 4.2 Where such issues as stated in 4.1a) to d), are undertaken by a shared service provider, detailed arrangements will be specified in a service level agreement with the provider.
- 4.3 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 4.4 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.
- 4.5 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 PCT is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the PCT from responsibility for any loss.

END

1. DUTY TO COMPLY WITH STANDING ORDERS AND STANDING FINANCIAL INSTRUCTIONS

- 1.1 The procedure for making all contracts by or on behalf of the PCT shall comply with these Standing Orders and Standing Financial Instructions (except where Standing Order No. 2(13) Suspension of Standing Orders is applied).

2. EU DIRECTIVES GOVERNING PUBLIC PROCUREMENT

2.1

- (a) Directives by the Council of the European Union promulgated by the Department of Health (DH) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Orders and Standing Financial Instructions.
- (b) Primary Care Trust's must obtain professional support for EU procurement to ensure compliance when engaging in tendering procedures.

3. REVERSE eAUCTIONS

- 3.1 The PCT should have policies and procedures in place for the control of tendering activity carried out through Reverse eAuctions. For further guidance on Reverse eAuctions refer to the PCTs **"Purchasing and Supplies Operating Procedure"**.

4. CAPITAL INVESTMENT MANUAL AND OTHER DEPARTMENT OF HEALTH GUIDANCE

- 4.1 The PCT shall comply as far as is practicable with the requirements of the Department of Health **"Capital Investment Manual"** and **"Estatecode"** in respect of capital investment and estate and property transactions.

5. FORMAL COMPETITIVE TENDERING

5.1 General Applicability

The PCT shall ensure that competitive tenders are invited for:

- the supply of goods, materials and manufactured articles;
- the rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the DH);
- For the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); for disposals.

Limits as outlined in SFIs need to be adhered to particularly in respect of where the contract value exceeds the OJEU limit.

6. HEALTH CARE SERVICES

- 6.1 Where the PCT elects to invite tenders for the supply of healthcare services these Standing Orders and Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure and need to be read in conjunction with Standing Financial Instruction No. 10 and No. 11.

7. EXCEPTIONS AND INSTANCES WHERE FORMAL TENDERING NEED NOT BE APPLIED

- 7.1 Formal tendering procedures **need not be applied** where:

- (a) the estimated expenditure or income does not, or is not reasonably expected to, exceed the threshold set out in the PCT Scheme of Delegation; or
- (b) where the supply is proposed under special arrangements negotiated by the DH in which event the said special arrangements must be complied with;
- (c) regarding disposals as set out in Standing Financial Instructions No. 17;
- (d) where Purchasing and Supplies Agency agreements are in place;
- (e) where other forms of national and/or regional agreements are in place (for example the S-CAT framework, OGC, ProCure, FESC).

- 7.2 Formal tendering procedures **may be waived** in the following circumstances (having due regard to the requirements to follow EU directives on public procurement):

- (a) in very exceptional circumstances where the Director of Finance decides that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures, and the circumstances are detailed in an appropriate PCT record;
- (b) where the requirement is covered by an existing contract;
- (c) where a consortium arrangement is in place and a lead organisation has been appointed to carry out tendering activity on behalf of the consortium members;
- (d) where the timescale genuinely precludes competitive tendering but failure to plan the work properly would not be regarded as a justification for a single tender;
- (e) where specialist expertise is required and is available from only one source;
- (f) when the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate;

- (g) there is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;
- (h) for the provision of legal advice and services providing that any legal firm or partnership commissioned by the Trust is regulated by the Law Society for England and Wales for the conduct of their business (or by the Bar Council for England and Wales in relation to the obtaining of Counsel's opinion) and are generally recognised as having sufficient expertise in the area of work for which they are commissioned.

The Director of Finance will ensure that any fees paid are reasonable and within commonly accepted rates for the costing of such work.

- (i) where allowed and provided for in the Capital Investment Manual.

The waiving of competitive tendering procedures should not be used to avoid competition or for administrative convenience or to award further work to a consultant originally appointed through a competitive procedure.

The fact of the waiver and the reasons must be approved by the Chair of the PCT, should be documented and recorded in an appropriate PCT record and reported to the Board at each meeting.

8. FAIR AND ADEQUATE COMPETITION

- 8.1 Where the exceptions set out in SFI Nos. 9(3) and 9(7.2) apply, the Trust shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, and in no case less than two firms/individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.

9. LIST OF APPROVED FIRMS

- 9.1 The PCT shall ensure that the firms/individuals invited to tender (and where appropriate, quote) are among those on approved lists. Where in the opinion of the Director of Finance it is desirable to seek tenders from firms not on the approved lists, the reason shall be recorded in writing to the Audit Committee (see SFI 9(20) - List of Approved Firms).

10. BUILDING AND ENGINEERING CONSTRUCTION WORKS

- 10.1 Competitive Tendering cannot be waived for building and engineering construction works and maintenance (other than in accordance with Concode) without Departmental of Health approval.

11. ITEMS WHICH SUBSEQUENTLY BREACH THRESHOLDS AFTER ORIGINAL APPROVAL

- 11.1 Items estimated to be below the limits set in this Standing Financial Instruction for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the Chief Executive, and be recorded in an appropriate PCT record.

Contracting/Tendering Procedure

12. INVITATION TO TENDER

- 12.1 The procedures set out in sections 12.2 to 17 below relate to traditional forms of tendering (paper based). The Director of Finance may approve electronic based tendering as part of an e-procurement process.

- 12.2 (i) All invitations to tender shall state the date and time as being the latest time for the receipt of tenders.
- (ii) All invitations to tender shall state that no tender will be accepted unless:
- submitted in a plain sealed package or envelope bearing a pre-printed label supplied by the PCT (or the word "tender" followed by the subject to which it related) and the latest date and time for the receipt of such tender addressed to the Chief Executive or nominated Manager;
 - that tender envelopes/ packages shall not bear any names or marks indicating the sender. The use of courier/postal services must not identify the sender on the envelope or on any receipt so required by the deliverer.
- (iii) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.
- (iv) Every tender for building or engineering works (except for maintenance work, when Estmancode guidance shall be followed) shall embody or be in the terms of the current edition of one of the Joint Contracts Tribunal Standard Forms of Building Contract or Department of the Environment (GC/Wks) Standard forms of contract amended to comply with Concode; or, when the content of the work is primarily engineering, the General Conditions of Contract recommended by the Institution of Mechanical and Electrical Engineers and the Association of Consulting Engineers (Form A), or (in the case of civil engineering work) the General Conditions of Contract recommended by the Institute of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors. These documents shall be modified and/or amplified to accord with Department of Health guidance and, in minor respects, to cover special features of individual projects.
- (v) Every tender must have given, or give a written undertaking not to engage in collusive tendering or other restrictive practices.
- (vi) Tendering above OJEU limits requires the service/product to be advertised in the European Journal. Advice on rules which apply is offered by the Procurement Team at Buckinghamshire Shared Services.

- 12.3 In the case of goods and services procured via E-tendering, the procedures outlined in paragraphs 12-14 will be modified to reflect that:-
- Tenders are received electronically by the E-tendering system

- Tenders will be opened at the official opening time / date by procurement staff and the system will maintain a log of access.
- The system will log any documents added during the procurement period and all communication between the parties using the system
- Any amendments to documents post opening will be logged manually along with the identity of the person making the change and the reason for the change.
- The system's audit log and the manual log will be periodically reviewed by a senior officer and will be available for inspection by Internal Audit as and when required.

13. RECEIPT AND SAFE CUSTODY OF TENDERS

- 13.1 The Chief Executive or his/her nominated representative will be responsible for the receipt, endorsement and safe custody of tenders received until the time appointed for their opening.
- 13.2 The date and time of receipt of each tender shall be endorsed on the tender envelope/package.

14. OPENING TENDERS AND REGISTER OF TENDERS

- (i) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, they shall be opened by two senior officers/managers designated by the Chief Executive and not from the originating department.
- (ii) A member of the PCT Board will be required to be one of the two approved persons present for the opening of tenders. The rules relating to the opening of tenders will need to be read in conjunction with any delegated authority set out in the PCT's Scheme of Delegation.
- (iii) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender.
- (iv) The involvement of Finance Directorate staff in the preparation of a tender proposal will not preclude the Director of Finance or any approved Senior Manager from the Finance Directorate from serving as one of the two senior managers to open tenders.
- (v) All Executive Directors/members will be authorised to open tenders regardless of whether they are from the originating department provided that the other authorised person opening the tenders with them is not from the originating department.
- (vi) Every tender received shall be marked with the date of opening and initialled by those present at the opening.
- (vii) A register shall be maintained by the Chief Executive, or a person authorised by him/her, to show for each set of competitive tender invitations despatched:
 - the name of all firms individuals invited;

- the names of firms individuals from which tenders have been received;
- the date the tenders were received and opened;
- the persons present at the opening;
- the price shown on each tender;
- a note where price alterations have been made on the tender.

Each entry to this register shall be signed by those present.

A note shall be made in the register if any one tender price has had so many alterations that it cannot be readily read or understood.

- (viii) Incomplete tenders, i.e. those from which information necessary for the adjudication of the tender is missing, and amended tenders i.e., those amended by the tenderer upon his/her own initiative either orally or in writing after the due time for receipt, but prior to the opening of other tenders, should be dealt with in the same way as late tenders. (SFI 9(16) below).

15. ADMISSIBILITY

- If for any reason the designated officers are of the opinion that the tenders received are not strictly competitive (for example, because their numbers are insufficient or any are amended, incomplete or qualified) no contract shall be awarded without the approval of the Chief Executive.
- Where only one tender is sought and/or received, the Chief Executive and Director of Finance shall, as far practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the PCT.

16. LATE TENDERS

- Tenders received after the due time and date, but prior to the opening of the other tenders, may be considered only if the Chief Executive or his/her nominated officer decides that there are exceptional circumstances i.e. despatched in good time but delayed through no fault of the tenderer.
- Only in the most exceptional circumstances will a tender be considered which is received after the opening of the other tenders and only then if the tenders that have been duly opened have not left the custody of the Chief Executive or his/her nominated officer or if the process of evaluation and adjudication has not started.
- While decisions as to the admissibility of late, incomplete or amended tenders are under consideration, the tender documents shall be kept strictly confidential, recorded, and held in safe custody by the Chief Executive or his/her nominated officer.
- Accepted late tenders will be reported to the Board.

17. ACCEPTANCE OF FORMAL TENDERS (SEE OVERLAP WITH SFI 9(21) BELOW)

- (i) Any discussions with a tenderer which are deemed necessary to clarify technical aspects of his/her tender before the award of a contract will not disqualify the tender.
- (ii) The lowest tender, if payment is to be made by the PCT, or the highest, if payment is to be received by the PCT, shall be accepted unless there are good and sufficient reasons to the contrary. Such reasons shall be set out in either the contract file, or other appropriate record.

It is accepted that for professional services such as management consultancy, the lowest price does not always represent the best value for money. Other factors affecting the success of a project include:

- (a) experience and qualifications of team members;
- (b) understanding of client's needs;
- (c) feasibility and credibility of proposed approach;
- (d) ability to complete the project on time.

Where other factors are taken into account in selecting a tenderer, these must be clearly recorded and documented in the contract file, and the reason(s) for not accepting the lowest tender clearly stated.

- (iii) No tender shall be accepted which will commit expenditure in excess of that which has been allocated by the PCT and which is not in accordance with these Instructions except with the authorisation of the Chief Executive.
- (iv) The use of these procedures must demonstrate that the award of the contract was:
 - (a) not in excess of the going market rate / price current at the time the contract was awarded;
 - (b) that best value for money was achieved.
- (v) All Tenders should be treated as confidential and should be retained for inspection.

18. TENDER REPORTS TO THE BOARD

18.1 Reports to the Board will be made on an exceptional circumstance basis only.

19. LIST OF APPROVED FIRMS (see SFI 9(9))

(a) Responsibility for maintaining list

A manager nominated by the Chief Executive shall on behalf of the PCT maintain lists of approved firms from who tenders and quotations may be invited. These shall be kept under frequent review. The lists shall include all firms who have applied for permission to tender and as to whose technical and financial competence the Trust is satisfied. All suppliers must be made aware of the Trust's terms and conditions of contract.

(b) Building and Engineering Construction Works

- (i) Invitations to tender shall be made only to firms included on the approved list of tenderers compiled in accordance with this instruction or on the separate maintenance lists compiled in accordance with Estmancode guidance (Health Notice HN(78)147).
- (ii) Firms included on the approved list of tenderers shall ensure that when engaging, training, promoting or dismissing employees or in any conditions of employment, shall not discriminate against any person because of colour, race, ethnic or national origins, religion or sex, and will comply with the provisions of the Equal Pay Act 1970, the Sex Discrimination Act 1975, the Race Relations Act 1976, and the Disabled Persons (Employment) Act 1944 and any amending and/or related legislation.
- (iii) Firms shall conform at least with the requirements of the Health and Safety at Work Act and any amending and/or other related legislation concerned with the health, safety and welfare of workers and other persons, and to any relevant British Standard Code of Practice issued by the British Standard Institution. Firms must provide to the appropriate manager a copy of its safety policy and evidence of the safety of plant and equipment, when requested.

(c) Financial Standing and Technical Competence of Contractors

The Director of Finance may make or institute any enquiries he/she deems appropriate concerning the financial standing and financial suitability of approved contractors. The Director with lead responsibility for clinical governance will similarly make such enquiries as is felt appropriate to be satisfied as to their technical / medical competence.

20. EXCEPTIONS TO USING APPROVED CONTRACTORS

- 20.1 If in the opinion of the Chief Executive and the Director of Finance or the Director with lead responsibility for clinical governance it is impractical to use a potential contractor from the list of approved firms/individuals (for example where specialist services or skills are required and there are insufficient suitable potential contractors on the list), or where a list for whatever reason has not been prepared, the Chief Executive should ensure that appropriate checks are carried out as to the technical and financial capability of those firms that are invited to tender or quote.
- 20.2 An appropriate record in the contract file should be made of the reasons for inviting a tender or quote other than from an approved list.

21. QUOTATIONS: COMPETITIVE AND NON-COMPETITIVE

- 21.1 General Position on quotations - Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to fall within the levels required for Quotations as set out in the PCT Scheme of Delegation

22. COMPETITIVE QUOTATIONS

- (i) Quotations should be obtained from at least three firms/individuals based on specifications or terms of reference prepared by, or on behalf of, the Trust or Committee/Sub-Committee.
- (ii) Quotations should be in writing unless the Chief Executive or his nominated officer determines that it is impractical to do so in which case quotations may be obtained by telephone. Confirmation of telephone quotations should be obtained as soon as possible and the reasons why the telephone quotation was obtained should be set out in a permanent record.
- (iii) All quotations should be treated as confidential and should be retained for inspection.
- (iv) The Chief Executive or his nominated officer should evaluate the quotation and select the quote which gives the best value for money. If this is not the lowest quotation if payment is to be made by the PCT, or the highest if payment is to be received by the PCT, then the choice made and the reasons why should be recorded in a permanent record.

23. NON-COMPETITIVE QUOTATIONS

23.1 Non-competitive quotations in writing may be obtained in the following circumstances:

- (i) the supply of proprietary or other goods of a special character and the rendering of services of a special character, for which it is not, in the opinion of the Responsible Officer, possible or desirable to obtain competitive quotations;
- (ii) the supply of goods or manufactured articles of any kind which are required quickly and are not obtainable under existing contracts;
- (iii) miscellaneous services, supplies and disposals;
- (iv) where the goods or services are for building and engineering maintenance the responsible works manager must certify that the first two conditions (i.e.: (i) and (ii)) apply.

24. QUOTATIONS TO BE WITHIN FINANCIAL LIMITS

24.1 No quotation shall be accepted which will commit expenditure in excess of that which has been allocated by the PCT and which is not in accordance with Standing Financial Instructions except with the authorisation of either the Chief Executive or Director of Finance

25. AUTHORISATION OF TENDERS AND COMPETITIVE QUOTATIONS

25.1 Providing all the conditions and circumstances set out in these Standing Financial Instructions have been fully complied with, formal authorisation and awarding of a contract may be decided by the following staff to the value of the contract as set out in the Scheme of Delegation.

25.2 Formal authorisation must be put in writing. In the case of authorisation by the Board this shall be recorded in their minutes.

26. INSTANCES WHERE FORMAL COMPETITIVE TENDERING OR COMPETITIVE QUOTATION IS NOT REQUIRED

26.1 Where competitive tendering or a competitive quotation is not required, the PCT should adopt one of the following alternatives:

- (a) the PCT shall use the NHS Purchasing & Supplies Agency for procurement of all goods and services unless the Chief Executive or nominated officers deem it inappropriate. The decision to use alternative sources must be documented.
- (b) If the PCT does not use the NHS Purchasing & Supplies Agency - where tenders or quotations are not required, because expenditure is below the level required as set out in the PCT Scheme of Delegation, the PCT shall procure goods and services in accordance with procurement procedures approved by the Director of Finance.

27. PRIVATE FINANCE FOR CAPITAL PROCUREMENT (see overlap with SFI No. 15)

27.1 The PCT should normally market-test for PFI (Private Finance Initiative funding) when considering a capital procurement. When the Board proposes, or is required, to use finance provided by the private sector the following should apply:

- (a) The Chief Executive shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) Where the sum exceeds delegated limits, a business case must be referred to the appropriate Department of Health for approval or treated as per current guidelines.
- (c) The proposal must be specifically approved by the Board of the PCT.
- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

28. COMPLIANCE REQUIREMENTS FOR ALL CONTRACTS

28.1 The Board may only enter into contracts on behalf of the PCT within the statutory powers delegated to it by the Secretary of State and shall comply with:

- (a) The PCT's Standing Orders and Standing Financial Instructions;
- (b) EU Directives and other statutory provisions;
- (c) Such of the NHS Standard Contract Conditions as are applicable;
- (d) 'Standards for Better Health'
- (e) Contracts with Foundation Trusts must be in a form compliant with appropriate NHS guidance;

- (f) Where appropriate contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited;
- (g) In all contracts made by the PCT, the Board shall endeavour to obtain best value for money by use of all systems in place. The Chief Executive shall nominate an officer who shall oversee and manage each contract on behalf of the PCT.

29. PERSONNEL AND AGENCY OR TEMPORARY STAFF CONTRACTS

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

30. HEALTHCARE SERVICES AGREEMENTS (see overlap with SFI No. 10)

- 30.1 Service agreements with NHS providers for the supply of healthcare services shall be drawn up in accordance with the NHS and Community Care Act 1990 and administered by the PCT. Service agreements are not contracts in law and are not enforceable by the courts. However, a contract with a Foundation Trust, being a Public Benefit Corporation (PBC), is a legal document and is enforceable in law.
- 30.2 The Chief Executive shall nominate officers to commission service agreements with providers of healthcare in line with a commissioning plan approved by the Board.

31. DISPOSALS (See overlap with SFI No. 17)

- 31.1 Competitive Tendering or Quotation procedures shall not apply to the disposal of:
 - (a) any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or his nominated officer;
 - (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the PCT;
 - (c) items to be disposed of with an estimated sale value of less than that set out in the PCT Scheme of Delegation, this figure to be reviewed on a periodic basis;
 - (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
 - (e) land or buildings concerning which DH guidance has been issued but subject to compliance with such guidance.

32. IN-HOUSE SERVICES

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

- 32.2 In all cases where the Board or Committee/Sub-Committee determines that in-house services should be subject to competitive tendering the following groups shall be set up:
- (a) Specification group, comprising the Chief Executive or nominated officer/s and specialist.
 - (b) In-house tender group, comprising a nominee of the Chief Executive and technical support.
 - (c) Evaluation team, comprising normally a specialist officer, a supplies officer and a Director of Finance representative. A non-officer member should be a member of the evaluation team for services having a likely annual expenditure exceeding that set out in the PCT Scheme of Delegation
- 32.3 All groups should work independently of each other and individual officers may be a member of more than one group but no member of the in-house tender group may participate in the evaluation of tenders.
- 32.4 The evaluation team shall make recommendations to the Board or Committee/Sub-Committee.
- 32.5 The Chief Executive shall nominate an officer to oversee and manage the contract on behalf of the PCT.
- 33. APPLICABILITY OF SFIS ON TENDERING AND CONTRACTING TO FUNDS HELD IN TRUST (see overlap with SFI No. 21)**
- 33.1 These Instructions shall not only apply to expenditure from Exchequer funds but also to works, services and goods purchased from the PCT's trust funds and private resources.

END

1. NHS SERVICE AGREEMENTS FOR PROVISION OF SERVICES (see overlap with SFI No. 9(28))

2. SERVICE LEVEL AGREEMENTS (SLAs)

2.1 The Chief Executive, as the Accountable Officer, is responsible for ensuring the PCT enters into suitable Service Level Agreements (SLA) with service commissioners for the provision of NHS services.

2.2 All SLAs should aim to implement the agreed priorities contained within the Operating Plan (OP) and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive should take into account:

- National PBR and contracting policy, standards and guidance including the operating framework, Code of Conduct and national contract;
- the standards of service quality expected;
- the relevant national service framework (if any);
- the provision of reliable information on cost and volume of services;
- the NHS National Performance Assessment Framework;
- that SLAs build where appropriate on existing Joint Investment Plans;
- that SLAs are based on integrated care pathways.

3. INVOLVING PARTNERS AND JOINTLY MANAGING RISK

3.1 A good SLA will result from a dialogue of clinicians, users, carers, public health professionals and managers. It will reflect knowledge of local needs and inequalities. This will require the Chief Executive to ensure that the PCT works with all partner agencies involved in both the delivery and the commissioning of the service required. The SLA will apportion responsibility for handling a particular risk to the party or parties in the best position to influence the event and financial arrangements should reflect this. In this way the PCT can jointly manage risk with all interested parties. Due consideration in all provider/purchaser arrangements must be observed as the NHS moves toward a 'Patient led NHS'.

4. A 'PATIENT LED NHS AND 'PRACTICE BASED COMMISSIONING'

4.1 The Department of Health has published its document 'Creating a patient-led NHS' and 'Practice based Commissioning' setting out the basis upon which the Government's major reform agenda will be carried forward.

4.2 A 'Patient-led NHS'

Every aspect of the new system is designed to create a service which is patient-led, where:

- people have a far greater range of choices and of information and guidance to help make choices;
- there are stronger standards and safeguards for patients;
- NHS organisations are better at understanding patients and their needs, use new and different methodologies to do so and have better and more regular sources of information about preferences and satisfaction.

4.3 What services will look like

In order to be patient-led, the NHS will develop new service models, which build on current experience and innovation to:

- give patients more choice and control wherever possible;
- offer integrated networks for emergency, urgent and specialist care to ensure that everyone throughout the country has access to safe, high quality care;
- make sure that all services and all parts of the NHS contribute to health promotion, protection and improvement.

4.4 Securing services

The NHS will develop the way it secures services for its patients. It will:

- promote more choice in acute care by offering choice to the patient both in number and type of provider;
- encourage development of new community and primary services alongside new practices;
- strengthen existing networks for emergency, urgent and specialist services;
- build on current practices in shared commissioning to create a far simpler contract management and administration system that can be professionally managed.

4.5 **Changing the way the NHS works**

The NHS needs a change of culture as well as of systems to become truly patient-led, where:

- everything is measured by its impact on patients and type of provider
- the NHS is as concerned with health promotion and prevention as with sickness and injury;
- frontline staff have more authority and autonomy to better support the patient;
- barriers which create rigidity and inflexibility are tackled and codes of conduct and shared values are instilled into the culture.

4.6 **Making the changes**

A Patient-led NHS needs effective organisations and incentives, with:

- a new development programme to help NHS Trusts become NHS Foundation Trusts;
- a similar structured programme to support PCTs in their development of 'Practice Based Commissioning';
- further development of Payment by Results to provide appropriate financial incentives for all services;
- greater integration of all the financial and quality incentives along with full utilisation of new human resources and IT programmes.

Commissioning a Patient-led NHS and Practice Based Commissioning are being rolled out by the Department of Health and full support and latest guidance may be accessed at <http://www.dh.gov.uk>

5. **REPORTS TO BOARD ON SLAs**

- 5.1 The Chief Executive, as the Accountable Officer, will need to ensure that regular reports are provided to the Board detailing actual and forecast expenditure against the SLA. This will include information on costing arrangements, which increasingly should be based upon Healthcare Resource Groups (HRGs). Where HRGs are unavailable for specific services, all parties should agree a common currency for across the range of SLAs.

END

1. ROLE OF THE PCT IN COMMISSIONING SECONDARY SERVICES

1.1 The PCT has responsibilities for commissioning and contracting for secondary care services on behalf of the resident population. This will require the PCT to work in partnership with GPs participating in Practice Based Commissioning, the Strategic Health Authority, local NHS Trusts, PCTs and Foundation Trusts, local authority, users, carers and the voluntary sector to develop an Operating Plan (OP).

2. ROLE OF THE CHIEF EXECUTIVE

2.1 The Chief Executive as the Accountable Officer has responsibility for ensuring secondary services are commissioned in accordance with the priorities agreed in the OP. This will involve ensuring that contracts and Service Level Agreements (SLAs) are put in place with the relevant providers, based upon integrated care pathways.

2.2 Contracts and SLAs will be the key means of delivering the objectives of the OP and therefore they need to have a wider scope than traditional service agreements.

2.3 The PCT Chief Executive will need to ensure that all agreements;

- Meet the standards of service quality expected;
- Fit the requirement of 'Standards for Better Health';
- Fit the relevant national service framework (if any);
- Enable the provision of reliable information on cost and volume of services;
- Fit the NHS National Performance Assessment Framework;
- that agreements build where appropriate on existing Joint Investment Plans;
- that agreements are based upon cost-effective services;
- that agreements are based on integrated care pathways.

2.4 The Chief Executive, as the Accountable Officer, will need to ensure that regular reports are provided to the Board detailing actual and forecast expenditure and activity for each contract or SLA.

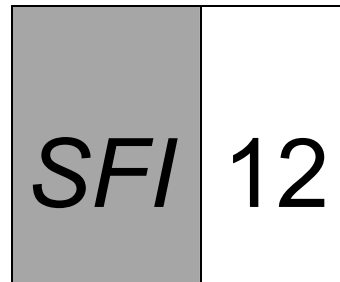
2.5 Where the PCT makes arrangements for the provision of services by non-NHS providers it is the Chief Executive, as the Accountable Officer, who is responsible for ensuring that the agreements put in place have due regard to the quality and cost-effectiveness of services provided. Before making any agreement with non-NHS providers, the PCT should explore fully the scope to make maximum cost-effective use of NHS facilities.

3. ROLE OF DIRECTOR OF FINANCE

- 3.1 A system of financial monitoring must be maintained by the Director of Finance to ensure the effective accounting of expenditure under the SLA. This should provide a suitable audit trail for all payments made under the agreements, but maintains patient confidentiality.
- 3.2 The Director of Finance must account for Out of Area Treatments/Non-Contract Activity (NCA) financial adjustments in accordance with national guidelines.

END

TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE BOARD, CLINICAL EXECUTIVE COMMITTEE AND EMPLOYEES



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1. **REMUNERATION AND TERMS OF SERVICE (see overlap with Standing Order No. 3)**
 - 1.1 In accordance with Standing Orders the Board shall establish a Remuneration and Terms of Service Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting. (See NHS guidance contained in the Higgs report).
 - 1.2 The Committee will:
 - (a) advise the Board about appropriate remuneration and terms of service for the Chief Executive, other officer members employed by the PCT and other senior employees including:
 - (i) all aspects of salary (including any performance-related elements/bonuses);
 - (ii) provisions for other benefits, including pensions and cars;
 - (iii) arrangements for termination of employment and other contractual terms;
 - (b) make such recommendations to the Board on the remuneration and terms of service of officer members of the Board and Clinical Executive Committee members (and other senior employees) to ensure they are fairly rewarded for their individual contribution to the PCT - having proper regard to the PCT's circumstances and performance and to the provisions of any national arrangements for such members and staff where appropriate;
 - (c) monitor and evaluate the performance of individual officer members of the Clinical Executive Committee (and other senior employees); and
 - (d) advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.
 - 1.3 The Committee shall report in writing to the Board the basis for its recommendations. The Board shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of officer Clinical Executive Committee members. Minutes of the Board's meetings should record such decisions.

- 1.4 The Board will consider and need to approve proposals presented by the Chief Executive for setting of remuneration and conditions of service for those employees and officers not covered by the Committee.
- 1.5 The PCT will pay allowances to the Chairman, non-officer members of the Board in accordance with instructions issued by the Secretary of State.

2. FUNDED ESTABLISHMENT

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

3. STAFF APPOINTMENTS

- 3.1 No officer or member of the Clinical Executive Committee or member of the Board or employee may engage, re-engage, or re-grade 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 his approved budget and funded establishment.
- 3.2 The Board will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees.

4. PROCESSING OF PAYROLL

- 4.1 The Director of Finance is responsible for:
 - (a) specifying timetables for submission of properly authorised time records and other notifications;
 - (b) the final determination of pay and allowances;
 - (c) making payment on agreed dates;
 - (d) agreeing method of payment; and
- 4.2 The Director of Finance will issue instructions regarding:
 - (a) verification and documentation of data;
 - (b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
 - (c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
 - (d) security and confidentiality of payroll information;

- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;
- (g) methods of payment available to various categories of employee and officers;
- (h) procedures for payment by cheque, bank credit, or cash 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 those leaving employment of the PCT of sums of money and property due by them to the PCT.

4.3 Appropriately nominated managers have delegated responsibility for:

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

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

5. CONTRACTS OF EMPLOYMENT

5.1 The Board shall delegate responsibility to an officer for:

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

END

1. DELEGATION OF AUTHORITY

- 1.1 The Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to budget holders and budget managers.
- 1.2 The Chief Executive will set out:
 - (a) the list of managers who are authorised to place requisitions for the supply of goods and services; and
 - (b) the maximum level of each requisition and the system for authorisation above that level. (see approved financial limits in the PCTs scheme of delegation).
- 1.3 The Chief Executive shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

2. CHOICE, REQUISITIONING, ORDERING, RECEIPT AND PAYMENT FOR GOODS AND SERVICES (see overlap with Standing Financial Instruction No. 9)

Requisitioning

- 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 PCT. In so doing, the advice of the PCT's adviser on supply shall be sought. Where this advice is not acceptable to the requisitioner, the Director of Finance (and/or the Chief Executive) shall be consulted.

System of Payment and Payment Verification

- 2.2 The Director of Finance shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.
- 2.3 **The Director of Finance will:**
 - (a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in standing orders and regularly reviewed;
 - (b) prepare procedural instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds;
 - (c) be responsible for the prompt payment of all properly authorised accounts and claims;

- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
- (i) A list of Board and Executives, members and employees (including specimens of their signatures) authorised to certify invoices.
 - (ii) Certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices are correct;
 - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
 - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
 - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
 - the account is arithmetically correct;
 - the account is in order for payment.
 - (iii) A timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.
 - (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.
- (e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received, (except as set out in SFI No 2.4 below. Where such system issues as set out in 2.3 c) to e) above are undertaken by a shared service provider, these will be detailed in the service level agreement with the provider.

Prepayments

- 2.4 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 National Loans Fund (NLF) rate plus 2%).
 - (b) the appropriate officer member of the Committee/Sub-Committee or Executive Director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on

the PCT if the supplier is at some time during the course of the prepayment agreement unable to meet his commitments;

- (c) the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU procurement rules where the contract is above a stipulated financial threshold); and
- (d) the budget holder or budget manager is responsible for ensuring that all items due under a prepayment contract are received and he/she must immediately inform the appropriate Director or Chief Executive if problems are encountered. Every prepayment over a financial threshold as determined by the Director of Finance, and notified to budget holders and budget managers, will be individually approved and notified to the shared service provider.

Official Orders

2.5 Official Orders must:

- (a) be consecutively numbered;
- (b) be in a form approved by the Director of Finance;
- (c) state the PCT's terms and conditions of trade; and
- (d) only be issued to, and used by, those duly authorised by the Chief Executive.
- (e) May be transmitted by a system of Electronic Data Interchange (EDI), electronic mail (e-mail), Extensible Markup Language (XML) or login online, as approved by the Director of Finance.

Duties of Managers and Officers

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

- (a) all contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement;
- (c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health;
- (d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
 - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
 - (ii) conventional hospitality, such as lunches in the course of working visits;

(This provision needs to be read in conjunction with Standing Order No. 5 and the principles outlined in the national guidance contained in HSG 93(5) **'Standards of Business Conduct for NHS Staff'**; the **'Code of Conduct for NHS Managers 2002'**); and the **'ABPI Code of Professional Conduct'** relating to hospitality/gifts from pharmaceutical/external industry).

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- (f) all goods, services, or works are ordered on an official order, or via an official order route, except works and services executed in accordance with a contract and purchases from petty cash;
- (g) 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";
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (i) goods are not taken on trial or loan in circumstances that could commit the PCT to a future uncompetitive purchase;
- (j) changes to the list of members/employees and officers authorised to certify invoices are notified to the Director of Finance;
- (k) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance; and
- (l) petty cash records are maintained in a form as determined by the Director of Finance.

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

3. JOINT FINANCE ARRANGEMENTS WITH LOCAL AUTHORITIES AND VOLUNTARY BODIES (see overlap with Standing Order No. 8(1))

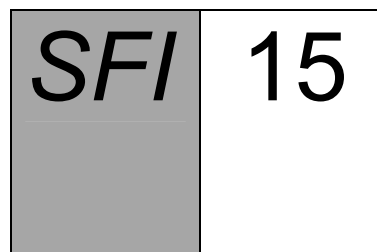
3.1 Payments to local authorities and voluntary organisations made under the powers of section 28A and Section 75 of the NHS Act **shall** comply with procedures laid down by the Director of Finance which shall be in accordance with these Acts. (See overlap with Standing Order No. 8(1)).

END

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1. The Director of Finance should ensure that members of the Board and Committees/Sub-Committees are aware of the Financial Framework. This document contains directions that the PCT must follow. It also contains directions to Strategic Health Authorities regarding resource and capital allocation and funding to PCTs. The Director of Finance should also ensure that the direction and guidance in the framework is followed by the PCT.

END

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



1. CAPITAL INVESTMENT

1.1 The Capital & Estates Group shall:

- (a) monitor and review the PCT's capital programme;
- (b) review future capital developments;
- (c) identify the funding and IT needs of Primary care Estates;
- (d) manage property issues;
- (e) any other capital and estates matter that falls within its Terms of Reference.

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

- (a) that a business case (in line with the guidance contained within the *Capital Investment Manual*) is produced setting out:
 - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs; and
 - (ii) appropriate project management and control arrangements; and
- (b) that the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case and involved appropriate PCT personnel and external agencies in the process.

1.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of "Estatecode".

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

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

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

- (a) specific authority to commit expenditure;
- (b) authority to proceed to tender (see overlap with SFI 9(5));
- (c) approval to accept a successful tender (see overlap with SFI 9(5)).

- 1.7 The Chief Executive will issue a scheme of delegation for capital investment management in accordance with "Estatecode" guidance and the PCT's Standing Orders.
 - 1.8 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures shall fully take into account the delegated limits for capital schemes included in Annex C of HSC (199) 246.
- 2. PRIVATE FINANCE** (see overlap with SFI No 9(25))
- 2.1 The PCT should normally test for PFI when considering capital procurement. When the PCT proposes to use finance which is to be provided other than through its Allocations, the following procedures shall apply:
 - (a) The Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector.
 - (b) Where the sum involved exceeds delegated limits, the business case must be referred to the Department of Health or in line with any current guidelines.
 - (c) The proposal must be specifically agreed by the Board.
- 3. ASSET REGISTERS**
- 3.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year.
 - 3.2 Each PCT shall maintain an asset register recording assets. The minimum data set to be held within these registers shall be as specified in the **'Chapter 3 of the Manual for Accounts'** as issued by the Department of Health.
 - 3.3 Additions to the asset register must be clearly identified to an appropriate budget holder or budget manager 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.
 - 3.4 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

- 3.5 The Director of Finance shall approve procedures for reconciling balances on assets accounts in ledgers against balances on asset registers.
- 3.6 The value of each asset shall be indexed to current values in accordance with methods specified in the *Capital Accounting Manual* issued by the Department of Health.
- 3.7 The value of each asset shall be depreciated using methods and rates as specified in the **'Chapter 3 of the Manual for Accounts'** issued by the Department of Health.
- 3.8 The Director of Finance of the PCT shall calculate and pay capital charges as specified in the **'Chapter 3 of the Manual for Accounts'** issued by the Department of Health.

4. SECURITY OF ASSETS

- 4.1 The overall control of assets is the responsibility of the Chief Executive.
- 4.2 Asset control procedures (including assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:
 - (a) recording managerial responsibility for each asset;
 - (b) identification of additions and disposals;
 - (c) identification of all repairs and maintenance expenses;
 - (d) physical security of assets;
 - (e) periodic verification of the existence of, condition of, and title to, assets recorded;
 - (f) identification and reporting of all costs associated with the retention of an asset; and
 - (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 4.3 All discrepancies revealed by verification of physical assets to the asset register shall be notified to the Director of Finance.
- 4.4 Whilst each employee and officer has a responsibility for the security of property of the PCT, it is the responsibility of Board and Committee/Sub-Committee members and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with instructions.
- 4.5 Any damage to the PCT's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Board and Committee/Sub-Committee members and employees in accordance with the procedure for reporting losses.
- 4.6 Where practical, assets should be marked as PCT property.

4 NHS LIFT

- 5.1 Guidance on LIFT projects is available from the joint DH and Partnerships UK website at www.partnershipsforhealth.co.uk

END

STORES AND RECEIPT OF GOODS



1. GENERAL POSITION

- 1.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- (a) kept to a minimum;
 - (b) subjected to annual stock take;
 - (c) valued at the lower of cost and net realisable value.
- 1.2 Subject to the responsibility of the Director of Finance for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the Chief Executive. The day-to-day responsibility may be delegated by him/her to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of any Pharmaceutical stocks, including controlled drugs, shall be the responsibility of a designated Pharmaceutical Officer; the control of any fuel oil and coal of a designated estates manager.
- 1.3 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager/Pharmaceutical Officer. Wherever practicable, stocks should be marked as health service property.
- 1.4 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 1.5 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.
- 1.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 1.7 The designated Manager/Pharmaceutical Officer shall be responsible for
- a system approved by the Director of Finance
 - a review of slow moving and obsolete items
 - for condemnation, disposal, and replacement of all unserviceable articles.
 - reporting to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also SFI 17, Disposals and Condemnations, Losses and Special Payments).

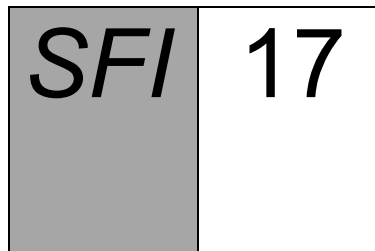
- Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

2. GOODS SUPPLIED BY NHS SUPPLY CHAIN

- 2.1 For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the Director of Finance who shall satisfy himself that the goods have been received before accepting the recharge.

END

DISPOSALS, CONDEMNATIONS, AND LOSSES AND SPECIAL PAYMENTS



1. DISPOSALS AND CONDEMNATIONS

Procedures

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

2. LOSSES AND SPECIAL PAYMENTS

Procedures

- 2.1 The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations and disposals and losses, and special payments by way of a 'Condemning & Disposals Policy' and 'Losses and Special Payments Policy'.
- 2.2 For further guidance on losses and special payments please refer to the 'NHS Manual for Accounts (chapter 5).
- 2.3 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 Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss or fraud confidentially. This officer will then appropriately inform the Director of Finance and/or Chief Executive. Where a criminal offence is suspected, the Director of Finance must immediately inform the police and

the LSMS if theft or arson is involved. In cases of fraud or corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the relevant LCFS and Operational Fraud Team in accordance with Secretary of State for Health's Directions.

Suspected Fraud

- 2.4 The Director of Finance must notify the NHS CFS, the External Auditor, and Audit Committee members, of all frauds.
- 2.5 For losses apparently caused by theft, fraud, arson, neglect of duty or gross carelessness, except if trivial and where fraud is not suspected, the Director of Finance must immediately notify:
 - (a) the Board,
 - (b) the External Auditor, and
 - (c) Local Security Management Specialist (LSMS).
- 2.6 Within limits delegated to it by the Department of Health, the Audit Committee shall approve the writing-off of losses.
- 2.7 The Director of Finance shall be authorised to take any necessary steps to safeguard the PCT's interests in bankruptcies and company liquidations.
- 2.8 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 2.9 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.
- 2.10 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.
- 2.11 All losses and special payments must be reported to the Audit Committee at every meeting.

END

1. RESPONSIBILITIES AND DUTIES OF THE DIRECTOR OF FINANCE

- 1.1 The Director of Finance, who is responsible for the accuracy and security of the computerised financial data of the PCT, shall:
- (a) devise and implement appropriate technical and organisational measures necessary to ensure adequate (reasonable) protection of the PCT's data, programs and computer hardware for which the Director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the state of technological development and the cost of implementing any measures are balanced in relation to the nature of the data to be protected and the harm that may result from a breach of the Data Protection Act 1998 and in particular its 7th principle;
 - (b) Follow the PCT's existing '**Information Governance Policy – Code of Conduct**'. All staff must sign the Code of Conduct before being allowed to use the Trust's ICT infrastructure.
 - (c) ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure confidentiality, integrity, security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
 - (d) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment. The concept of a 'separation of duties' should be deployed and access controls should ensure authorised staff have access on a 'need to know' basis.
 - (e) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Director may consider necessary are being carried out.
- 1.2 The Director of Finance shall need to ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, fitness for purpose warranties and guarantees must be contractually obtained from them, prior to implementation, that confirm the PCT's specifications and requirements are satisfied. In the event that the company is a subsidiary organisation, it will be at the Director of Finance's discretion as to whether a parent company financial guarantee is obtained.
- 1.3 The Director responsible for Information Technology shall publish and maintain a Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the Information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It

describes the classes or types of information about our PCT that we make publicly available.

2. RESPONSIBILITIES AND DUTIES OF OTHER DIRECTORS AND OFFICERS IN RELATION TO COMPUTER SYSTEMS OF A GENERAL APPLICATION

2.1 In the case of computer systems which are proposed General Applications (i.e. normally those applications which the majority of PCTs in the Region wish to sponsor jointly) all responsible directors and employees will send to the Director of Finance:

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

3. CONTRACTS FOR COMPUTER SERVICES WITH OTHER HEALTH BODIES OR OUTSIDE AGENCIES

3.1 The Director of Finance shall ensure that contracts for computer services for financial applications with another health organisation or any other agency shall clearly define the responsibility of all parties for the confidentiality, integrity, security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. Suitable warranties and guarantees must be provided by the other health organisation or agency regarding the fitness of purpose of the services and applications being provided. The contract should also ensure rights of access for audit purposes and suitable indemnities to protect the interests of the PCT.

3.2 Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation. Such controls may include but not be limited to ISO17799, Code of Practice for Information Security and ISO27001, Information Security Management Standard.

4. REQUIREMENTS FOR COMPUTER SYSTEMS WHICH HAVE AN IMPACT ON CORPORATE FINANCIAL SYSTEMS

4.1 Where computer systems have an impact on corporate financial systems the Director of Finance shall satisfy him/herself that:

- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy and the PCT's Information Governance Policy;
- (b) User acceptance tests are carried out to confirm that the services or applications including interfaces, new versions and any enhancements are fit for purpose;
- (c) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
- (d) Exception security reports are generated on a daily basis and examined to identify invalid sign on attempts both source and user id; password violations;

access attempts valid and invalid outside of standard office hours;
unauthorised transaction attempts; unauthorised dataset access attempts;

- (e) The Director of Finance staff have access to such data; and
- (f) Such computer audit reviews as are considered necessary are being carried out.

5. RISK ASSESSMENT

- 5.1 The Director of Finance shall ensure that risks to the PCT arising from the use of IT are effectively identified and considered and appropriate action taken to mitigate or control risk. This shall include the preparation and testing of appropriate disaster recovery plans and business continuity plans to comply with the requirements of the 7th Principal of the Data Protection Act.

END

1. The PCT 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.
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 (subject to sensitivity guidance);
 - hospital admission documentation and property records,
 - the oral advice of administrative and nursing staff responsible for admissions,
 - that the PCT 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.
3. The Director of Finance must provide detailed written instructions on the collection, custody, investment, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.
4. Where Department of Health instructions require the opening of separate accounts for patients' moneys, these shall be opened and operated under arrangements agreed by the Director of Finance.
5. In all cases where property of a deceased patient is of a total value in excess of £5,000 (or such other amount as may be prescribed by any amendment to the Administration of Estates, Small Payments, Act 1965), the production of Probate or Letters of Administration shall be required before any of the property is released. Where the total value of property is £5,000 or less, forms of indemnity shall be obtained.
6. Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.
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.

END

1. CORPORATE TRUSTEE

- 1.1 Standing Orders outline the PCT's responsibilities as a corporate trustee for the management of funds it holds on trust and defines the need for compliance with Charities Commission latest guidance and best practice.
- 1.2 The discharge of the PCT's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.
- 1.3 The Director of Finance shall ensure that each trust fund that the PCT is responsible for managing is managed appropriately with regards to its purpose and to its requirements.

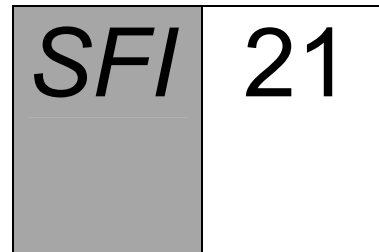
2. ACCOUNTABILITY TO CHARITY COMMISSION AND SECRETARY OF STATE FOR HEALTH

- 2.1 The Trustee responsibilities must be discharged separately and full recognition given to the PCT's dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for all funds held on trust.
- 2.2 The Schedule of Matters Reserved to the Board and the Scheme of Delegation make clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken, and by whom. All PCT Board and Committee/Sub-Committee members and PCT officers must take account of that guidance before taking action.

3. APPLICABILITY OF STANDING FINANCIAL INSTRUCTIONS TO FUNDS HELD ON TRUST

- 3.1 In so far as it is possible to do so, most of the sections of these Standing Financial Instructions will apply to the management of funds held on trust. (see overlap with SFI No. 9(32))
- 3.2 The over-riding principle is that the integrity of each trust must be maintained and statutory and trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

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



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1. **ACCEPTANCE OF GIFTS BY STAFF AND LINK TO STANDARDS OF BUSINESS CONDUCT** (see overlap with Standing Order No. 5 and SFI No 13(2.6d))
 - 1.1 The Director of Finance shall ensure that all staff are made aware of the PCT **'Policy on Hospitality and Gifts'** by staff. This policy should follow the guidance contained in the Department of Health circular HSG (93) 5 **'Standards of Business Conduct for NHS Staff'**; the **'Code of Conduct for NHS Managers 2002'**; and the **'ABI Code of Professional Conduct'** relating to hospitality/gifts from pharmaceutical/external industry and is also deemed to be an integral part of these Standing Financial Instructions as well as the PCT's Standing Orders (see overlap with SO 5).

END

1. ROLE OF THE PCT

- 1.1 The PCT will approve additions to, and deletions from, approved lists of contractors, taking into account the health needs of the local population, and the access to existing services. All applications and resignations received shall be dealt with equitably, within any time limits laid down in the contractors' NHS terms and conditions of service.

2. DUTIES OF THE CHIEF EXECUTIVE

- 2.1 The Chief Executive shall:

- (a) ensure that lists of all contractors, for which the PCT is responsible, are maintained in an up to date condition; and
- (b) ensure that systems are in place to deal with applications, resignations, inspection of premises, etc, within the appropriate contractor's terms and conditions of service.

3. DUTIES OF THE DIRECTOR OF FINANCE

- 3.1 The Director of Finance shall:

- (a) ensure that contractors who are included on the PCT's approved lists receive payments;
- (b) maintain a system of payments such that all valid contractors' claims are paid promptly and correctly, and are supported by the appropriate documentation and signatures;
- (c) ensure that regular independent verification of claims is undertaken, to confirm that:
 - (i) rules have been correctly and consistently applied;
 - (ii) overpayments are detected (or preferably prevented) and recovery initiated;
 - (iii) suspicions of fraud are identified and subsequently dealt with in line with Secretary of State for Health's Directions on the management of fraud and corruption.
- (d) ensure that arrangements are in place to identify contractors receiving exceptionally high, low or no payments, and highlight these for further investigation; and

- (e) ensure that a prompt response is made to any query raised by either the Prescription Pricing Authority or the Dental Practice Division of the NHS Business Services Authority, regarding claims from contractors submitted directly to them.

END

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1. The Chief Executive shall be responsible for maintaining archives for all documents required to be retained in accordance with **'NHS Code of Practice – Records Management 2006'**.
 2. The records held in archives shall be capable of retrieval by authorised persons.
 3. Records held in accordance **'NHS Code of Practice – Records Management 2006'**, shall only be destroyed at the express instigation of the Chief Executive. Audit trails shall be maintained of documents so destroyed.
 4. Where any records are held by a shared service provider, detailed requirements relating to 1 and 3 above will be set out in a service level agreement with the provider.

END

1. PROGRAMME OF RISK MANAGEMENT

- 1.1 The Chief Executive shall ensure that the PCT has a programme of risk management, in accordance with current Department of Health assurance framework requirements, which must be approved and monitored by the Board.
- 1.2 The programme of risk management shall include:
- (a) a process for identifying and quantifying risks and potential liabilities;
 - (b) engendering among all levels of staff a positive attitude towards the control of risk;
 - (c) management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk;
 - (d) contingency plans to offset the impact of adverse events;
 - (e) audit arrangements including; internal financial audit, clinical audit, health and safety review;
 - (f) a clear understanding of the extent of insurance cover.
 - (g) arrangements to review the risk management programme.
- 1.3 The existence, integration and evaluation of the above elements will assist in providing a basis to make a statement on the effectiveness of Internal Control within the Annual Report and Accounts as required by current Department of Health guidance.

2. INSURANCE: RISK POOLING SCHEMES ADMINISTERED BY NHSLA

- 2.1 The Board shall decide if the PCT will insure through the risk pooling schemes administered by the NHS Litigation Authority or self insure for some or all of the risks covered by the schemes. If the Board decides not to use the risk pooling schemes for any of the risk areas (clinical liability, property/employers/third party/products liability and professional indemnity covered by the scheme, this decision shall be reviewed annually.

3. INSURANCE ARRANGEMENTS WITH COMMERCIAL INSURERS

- 3.1 There is a general prohibition on entering into insurance arrangements with commercial insurers. There are, however, **three exceptions** when PCTs may enter into insurance arrangements with commercial insurers. The exceptions are:
- 1) for **insuring motor vehicles** owned by the PCT including insuring third party liability arising from their use;
 - 2) where the PCT is involved with a consortium in a **Private Finance Initiative contract** and the other consortium members require that commercial insurance arrangements are entered into;
 - 3) where **income generation activities** take place. Income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the PCT for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from the NHS Litigation Authority. In any case of doubt concerning a PCT's power to enter into commercial insurance arrangements the Director of Finance should consult with the Department of Health.

4. ARRANGEMENTS TO BE FOLLOWED BY THE BOARD IN AGREEING INSURANCE COVER

- 4.1 Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority the Director of Finance shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Director of Finance shall ensure that documented procedures cover these arrangements.
- 4.2 Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or more of the risks covered by the schemes, the Director of Finance shall ensure that the Board is informed of the nature and extent of the risks that are self insured as a result of this decision.
- 4.3 The Director of Finance will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses, which will not be reimbursed.
- 4.4 All the risk pooling schemes require scheme members to make some contribution to the settlement of claims (the 'deductible'). The Director of Finance should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

END

APPENDIX

RELEVANT OXFORDSHIRE PCT POLICIES / GUIDANCE & EXTERNAL GUIDANCE

<u>SFI Section No.</u>	<u>SFI Section Name</u>	<u>Oxfordshire Policy / Procedure/Guidance</u>	<u>Version</u>	<u>Status (Draft or Final)</u>	<u>Planned Review Date</u>	<u>Policy Holder</u>	<u>External Guidance</u>	<u>Intra/Internet Link</u>	<u>Date of Issue</u>
3.0	Audit						NHS Audit Committee Handbook	http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_4121924	2005
3.0	Audit	Counter Fraud Policy and Response Plan							
3.0	Audit	Security Management Policy	1.0	Final	Nov 2008				
4.0	Resource Limit Control						Cash Management in the NHS	NHS	April 2004
7.0	Bank and OPG Account								
5.0	Allocations, Operating Plan, Budget, and Monitoring Budgetary Control	Virement Policy							
8.0	Income, Fees and Charges and Security of Cash, Cheques and Other Financial Instruments						NHS Costing Manual	http://www.dh.gov.uk/en/Managingyourorganisation/Financeandplanning/NHScostingmanual/index.htm	Feb 2008
9.0	Tendering & Contracting Procedure	Purchasing and Supplies Operating Procedure	Feb 2006						

<u>SFI Section No.</u>	<u>SFI Section Name</u>	<u>Oxfordshire Policy / Procedure/Guidance</u>	<u>Version</u>	<u>Status (Draft or Final)</u>	<u>Planned Review Date</u>	<u>Policy Holder</u>	<u>External Guidance</u>	<u>Intra/Internet Link</u>	<u>Date of Issue</u>
9.0	Tendering & Contracting Procedure						Capital Investment Manual	http://www.dh.gov.uk/en/AdvanceSearchResult/index.htm?searchTerms=capital+investment+manual	1994
9.0	Tendering & Contracting Procedure						Estatecode	http://www.dh.gov.uk/en/AdvanceSearchResult/index.htm?searchTerms=estatecode	2002
13.0	Non Pay Expenditure						Standards of Business Conduct for NHS Staff"	NHS	1993
21.0	Acceptance of Gifts by Staff and Link to Standards of Business Conduct						Code of Conduct for NHS Managers (2002)	http://www.dh.gov.uk/en/PublicationsandStatistics/Publications/PublicationsPolicyAndGuidance/DH_4005410	2002
							ABPI Code of Professional Conduct	http://www.abpi.org.uk/publications/pdfs/codeofpractice2003.pdf	2003
15.0	Capital Investment, Private Financing, Fixed Asset Registers and Security of assets						Chapter 3 of the Manual for Accounts	http://www.info.doh.gov.uk/doh/finman.nsf/4db79df91d978b6c00256728004f9d6b/95096061ec2c0feb802573bf0055e962/\$FILE/Chap%203%	2007

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								20- %20Accounting%20Principles.doc	
17.0	Disposals, Condemnations, Losses and Special Payments	Condemning & Disposals Policy – Losses and Special Payments Policy							
18.0	Information Technology	Information Governance Policy – Code of Conduct							
21.0	Acceptance of Gifts by Staff and Link to Standards of Business Conduct	Policy on Hospitality and Gifts							
23.0	Retention of Records						Records Management – NHS Code of Practice	http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_4131747	March 2006

NOTES

1. Oxfordshire PCT internal policies, procedures and guidance take precedence over external guidance. In the event of conflict, please contact the PCT Policy Holder or the Director of Finance.