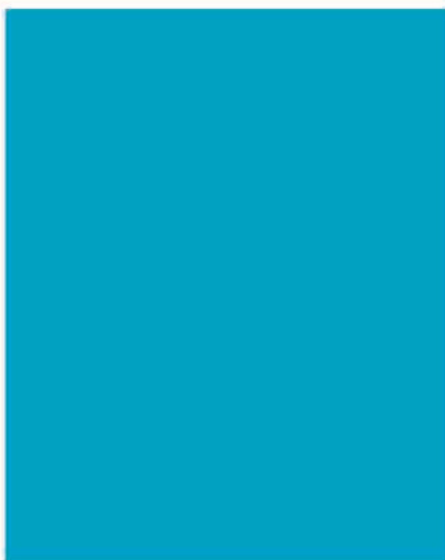


## Standing Financial Instructions



# Standing Financial Instructions

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## Information Reader Box

Directorate	Purpose
Medical	Tools
Nursing	Guidance
Patients & Information	Resources
Finance	Consultations
Operations	
Commissioning Development	
Policy	
Human Resources	

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## SFI1      **Introduction**

### 1.1      **General**

- 1.1.1      These Standing Financial Instructions are issued in accordance with the Directions issued by the Secretary of State for Health under the provisions of the NHS Act 2006 as amended by the Health and Social Care Act 2012, with responsibilities set out under that and subsequent secondary legislation for the regulation of the conduct of the NHS CB in relation to all financial matters. They shall have effect as if incorporated in the Standing Orders of the NHS CB.
- 1.1.2      These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by the NHS CB. They are designed to ensure that the NHS CB's financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the POL\_0002: Reservation of Powers to the Board & Delegation of Powers.
- 1.1.3      These Standing Financial Instructions identify the financial responsibilities that apply to everyone working for the NHS CB. The user of these Standing Financial Instructions must also take into account relevant prevailing Department of Health and/or HM Treasury instructions. The Chief Financial Officer must approve all financial procedures.
- 1.1.4      Should any difficulties arise regarding the interpretation or application of any of these Standing Financial Instructions, the advice of the Chief Financial Officer must be sought before acting. The user of these Standing Financial Instructions should also be familiar with and comply with the NHS CB's Standing Orders.
- 1.1.5      Wherever the title Chief Executive, Chief Financial Officer, or other nominated Officer is used in these instructions, it shall be deemed to include such other directors or Employees as have been duly authorised to represent them, except in respect of Banking Arrangements (see SFI7).
- 1.2      **Failure to Comply with Standing Financial Instructions and Standing Orders**

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- 1.2.1 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.
- 1.2.2 If for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance shall be reported to the next formal meeting of the Audit Committee for determining or ratifying action. All Members of the Board, and all Officers, have a duty to disclose any non-compliance with these Standing Financial Instructions to the Chief Financial Officer as soon as possible.
- 1.3 **Responsibilities and Delegation**
- 1.3.1 The Board
- 1.3.1.1 The Board exercises financial supervision and control by:
- 1.3.1.1.1 Formulating the financial strategy;
- 1.3.1.1.2 Requiring the submission and approval of budgets within approved allocations/overall income;
- 1.3.1.1.3 Defining and approving essential features of financial arrangements in respect of important procedures and financial systems, including the need to obtain value for money; and,
- 1.3.1.1.4 Defining specific responsibilities placed on Members of the Board and Officers as indicated in POL\_0002: Reservation of Powers to the Board & Delegation of Powers.
- 1.3.1.2 The NHS CB has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are detailed in, POL\_0002: Reservation of Powers to the Board & Delegation of Powers.
- 1.3.1.3 The NHS Commissioning Board will delegate responsibility for the performance of its functions in accordance with the Standing Orders and scheme of delegation adopted by the NHS CB.
- 1.3.2 The Chief Executive and Chief Financial Officer

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- 1.3.2.1 The Chief Executive and Chief Financial Officer will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.
- 1.3.2.2 Within these Standing Financial Instructions it is acknowledged that the Chief Executive, as Accounting Officer, will have ultimate responsibility for ensuring that the NHS CB meets its obligation to perform its functions within the financial resources made available to it. The Chief Executive has overall executive responsibility for the NHS CB's activities, is responsible to the Board for ensuring that it stays within its resource limits and has overall responsibility for the NHS CB's system of internal control.
- 1.3.2.3 The Chief Executive will delegate detailed responsibility for financial activities and controls to the Chief Financial Officer but retain overall accountability. The extent of such delegation will be determined in the NHS CB's scheme of delegation and should be kept under review by the Board.
- 1.3.2.4 The Chief Executive, through the Chief Financial Officer, shall be responsible for the implementation of the NHS CB's financial policies and for co-ordinating any corrective action necessary to further these policies.
- 1.3.2.5 It shall be the responsibility of the Chief Executive to ensure that existing Members of the Board and Officers and all new Members of the Board and Officers are notified of their responsibilities within these Standing Financial Instructions, and in particular NHS CB policy in relation to potential corruption and the acceptance of gifts and hospitality. The general principle is that all Officers and Members of the Board must be, and must be seen to be, fair, impartial and unbiased at all times. The offer or receipt of any gift and hospitality can create actual or perceived conflicts of interest, but at the same time refusal could cause embarrassment or unintentional offence. The offer of a gift, favour, or exceptionally generous hospitality should be treated with caution.
- 1.3.2.6 The Chief Executive shall ensure that the NHS CB has a programme of risk management, in accordance with current Department of Health assurance framework requirements, which shall be approved by the Board and monitored by the Audit Committee.

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1.3.3 The Chief Financial Officer

1.3.3.1 The Chief Financial Officer is responsible for:

1.3.3.1.1 Maintaining an effective system of 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; and,

1.3.3.1.2 Ensuring that sufficient records are maintained to show and explain the NHS CB's transactions, in order to disclose, with reasonable accuracy, the financial position of the NHS CB at any time.

1.3.3.2 Without prejudice to any other functions of the NHS CB, and Officers of the NHS CB, the duties of Chief Financial Officer shall include:

1.3.3.2.1 The provision of financial advice to the NHS CB and its Officers;

1.3.3.2.2 The design, implementation and supervision of systems of internal financial control; and,

1.3.3.2.3 The preparation and maintenance of such accounts, certificates, estimates, records and reports as the NHS CB may require for the purpose of carrying out its statutory duties.

1.3.3.3 The Chief Financial Officer shall ensure that insurance arrangements exist in accordance with the risk management programme and shall demonstrate value for money for any insurance obtained.

1.3.4 Board Members and Officers

1.3.4.1 All Members of the Board and Officers, severally and collectively, are responsible for:

1.3.4.1.1 The security of the property of the NHS CB;

1.3.4.1.2 Avoiding loss;

1.3.4.1.3 Exercising economy and efficiency in the use of resources; and,

1.3.4.1.4 Conforming with the requirements of Standing Orders, Standing Financial Instructions, scheme of delegation and financial procedures.

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- 1.3.4.2 It shall be the duty of any Officer having evidence of, or reason to suspect, financial or other irregularities or impropriety in relation to these instructions to report these suspicions to the Chief Financial Officer. The Chief Financial Officer will consider the suspicions to determine if the case should be referred to the Counter Fraud Specialist. A detailed investigation should not be conducted as this may compromise any investigation by the Counter Fraud Specialist.
- 1.3.4.3 For all Members of the Board and any Officers who carry out a financial function, the form in which the financial records are kept and the manner in which Members of the Board and Officers discharge their duties must be to the satisfaction of the Chief Financial Officer.
- 1.3.5 Contracts, contractors and their employees
- 1.3.5.1 Officers responsible for arranging contracts for the provision of items and/or services shall ensure that those contracts are correctly monitored and governed within the contract's terms and conditions.
- 1.3.5.2 Any contractor or employee of a contractor who is empowered by the NHS CB to commit the NHS CB to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.
- 1.3.5.3 All contractors must agree to, and sign copies of, the NHS CB's data confidentiality code of conduct before accessing NHS CB records.
- 1.3.5.4 All contractors must agree to, and sign copies of, the NHS CB's IT security policy before accessing any of the NHS CB's ICT systems.

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## SFI2      **Scope**

### 2.1      **Officers Within the Scope of these Standing Financial Instructions**

2.1.1      Officers of the following NHS CB areas are within the scope of these Standing Financial Instructions:

- National Teams;
- Regional Teams;
- Area Teams;
- All Commissioning Support Units;
- NHS Improving Quality;
- NHS Sustainable Development Unit;
- Strategic Clinical Networks; and,
- Clinical Senates.

### 2.2      **Officers Not Covered by these Standing Financial Instructions**

2.2.1      There are no Officers of the NHS CB not covered by these Standing Financial Instructions.

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## SFI3 Definitions

3.1 Unless a contrary intention is evident or the context requires otherwise, words or expressions contained in this document shall have the same meaning as set out in the National Health Service Act 2006 and the Health & Social Care Act 2012 or in any secondary legislation made under the National Health Service Act 2006 and the Health & Social Care Act 2012 and the following defined terms shall have the specific meanings given to them below:

Accounting Officer	means the person responsible and accountable for resources within the control of the NHS CB, in accordance with the requirements of the HM Treasury guidance Managing Public Money. Under paragraph 15 of Schedule A1 of the NHS Act 2006 the Accounting Officer for the NHS CB is the Chief Executive.
Board	means the Chair, Executive Members and Non-executive Members of the NHS CB collectively as a body.
Budget	means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the NHS CB.
Budget Holder	means an Officer with delegated authority to manage finance (income and/or expenditure) for a specific area of the NHS CB.
Budget Manager	means an Officer who manages a Budget on behalf of a Budget Holder.
Chair	means the person appointed by the Secretary of State for Health under paragraph 2(1) of Schedule A1 of the NHS Act 2006, to lead the Board and to ensure that it successfully discharges its overall responsibility for the NHS CB as a whole. The expression "the Chair" shall be deemed to include the Vice-chair if the Chair is absent from the meeting or is otherwise unavailable.
Chief Executive	means the chief executive of the NHS CB appointed pursuant to paragraph 3 of Schedule A1 of the NHS Act 2006.
Chief Financial Officer	means the chief financial officer of the NHS CB.
Clinical Commissioning	means a body established in accordance with section 11 of the

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Group/CCG	NHS Act 2006.
Committee	means a committee appointed by the Board, which reports to the Board.
Committee Member	means a person appointed by the Board to sit on or to chair a specific Committee.
Employee	means a person paid via the payroll of the NHS CB, or for whom the NHS CB has responsibility for making payroll arrangements, but excluding Non-executive Members.
Executive Director	means an Executive Member or other Officer of the NHS CB who reports directly to the Chief Executive.
Executive Member	means a Member of the Board who is appointed under paragraph 3 of Schedule A1 of the NHS Act 2006.
Funds Held on Trust	means those funds which the Board holds on the date of incorporation, receives on distribution by statutory instrument or chooses subsequently to accept under powers derived under section 13Y and paragraph 11, Schedule A1 of the NHS Act 2006. Such funds may or may not be charitable.
HSCA 2012	means Health & Social Care Act 2012.
Member	means a Non-Executive Member or Executive Member of the Board as the context permits. Member in relation to the Board does not include its Chair.
Motion	means a formal proposition to be discussed and voted on during the course of a meeting of the Board.
NHS Act 2006	means National Health Service Act 2006 (as amended).
NHS CB	means NHS Commissioning Board.
Nominated Officer	means an Officer charged with the responsibility for discharging a specific task within SOs and/or SFIs.
Non-executive Director	means a Non-executive Member of the NHS CB.
Non-executive Member	means a Member of the Board who is appointed under paragraph 2(1)(a) and 2(1)(b) of Schedule A1 of the NHS Act 2006.
Officer	means an Employee of the NHS CB or any other person holding a paid appointment or office with the NHS CB.

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Secretary	means a person appointed to provide advice on corporate governance issues to the Board and the Chair, and to monitor the Board's compliance with the law, SOs and SFIs, and guidance issued by the Secretary of State for Health.
Secretary of State for Health	means the UK Cabinet Minister responsible for the Department of Health.
SFI	means Standing Financial Instruction.
SO	means Standing Order.
Sub-committee	means a committee appointed by the Board, which reports to a Committee of the Board
Vice-chair	means the Non-executive Member appointed by the Board to take on the Chair's duties if the Chair is absent for any reason.

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## SFI4      **Audit**

### 4.1      **Audit Committee**

- 4.1.1      In accordance with Standing Orders (and as set out in guidance issued by the Department of Health under EL(94) 40), the NHS CB shall establish an Audit Committee. The terms of reference of the Audit Committee shall be drawn up and approved by the Board. The Audit Committee will provide an independent and objective view of internal control by:
- 4.1.1.1      Overseeing internal and external audit services;
  - 4.1.1.2      Reviewing financial and information systems, monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;
  - 4.1.1.3      Providing oversight of the establishment and maintenance of an effective system of assurance on risk management and internal control, across the whole of the NHS CB's activities, that supports achievement of the NHS CB's objectives;
  - 4.1.1.4      Monitoring compliance with Standing Orders and Standing Financial Instructions;
  - 4.1.1.5      Ensuring that the NHS CB has adequate arrangements in place for countering fraud and reviewing the outcomes of counter fraud work;
  - 4.1.1.6      Reviewing schedules of losses and compensations and making recommendations to the Board;
  - 4.1.1.7      Reviewing the work of other Committees, and other significant assurance providers or functions, which can provide relevant assurances; and,
  - 4.1.1.8      Requesting and reviewing reports and positive assurances from directors and managers on overall arrangements for governance, risk management and internal control.
- 4.1.2      Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chair of the Audit Committee should raise the matter in the first instance with the Chief Financial Officer and the Chief

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Executive. If the matter has still not been resolved to the Audit Committee's satisfaction, then the matter will be raised at a full meeting of the Board.

## 4.2 **Chief Financial Officer**

4.2.1 The Chief Financial Officer is responsible for:

4.2.1.1 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;

4.2.1.2 Ensuring that internal audit is adequate and meets the government mandatory audit standards;

4.2.1.3 Deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption; and,

4.2.1.4 Ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee. The report must cover:

4.2.1.4.1 A clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by the Department of Health including, for example, compliance with control criteria and standards;

4.2.1.4.2 Major internal financial control weaknesses discovered;

4.2.1.4.3 Progress on the implementation of internal audit recommendations;

4.2.1.4.4 Progress against plan over the previous year;

4.2.1.4.5 Strategic audit plan covering the coming three years; and,

4.2.1.4.6 A detailed plan for the coming year.

4.2.2 The Chief Financial Officer or designated auditors are entitled without necessarily giving prior notice to require and receive:

4.2.2.1 Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;

4.2.2.2 Access at all reasonable times to any land, premises, Member of the Board or Officer of the NHS CB;

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4.2.2.3 The production of any cash, stores or other property of the NHS CB under the control of a Member of the Board or Officer; and,

4.2.2.4 Explanations concerning any matter under consideration.

### 4.3 **Role of Internal Audit**

4.3.1 Internal audit will provide an independent and objective opinion on risk management, control and governance arrangements by measuring and evaluating their effectiveness. The Head of Internal Audit will provide an annual opinion on the effectiveness of the whole system of internal control.

4.3.2 The opinion will be based on a systematic review and evaluation of risk management, control and governance which comprises the policies, procedures and operations in place to:

4.3.2.1 Establish and monitor the achievement of the NHS CB's strategic and operational objectives, including its oversight of the wider commissioning system;

4.3.2.2 Identify, assess and manage strategic and operational risks to achieving the organisation's objectives;

4.3.2.3 Identify the extent of compliance with, and the financial effect of, the relevant established policies, plans and procedures;

4.3.2.4 Identify the adequacy and application of financial and other related management controls;

4.3.2.5 Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes; and

4.3.2.6 Identify the extent to which the NHS CB's assets and interests are accounted for and safeguarded from loss of any kind, arising from:

4.3.2.6.1 Fraud and other offences;

4.3.2.6.2 Waste, extravagance, inefficient administration;

4.3.2.6.3 Poor value for money; or,

4.3.2.6.4 Other causes.

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- 4.3.3 Internal audit shall also independently verify the board assurance framework statements in accordance with guidance from the Department of Health.
- 4.3.4 The Head of Internal Audit will make suitable provision to form an opinion on key systems operated on behalf of other organisations, and key systems being operated by other organisations, either by deriving the opinions themselves or by relying on the opinions provided by other auditors/review bodies.
- 4.3.5 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity of a pecuniary nature, the Chief Financial Officer must be notified immediately.
- 4.3.6 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chair and Chief Executive of the NHS CB.
- 4.3.7 The Head of Internal Audit shall be accountable to the Chief Financial Officer. The reporting system for internal audit shall be agreed between the Chief Financial Officer, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with guidance on reporting contained in the Government Internal Audit Standards. The reporting system shall be reviewed at least every three years.
- 4.4 **External Audit**
- 4.4.1 External audit services will be provided by the National Audit Office.
- 4.4.2 The Audit Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the external auditor these should be raised with the external auditor and referred on to the Audit Committee if they cannot be resolved.
- 4.5 **Fraud and Corruption**
- 4.5.1 The Chief Executive and Chief Financial Officer shall monitor compliance with directions issued by the Secretary of State for Health on fraud and corruption.

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- 4.5.2 The Chief Executive shall nominate a suitable person to carry out the duties of the Counter Fraud Co-ordinator as specified in the Department of Health Fraud and Corruption Manual and guidance.
- 4.5.3 The Counter Fraud Co-ordinator shall report to the Chief Financial Officer and shall work with staff in NHS Protect in accordance with the Department of Health Fraud and Corruption Manual.
- 4.5.4 The Counter Fraud Co-ordinator will provide a written report, at least annually, to the Audit Committee on counter fraud work within the NHS CB.

#### 4.6 **Security Management**

- 4.6.1 The Chief Executive will monitor compliance with directions issued by the Secretary of State for Health on NHS security management.
- 4.6.2 The Chief Executive shall nominate a suitable person to carry out the duties of the Security Management Specialist as specified in the Secretary of State for Health guidance on NHS security management.
- 4.6.3 The Chief Executive has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the relevant director and the appointed Security Management Specialist.
- 4.6.4 The Security Management Specialist shall work with the staff in NHS Protect in accordance with the Department of Health Security Management Manual.
- 4.6.5 The Security Management Specialist will provide a written report, at least annually, to the Audit Committee on security management work within the NHS CB.

#### 4.7 **Senior Information Risk Owner**

- 4.7.1 The Board shall nominate an Executive Member to be responsible to the Board for information risk management (the Senior Information Risk Owner).
- 4.7.2 The role of the Senior Information Risk Owner is defined in the Information Governance toolkit and is summarised in the NHS CB's Information Governance Policy as a Board level post. The senior Information Risk Owner is the leading

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advocate for information risk to the Board, advising how information security risks could impact the strategic goals of the NHS CB.

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## SFI5      **Resource Limits, Allocations, Planning, Budgets, Budgetary Control & Monitoring**

### 5.1      **Resource Limits**

5.1.1      The NHS CB is required by statutory provisions not to exceed Resource Limits. The Chief Executive has overall executive responsibility for the NHS CB's activities and is responsible to the Board for ensuring that it stays within these limits.

5.1.2      The Chief Financial Officer will:

5.1.2.1      Provide reports in the form required by the Secretary of State for Health;

5.1.2.2      Provide regular financial reports in the form agreed by the Board;

5.1.2.3      Ensure money drawn from the Department of Health against cash forecasts is required for approved expenditure only, and is drawn only at the time of need, following best practice as set out in 'Cash Management in the NHS'; and,

5.1.2.4      Be responsible for ensuring that an adequate system for monitoring financial performance is in place to enable the NHS CB to fulfil its statutory responsibility not to exceed its annual revenue and capital resource limits and cash forecast.

### 5.2      **Allocations**

5.2.1      The Chief Financial Officer will:

5.2.1.1      Periodically review the basis and assumptions used for distributing allocations to the NHS CB and to the Clinical Commissioning Groups and ensure that these are reasonable and realistic and secure the NHS CB's entitlement to funds;

5.2.1.2      Prior to the start of each financial year submit to the Board for approval a report showing the total allocations received and their proposed distribution including any sums to be held in reserve;

5.2.1.3      Regularly update the Board on significant changes to the initial allocation and the uses of such funds; and,

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5.2.1.4 Establish a system for management of the Capital Resource Limit and the approval of investment proposals.

### 5.3 **Preparation and Approval of Plans and Budgets**

5.3.1 The Chief Executive will compile and submit to the Board a business plan which takes into account financial targets and forecast limits of available resource. The business plan will contain:

5.3.1.1 A statement of the significant assumptions on which the plan is based; and,

5.3.1.2 Details of major changes in workload, delivery of service or resources required to achieve the plan.

5.3.2 Prior to the start of the financial year the Chief Financial Officer will, on behalf of the Chief Executive, prepare and submit Budgets for approval by the Board. Such Budgets will:

5.3.2.1 Be in accordance with the aims and objectives set put in the business plan;

5.3.2.2 Accord with workload and manpower plans;

5.3.2.3 Be produced following discussion with appropriate Budget Holders;

5.3.2.4 Be prepared within the limits of available funds; and,

5.3.2.5 Identify potential risks.

5.3.3 The Chief Financial Officer shall monitor financial performance against Budget and plan, periodically review them, and report to the Board.

5.3.4 All Budget Holders must provide information as required by the Chief Financial Officer to enable Budgets to be compiled.

5.3.5 All Budget Holders will sign up to their allocated Budgets at the commencement of each financial year.

5.3.6 The Chief Financial Officer has a responsibility to ensure that adequate training is delivered on an on-going basis to Budget Holders to help them manage their Budget successfully.

### 5.4 **Budgetary Delegation**

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- 5.4.1 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:
- 5.4.1.1 The amount of the Budget;
  - 5.4.1.2 The purpose(s) of each Budget heading;
  - 5.4.1.3 Individual and group responsibilities;
  - 5.4.1.4 Limits on exercising virements;
  - 5.4.1.5 Achievement of planned levels of service; and,
  - 5.4.1.6 The provision of regular reports.
- 5.4.2 The Chief Executive and delegated Budget Holders must not exceed the Budgetary total or virement limits set by the Board.
- 5.4.3 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.
- 5.4.4 Non-recurring Budgets should not be used to finance recurring expenditure without the authorisation in writing of the Chief Executive, as advised by the Chief Financial Officer.
- 5.5 **Budgetary Control and Reporting**
- 5.5.1 The Chief Financial Officer will devise and maintain systems of budgetary control. These will include:
- 5.5.1.1 Regular financial reports to the Board in a form approved by the Board containing:
    - Income and expenditure to date showing trends and forecast year-end position;
    - Movements in working capital;
    - Movements in cash and capital;

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- Capital project spend and projected outturn against plan;
- Explanations of any material variances from plan; and,
- Details of any corrective action where necessary and the Chief Executive's and/or Chief Financial Officer's view of whether such actions are sufficient to correct the situation;

5.5.1.2 The issue of timely, accurate and comprehensible advice and financial reports to each Budget Holder, covering the areas for which they are responsible;

5.5.1.3 Investigation and reporting of variances from financial and workforce Budgets;

5.5.1.4 Monitoring of management action to correct variances; and,

5.5.1.5 Arrangements for the authorisation of Budget transfers.

5.5.2 Each Budget Holder is responsible for ensuring that:

5.5.2.1 Any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;

5.5.2.2 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,

5.5.2.3 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.

5.5.3 The Chief Executive is responsible for identifying and implementing cost improvement and income generation initiatives in accordance with the requirements of the business plan and a balanced Budget.

## 5.6 **Capital Expenditure**

5.6.1 The general rules applying to delegation and reporting shall also apply to capital expenditure.

## 5.7 **Monitoring Returns**

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- 5.7.1 The Chief Financial Officer is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation.

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## SFI6      **Annual Report & Accounts**

- 6.1      The Chief Financial Officer, on behalf of the Board, will:
- 6.1.1      Prepare financial returns in accordance with the accounting policies and guidance given by the Department of Health and HM Treasury, the NHS CB's accounting policies and generally accepted accounting practice;
- 6.1.2      Prepare and submit annual financial reports to the Department of Health certified in accordance with current guidelines; and,
- 6.1.3      Submit financial returns to the Department of Health for each financial year in accordance with the timetable prescribed by the Department of Health.
- 6.2      The NHS CB will produce an annual report and accounts, including consolidated accounts, in accordance with HM Treasury guidance, which shall be audited by the National Audit Office and laid before Parliament.
- 6.3      The NHS CB's audited annual report and accounts must be presented to a public meeting and made available to the public, in accordance with guidelines on local accountability.

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## SFI7 **Banking Arrangements**

### 7.1 **General**

7.1.1 The Chief Financial Officer is responsible for managing the NHS CB's banking arrangements and for advising the Board 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' the NHS CB should minimise the use of commercial bank accounts and consider using the Government Banking Service as its supplier for all banking services.

7.1.2 The Board shall approve the banking arrangements.

### 7.2 **Commercial Bank and Government Banking Service Accounts**

7.2.1 The Chief Financial Officer is responsible for:

7.2.1.1 Commercial bank accounts and accounts operated through the Government Banking Service;

7.2.1.2 Establishing separate bank accounts for the NHS CB's non-exchequer funds;

7.2.1.3 Ensuring payments made from commercial banks or Government Banking Service accounts do not exceed the amount credited to the account except where arrangements have been made;

7.2.1.4 Reporting to the Board all arrangements made with the NHS CB's bankers for accounts to be overdrawn; and,

7.2.1.5 Monitoring compliance with Department of Health guidance on the level of cleared funds.

### 7.3 **Banking Procedures**

7.3.1 The Chief Financial Officer will prepare detailed instructions on the operation of commercial bank and Government Banking Service accounts, which must include:

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- 7.3.1.1 The conditions under which each commercial bank and Government Banking Service account is to be operated; and,
- 7.3.1.2 Those authorised to sign cheques or other orders drawn on the NHS CB's accounts.
- 7.3.2 The Chief Financial Officer must advise the NHS CB's bankers in writing of the conditions under which each account will be operated.
- 7.4 **Tendering and Review**
- 7.4.1 For those non-exchequer funds, if any, held outside the Government Banking Service, the Chief Financial Officer will review the commercial banking arrangements of the NHS CB at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for the NHS CB's commercial banking business.
- 7.4.2 Competitive tenders should be sought at least every five years. The results of the tendering exercise should be reported to the Board. This review is not necessary for Government Banking Service accounts.

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## **SFI8      Income, Fees and Charges & Security of Cash, Cheques and Other Negotiable Instruments**

### **8.1      Income Systems**

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

8.1.2      The Chief Financial Officer is also responsible for the prompt banking of all monies received.

### **8.2      Fees and Charges**

8.2.1      The Chief Financial Officer 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. Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the guidance in the Department of Health's Commercial Sponsorship – Ethical standards in the NHS shall be followed.

8.2.2      All Officers must inform the Chief Financial Officer promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

### **8.3      Debt Recovery**

8.3.1      The Chief Financial Officer is responsible for the appropriate recovery action on all outstanding debts.

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

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

### **8.4      Security of Cash, Cheques and Other Negotiable Instruments**

8.4.1      The Chief Financial Officer is responsible for:

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- 8.4.1.1 Approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- 8.4.1.2 Ordering and securely controlling any such stationery;
- 8.4.1.3 The provision of adequate facilities and systems for Officers 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 ,
- 8.4.1.4 Prescribing systems and procedures for handling cash and negotiable securities on behalf of the NHS CB.
- 8.4.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 8.4.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Chief Financial Officer.
- 8.4.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the NHS CB is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the NHS CB from responsibility for any loss.
- 8.4.5 During the absence (e.g. on holiday) of the holder of a safe or cash box key, the acting Officer shall be subject to the same controls as the normal holder of the key. There shall be written discharge for the safe and/or cash box contents on the transfer of responsibilities and the discharge document must be retained for inspection.
- 8.4.6 All unused cheques and other orders shall be subject to the same security precautions as are applied to cash. Bulk stocks of cheques shall normally be retained by the NHS CB's bankers and released by them only against a requisition signed by the Chief Financial Officer.

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- 8.4.7 A cheque register shall be kept in which all cheque stocks ordered, received and issued shall be recorded and signed for by nominated Officer(s). A separate register is to be kept of payable orders.
- 8.4.8 Any loss or shortfall of cash, cheques, or other negotiable instruments, however occasioned, shall be reported immediately in accordance with the agreed procedure for reporting losses (SO17).

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## SFI9      **Terms of Service, Allowances & Payment of Members and Employees**

### 9.1      **Remuneration and Terms of Service**

9.1.1      In accordance with Standing Orders, the Board shall establish a Remuneration & 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.

9.1.2      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 Executive Members. Minutes of the Board's meetings should record such decisions.

9.1.3      The Board will consider and need to approve proposals presented by the Chief Executive for the setting of remuneration and conditions of service for those Employees and Officers not covered by the Committee.

9.1.4      The NHS CB will pay allowances to the Chairman and Non-executive Members of the Board in accordance with instructions issued by the Secretary of State for Health.

### 9.2      **Funded Establishment**

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

9.2.2      The funded establishment of any department may not be varied without the approval of the Chief Executive.

### 9.3      **Staff Appointments**

9.3.1      Members of the Board and other Employees may only 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 in accordance with the approved scheme of delegation and within the limit of their approved Budget and

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funded establishment. Any exceptions must be approved in advance and in writing by the Chief Executive.

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

9.4 **Contracts of Employment**

- 9.4.1 The Board shall delegate responsibility to an Officer for:

9.4.1.1 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,

9.4.1.2 Dealing with variations to, or termination of, contracts of employment.

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## SFI10      **Processing Payroll**

- 10.1      The Chief Financial Officer is responsible for:
  - 10.1.1      Specifying timetables for submission of properly authorised time records and other notifications;
  - 10.1.2      The final determination of pay and allowances;
  - 10.1.3      Making payment on agreed dates; and,
  - 10.1.4      Agreeing methods of payment.
- 10.2      The Chief Financial Officer will issue instructions regarding:
  - 10.2.1      Verification and documentation of data;
  - 10.2.2      The timetable for receipt and preparation of payroll data and the payment of Employees;
  - 10.2.3      Maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
  - 10.2.4      Security and confidentiality of payroll information;
  - 10.2.5      Checks to be applied to completed payroll before and after payment;
  - 10.2.6      Arrangements for ensuring compliance with the provisions of the Data Protection Act;
  - 10.2.7      Methods of payments available to various categories of Employees and Officers;
  - 10.2.8      Procedures for payment by cheque or bank credit;
  - 10.2.9      Procedures for the recall of cheques and bank credits;
  - 10.2.10      Pay advances and their recovery;
  - 10.2.11      Maintenance of regular and independent reconciliation of pay control accounts;
  - 10.2.12      Separation of duties of preparing records and inputs and verifying outputs and payments; and,

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- 10.2.13 System to ensure the recovery from leavers of sums of money and property due by them to the NHS CB.
- 10.3 Appropriately nominated Officers have delegated responsibility for:
- 10.3.1 Submitting time records, and other notifications in accordance with agreed timetables;
- 10.3.2 Completing time records and other notifications in accordance with the Chief Financial Officer's instructions and in the form prescribed by the Chief Financial Officer; and,
- 10.3.3 Submitting termination forms in the prescribed form immediately upon knowing the effective date of an Employee's resignation, termination or retirement. Where an Employee fails to report for duty in circumstances that suggest they have left without notice, the Chief Financial Officer must be informed immediately.
- 10.4 Regardless of the arrangements for providing the payroll service, the Chief Financial Officer shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit and review procedures, and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.
- 10.5 All Employees shall be paid by bank credit transfer, unless otherwise agreed by the Chief Financial Officer.

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## SFI11 **Tendering, Quotations & Signing Contracts**

### 11.1 **Approval to Undertake Procurement Activity**

- 11.1.1 Before the commencement of any procurement activity any requirement for business case for Committee approval should have been completed.
- 11.1.2 All procurement activities carried out by the NHS CB must also comply with any more specific control arrangements required by the Department of Health or HM Treasury.

### 11.2 **Requirement to Tender or Obtain Quotes**

- 11.2.1 EU and UK public procurement policy requires that the NHS CB promotes fair competition amongst potential suppliers and is open and transparent in dealings with suppliers and potential suppliers.
- 11.2.2 Directives by the Council of the European Union prescribing procedures and UK rules on public procurement for the tendering and awarding of contracts for building and engineering works and for the supply of goods, materials and manufactured articles and services shall have effect as if incorporated in these Standing Financial Instructions.
- 11.2.3 For procurements with a full life expenditure of over £50,000 but below the European Union lower limit for tendering five written quotes should be obtained.
- 11.2.4 For procurements with a full life expenditure of under £50,000 three written quotes should be obtained.
- 11.2.5

### 11.3 **Exceptions to the Requirement to Tender or Obtain Quote**

- 11.3.1 Formal tendering or competitive quotation procedures need not be applied:
  - 11.3.1.1 Where the supply is proposed under a contract negotiated by the Department of Health or another body, that the NHS CB is able to take advantage of, in which event the said contract must be complied with; or,
  - 11.3.1.2 Regarding disposals, as set out in these Standing Financial Instructions.

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- 11.3.2 Formal tendering procedures may be waived in the following circumstances:
- 11.3.2.1 In very exceptional circumstances where the Chief Executive 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 NHS CB record and reported to the Audit Committee;
- 11.3.2.2 Where the requirement is covered by an existing contract;
- 11.3.2.3 Where Government Procurement Service agreements are in place and have been approved by the Board;
- 11.3.2.4 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;
- 11.3.2.5 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;
- 11.3.2.6 Where specialist expertise is required and is available from only one source;
- 11.3.2.7 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;
- 11.3.2.8 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; or,
- 11.3.2.9 Where allowed and provided for in the Capital Investment Manual.
- 11.3.3 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.
- 11.3.4 Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded in an appropriate NHS CB record and reported to the Audit Committee at its next meeting.

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#### 11.4 **Disposals**

- 11.4.1 Competitive tendering or quotation procedures shall not apply to the disposal of:
- 11.4.1.1 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;
- 11.4.1.2 Obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the NHS CB;
- 11.4.1.3 Items to be disposed of with an estimated sale value of less than £10,000;
- 11.4.1.4 Items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract; and,
- 11.4.1.5 Land or buildings concerning which Department of Health guidance has been issued but subject to compliance with such guidance.

#### 11.5 **In-house Services**

- 11.5.1 The Chief Executive shall be responsible for ensuring that best value can be demonstrated for all services provided on an in-house basis. The Board may also determine from time to time that in-house services should be market tested by competitive tendering.
- 11.5.2 In all cases where the Board determines that in-house services should be subject to competitive tendering the following groups shall be set up:
- 11.5.2.1 Specification group, comprising the Chief Executive or nominated Officer(s) and specialist;
- 11.5.2.2 In-house tender group, comprising a nominee of the Chief Executive and technical support; and,
- 11.5.2.3 Evaluation team, comprising normally a specialist Officer, a supplies Officer and a Chief Financial Officer representative. For services having a likely annual expenditure exceeding £250,000, a Non-executive Director should be a member of the evaluation team.

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11.5.3 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.

11.5.4 The evaluation team shall make recommendations to the Board.

## 11.6 **Signing of Contracts**

11.6.1 The Chief Financial Officer will agree with the Board a schedule of delegated authorities for the signing of purchase contracts.

## 11.7 **Compliance Requirements for All Contracts**

11.7.1 The NHS CB may only enter into contracts within the statutory powers delegated to it by the Secretary of State and shall comply with:

11.7.1.1 These Standing Orders and Standing Financial Instructions;

11.7.1.2 EU Directives and other statutory provisions; and,

11.7.1.3 Any relevant directions including the Capital Investment Manual, "Estatecode" and guidance on the Procurement and Management of Consultants.

11.7.2 Contracts with Foundation Trusts must be in an appropriate form.

11.7.3 Where appropriate, contracts shall embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited.

11.7.4 In all contracts the NHS CB shall endeavour to obtain best value for money

11.7.5 The Chief Executive shall nominate an Officer who shall oversee and manage each contract on behalf of the NHS CB.

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## SFI12      **Purchasing**

- 12.1      The Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive will propose a scheme of delegation to Officers.
- 12.2      The Chief Financial Officer will set out:
- 12.2.1      The list of Officers who are authorised to place requisitions for the supply of goods and services; and,
- 12.2.2      The maximum level of each requisition and the system for authorisation above that level.
- 12.3      All items of expenditure require an official order unless specifically agreed otherwise by the Executive Team before the expenditure is committed or purchased from petty cash.
- 12.4      An exception to the general requirement for an official order may only be given for a specific item of expenditure at a specific time (i.e. exceptions cannot be for a number of items collectively, or the same type of purchases over a period of time).
- 12.5      Purchases from petty cash are to be limited in value and type of purchase in accordance with instructions issued by the Chief Financial Officer at the time of approving the issue of an individual petty cash float, and documented in the form prescribed in those instructions.
- 12.6      Verbal orders must only be issued very exceptionally by an Officer designated by the Chief Financial Officer and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "confirmation order".
- 12.7      Official orders must:
- 12.7.1      Be consecutively numbered;
- 12.7.2      Be in a form approved by the Chief Financial Officer;
- 12.7.3      Include such information concerning prices or costs as required; and,

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- 12.7.4 Incorporate an obligation on the supplier/contractor to comply with the NHS CB's or other relevant Terms and Conditions of Purchase (such as Buying Solutions).
- 12.8 Details of all orders placed should be available to the Chief Financial Officer either in paper form or accessible through a computerised ledger system.
- 12.9 The Chief Financial Officer should ensure that appropriate arrangements are in existence to ensure that no order is issued for any item for which there is no budget provision. In exceptional circumstances, Officers, acting with the express approval of the Chief Executive, may issue an order where there is no budget provision.
- 12.10 Orders shall not be split or otherwise placed in a manner devised to avoid financial thresholds.
- 12.11 No order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to an Officer or Member, other than:
- 12.11.1 Isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars; or,
- 12.11.2 Conventional hospitality, such as lunches in the course of working visits.
- 12.12 All gifts and hospitality shall be recorded in a register of gifts and hospitality.
- 12.13 Goods are not to be taken on trial or loan in circumstances that could commit the NHS CB to a future uncompetitive price.

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## SFI13      **Capital Investment, Asset Register & Security of Assets**

### 13.1      **Capital Investment**

#### 13.1.1      The Chief Executive:

13.1.1.1      Shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans;

13.1.1.2      Is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and,

13.1.1.3      Shall ensure that the capital investment is not undertaken without securing the availability of resources to finance all revenue consequences, including capital charges.

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

13.1.2.1      That a business case (in line with the guidance contained within the Capital Investment Manual) is produced setting out:

13.1.2.1.1      An option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;

13.1.2.1.2      The involvement of appropriate NHS CB personnel and external agencies; and,

13.1.2.1.3      Appropriate project management and control arrangements.

13.1.2.2      That the Chief Financial Officer has certified professionally the costs and revenue consequences detailed in the business case.

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

13.1.4      The Chief Financial Officer shall assess on an annual basis the requirement for the operation of the construction industry tax deduction scheme in accordance with HMRC guidance.

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- 13.1.5 The Chief Financial Officer shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 13.1.6 The approval of a capital programme shall not constitute approval for expenditure on any scheme.
- 13.1.7 The Chief Financial Officer shall issue to the Officer responsible for any scheme:
- 13.1.7.1 Specific authority to commit expenditure;
- 13.1.7.2 Authority to proceed to tender; and,
- 13.1.7.3 Approval to accept a successful tender.
- 13.1.8 The Chief Executive will issue a scheme of delegation for capital investment management in accordance with "Estatecode" guidance and Standing Orders.
- 13.1.9 The Chief Financial Officer 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 (1999) 246.
- 13.1.10 The Chief Executive and Chief Financial Officer 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.
- 13.2 **Private Finance**
- 13.2.1 The NHS CB should normally test for Private Finance Initiative funding when considering capital procurement. When it is proposed to use finance which is to be provided other than through allocations, the following procedures shall apply:
- 13.2.1.1 The Chief Financial Officer shall demonstrate that the use of private finance represents value for money and genuinely transfers significant risk to the private sector;
- 13.2.1.2 Where the sum involved exceeds delegated limits, the business case must be referred to the Department of Health or in line with the delegation from them; and,

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13.2.1.3 The proposal must be specifically agreed by the Board.

### 13.3 **Asset Registers**

- 13.3.1 The Chief Executive is responsible for the maintenance of both the register of assets and the register of inventory items, taking account of the advice of the Chief Financial Officer concerning the form and the method of updating the registers, and arranging for a physical check of assets and inventories against the registers to be conducted over a cycle agreed by the Audit Committee.
- 13.3.2 The Chief Financial Officer shall define the items of equipment which shall be recorded on either the capital asset register or the inventory register. The Capital Accounting Manual, as issued by the Department of Health, will be considered when determining the minimum data set for the capital asset register.
- 13.3.3 Additions to the fixed asset register must be clearly identified to an appropriate Budget Holder and be validated by reference to:
- 13.3.3.1 Properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
- 13.3.3.2 Stores, requisitions and wages records for own materials and labour including appropriate overheads; or,
- 13.3.3.3 Lease agreements in respect of assets held under a finance lease and capitalised.
- 13.3.4 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).
- 13.3.5 The Chief Financial Officer shall approve procedures for reconciling balances on fixed asset and inventory accounts in ledgers against balances on fixed asset and inventory registers.

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- 13.3.6 Land and buildings shall be held at values in accordance with the NHS CB's accounting policies which comply with the HM Treasury Financial Reporting Manual.
- 13.3.7 The value of each asset shall be depreciated using methods and rates as specified in the NHS CB's accounting policies which comply with the HM Treasury Financial Reporting Manual. Estimated useful lives and depreciation rates of assets will be reviewed on an annual basis.
- 13.3.8 The Chief Financial Officer shall calculate and account for capital charges as specified in the HM Treasury Financial Reporting Manual.
- 13.3.9 Budget Holders will ensure that the respective assets and inventories for their areas will be physically checked annually.
- 13.3.10 The asset register and the inventory register may record items which are transferred from one part of the NHS CB to another. It is the responsibility of the Budget Holders concerned to inform the Chief Financial Officer of these changes.
- 13.3.11 The Chief Financial Officer shall maintain an up to date register of properties owned or leased by the NHS CB. This should include details of location, tenancy (where appropriate), and custody of the deeds and lease documents.
- 13.4 **Security of Assets**
- 13.4.1 The overall control of assets is the responsibility of the Chief Executive.
- 13.4.2 Asset control procedures (including fixed assets, inventories, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Chief Financial Officer. These procedures shall make provision for:
- 13.4.2.1 Recording managerial responsibility for each asset;
- 13.4.2.2 Identification of additions and disposals;
- 13.4.2.3 Identification of all repairs and maintenance expenses;
- 13.4.2.4 Physical security of assets;
- 13.4.2.5 Periodic verification of the existence of, condition of, and title to, assets recorded;

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- 13.4.2.6 Identification and reporting of all costs associated with the retention of an asset; and,
- 13.4.2.7 Reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 13.4.3 All discrepancies revealed by verification of physical assets to fixed asset or inventory registers shall be notified to the Chief Financial Officer.
- 13.4.4 Each Officer has a responsibility to exercise a duty of care over the assets of the NHS CB and it shall be the responsibility of senior Officers in all disciplines to apply appropriate routine security practices in relation to NHS CB assets. A substantial or persistent breach of agreed security practices shall be reported to the Board Secretary, who shall then refer the matter to the Chief Financial Officer, who will determine the necessary action, including reference to the Security Management Specialist for investigation.
- 13.4.5 Any damage to the NHS CB's premises, vehicles and equipment or any loss of equipment or supplies shall be reported by Officers in accordance with the agreed procedure for reporting losses.
- 13.4.6 Where practical, assets should be marked as NHS CB property.

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## SFI14      **Payment of Accounts**

### 14.1      **System of Payment and Payment Verification**

- 14.1.1      The Chief Financial Officer shall be responsible for the prompt payment of accounts and claims. The term "payment" includes any arrangements established to settle payments upon a non-cash basis.
- 14.1.2      Payment of contract invoices shall be in accordance with contract terms. All payments shall comply with the Government's policy on prompt payment.
- 14.1.3      All authorised Officers shall inform the Chief Financial Officer promptly of all money payable by the NHS CB arising from transactions which they initiate, including contracts, leases, tenancy agreements and other transactions. To assist financial control, the Chief Financial Officer will maintain a register of regular payments.
- 14.1.4      The Chief Financial Officer shall be responsible for designing and maintaining a system for the verification, recording and payment of all accounts payable by the NHS CB. This system will provide for:
- 14.1.4.1      A list of Officers authorised to certify requisitions and invoices;
- 14.1.4.2      Certification that:
- 14.1.4.2.1      Goods have been duly received, examined, are in accordance with specification and order, are satisfactory and that the prices are correct;
- 14.1.4.2.2      Work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used were of the requisite standard and that the charges are correct;
- 14.1.4.2.3      In the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, that the rates of labour are in accordance with appropriate rates, that the materials have been checked with regard to quantity, quality and price and that the charges for the use of vehicles, plant and machinery have been examined;

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- 14.1.4.2.4 Where appropriate, the expenditure is in accordance with regulations and that all necessary authorisations have been obtained;
- 14.1.4.2.5 The account is arithmetically correct; and,
- 14.1.4.2.6 The account is in order for payment.
- 14.1.4.3 A timetable and system for submission of accounts for payment, including provision for early settlement of accounts subject to settlement discount or otherwise requiring early settlement; and,
- 14.1.4.4 Instructions to Officers regarding the handling and payment of accounts within the Finance Directorate.
- 14.1.5 Where an Officer certifying accounts relies upon other Officers to do preliminary checking, the Officer certifying accounts will ensure that those who check delivery or execution of work, act independently of those who have placed orders and negotiated prices and terms.
- 14.1.6 In the case of contracts which require payment to be made on account, during progress of the works, the Chief Financial Officer shall make payment on receipt of a certificate from the appropriate qualified Officer or outside consultant. Without prejudice to the responsibility of any consultant, a contractor's account shall be subjected to such financial examination by the Chief Financial Officer and such general examination by appropriately qualified Officers as may be considered necessary, before the person responsible to the NHS CB for the contract issues the final certificate.
- 14.1.7 The Chief Financial Officer shall ensure that payment for goods and services is made only when the goods and services have been properly received.
- 14.2 **Prepayments**
- 14.2.1 Prepayments will be permitted for instances relating to payments for rent, maintenance contracts and in those instances, where, as normal business practice, nominal prepayments are required (e.g. training, publications).

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- 14.2.2 Prepayments which fall outside of normal business practice are only permitted in exceptional circumstances. In such instances:
- 14.2.2.1 The financial advantages must outweigh the disadvantages;
- 14.2.2.2 The appropriate Director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the NHS CB if the supplier is at some time during the course of the prepayment agreement unable to meet their commitments;
- 14.2.2.3 The Chief Financial Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed; and,
- 14.2.2.4 The Budget Holder is responsible for ensuring that all items due under a prepayment contract are received and must immediately inform the appropriate Director or Chief Executive if problems are encountered.
- 14.2.3 The Chief Financial Officer may authorise advances on the Imprest system for petty cash and other purposes as required. Individual payments must be restricted to the amounts authorised by the Chief Financial Officer.

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## SFI15      **Stores & Receipt of Goods**

### 15.1      **General Position**

15.1.1      Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:

15.1.1.1      Kept to a minimum;

15.1.1.2      Subjected to annual stock take; and,

15.1.1.3      Valued at the lower of cost and net realisable value.

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

15.2.1      Subject to the responsibility of the Chief Financial Officer for the systems of control, overall responsibility for the control of stores shall be delegated to an Officer by the Chief Executive. The day-to-day responsibility may be delegated by him to departmental Officers, subject to such delegation being entered in a record available to the Chief Financial Officer.

15.2.2      The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated Officer. Wherever practicable, stocks should be marked as health service property.

15.2.3      The Chief Financial Officer shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, returns to stores and losses.

15.2.4      Stocktaking arrangements shall be agreed with the Chief Financial Officer and there shall be a physical check covering all items in store at least once a year.

15.2.5      Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Chief Financial Officer.

15.2.6      The designated Officer shall be responsible for a system, approved by the Chief Financial Officer, for reviewing slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Chief Financial Officer any evidence of significant overstocking and of any negligence or malpractice. Procedures for the

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

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## SFI16 External Borrowing & Investment

### 16.1 External Borrowing

- 16.1.1 The Chief Financial Officer will advise the Board concerning the NHS CB's ability to pay dividend on, and repay Public Dividend Capital and any proposed new borrowing, within the limits set by the Department of Health and HM Treasury. The Chief Financial Officer is also responsible for reporting periodically to the Board concerning the Public Dividend Capital debt and all loans and overdrafts.
- 16.1.2 The Board will agree the list of Officers (including specimens of their signatures) who are authorised to make short term borrowings on behalf of the NHS CB. This must contain the Chief Executive and the Chief Financial Officer.
- 16.1.3 The Chief Financial Officer must prepare detailed procedural instructions concerning applications for loans and overdrafts.
- 16.1.4 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position, represent good value for money, and comply with the latest guidance from the Department of Health and HM Treasury.
- 16.1.5 Any short-term borrowing must be with the authority of two members of an authorised panel, one of which must be the Chief Executive or the Chief Financial Officer. The Board must be made aware of all short term borrowings at the next Board meeting.
- 16.1.6 All long-term borrowing must be consistent with the plans outlined in the current business plan and be approved by the Board.

### 16.2 Investments

- 16.2.1 Temporary cash surpluses must be held only in such public or private sector investments as notified by the Secretary of State and authorised by the Board.
- 16.2.2 The Chief Financial Officer is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments held.

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- 16.2.3 The Chief Financial Officer will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

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## SFI17 Disposals and Condemnations & Losses and Special Payments

### 17.1 Disposals and condemnations

17.1.1 The Chief Financial Officer must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to Officers.

17.1.2 When it is decided to dispose of an NHS CB asset, the Head of Department or authorised deputy will determine and advise the Chief Financial Officer of the estimated market value of the item, taking account of professional advice where appropriate.

17.1.3 All unserviceable articles shall be:

17.1.3.1 Condemned or otherwise disposed of by an Officer authorised for that purpose by the Chief Financial Officer; and,

17.1.3.2 Recorded by the condemning Officer in a form approved by the Chief Financial Officer which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second Officer authorised for the purpose by the Chief Financial Officer.

17.1.4 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 Chief Financial Officer who will take the appropriate action.

### 17.2 Losses and special payments

17.2.1 The Chief Financial Officer must prepare procedural instructions on the recording of and accounting for condemnations, losses and special payments.

17.2.2 Any Officer discovering or suspecting a loss of any kind must either immediately inform their Head of Department, who must immediately inform the Chief Executive and the Chief Financial Officer, or inform an Officer charged with responsibility for responding to concerns involving loss. This Officer will then appropriately inform the Chief Financial Officer and/or Chief Executive. Where a criminal offence is suspected, the Chief Financial Officer must immediately inform the police, if theft or arson is involved. In cases of fraud and corruption, or of

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anomalies which may indicate fraud or corruption, the Chief Financial Officer must inform the External Auditor, the NHS CB's Counter Fraud Specialist and the relevant Counter Fraud and Security Management Services regional team in accordance with Secretary of State for Health's Directions.

- 17.2.3 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Chief Financial Officer must immediately notify:
- 17.2.3.1 The Board; and,
- 17.2.3.2 The External Auditor.
- 17.2.4 Within limits delegated to it by the Department of Health, the Board shall approve the writing-off of losses over £50,000.
- 17.2.5 The Chief Financial Officer shall be authorised to take any necessary steps to safeguard the NHS CB's interests in bankruptcies and company liquidations.
- 17.2.6 For any loss, the Chief Financial Officer should consider whether any insurance claim can be made.
- 17.2.7 The Chief Financial Officer shall maintain a losses and special payments register in which write-off action is recorded.
- 17.2.8 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.
- 17.2.9 All losses and special payments must be reported to the Audit Committee at every meeting.

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## SFI18      **Information Technology**

### 18.1      **General**

- 18.1.1      In order to ensure compatibility and compliance with the NHS CB's IT strategy, no computer hardware, software or facility will be procured without the authorisation of an Officer specifically appointed by the Chief Executive.

### 18.2      **Finance**

- 18.2.1      The Chief Financial Officer shall ensure that adequate controls exist such that the finance computer operation is separated from development, maintenance and amendment.
- 18.2.2      The Chief Financial Officer and an Officer specifically appointed by the Chief Executive shall ensure that an adequate management (audit) trail exists through the computerised finance system.
- 18.2.3      The Chief Financial Officer shall satisfy himself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation.

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## SFI19      **Information Governance**

- 19.1.1      The Chief Executive shall be responsible for ensuring that the NHS CB has registered with the Information Commissioner's Office for compliance with the Data Protection Act 1998 and shall ensure that information is published and maintained in accordance with the requirements of the Freedom of Information Act 2000.
- 19.1.2      The Chief Financial Officer shall be primarily responsible for the accuracy and security of the computerised financial data of the NHS CB in accordance with security retention and data protection policies as defined by the Officer designated for this purpose by the Chief Executive.
- 19.1.3      An Officer specifically appointed by the Chief Executive shall devise and implement any necessary procedures to ensure adequate protection of the NHS CB's manual and computer data, programs and hardware for which the Chief Executive is responsible, from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Acts and any defined NHS-wide security requirements.
- 19.1.4      An Officer specifically appointed by the Chief Executive shall ensure that adequate controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of all NHS CB financial systems and data as well as the efficient and effective operation of the system.
- 19.1.5      The Chief Financial Officer shall ensure that contracts for computing services for financial applications with another agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing transmission and storage. The contract should also ensure rights of access for audit purposes.
- 19.1.6      Where another agency provides a computer service for financial applications, the Chief Financial Officer shall periodically seek assurances that adequate controls as outlined above are in operation.

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- 19.1.7 The Chief Financial Officer and an Officer specifically appointed by the Chief Executive shall ensure that adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent over transmission networks.

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## SFI20      **Funds Held on Trust**

### 20.1      **Corporate Trustee**

20.1.1      The discharge of the NHS CB'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.

20.1.2      The Chief Financial Officer shall ensure that each fund which the NHS CB is responsible for managing is managed appropriately with regard to its purpose and to its requirements.

### 20.2      **Accountability to Charity Commission and Secretary of State for Health**

20.2.1      The trustee responsibilities must be discharged separately and full recognition given to the NHS CB'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.

20.2.2      POL\_0002: Reservation of Powers to the Board & Delegation of Power makes clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken and by whom. All Members and Officers must take account of that guidance before taking action.

### 20.3      **Applicability of Standing Financial Instructions to Funds Held on Trust**

20.3.1      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.

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- 20.3.2      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.

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**SFI21      Acceptance of Gifts by Officers and Members & Link to  
Standards of Business Conduct**

- 21.1      The Secretary to the Board shall ensure that all Members and Officers are made aware of the NHS CB policy on acceptance of gifts and other benefits in kind. This policy follows the guidance contained in the Department of Health circular HSG (93) 5 'Standards of Business Conduct for NHS Staff' and is also deemed to be an integral part of Standing Orders and Standing Financial Instructions.

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## SFI22      **Retention of Documents**

- 22.1      The Chief Executive shall be responsible for maintaining archives for all documents required to be retained in accordance with Department of Health guidelines and NHS CB policy.
- 22.2      The documents held in archive shall be capable of retrieval by persons authorised by the Chief Financial Officer.
- 22.3      Documents held in accordance with Department of Health guidance shall only be destroyed at the express instigation of the Chief Executive. Records shall be maintained of all documents so destroyed.

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## SFI23      **Risk Management & Insurance**

### 23.1      **Programme of Risk Management**

- 23.1.1      The Chief Executive shall ensure that the NHS CB has a programme of risk management, in accordance with current Department of Health assurance framework requirements, which must be approved by the Board and monitored by the Audit Committee.
- 23.1.2      The programme of risk management shall include:
- 23.1.2.1      A process for identifying and quantifying risks and potential liabilities;
- 23.1.2.2      Engendering among all levels of staff a positive attitude towards the control of risk;
- 23.1.2.3      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;
- 23.1.2.4      Contingency plans to offset the impact of adverse events;
- 23.1.2.5      Audit arrangements including; internal audit, clinical audit, health and safety review;
- 23.1.2.6      A clear indication of which risks shall be insured; and,
- 23.1.2.7      Arrangements to review the risk management programme.
- 23.1.3      The existence, integration and evaluation of the above elements will assist in providing a basis to complete the annual governance statement within the annual report and accounts as required by current Department of Health guidance.

### 23.2      **Insurance: Risk Pooling Schemes Administered by the NHS Litigation Authority**

- 23.2.1      The Board shall decide if the NHS CB 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 risk pooling schemes. If the Board decides not to use the risk pooling schemes for any of the risk areas (clinical, property and

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employers/third party liability) covered by the scheme this decision shall be reviewed annually.

### 23.3 **Insurance Arrangements with Commercial Insurers**

23.3.1 There is a general prohibition on entering into insurance arrangements with commercial insurers. There are, however, three exceptions when the NHS CB may enter into insurance arrangements with commercial insurers. The exceptions are:

23.3.1.1 Commercial arrangements for insuring motor vehicles owned or leased by the NHS CB including insuring third party liability arising from their use;

23.3.1.2 Where the NHS CB is involved with a consortium in a Private Finance Initiative contract and the other consortium members require that commercial insurance arrangements are entered into; and,

23.3.1.3 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 NHS CB 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.

23.3.2 In any case of doubt concerning a NHS CB's powers to enter into commercial insurance arrangements the Chief Financial Officer should consult the Department of Health.

### 23.4 **Arrangements to be followed by the Board in Agreeing Insurance Cover**

23.4.1 Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority the Chief Financial Officer shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Chief Financial Officer shall ensure that documented procedures cover these arrangements.

23.4.2 Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, the Chief Financial Officer shall ensure that the Board is informed of the nature

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and extent of the risks that are self-insured as a result of this decision. The Chief Financial Officer 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.

- 23.4.3 All the risk pooling schemes require scheme members to make some contribution to the settlement of claims (the 'deductible'). The Chief Financial Officer should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

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## Appendix 1      Version Control

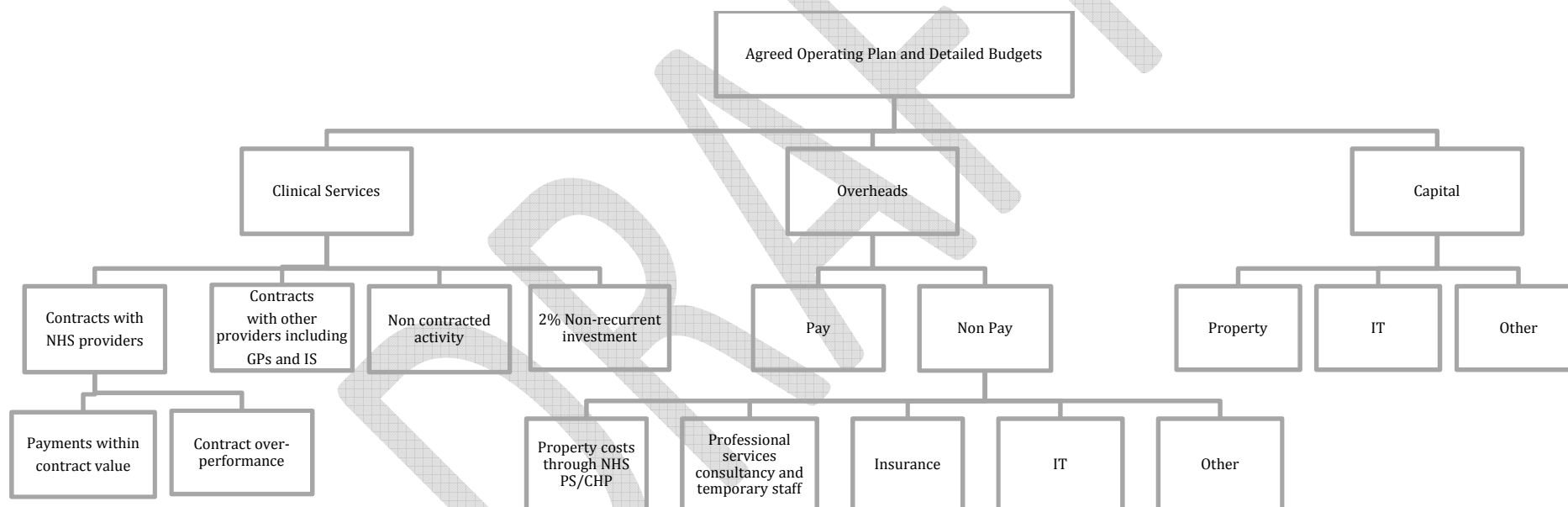
Version Number	Date	Author Title	Status	Comment/Reason for Issue/Approving Body
V01.00	01-10-2012	Board Secretary	Approved	Approved Version
V01.01	22-03-2013	Head of Assurance & Procurement	Draft	Annual Review
V01.02	26-03-2013	Head of Assurance & Procurement	Draft	Draft Updated for Comments
V01.03	27-03-2013	Head of Assurance & Procurement	Draft	Draft Updated for Comments
V01.04	05-04-2013	Head of Assurance & Procurement	Draft	Version approved by Task & Finish Group 28 March 2013 (incorporating requested changes)

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## Appendix 2 Delegated Limits for Commitments to Revenue & Capital Expenditure

### Background

This schedule of delegated financial limits sets out the systems, processes and procedures by which the NHS CB makes commitments. It is constructed to reflect the organisational structure of the NHS CB. The following table sets out the different categories of expenditure, referenced to specific authorisation limits.



These delegated limits are consistent with the latest draft HM Treasury rules for Arm's Length Bodies. The limits will be amended through the Board and Procurement Controls Sub-committee to reflect any revisions to HM Treasury rules.

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In addition, all commitments must comply with Department of Health efficiency controls guidance issued in December 2012 and with Cabinet Office guidance and requirements for strategic supplier management.

The key processes for commitments and accounting through the accounting system, or Integrated Single Finance Environment (ISFE), are:

- Approval of contracts according to the table set out below. This includes call-off contracts from framework agreements (e.g. Catalist) where individual contracts are still required. This is the **key point** at which a commitment on behalf of the Board to incur expenditure is made;
- NHS Shared Business Services administer setting up contract details on ISFE;
- A requisition is approved to commit expenditure against the contract by the contract signatory or a nominated deputy;
- The system generates a Purchase Order based upon the requisition;
- Once a service is provided, or goods delivered, users generate a receipt against the requisition. If the contract signatory is also the requisition approver, this must be a different person. This is the **key point** at which a commitment on behalf of the Board is made to pay; and,
- NHS Shared Business Services matches invoices against the receipted goods or services and processes payment against matched invoices.

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Generally, requisitions should only be raised when a contract is in place. The two exceptions to this are Non Contracted Activity and SLA over or underperformance invoices with providers:

- Non Contracted Activity – invoices from NHS bodies for which there is no contract or Service Level Agreement do not require a requisition to be raised. Approval of invoices will be exercised by the Budget Holder, who would normally be Area Director of Finance or Commissioning.
- Acute SLA under/over-performance invoices will require a retrospective requisition to be approved by Area Director of Finance or Commissioning.

Payments on account to providers of acute services will be approved through Area Director of Finance or Commissioning.

Commitments in relation to staff recruitment and payment are covered in the relevant HR policies.

### **General conditions**

For all expenditure commitments, the following general conditions apply:

- Commitments may only be made within agreed budgets and with the approval of the relevant Budget Holder;
- The limit for approval of contract variations is based upon the total revised value of the commitment (the original contract value plus the value of the variation); and,
- Financial approval limits represent the cost to the NHS CB. If VAT can be reclaimed, the net cost should be used as the limit; if not, the VAT inclusive amount should be used.

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## Summary of financial limits

The following table sets out specific further approval requirements and should be read in conjunction with the general conditions.

Nature of commitment	Contractual commitment over lifetime of contract
Clinical services – NHS and non-NHS providers	<p>Contracts valued at £500m or above: NHS CB Chief Executive and NHS CB Chief Financial Officer on the recommendation of the Area Director.</p> <p>Contracts up to £500m: Area Director plus Area Director of Finance (or Regional Director and Regional Finance Director for London) or CSU Managing Director plus CSU Director of Finance.</p>
Clinical services – commitments against 2% non-recurrent funds	In addition to the approval limits set out elsewhere in this document, all commitments are subject to approval through the agreed business case process for access to 2% non-recurrent funds.
Clinical and non-clinical property costs managed by NHS Property Services (NHSPS) and Community Health Partnerships (CHP)	<p>Annual budgets by property, and therefore commitments to expenditure, are agreed as part of the annual planning cycle between NHS CB, NHSPS and CHP.</p> <p>The relevant director with budget responsibility in region, area or national teams for these property costs has authority to approve unlimited commitments if they are in line with agreed budgets.</p>
Non clinical – non pay	<p>The following limits apply to non-clinical non pay costs. Specific additional limits for certain types of expenditure are set out below.</p> <p>Commitments £1,000,000 and above: Board.</p> <p>Commitments up to £1,000,000: NHS CB Chair or Chief Executive or Chief Financial Officer.</p> <p>Commitments up to £200,000: National Director, Regional Director, Area Director or CSU Managing Director.</p>

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Nature of commitment	Contractual commitment over lifetime of contract
	<p>Commitments up to £100,000: Other directors (VSM)</p> <p>Commitments up to £50,000: Budget Holders at Band 9 &amp; 8d (or equivalent)</p> <p>Commitments up to £10,000: Other Budget Holders</p>
<p>Non clinical – consultancy, professional services and temporary staff (admin and clerical, specialist contractors, interim managers)</p>	<p>All proposals for commitments to these cost categories in excess of a de minimis limit being agreed with the Department of Health require the approval of the Procurement Controls Sub-committee. The Sub-committee will forward business cases to the Department of Health, Cabinet Office and HM Treasury for approval in line with latest rules as necessary. Detailed definitions of these services are in the Department of Health Efficiency Controls Guidance issued December 2012.</p> <p>Note: Subject to confirmation awaited from Cabinet Office, this requirement does not apply to CSUs.</p>
<p>Non clinical – IT (revenue and capital commitments)</p>	<p>Any ICT spend with a whole life value over £5 million and, specifically, any ICT spend over £1 million on systems that support administration (including finance, HR or procurement activities or upgrades and hosting contracts for such systems) requires the approval of the Efficiency and Reform Group (ERG) in the Cabinet Office.</p> <p>This applies to all contracts and projects where ICT is a key element to deliver the scope and service or outcome. New ICT spend includes any new ICT contracts, contract amendments, contract extensions, feasibility and/or proof of concept studies, pilots, projects and programmes. It also covers using existing framework contracts to purchase ICT. No new OJEU notices should be issued to imply that ICT based contracts will be started without the express permission of the ERG.</p> <p>In addition to the Cabinet Office controls above, all business cases involving ICT related expenditure</p>

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Nature of commitment	Contractual commitment over lifetime of contract
	of more than £100,000 (but below the financial thresholds requiring ERG approval) should also be submitted to the Department of Health's Estates and Information Services (E & IS) who will review the proposed spend and provide advice.
Non clinical – insurance	The Government has a presumption against the use of commercial insurance excluding vehicle insurance. Any exceptions to this position must be approved through the NHS CB Chief Financial Officer in accordance with HM Treasury rules.
CSU specific limits	<p>In addition to the approval limits set out elsewhere in this Scheme of Delegation, there are specific CSU approval limits set out here.</p> <p><u>Service level agreements and contracts with CCGs and other customers:</u></p> <p>CSU Managing Director has authority to sign Service Level Agreements (SLAs) and contracts for services provided to CCGs, NHS CB for Direct Commissioning support and other commissioners without financial limit subject to the SLA value being in line with the approved CSU business plan.</p> <p><u>Raising invoices to customers:</u></p> <p>CSU Managing Director or Director of Finance are authorised to raise invoices against SLAs for the services provided to CCGs, NHS CB for Direct Commissioning support and other commissioners without financial limit subject to invoicing being in line with the SLA or contract.</p> <p><u>Commitments against planned surpluses</u></p> <p>Business cases for expenditure against planned surpluses are subject to approval by the CSU Managing Director and the Director of CSU Transition Programme.</p>

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Nature of commitment	Contractual commitment over lifetime of contract
HM Treasury approvals	<p><u>Losses and special payments</u></p> <p>As an Arm's Length Body, the NHS CB is subject to HM Treasury rules on losses and special payments. Approval of commitments in all instances, irrespective of amount, is reserved to HM Treasury. Business cases must be presented to the Procurement Controls Sub-committee, which will forward to HM Treasury via the Department of Health.</p> <ul style="list-style-type: none"> <li>• Involves important questions of principle;</li> <li>• Raises doubts about the effectiveness of existing systems;</li> <li>• Contains lessons which might be of wider interest;</li> <li>• Might create a precedent for other departments in similar circumstances; or,</li> <li>• Arise because of obscure or ambiguous instructions issued centrally.</li> </ul> <p>Examples of special payments include any compensation payments, extra-contractual or ex-gratia payments, retention payments and any payment made without specific identifiable NHS CB legal power.</p> <p><u>Other specific requirements</u></p> <p>As an Arm's Length Body, the NHS CB must seek HM Treasury approval for any expenditure which:</p> <ul style="list-style-type: none"> <li>• Requires HM Treasury approval under the relevant statute;</li> <li>• Would breach specific agreements with HM Treasury e.g. ring fencing of funds for specific purposes;</li> </ul>

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Nature of commitment	Contractual commitment over lifetime of contract
	<ul style="list-style-type: none"> <li>• Involves a major change of policy;</li> <li>• Does not have, or goes beyond, existing statutory powers, including a new service, before both Royal Assent of the legislation to establish the service <u>and</u> approval of an Estimate covering the service;</li> <li>• Although the item can be accommodated within budget this financial year, it puts significant pressure on budgets in later years i.e. contractual commitments to significant spending in future years for which plans have not been set;</li> <li>• Involves a gift (except for protocol gifts valued at more than £250,000) or any other gifts not covered by the Arm's Length Body's delegated authorities</li> <li>• Might set a potentially expensive precedent, or otherwise be repercussive on others;</li> <li>• Is novel (strikingly new, unusual, or different) or contentious (involving or likely to cause contention; controversial) – including advanced payments;</li> <li>• Staff severance payments;</li> <li>• Is needed for public statements or other commitments to use public resources beyond the agreed budget plans;</li> <li>• Guarantees, indemnities or letters of comfort creating contingent liabilities require HM Treasury agreement as if they were expenditure; and,</li> <li>• Items which could exceed the agreed budgets and estimate limits of the sponsoring department.</li> </ul>

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Nature of commitment	Contractual commitment over lifetime of contract
Capital commitments	<p>Capital commitments typically cover land, buildings, equipment and IT, including:</p> <ul style="list-style-type: none"> <li>• Authority to spend capital;</li> <li>• Authority to enter into a leasing arrangement ( in which circumstances a whole life expenditure approach will be taken to approval levels); and,</li> <li>• Authority to enter into a commissioning commitment which underpins the revenue implications of a third party investing capital, or entering into a lease commitment (for example commissioner support to a PFI scheme or major service reconfiguration).</li> </ul> <p>The following approval limits apply:</p> <p>Commitments £10m and above: Board</p> <p>Commitments £3m-£10m: Finance &amp; Investment Committee</p> <p>Commitments up to £3m: NHS CB Chair or Chief Executive or Chief Financial Officer</p> <p>Commitments up to £1m: CSU Managing Director and Chief Financial Officer (for CSU programmes within approved budget)</p> <p>In addition, commitments to capital expenditure on ICT are subject to the provisions outlined above.</p>

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### Appendix 3 Financial Limits: Non-clinical Purchase Requisition & Purchase Invoice Approval (including grants)

	Level PR1	Level PR2	Level PR3	Level PR4	Level PR5	Level PR6
Requisition/ Invoice Value	Over £1m	To £1m	To £500k	To £200k	To £100k	To £50k
Pre-requisite	Signed Contract must be in place before Requisition/Purchase Invoice approval (except Non Contracted Activity Invoices)					
Approvers and/or Restrictions	All Cost Centres			<i>CSU &amp; Hosted Body Cost Centres</i>	<i>CSU &amp; Hosted Body Cost Centres</i>	<i>CSU &amp; Hosted Body Cost Centres</i>
	Chief Executive  <b>OR</b> Chief Financial Officer	Director of Financial Control  <b>OR</b> Director of Strategic Finance  <b>OR</b> Director of Financial Performance	National Director  <b>OR</b> Regional Director  <b>OR</b> Area Director  <b>OR</b> CSU Managing Director	As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer	As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer	As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer
				Other Cost Centres Other Directors (VSM)	Other Cost Centres Band 9 & 8d Budget Holders	Other Cost Centres Other Budget Holders

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## Appendix 4 Financial Limits: Income (Sales) Contract & Contract Variation Approval (excluding CSUs)

	Level SC1	Level SC2	Level SC3	Level SC4	Level SC5	Level SC6
Contract Value	Over £1m	To £1m	To £500k	To £200k	To £100k	To £50k
Approvers and/or Restrictions	All Cost Centres			<i>CSU &amp; Hosted Body Cost Centres</i> As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer	<i>CSU &amp; Hosted Body Cost Centres</i> As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer	<i>CSU &amp; Hosted Body Cost Centres</i> As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer
	Chief Executive <b>OR</b> Chief Financial Officer	Director of Financial Control <b>OR</b> Director of Strategic Finance <b>OR</b> Director of Financial Performance	National Director <b>OR</b> Regional Director <b>OR</b> Area Director <b>OR</b> CSU Managing Director	Other Cost Centres Other Directors (VSM)	Other Cost Centres Band 9 & 8d Budget Holders	Other Cost Centres Other Budget Holders

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## Appendix 5 Financial Limits: Sales Invoice/Credit Note Request Approval (all contracts excluding CSUs)

	Level SR1	Level SR2	Level SR3	Level SR4	Level SR5	Level SR6
Request Value	Over £1m	To £1m	To £500k	To £200k	To £100k	To £50k
Approvers and/or Restrictions	All Cost Centres			<i>CSU &amp; Hosted Body Cost Centres</i> As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer	<i>CSU &amp; Hosted Body Cost Centres</i> As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer	<i>CSU &amp; Hosted Body Cost Centres</i> As set by CSU or Hosted Body Managing Director and approved by the Chief Financial Officer
	Chief Executive <b>OR</b> Chief Financial Officer	Director of Financial Control <b>OR</b> Director of Strategic Finance <b>OR</b> Director of Financial Performance	National Director <b>OR</b> Regional Director <b>OR</b> Area Director <b>OR</b> CSU Managing Director	Other Cost Centres Other Directors (VSM)	Other Cost Centres Band 9 & 8d Budget Holders	Other Cost Centres Other Budget Holders

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