

**London Ambulance Service**

**Standing Financial Instructions**

21/11/2008

## **PRE-AMBLE**

1. The “Directions on Financial Management in England” issued under HC (91)25 in 1991 state that each Board must adopt Standing Financial instructions (SFIs) setting out the responsibilities of individuals.
2. Each Board operates within the statutory framework within which it is also required to adopt Standing Orders. In addition to the Standing Orders, there is a Scheme of Delegation, Financial Procedural Notes and locally generated rules and instructions. Collectively these must comprehensively cover all aspects of financial management and control. They set the business rules which directors and employees (including employees of third parties contracted to the Trust) must follow when taking action on behalf of the Board.

Mike Dinan  
Director of Finance  
November 2008

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## 1. **INTRODUCTION**

### 1.1 **GENERAL**

- 1.1.1 These Standing Financial Instructions (SFIs) are issued in accordance with the Financial Directions issued by the Secretary of State under the provisions of Sections 99(3), 97(A)(4) and (7) of the National Health Service Act 1977; National Health Service and Community Care Act 1990 and other acts relating to the National Health Service or in the Financial Regulations made under the Acts for the regulation of the conduct of the LAS in relation to all financial matters. They shall have effect as if incorporated in the Standing Orders of the LAS.
- 1.1.2 These SFIs detail the financial responsibilities, policies and procedures to be adopted by the London Ambulance Service NHS Trust (LAS). They are designed to ensure that its financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness.
- 1.1.3 These SFIs identify the financial responsibilities which apply to everyone working for the LAS. They do not provide detailed procedural advice. These statements should therefore be read in conjunction with the detailed departmental financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance must be sought before action is taken.
- 1.1.5 Failure to comply with SFIs is a disciplinary matter that could result in dismissal.
- 1.1.6 Overriding Standing Financial Instructions – if for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit Committee for referring action or ratification. All members of the Board and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible.

### 1.2 **TERMINOLOGY**

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

- (a) “Trust” means the London Ambulance Service NHS Trust;
- (b) “Board” means the Board of the LAS;
- (c) “Budget” means a resource, expressed in financial terms, proposed by the LAS for the purpose of carrying out, for a specific period, any or all of the functions of the LAS;
- (d) “Chief Executive” means the chief officer of the LAS;
- (e) “Director of Finance” means the chief financial officer of the LAS;
- (f) “Budget Holder” means the director or employee with delegated authority to manage finances and resources for a specific area of the organisation; and
- (g) “Legal Adviser” means the properly qualified person appointed by the LAS to provide legal advice.

1.2.2 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include such other director or employees who have been duly authorised to represent them subject to the Scheme of Delegation.

1.2.3 Wherever the term “employee” is used it shall be deemed to include employees of third parties contracted to the Trust when acting on behalf of the Trust.

### 1.3 **RESPONSIBILITIES AND DELEGATION**

1.3.1 The Board exercises financial supervision and control by:

- (a) formulating the financial strategy;
- (b) requiring the submission and approval of budgets within overall income before the commencement of the financial year;
- (c) defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money); and
- (d) defining specific responsibilities placed on directors and employees as indicated in the Scheme of Delegation Document (EL(94)40 refers)

1.3.2 The Board will delegate responsibility for the performance of its functions in accordance with the Scheme of Delegation Document adopted by the LAS.

1.3.3 Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for the LAS' activities and is responsible to the Board for ensuring that its financial obligations and targets are met.

1.3.4 The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities but they remain accountable for financial control.

1.3.5 It is a duty of the Chief Executive to ensure that existing directors and employees and all new appointees are notified of and understand their responsibilities within these instructions.

1.3.6 **The Director of Finance** is responsible for:

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

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

- (d) the provision of financial advice to the LAS, its directors and employees;
- (e) the design, implementation and supervision of systems of financial control;
- (f) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the LAS may require for the purpose of carrying out its statutory duties.

1.3.7 **All directors and employees**, severally and collectively, are responsible for:

- (a) the security of the property of the LAS;
- (b) avoiding loss;

- (c) exercising economy and efficiency in the use of resources; and
- (d) conforming with the requirements of Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Delegation.

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

1.3.9 For any and all directors and employees who carry out financial function, the form in which financial records are kept and the manner in which directors and employees discharge their duties must be to the satisfaction of the Director of Finance.

## 2. **AUDIT**

### 2.1 **AUDIT COMMITTEE**

2.1.1 In accordance with Standing Order, following the guidelines set out in the NHS Audit Committee Handbook 2005. The Board shall establish an Audit Committee which will provide an independent and objective view of internal control by:

- (a) overseeing Internal and External Audit service;
- (b) reviewing financial systems and monitoring the integrity of the financial status and reviewing significant financial judgements;
- (c) ensuring compliance with Standing Orders and Standing Financial Instructions;
- (d) Reviewing schedules of losses and compensations and making recommendations to the Board.
- (e) Review the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives.
- (f) Reviewing the arrangements in place to support the Assurance Framework process prepared on behalf of the Board and advising the Board accordingly.

2.1.2 Where the Audit Committee feel there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the chairman of the Audit Committee should raise the matter at a full meeting of the Board. Exceptionally, the matter may need to be referred to the Department of Health (to the Director of Finance in the first instance).

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

## 2.2 **DIRECTOR OF FINANCE**

2.2.1 The Director of Finance is responsible for:

- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control by the establishment of an internal audit function;
- (b) ensuring that the internal audit is adequate and meets the NHS mandatory audit standards;
- (c) deciding at what stage to involve the police in cases of fraud, misappropriation, and other irregularities.
- (d) ensuring that an annual audit report is prepared for consideration by the Audit Committee and the Board. The report must cover:
  - (i) a clear opinion on the effectiveness of internal control measures in accordance with current assurance framework guidance issued by the Department of Health including for example compliance with control criteria and standards;
  - (ii) progress against plan over the previous year;
  - (iii) major internal financial control weaknesses discovered;
  - (iv) progress in the implementation of internal audit recommendations;
  - (v) strategic audit plan covering the coming three years;
  - (vi) a detailed plan for the coming year.

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

- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;



- (b) access at all reasonable times to any land, premises or employee of the LAS;
- (c) the production of any cash, stores or other property of the LAS under an employee's control; and
- (d) explanations concerning any matter under investigation.

## 2.3 **ROLE OF INTERNAL AUDIT**

### 2.3.1 Internal Audit will review, appraise and report upon:

- (a) the extent of compliance with, and the financial effect of, relevant established accounting and financial policies, plans and procedures;
- (b) the adequacy and application of financial and other related management controls;
- (c) the suitability of financial and other related management data;
- (d) the extent to which the LAS' assets and interests are accounted for and safeguarded from loss of any kind, arising from:
  - (i) fraud and other offences
  - (ii) waste, extravagance, inefficient administration,
  - (iii) poor value for money or other causes.
- (e) Internal Audit shall also independently verify the Statement on Internal Control in accordance with guidance from the Department of Health.

2.3.2 The plan of work for Internal Audit should be reviewed and approved by the Audit Committee at the beginning of each financial year. This plan should be drawn up with full consideration of all risks as detailed within the risk register.

2.3.3 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately.

2.3.4 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee Members, the Chairman and Chief Executive of the LAS.

2.3.5 The Head of Internal Audit shall be accountable to the Director of Finance. The reporting system for internal audit shall be agreed between the Director

of Finance, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Manual. The reporting system shall be reviewed at least every 3 years.

## 2.4 FRAUD AND CORRUPTION

- 2.4.1 In line with their responsibilities, the Trust Chief Executive and Director of Finance shall monitor and ensure compliance with Secretary of State (SofS) Directions on fraud and corruption.

**Fraud** - any person who dishonestly makes a false representation to make a gain for himself or another or dishonestly fails to disclose to another person, information which he is under a legal duty to disclose, or commits fraud by abuse of position, including any offence as defined in the Fraud Act 2006. Appendix B is a summary of the Fraud Act 2006.

**Corruption** - where someone is influenced by bribery, payment or benefit-in-kind to unreasonably use their position to give some advantage to another

- 2.4.2 The Trust shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) as specified by the Department of Health Fraud and Corruption Manual and guidance.

The contact details for the LCFS are

**Name:** David Foley

**Telephone:** 07721 977523

**Office:** 020 7920 3200

**Email:** david.foley@rsmbentleyjennison.com

**Address:** RSM Bentley Jennison, 45 Moorfields, London, EC2Y 9AE

- 2.4.3 The Local Counter Fraud Specialist will provide a written report, at least annually, on counter fraud work within the Trust.
- 2.4.4 The Local Counter Fraud Specialist shall report to the Trust Director of Finance and shall work with staff in the Directorate of Counter Fraud Services and the Counter Fraud Operational Service in accordance with the Department of Health Fraud and Corruption Manual.
- 2.4.5 The Trust shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary for Health guidance on NHS security management.
- 2.4.6 The Trust has a Anti-Fraud and Corruption Policy which is available on the intranet site, the Pulse.

## **2.5 EXTERNAL AUDIT**

- 2.5.1 The external auditor is appointed by the Audit Commission and paid for by the LAS. The Audit Committee must ensure a cost-efficient external audit service. Should there appear to be a problem, then this should be raised with the external auditor and referred to the Audit Commission if the issue cannot be resolved.

## **3 SERVICE PLANNING, BUDGETS, BUDGETARY CONTROL AND MONITORING**

### **3.1 Preparation and approval of service plans and budgets**

- 3.1.1 The Board must ensure that there is an approved annual service plan before the commencement of the each financial year. The Chief Executive will compile and submit to the Board an annual service plan which takes into account financial targets and forecast limits of available resources. The annual business plan will contain:

- (a) aims and objectives.
- (b) a statement of the significant assumptions on which the plan is based;
- (c) details of major changes in workload, delivery of services or resources required to achieve the plan.
- (d) the individual and collective responsibilities of directors.

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

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

- 3.1.3 The Director of Finance shall monitor financial performance against budget and service plan and report to the Board.

- 3.1.4 All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled.
- 3.1.5 All budget holders will sign up to their allocated budgets at the commencement of each financial year.
- 3.1.6 The Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage successfully.

## 3.2 **BUDGETARY DELEGATION**

- 3.2.1 The Chief Executive may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing, in the Scheme of Delegation, and be accompanied by clear definitions of:
  - (a) the amount of the budget;
  - (b) the purpose(s) of each budget heading;
  - (c) individual and group responsibilities;
  - (d) authority to exercise virement;
  - (e) achievement of planned levels of service; and
  - (f) the provision of regular reports.
- 3.2.2 The Chief Executive and delegated budget holders must not exceed the budgetary total or virements limits set by the board.
- 3.2.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement.
- 3.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive.

## 3.3 **BUDGETARY CONTROL AND REPORTING**

- 3.3.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:
  - (a) monthly financial reports to the Board in a form approved by the Board containing:

- (i) income and expenditure to date showing trends and forecast year-end position;
  - (ii) data correlating financial, establishment and activity trends;
  - (iii) movements in working capital;
  - (iv) capital project spend, including commitments, and projected outturn against plan;
  - (v) explanation of any material variances from plan;
  - (vi) details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;
- (b) the issue of timely, accurate and comprehensive advice and financial reports to each budget holder, covering the areas for which they are responsible;
  - (c) investigation and reporting of variances from financial, workload and manpower budgets;
  - (d) monitoring of management action to correct variances; and
  - (e) arrangements for the authorisation of budget transfers.

3.3.2 Each Budget Holder is responsible for ensuring that:

- (a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the consent of the Board;
- (b) any potential underspend is highlighted to the Director of Finance (for virement if necessary)
- (c) 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
- (d) no permanent employees are appointed without the approval of the Director of Human Resources other than those provided for in the budgeted establishment as approved by the Board. Permanent employees must be appointed against recurrent income.

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

#### 3.4 **CAPITAL EXPENDITURE**

3.4.1 The general rules applying to delegation and reporting shall also apply to capital expenditure-

### 3.5 **MONITORING RETURNS**

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

## 4 **ANNUAL ACCOUNTS AND REPORTS**

4.1 The Director of Finance will:

- (a) prepare financial returns for the LAS, in accordance with the guidance given by the Department of Health and the Treasury, the LAS' accounting policies, and generally accepted accounting principles;
- (b) prepare, certify and submit annual financial reports to the Secretary of State for each financial year in accordance with current guidelines; and
- (c) submit financial returns to the Secretary of State for each financial year in accordance with the timetable prescribed by the Department of Health.

4.2 The Trust's annual accounts must be audited by an auditor appointed by the Audit Commission. The Trust's Audited Annual Accounts must be presented to a public meeting and made available to the public.

4.3 The LAS will publish an Annual Report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with the Department of Health's Manual for Accounts. The document will include inter alia:

- (a) the Annual Accounts of the LAS;
- (b) details of relevant directorships and other significant interests held by Board members, as defined in Standing Orders;
- (c) composition of the Remuneration and Terms of Service Committee;
- (d) remuneration of the chairman, highest paid Director, and other Directors and highly paid employees, in accordance with guidance relating to the NHS.

## 5. **BANK AND PGO ACCOUNTS**

### 5.1 **GENERAL**

5.1.1 The Director of Finance is responsible for managing the LAS' banking arrangements and for advising the LAS 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 NHS and the Department of Health. In line with 'Cash management in the NHS' Trust should minimise the use of commercial banks accounts and consider using Office of the Paymaster General (OPG) accounts for all banking services.

5.1.2 The Board shall approve the banking arrangements.

### 5.2 **BANK AND PGO ACCOUNTS**

5.2.1 The Director of Finance is responsible for:

- (a) bank accounts and Paymaster General Office (PGO) accounts;
- (b) establishing separate bank accounts for the LAS' non-exchequer funds;
- (c) ensuring payments made from bank or PGO accounts do not exceed the amount credited to the account except where arrangements have been made; and
- (d) reporting to the Board all arrangements made with the LAS' bankers for overdraft facilities.
- (e) monitoring compliance with DH guidance on the level of cleared funds.

### 5.3 **BANKING PROCEDURES**

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

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

5.3.2 The Director or Finance must advise the LAS' bankers in writing of the conditions under which each account will be operated.

#### 5.4 **TENDERING AND REVIEW**

5.4.1 The Director of Finance will review the banking arrangements of the LAS at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for the LAS' banking business. 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 OPG accounts.

### 6 **INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

#### 6.1 **Income systems**

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

6.1.2 The Director of Finance is also responsible for the prompt banking of all monies received.

#### 6.2 **FEES AND CHARGES**

6.2.1 The LAS shall follow Department of Health's advice in the 'costing' manual in setting prices for NHS service agreements.

6.2.2 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.

6.2.3 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 for the NHS (2000) shall be followed.

6.2.4 All employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.



### 6.3 **DEBT RECOVERY**

- 6.3.1 The Director of Finance is responsible for the appropriate recovery action on all outstanding debts.
- 6.3.2 Income not received should be dealt with in accordance with losses procedures.
- 6.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated. Overpayments will be reviewed in order that procedures are introduced to prevent recurrence.

### 6.4 **SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

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

## 7. **CONTRACTING FOR PROVISION OF SERVICES**

- 7.1 The Chief Executive is responsible for negotiating contracts for the provision of services to patients in accordance with the Service Plan, and for establishing the arrangements for providing extra-contractual services. In carrying out these functions, the Chief Executive should take into account the advice of the Director of Finance regarding:
- (a) costing and pricing of services;
  - (b) payments terms and conditions; and
  - (c) amendments to contracts and extra-contractual arrangements.
- 7.2 Contracts should be devised as to minimise risk whilst maximising the Trust's opportunity to generate income. Contract prices should comply with "Costing for Contracting" guidelines as applicable to Ambulance Services.
- 7.3 The Director of Finance shall produce regular reports detailing actual and forecast contract income with a detailed assessment of the impact of the variable elements of income.
- 7.4 Any pricing of contract at marginal cost must be undertaken by the Director of Finance and reported to the Board.

## 8. **TERMS OF SERVICE AND PAYMENT OF DIRECTORS AND EMPLOYEES**

### 8.1 **~~REMUNERATION AND TERMS OF SERVICE~~**

- 8.1.1 The Board should formally agree and record in the minutes of its meetings, the precise terms of reference of the Remuneration ~~and Terms of Service~~ Committee, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting. (The constitution of this committee is covered in Standing Orders.)
- 8.1.5 The LAS will remunerate the Chairman and Non-executive Directors in accordance with instructions issued by the Secretary of State.

### 8.2 **FUNDED ESTABLISHMENT**

- 8.2.1 The workforce plans incorporated within the annual budget will form the funded establishment.

8.2.2 The funded establishment of any department may not be varied without the approval of the Director of Human Resources and the Director of Finance. Any change must comply with paragraph 3.3.2(d).

### 8.3 STAFF APPOINTMENTS

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

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

8.3.2 The Board will receive proposals by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees.

### 8.4 PROCESSING OF PAYROLL

8.4.1 The Director of Human Resources & Organisation Development is responsible for:

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

8.4.2 The Director of Human Resources & Organisation Development will issue instructions regarding:

- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees;
- (c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- (d) security and confidentiality of payroll information
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;

8.4.3 The Director of Finance will issue instructions regarding:

- (g) methods of payment available to various categories of employee;
- (h) procedures for payment by cheque, bank credit to employees;
- (i) procedure for the recall of cheques and bank credits
- (j) maintenance of regular and independent reconciliation of pay control accounts;
- (k) separation of duties of preparing records and handling cash; and
- (l) a system to ensure the recovery from leavers of sums of money and property due by them to the Trust.

8.4.4 Appropriately nominated managers have delegated responsibility for:

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

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

## 8.5 **CONTRACT OF EMPLOYMENT**

8.5.1 The Board shall delegate responsibility to the Director of Human Resources & Organisation Development for:

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

## 9. **NON-PAY EXPENDITURE**

### 9.1 **DELEGATION OF AUTHORITY**

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

9.1.2 The Chief Executive will set out:

- (a) the list of managers who are authorised to place requisitions for the supply of goods and services; and
- (b) the maximum level of each requisition and the system for authorisation above that level.
- (c) the authorised signatories policy; a list of authorised signatories will be held by the Finance Department.

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

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

9.2.1 The requisitioner, in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the LAS. In so doing, the advice of the LAS' adviser on supply shall be sought. Where this advice is not acceptable to the requisitioner, the Director of Finance (and/or the Chief Executive) shall be consulted.

Requisitions are not to be split or otherwise raised in a manner devised so as to avoid the financial thresholds. No requisition is to be raised which would cause a budget, year to date, to become overspent.

9.2.2 The Director of Finance shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

9.2.3 The Director of Finance will:

- (a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in standing orders and regularly reviewed;
- (b) prepare procedural instructions on the obtaining of goods, works and services incorporating the thresholds;
- (c) be responsible for the prompt payment of all properly authorised accounts and claims;
- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
  - (i) a list of directors/employees (including specimens of their signatures) authorised to certify invoices.
  - (ii) Certification that:
    - goods have been duly received, examined and are in accordance with specification and the prices are correct;
    - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and that charges are correct;
    - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined.
    - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;

- the account is arithmetically correct;
  - the account is in order for payment.
- (iii) A timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payments.
- (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department.
- (e) be responsible for ensuring that payment for goods and services is only made once the goods and services are received, (except as below).

9.2.4 Pre-payments are only permitted where exceptional circumstances apply. In such instances:

- (a) Prepayments are only permitted where the financial advantages outweigh the disadvantages (i.e. cashflows must be discounted to NPV using the National Loans Fund (NLF) rate plus 2%).
- (b) the appropriate Director must provide, in the form of a written report to the Director of Finance, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the LAS if the supplier is at some time during the course of the prepayment agreement unable to make his commitments;
- (c) the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the EU public procurement rules where the contract is above a stipulated financial threshold); and
- (d) the budget holder is responsible for ensuring that all items due under a pre-payment contract are received and he/she must immediately inform the appropriate Director or Chief Executive if problems are encountered.

9.2.5 Official Orders must:

- (a) be consecutively numbered;
- (b) be in a form approved by the Director of Finance;
- (c) state the LAS' terms and conditions of trade; and

- (d) only be issued to, and used by, those duly authorised by the Chief Executive.

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

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

The Standing Orders includes guidance, set out in Appendix VI, the Standards of Business Conduct for London Ambulance Service NHS Trust.

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- (f) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash;
- (g) verbal orders must only be issued very exceptionally – by an employee designated by the Chief Executive and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked “Confirmation Order”;
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;



- (i) goods are not taken on trial or loan in circumstances that could commit the LAS to a future un-competitive purchase;
- (j) changes to the list of directors/employees authorised to certify invoices are notified to the Director of Finance;
- (k) purchases from petty cash are restricted in value and by type or purchase in accordance with instructions issued by the Director of Finance;
- (l) petty cash records are maintained in a form as determined by the Director of Finance.
- (m) purchases using purchasing cards are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance.
- (n) Purchasing card records are maintained in a form as determined by the Director of Finance.

9.2.7 The Chief Executive must ensure that the LAS' Standing Orders are compatible with the requirements issued by the NHS in respect of building and engineering contracts (CONCODE) and land and property transactions (ESTATECODE). The technical audit of these contracts shall be the responsibility of the Director managing those areas. The Director of Finance shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within these codes.

## 10 **EXTERNAL BORROWING AND INVESTMENTS**

### 10.1 **EXTERNAL BORROWING**

10.1.1 The Director of Finance will advise the Board concerning the Trust's ability to pay interest on, and repay, both the originating capital debt and any proposed new borrowing, within the limits set by the NHS. The Director of Finance is also responsible for reporting periodically to the Board concerning the originating debt and all loans and overdrafts.

10.1.2 The Board will agree the list of employees (including specimen of their signatures) who are authorised to make short term borrowing on behalf of the Trust. This must contain the Chief Executive and the Director of Finance.

10.1.3 Any application for a loan or overdraft will only be made by the Director of Finance or by an employee so delegated by him and the Board will be informed of this at the following meeting.

10.1.4 The Director of Finance must prepare detailed procedural instructions concerning applications for loans and overdrafts.

10.1.5 All short-term borrowings should be kept to the minimum period of time possible, consistent with the overall cash flow position. Any short term borrowing requirements must be authorised by the Director of Finance.

10.1.6 All long term borrowing must be consistent with the plans outlined in the current Business Plan.

## 10.2 INVESTMENTS

10.2.1 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 via the Treasury policy.

10.2.2 The Director of Finance is responsible for advising the Board on investments and shall report periodically to the Board concerning the performance of investments held.

10.2.3 The Director of Finance will prepare detailed procedural instructions on the operation of investment accounts and on the records to be maintained.

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

### 11.1.1 The Chief Executive

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

- 11.1.2 For every capital expenditure proposal above the limits set in the Scheme of Delegation the Chief Executive shall ensure:
- (a) that a business case (in line with the guidance contained within the Capital Investment Manual) is produced setting out:
    - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest possible ratio of benefits to costs; and
    - (ii) appropriate project management and control arrangement; and
  - (b) that the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case.

11.1.4 The Director of Finance shall assess on an annual basis the requirements for the operation of the construction industry tax deduction scheme in accordance with Inland Revenue guidance.

11.1.5 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management, incorporating the recommendations of “ESTATECODE”.

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

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

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

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

The Chief Executive will issue a scheme of delegation for capital investment management in accordance with “ESTATECODE” guidance and the LAS’ Standing Orders.

11.1.7 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. ~~These procedures shall fully into account the delegated limits for capital scheme included Annex C of HSC (1999) 246.~~ This procedure shall take fully into account the delegated limits

for capital scheme included in DH publication “Delegated limits for capital investment”.

## 11.2 PRIVATE FINANCE

11.2.1 When the LAS proposes to use finance which is to be provided other than through its EFL, the following procedures shall apply:

- (a) The Director of Finance shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector.
- (b) Where the sum involved exceeds delegated limits the business case must be referred to the Department of Health or in line with current guidelines.
- (c) The proposal must be specifically agreed by the Board where it exceeds the threshold set for capital schemes for Board approval.

## 11.3 ASSET REGISTERS

11.3.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Director of Finance and, inter alia, the Director responsible for fleet and facilities concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year.

11.3.2 The LAS shall maintain an asset register recording fixed assets. ~~The minimum data set to be held within these registers shall be as specified in the NHS Capital Accounting Manual as issued by the Department of Health.~~ The minimum data set to be held within these registers shall be designed so as to generate the standard accounting figures to enable the annual accounts to be produced, as set out in the NHS Trust Finance Manual. [http://www.dh.gov.uk/en/publicationsandstatistics/publications/publicationspolicyandguidance]

11.3.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:

- (a) properly authorised and approved agreements, architect’s certificates, supplier’s invoices and other documentary evidence in respect of purchases from third parties;
- (b) stores, requisitions and wages records for own materials and labour including appropriate overheads; and

- (c) lease agreements in respect of assets held under a finance lease and capitalised.

11.3.4 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).

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

11.3.6 The value of each asset shall be indexed to current values in accordance with methods specified in the Capital Accounting Manual issued by the Department of Health.

11.3.7 The value of each asset shall be depreciated using methods and rates as specified in the Capital Accounting manual issued by the Department of Health.

11.3.8 The Director of Finance of the Authority shall calculate and pay capital charges as specified in the Capital Accounting manual issued by the Department of Health.

#### 11.4 **SECURITY OF ASSETS**

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

11.4.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:

- (a) recording managerial responsibility for each asset;
- (b) identification of additions and disposals;
- (c) identification of all repairs and maintenance expenses;
- (d) physical security of assets;
- (e) periodic verification of the existence of, condition of, and title to, assets recorded;
- (f) identification and reporting of all costs associated with the retention of an asset; and

- (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

11.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.

11.4.4 Whilst each employee has a responsibility for the security of property of the LAS, it is the responsibility of directors and senior employees in all disciplines to apply such appropriate routine security in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with instructions.

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

11.4.6 Where practical, assets should be marked as LAS property.

## 12 **STORES AND RECEIPT OF GOODS**

### **General position**

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

- (a) kept to a minimum;
- (b) subjected to annual stocktake;
- (c) valued at the lower of cost and net realisable value.

12.2 Subject to the responsibility of the Director of Finance for the system of control, overall responsibility for the control of stores shall be delegated to the Director of Operations by the Chief Executive. The day-to-day responsibility may be delegated by them to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of Pharmaceutical stocks shall be the responsibility of the Directors of Operations; the control of fuel and oil of the Fleet Manager.

Comment [S1]: Requires amendment

12.3 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the Directors of Operations. Wherever practicable, stocks should be marked as health service property.

- 12.4 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores and losses.
- 12.5 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.
- 12.6 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 12.7 There will be a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal and replacement of all unserviceable articles. The Directors of Operations shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice (see also 15, Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

### 13 **DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

#### 13.1 **DISPOSALS AND CONDEMNATIONS**

- 13.1.1 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.
- 13.1.2 When it is decided to dispose of a LAS asset, the Director or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.
- 13.1.3 All unserviceable articles shall be:
- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance;
  - (b) recorded by the Condemning Officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Director of Finance.

13.1.4 The Condemning Officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who will take the appropriate action.

## 13.2 LOSSES AND SPECIAL PAYMENTS

13.2.1 The Director of Finance must prepare procedural instructions on the recording of and accounting for condemnations, losses and special payments. These will be authorised by the Audit Committee.

13.2.2 Any employee discovering or suspecting a loss of any kind must immediately inform their head of department, who must immediately inform the Chief Executive and the Director of Finance. Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved, but if the case involves suspicion of fraud, then the particular circumstances of the case will determine the stage at which the police are notified.

13.2.3 In cases of fraud and corruption or of anomalies that may indicate fraud or corruption, the Director of Finance must inform the relevant CFOS regional team in accordance with SofS Directions.

13.2.4 The Director of Finance must notify the Department of Health Directorate of Counter Fraud Services and the External Auditor of all frauds.

13.2.5 For losses apparently caused by theft, fraud, arson, neglect of duty or gross carelessness, except if trivial and where fraud is not suspected, the Director of Finance must immediately notify:

(a) the Board, and

(b) the External Auditor.

13.2.6 Within limits delegated to it by the Department of Health, the Board shall approve the writing-off of losses.

13.2.7 The Director of Finance shall be authorised to take any necessary steps to safeguard the LAS' interests in bankruptcies and company liquidations.

13.2.8 For any loss, the Director of Finance should consider whether any insurance claim can be made against insurers.

13.2.9 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.



- 13.2.10 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.
- 13.2.11 All losses and special payments must be reported to the Audit Committee at every meeting.

#### 14 **INFORMATION TECHNOLOGY**

- 14.1 The Director of Finance, and the Director of Information Management and Technology, who are responsible for the accuracy and security of the computerised financial data of the LAS, shall:
- (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the LAS' financial data, programs and computer hardware for which they are responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;
  - (b) ensure that adequate (reasonable) controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
  - (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
  - (d) ensure that adequate management (audit) trails exist through the computerised system and that such computer audit reviews as are considered necessary are being carried out.
- 14.2 The Director of Finance shall be satisfied that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them prior to implementation.
- 14.3 The Director of Information Management & Technology shall publish and maintain a Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the Information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about our Trust that we make publicly available.
- 14.3 The Director of Finance shall ensure that contracts for computer services for financial applications with another health organisation or any other agency

shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.

- 14.4 Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation.
- 14.5 Where computer systems have an impact on corporate financial systems the Directors of Information Management and Technology and Finance shall be satisfied that:
- (a) systems acquisitions, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
  - (b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - (c) Directorate of Finance staff have access to such data; and
  - (d) such computer audit reviews as are considered necessary are being carried out.
- 14.6 In the case of computer systems which are proposed General applications (i.e. normally those applications which the majority of Trusts in an NHS area wish to sponsor jointly) all responsible directors and employees will send to the Director of Information Management and Technology:
- (a) details of the outline design of the system;
  - (b) in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement.

## 15 **PATIENTS' PROPERTY**

- 15.1 The Trust has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") of patients not able to physically safeguard their property or in the possession of unconscious, confused, or deceased patients.
- 15.2 The Director of Finance must provide detailed written instructions on the collection, custody, and safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients

and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients.

- 15.3 Staff should be informed, on appointment, by the appropriate departmental or senior manager of their responsibilities and duties for the administration of the property of patients.

## 16 **CHARITABLE FUNDS**

### 16.1 **INTRODUCTION**

16.1.1 The discharge of the Trust'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. The Director of Finance shall ensure that each fund is managed appropriately with regard to its purpose and to its requirements.

16.1.2 This Section of the SFIs shall be interpreted and applied in conjunction with the rest of these Instructions, subject to modifications contained herein.

16.1.3 The Director of Finance will have primary responsibility to the Board for ensuring that these SFIs are applied to charitable funds.

### 16.2 **EXISTING FUNDS**

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

16.2.2 The Director of Finance shall periodically review the funds in existence and shall make recommendations to the Board regarding the potential for rationalisation of such funds within statutory guidelines.

16.2.3 The Director of Finance may recommend an increase in the number of funds where this is consistent with the Trust's policy for ensuring the safe and appropriate management of restricted funds, e.g., designation for specific stations or departments.

16.2.4 The trustee responsibilities must be discharged separately and full recognition given to the Trust'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.

16.2.5 The Scheme of Matters Reserved to the Board and the Scheme of Delegation make clear where decisions regarding the exercise of discretion rearing the disposal and use of the funds are to be taken by whom. All Trust Board members and Trust officers must take account of that guidance before taking action.

16.2.6 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.

### 16.3 NEW FUNDS

16.3.1 The Director of Finance shall, in conjunction with the Legal Adviser, arrange for the creation of a new trust where funds and/or other assets, received in accordance with this Body's policies, cannot adequately be managed as part of an existing trust.

16.3.2 The Director of Finance shall present the governing document to the Board for adoption as required in Standing Orders for each new trust. Such document shall clearly identify, inter alia, the objects of the new trust, the capacity of this Trust to delegate powers to manage and the power to assign the residue of the trust to another fund contingent upon certain conditions, e.g. Discharge of original objects.

### 16.4 SOURCES OF NEW FUNDS

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

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

16.4.2 In respect of **Legacies and Bequests**, the Director of Finance shall, with appropriate legal advice:

- (a) provide guidelines to officers of the Trust covering any approach regarding:
  - (i) the wording of wills;
  - (ii) the receipt of funds/other assets from executors;
- (b) where necessary, obtain grant of probate, or make application for grant of letters of administration, where the LAS is the beneficiary;
- (c) be empowered, on behalf of the LAS, to negotiate arrangements regarding the administration of a will with executors and to discharge them from their duty; and
- (d) be directly responsible, in conjunction with the Legal Adviser, for the appropriate treatment of all legacies and bequests.

16.4.3 In respect of **Fund-raising**, the Director of Finance shall:

- (a) after consultation with the Legal Adviser, deal with all arrangements for fund-raising by and/or on behalf of the LAS and ensure compliance with all statutes and regulations;
- (b) be empowered to liaise with other organisations/persons raising funds for the LAS and provide them with an adequate discharge. The Director of Finance shall be the only officer empowered to give approval for such fund-raising subject to the overriding direction of the Board;
- (c) be responsible, along with the Legal Advisers, for alerting the Board to any irregularities regarding the use of the LAS' name or its registration numbers; and
- (d) be responsible, after due consultation with the Legal adviser, for the appropriate treatment of all funds received from this source.

16.4.4 In respect of **Trading Income**, the Director of Finance shall:

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

## **16.5 INVESTMENT MANAGEMENT**

16.5.1 The Director of Finance shall be responsible for all aspects of the management of the investment of income and funds held on trust. The issues on which he shall be required to provide advice to the Board shall include:-

- (a) in conjunction with the Legal Adviser, the formulation of investment policy within the powers of this Body under Statute and within governing instruments to meet its requirements with regard to income generation and the enhancement of capital value;
- (b) the appointment of advisers, brokers, and where appropriate, fund managers and:
  - (i) the Director of Finance shall agree, in conjunction with the Legal Adviser, the terms of such appointments; and for which
  - (ii) written agreements shall be signed by the Chief Executive;
- (c) pooling of investment resources and the preparation of a submission to the Charity Commission for them to make a scheme;
- (d) the participation by this Body in common investment funds and the agreement of terms of entry and withdrawal from such funds;
- (e) that the use of NHS Trust assets shall be appropriately authorised in writing and charges raised within policy guidelines;
- (f) the review of the performance of brokers and fund managers;
- (g) the reporting of investment performance.

## **16.6 DISPOSITION MANAGEMENT**

16.6.1 The exercise of the LAS' dispositive discretion shall be managed by the Director of Finance in conjunction with the Board. In so doing he shall be aware of the following:

- (a) The objects of various funds and the designated objectives;
- (b) the availability of liquid funds within each charitable fund;
- (c) the powers of delegation available to commit resources;

- (d) the avoidance of the use of exchequer funds to discharge charitable fund liabilities (except where administratively unavoidable), and to ensure that any indebtedness to the Exchequer shall be discharged by trust funds at the earliest possible time;
- (e) that funds are to be spent rather than preserved, subject to the wishes of the donor and the needs of the LAS; and
- (f) the definitions of “charitable purposes” as agreed by the NHS and the Charity Commission.

## **16.7 BANKING SERVICES**

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

## **16.8 ASSET MANAGEMENT**

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

- (a) in conjunction with the Legal Adviser, that appropriate records of all assets owned by the LAS as corporate trustee are maintained, and that all assets, at agreed valuations, are brought to account;
- (b) that appropriate measures are taken to protect and/or to replace assets. These to include decisions regarding insurance, inventory control, and the reporting of losses;
- (c) that donated assets received on trust shall be accounted for appropriately;
- (d) that all assets acquired from funds held on trust which are intended to be retained within the charitable funds are appropriately accounted for, and that all other assets so acquired are brought to account in the name of the LAS NHS Trust.

## **16.9 REPORTING**

16.9.1 The Director of Finance shall ensure that regular reports are made to the Board with regard to, inter alia, the receipt of funds, investments, and the disposition of resources.

16.9.2 The Director of Finance shall prepare annual accounts in the required manner which shall be submitted to the Board within agreed timescales.

16.9.3 The Director of Finance, in conjunction with the Head of Legal Services, shall prepare an annual trustees' report (separate reports for charitable and non-charitable trusts) and the required returns to the NHS and to the Charity Commission for adoption by the Board.

#### 16.10 ACCOUNTING AND AUDIT

16.10.1 The Director of Finance shall maintain all financial records to enable the production of reports as above and to the satisfaction of internal and external audit.

16.10.2 The Director of Finance shall ensure that the records, accounts and returns receive adequate scrutiny by internal audit during the year.

He will liaise with external audit and provide them with all necessary information.

**Comment [S2]:** Is this reference to both internal and external audit in the same sub-clause correct? Should there be separate sub-clauses here?

**Comment [S3]:** As above

16.10.3 The Board shall be advised by the Director of Finance on the outcome of the annual audit. The Chief Executive shall submit the Management Letter to the Board.

#### 16.11 ADMINISTRATION COSTS

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

#### 16.12 TAXATION AND EXCISE DUTY

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

### 17 ACCEPTANCE OF GIFTS BY STAFF

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



## **18 RETENTION OF DOCUMENTS**

- 18.1 The Chief Executive shall be responsible for maintaining archives for all documents required to be retained in accordance with Department of Health guidelines, currently the Records Management: NHS Code of Practice.
- 18.2 The documents held in archives shall be capable of retrieval by authorised persons
- 18.3 Documents held in accordance with the Records Management: NHS Code of Practice shall only be destroyed at the express instigation of the Head of Records Management within the authority delegated by the Chief Executive. Records shall be maintained of documents so destroyed.

## **19 RISK MANAGEMENT**

- 19.1 The Chief Executive shall ensure that the Trust has a programme of risk management, in accordance with current Department of Health controls assurance requirements, which must be approved and monitored by the Board.
- 19.2 The programme of risk management shall include:
- 1) a process for identifying and quantifying risks and potential liabilities;
  - 2) engendering among all levels of staff a positive attitude towards the control of risk;
  - 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;
  - 4) contingency plans to offset the impact of adverse events;
  - 5) audit arrangements including; internal audit, clinical audit, health and safety review;
  - 6) a clear indication of which risks shall be insured.
  - 7) arrangements to review the risk management programme.

The existence, integration and evaluation of the above elements will assist in providing a basis to make a Statement on the effectiveness of Internal Control (SIC) within the Annual Report and Accounts as required by current Department of Health guidance.

- 19.3 The Board shall decide if the Trust 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 employers/third party liability) covered by the scheme this decision shall be reviewed annually.
- 19.4 With three exceptions Trusts may not enter into insurance arrangements with commercial insurers. The exceptions are:
- 1) Trusts may enter commercial arrangements for insuring motor vehicles owned by the Trust including insuring third party liability arising from their use;
  - 2) Where the Trust 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
  - 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 Trust 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 Litigation Authority.

In any case of doubt concerning a Trust's powers to enter into commercial insurance arrangements the Finance Director should consult the NHS Litigation Authority.

- 19.5 Where the Board decides to use the risk pooling schemes administered by the NHS Litigation Authority the Director of Finance shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Director of Finance shall ensure that documented procedures cover these arrangements.
- 19.6 Where the Board decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, the Director of Finance shall ensure that the Board is informed of the nature and extent of the risks that are self insured as a result of this decision. The Director of Finance will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses that will not be reimbursed.

All the risk-pooling schemes require members to make some contributions to the settlement of claims (the 'deductible'). The Director of Finance should ensure documented procedures also cover the management of claims and payments below the deductible in each case.