

LANCASHIRE CARE NHS
FOUNDATION TRUST

STANDING FINANCIAL
INSTRUCTIONS and STANDARD
OPERATING PROCEDURES

FEBRUARY 2015

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1. Introduction

1.1. General

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 (henceforth referred to as NHS and Social Care Act) and Regulatory Guidance (Monitor published Risk Assessment Framework and Foundation Trust Code of Governance) , with responsibilities set out under that and subsequent secondary legislation for the regulation of the conduct of Lancashire Care NHS Foundation Trust (LCFT) in relation to all financial matters. They shall have effect as if incorporated in the Trust Constitution and Standing Orders.

These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by LCFT. They are designed to ensure that LCFT'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 Matters Reserved for the Board and Decision Rights Framework (DRF).

These Standing Financial Instructions identify the financial responsibilities that apply to everyone working for LCFT. The user of these Standing Financial Instructions must also take into account relevant prevailing Regulatory guidance such as issued by Monitor Department of Health and/or HM Treasury instructions. The Chief Finance Officer must approve all financial procedures.

Should any difficulties arise regarding the interpretation or application of any of these Standing Financial Instructions, the advice of the Chief Finance Officer must be sought before acting. The user of these Standing Financial Instructions should also be familiar with and comply with LCFT's Standing Orders.

Wherever the title Chief Executive, Chief Finance 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 section 7).

1.2. Failure to Comply with Standing Financial Instructions and Standing Orders

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

All Members of the Board, and all Officers, have a duty to disclose any non-compliance with these Standing Financial Instructions to the Chief Finance Officer as soon as possible. If for any reason these Standing Financial Instructions are not complied with, full details of significant non-compliance and any justification for the non-compliance shall be reported to the next formal meeting of the Audit Committee for determining or ratifying action.

2. Scope

2.1. Officers and Employees within the Scope of these Standing Financial Instructions

All Officers and employees of LCFT are covered by these Standing Financial Instructions without exception.

3. Definitions

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:

Word/Phrase/Title	Definition
Accounting Officer	means the person responsible and accountable for resources within the control of LCFT, 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 LCFT is the Chief Executive.
Board	means the Chair, Executive Members and Non-executive Members of LCFT 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 LCFT
Budget Holder	means an Officer with delegated authority to manage finance (income and/or expenditure) for a specific area of LCFT.
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 LCFT 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 LCFT appointed pursuant to

Word/Phrase/Title	Definition
	paragraph 3 of Schedule A1 of the NHS Act 2006.
Chief Finance Officer	means the Chief Finance Officer of LCFT
Committee	means a committee appointed by the Board, which reports to the Board.
Employee	means a person paid via the payroll of LCFT, or for whom LCFT has responsibility for making payroll arrangements, but excluding Non-executive Members.
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.
LCFT	Lancashire Care NHS Foundation Trust
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.
NHS and Social Care Act	Means NHS Act 2006 as amended by the Health and Social Care Act 2012
Nominated Officer	means an Officer charged with the responsibility for discharging a specific task within Standing Orders and/or Standing Financial Instructions
Non-executive Director	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 LCFT or any other person holding a paid appointment or office with LCFT.
Regulator	means the Government Departments responsible for the regulation of the Foundation Trust sector.
Company 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, Standing Orders and Standing Financial Instructions, 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
Deputy-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.

4. Roles, Responsibilities and Delegation

4.1. The Board

The Board exercises financial supervision and control by:

- Formulating the financial strategy;
- Requiring the submission and approval of budgets within approved allocations/overall income;
- 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,
- Defining specific responsibilities placed on Members of the Board and Officers as indicated in the Reservation of Powers to the Board & Delegation of Powers.

LCFT has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are detailed in, Matters Reserved for the Board.

LCFT will delegate responsibility for the performance of its functions in accordance with the Standing Orders and scheme of delegation adopted by LCFT.

4.2. The Chief Executive and Chief Finance Officer

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

Within these Standing Financial Instructions it is acknowledged that the Chief Executive, as Accounting Officer, will have ultimate responsibility for ensuring that LCFT meets its obligation to perform its functions within the financial resources made available to it. The Chief Executive has overall executive responsibility for LCFT's activities, is responsible to the Board for ensuring that it stays within its resource limits and has overall responsibility for LCFT's system of internal control.

The Chief Executive will delegate detailed responsibility for financial activities and controls to the Chief Finance Officer but retain overall accountability. The extent of such delegation will be determined in LCFT's Decision Rights Framework and should be kept under review by the Board.

The Chief Executive, through the Chief Finance Officer, shall be responsible for the implementation of LCFT's financial policies and for co-ordinating any corrective action necessary to further these policies.

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 LCFT 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 and within the requirements of the Standards of Business Conduct Policy.

The Chief Executive shall ensure that LCFT has a programme of risk management, in accordance with current regulatory governance and assurance requirements, which shall be approved by the Board and monitored by the Audit Committee.

4.3. The Chief Finance Officer

The Chief Finance Officer is responsible for:

- Maintaining an effective system of financial control including ensuring that detailed financial procedures and systems incorporating the principles of segregation of duties and internal checks are prepared, documented and maintained to supplement these instructions; and,
- Ensuring that sufficient records are maintained to show and explain LCFT's transactions, in order to disclose, with reasonable accuracy, the financial position of LCFT at any time;
- Ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control which will partially be discharged by ensuring that internal audit review systems and processes are on a regular cycle, and that the internal audit function has the appropriate skills and expertise to carry out this work.
- Managing the process of procurement to secure an Internal Audit service that demonstrates quality and value for money;
- Ensuring that the annual internal audit report covers any major internal financial control weaknesses discovered; and
- Deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption;

Without prejudice to any other functions of LCFT, and Officers of LCFT, the duties of Chief Finance Officer shall include:

- The provision of financial advice to LCFT and its Officers;
- The design, implementation and supervision of systems of internal financial control; and,

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

The Chief Finance Officer, Officers nominated by the CFO or designated auditors are entitled without necessarily giving prior notice to require and receive:

- Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- Access at all reasonable times to any land, premises, Member of the Board or Officer of LCFT;
- The production of any cash, stores or other property of LCFT under the control of a Member of the Board or Officer; and,
- Explanations concerning any matter under consideration.

The Chief Finance Officer shall ensure that insurance arrangements exist in accordance with the risk management programme and shall demonstrate value for money for any insurance obtained (see section 23).

4.4. Board Members and Officers

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

- The security of the property of LCFT;
- Avoiding loss;
- Exercising economy and efficiency in the use of resources; and
- Conforming to the requirements of Standing Orders, Standing Financial Instructions, decision rights framework and financial procedures.

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 Finance Officer. The Chief Finance 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.

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 Finance Officer.

4.5. Contracts, contractors and their employees

Officers responsible for arranging contracts for the provision of items and/or services shall ensure that those contracts are appropriately monitored and governed within the contract's terms and conditions

Any contractor or employee of a contractor who is empowered by LCFT to commit LCFT to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the responsible Manager as delegated by the Chief Executive to ensure that such persons are made aware of this

4.6. Audit Committee

In accordance with the Monitor Code of Governance, the Trusts Standing Orders and constitution LCFT 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:

- Overseeing internal and external audit services;
- Reviewing financial and information systems, monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;
- Providing oversight of the establishment and maintenance of an effective system of assurance on risk management and internal control, across the whole of LCFT's activities, that supports achievement of LCFT's objectives;
- Monitoring compliance with Standing Orders and Standing Financial Instructions;
- Ensuring that LCFT has adequate arrangements in place for countering fraud and reviewing the outcomes of counter fraud work;
- Reviewing schedules of losses and compensations and making recommendations to the Board;
- Reviewing the work of other Committees, and other significant assurance providers or functions, which can provide relevant assurances; and,
- Requesting and reviewing reports and positive assurances from directors and managers on overall arrangements for governance, risk management and internal control

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 Finance Officer and the Chief 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.

4.7. Director of Governance and Compliance

The Director of Governance and Compliance is responsible for:

- The establishment of an effective internal audit function;
- Ensuring that internal audit is adequate and meets the government mandatory audit standards;
- Ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee. The report must cover:
 - 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;
 - Progress on the implementation of internal audit recommendations;
 - Progress against plan over the previous year;
 - Strategic audit plan covering the coming three years; and,
 - A detailed plan for the coming year.

4.8. Internal Audit

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 to the Accountable Officer.

In the event that Internal Audits are identified as being required that fall outside of the Internal Audit Plan, the Director of Governance and Compliance and the Chief Finance Officer have delegated authority to commission such audits and utilise the appropriate budget where short notice engagement if necessary.

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:

- Establish and monitor the achievement of LCFT's strategic and operational objectives, including its oversight of the wider commissioning system;
- Identify, assess and manage strategic and operational risks to achieving the organisation's objectives;
- Identify the extent of compliance with, and the financial effect of, the relevant established policies, plans and procedures;
- Identify the adequacy and application of financial and other related management controls;
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes; and

- Identify the extent to which LCFT's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
- Fraud and other offences;
- Waste, extravagance, inefficient administration;
- Poor value for money; or,
- Other causes.

Internal audit shall also independently verify the board assurance framework statements in accordance with guidance from the Department of Health.

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.

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 Finance Officer must be notified immediately.

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 LCFT.

The Head of Internal Audit shall be accountable to the Chief Executive. The reporting system for internal audit shall be agreed between the Chief Executive, the Audit Committee and the Head of Internal Audit in the form of an Internal Audit Charter. The Charter will comply with guidance on reporting contained in the Government Internal Audit Standards. The Charter will be reviewed at least every three years.

4.9. External Audit

In accordance with the Constitution it is for the Council of Governors to appoint or remove the external auditors at a general meeting of the Council of Governors.

The Trust must ensure that the external auditor appointed by the Council of Governors meets the criteria included by Sector Regulator within the Audit Code for NHS Foundation Trusts, at the date of appointment and on an ongoing basis throughout the term of their appointment.

External audit responsibilities (in compliance with the requirements of the Sector Regulator) are:

- To be satisfied that the accounts comply with the directions provided, i.e. that the accounts comply with the Annual Reporting Manual for NHS Foundation Trusts.

- to be satisfied that the accounts comply with the requirements of all other provisions contained in, or having effect under, any enactment which is applicable to the accounts;
- to be satisfied that proper practices have been observed in compiling the accounts;
- to be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources;
- to comply with any directions given by the Sector Regulator as to the standards, procedures and techniques to be adopted, i.e. to comply with the Audit Code for Foundation Trusts;
- to consider the issue of a public interest report;
- to certify the completion of the audit;
- to express an opinion on the accounts; and
- to refer the matter to the Sector Regulator if the Trust, or an officer or Director of the Trust, makes or are about to make decisions involving potentially unlawful action likely to cause a loss or deficiency.

External auditors will ensure that there is a minimum of duplication of effort between themselves and the Sector Regulator. The auditors will discharge this responsibility by:

- reviewing the statement made by the Chief Executive as part of the Statement on Internal Control and making a negative statement within the audit opinion if the Statement on Internal Control is not consistent with their knowledge of the Trust;
- reviewing the results of the work of relevant assurers, for example the Healthcare Commission, to determine if the results of the work have an impact on their responsibilities;
- undertaking any other work that they feel necessary to discharge their responsibilities.

The Trust will provide the external auditor with every facility and all information which may reasonably be required for the purposes of their functions.

The Trust shall forward a report to the Sector Regulator within 30 days (or such shorter period as the Sector Regulator may specify) of the external auditor issuing a public interest report. The report shall include details of the Trust's response to the issues raised within the public interest report.

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 by the Chief Financial Official and referred on to the Audit Committee if they cannot be resolved.

4.10. Fraud and Corruption Responsibilities

The Chief Executive and Chief Finance Officer shall monitor compliance with directions issued by the Secretary of State for Health on fraud and corruption.

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.

The Counter Fraud Co-ordinator shall report to the Chief Finance Officer and shall work with staff in NHS Protect in accordance with the Department of Health Fraud and Corruption Manual.

The Counter Fraud Co-ordinator will provide a written report, at least annually, to the Audit Committee on counter fraud work within LCFT.

The Chief Finance Officer is responsible for providing detailed procedures to enable the Trust to minimise and where possible to eliminate fraud and corruption. These procedures set out action to be taken by persons detecting a suspected fraud and persons responsible for investigating it.

The Director responsible for Human Resources is responsible for ensuring that steps are taken at recruitment stage to establish as far as possible the previous record of potential officers in terms of their propriety and integrity.

The Chief Finance Officer is responsible for ensuring that action is taken to investigate any allegations of fraud or corruption through the Local Counter Fraud Specialist. The steps to be taken are incorporated in the Trust's Fraud Policy and Response Plan.

The Company Secretary is responsible for maintaining a Register of Interests. It is the responsibility of all Directors and Senior Managers to register and declare any interests.

Senior Managers are expected to deal firmly and promptly and in accordance with the Trust's disciplinary procedure with anyone who attempts to defraud the Trust or who acts in a corrupt manner.

Any abuse of the procedures, such as unfounded or malicious allegations, is itself subject to full investigation and appropriate disciplinary action.

4.11. Security Management

The Board is required to nominate an Executive Member to be responsible to the Board for security management and for ensuring compliance with the NHS Security Management Standards.

The Board have nominated the Executive Director of Nursing and Quality to this role and is the duly appointed Security Management Director (SMD). The SMD has responsibility for controlling and coordinating security management. However, key tasks are delegated to the relevant associate director and the appointed Local Security Management Specialist (LSMS).

The LSMS shall work with staff in NHS Protect in accordance with the Department of Health Security Management Manual and will provide a written report, at least annually, to the Quality and Safety Sub-committee on security management work within LCFT.

4.12. Senior Information Risk

The Board shall nominate an Executive Member to be responsible to the Board for information risk management (the Senior Information Risk Owner).

The role of the Senior Information Risk Owner is defined in the Information Governance toolkit and is summarised in LCFT's Information Governance Policy as a Board level post. The senior Information Risk Owner is the leading advocate for information risk to the Board, advising how information security risks could impact the strategic goals of LCFT.

5. Planning, Budgets, Budgetary Control & Monitoring

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:

- A statement of the significant assumptions on which the plan is based; and,
- Details of major changes in workload, delivery of service or resources required to achieve the plan.

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

Such Budgets will:

- Be in accordance with the aims and objectives set out in the business plan;
- Accord with workload and manpower plans;
- Be produced following discussion with appropriate Budget Holders;

- Be prepared within the limits of available funds; and,
- Identify potential risks.

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

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

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

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

5.1. Budgetary Delegation

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:

- The amount of the Budget;
- The purpose(s) of each Budget heading;
- Individual and group responsibilities;
- Limits on exercising virements;
- Achievement of planned levels of service; and,
- The provision of regular reports.

The Chief Executive and delegated Budget Holders must not exceed the Budgetary total or virement limits set by the Board.

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.

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 Finance Officer.

5.2. Budgetary Control and Reporting

The Chief Finance Officer will devise and maintain systems of budgetary control.

These systems will include 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;
- 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 Finance Officer's view of whether such actions are sufficient to correct the situation;

The Chief Finance Officer will also issue timely, accurate and comprehensible advice and financial reports to each Budget Holder, covering the areas for which they are responsible.

The Chief Finance Officer will investigate and report of variances from financial and workforce Budgets.

5.3. Arrangements for the Authorisation of Budget Transfers.

Each Budget Holder is responsible for ensuring that:

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

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

5.4. Capital Expenditure

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

5.5. Monitoring Returns

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

6. Annual Report & Accounts

The Chief Finance Officer, on behalf of the Board, will:

- Prepare financial returns in accordance with the accounting policies and guidance given by the Sector Regulator and HM Treasury, LCFT's accounting policies and accounting standards, policies and procedures adopted by the NHS.;
- Prepare and submit annual financial reports to the Department of Health certified in accordance with current guidelines; and,
- Submit financial returns to the Department of Health for each financial year in accordance with the timetable prescribed by Regulators.
- ensure that a copy of the annual accounts and any report of the external auditor on them, are laid before Parliament and that copies of these documents are sent to the Sector Regulator, within the prescribed timetable.

LCFT will produce an annual report and accounts, including consolidated accounts, in accordance with HM regulators guidance, which shall be audited by the appointed auditors.

LCFT'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.

The Trust will prepare an annual report. This will be presented to the Board of Directors for approval and received by the Council of Governors at a public meeting. A copy will be forwarded to the Sector Regulator. The reports will give:

- information on any steps taken by the Trust to secure that (taken as a whole) the actual membership of its public constituency and the patients' constituency is representative of those eligible for such membership, and
- any other information the Sector Regulator requires.

7. Banking Arrangements

7.1. General

The Chief Finance Officer is responsible for establishing and managing LCFT'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, HM Treasury and the Sector Regulator. In line with guidance LCFT should consider using the Government Banking Service as its supplier for all banking services.

With advice from the CFO the Board or nominated sub-committee shall approve the banking arrangements.

7.2. Commercial Bank and Government Banking Service Accounts

The Chief Finance Officer is responsible for:

- Commercial bank accounts and accounts operated through the Government Banking Service;
- Establishing separate bank accounts for LCFT's non-exchequer funds, Charitable Funds and Patient Monies;
- 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;
- Reporting to the Board all arrangements made with LCFT's bankers for accounts to be overdrawn;
- Payment and Credit Card arrangements; and,
- Monitoring compliance with Department of Health guidance on the level of cleared funds.

No employee/officer other than the Chief Finance Officer, or in his/her absence his/her authorised deputy, shall open or close a bank account in the name of the Trust.

All funds will be held in accounts in the name of the Trust.

All bank accounts will be reviewed on an ongoing basis and closed as required.

7.3. Banking Procedures

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

- The conditions under which each commercial bank, Government Banking Service account and Credit Card account is to be operated; and,
- the limit to be applied to any overdraft or credit limits; and
- those authorised to sign cheques use cards or other payments to be drawn on the Trust's accounts

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

7.4. Tendering and Review

For those non-exchequer funds, if any, held outside the Government Banking Service, the Chief Finance Officer will review the commercial banking arrangements of LCFT at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for LCFT's commercial 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 exercise is not necessary for Government Banking Service accounts.

8. Income, Fees and Charges & Security of Cash, Cheques and Other Negotiable Instruments

8.1. Income Systems

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

The Chief Finance Officer is also responsible for arranging the facilities to affect prompt banking of all monies received.

The Chief Finance Officer will ensure that any restrictions on income imposed by legislation, the Treasury or the Sector Regulator will be complied with.

Employees must obtain final approval of the Chief Finance Officer for any income generation schemes, trading endeavours and concessions prior to implementation.

8.2. Fees and Charges

The Chief Finance Officer is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by legislation, the Treasury or the Sector Regulator. 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.

All Officers must inform the Chief Finance 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

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

The Chief Finance Officer is responsible for the design of appropriate processes to manage the prevention and/or detection and recovery of overpayments.

8.4. Security of Cash, Cheques and Other Negotiable Instruments

The Chief Finance Officer is responsible for:

- Approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- Ordering and securely controlling any such stationery;
- The provision of guidance for 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 ,
- Prescribing systems and procedures for handling cash and negotiable securities on behalf of LCFT.

Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.

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 Finance Officer.

Cash shall be held and managed using procedures approved by the Chief Finance Officer. Cash should not be removed from Trust premises other than under transfer procedures and under no circumstances should cash be taken home.

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 LCFT is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving LCFT from responsibility for any loss.

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.

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 LCFT's bankers and released by them only against a requisition signed by the Chief Finance Officer.

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.

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.

8.5. Petty Cash

All petty cash will be managed in accordance with procedures approved by the Chief Finance Officer.

8.6. Merchant Acquiring Devices (Chip and Pin)

All Merchant Acquiring Devices (e.g. Chip and Pin) will be managed in accordance with procedures approved by the Chief Finance Officer.

9. Contracts with Commissioners

The Chief Finance Officer with advice from the Chief Executive is responsible for negotiating contracts with commissioners for the provision of services to patients in accordance with the Trust Business Plan.

Contracts with commissioners are legally binding and in respect of finances and shall comply with best costing practice and shall be so devised as to minimise risk whilst maximising the Trust's opportunity to generate income.

In carrying out these functions, the Chief Executive should take into account the advice of Directors regarding:

- costing and pricing of services;
- payment terms and conditions;
- billing systems and cash flow management;
- the contract negotiating process and timetable;

- the provision of contract data;
- pricing of services;
- contract monitoring arrangements;
- amendments to contracts; and,
- any other matters relating to contracts of a legal or non-financial nature.

The Chief Finance Officer is responsible for designing and maintaining systems to support the financial management of contracts.

Monitoring of compliance with commissioner contracts will be undertaken through the Business Planning and Transformation Sub-Committee.

10. Terms of Service, Allowances & Payment of Members and Employees

10.1. Remuneration and Terms of Service

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

The Committee will:

- determine on behalf of the Board of Directors, the remuneration and terms of service for the Chief Executive, other Executive Directors, the Company Secretary and other senior employees, including:
 - all aspects of salary (including any performance-related elements/bonuses);
 - provisions for other benefits, including pensions and cars;
 - arrangements for termination of employment and other contractual terms;
- advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments.

The Committee has full powers of decision over those matters within its remit. Minutes of the Board of Directors meetings should record such decisions and a record of minutes will be kept by the Trust Secretary.

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.

LCFT will remunerate the Chair and Non-Executive Directors as determined by the Council of Governors within guidance published by the Sector Regulator.

10.2. Funded Establishment

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

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

10.3. Staff Appointments

Members of the Board and other Employees may only engage, re-engage, re-grade or change any aspect of remuneration on a permanent basis in accordance with the approved scheme of delegation and within the limit of their approved Budget and funded establishment exceptions must be approved in advance and in writing by the Chief Executive. Temporary changes must be made in accordance with the Decision Rights Framework.

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

10.4. Contracts of Employment

The Board shall delegate responsibility to an Officer for:

- Ensuring that all Employees are issued with a contract of employment in a form approved by the Board and which complies with employment legislation; and,
- Dealing with variations to, or termination of, contracts of employment.

11. Processing Payroll

The Chief Finance Officer is responsible for:

- Specifying timetables for submission of properly authorised time records and other notifications;
- The final determination of pay and allowances;
- Making payment on agreed dates; and,
- Agreeing methods of payment.

The Chief Finance Officer will issue instructions regarding:

- Verification and documentation of data;
- The timetable for receipt and preparation of payroll data and the payment of Employees;
- Maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- Security and confidentiality of payroll information;
- Checks to be applied to completed payroll before and after payment;
- Arrangements for ensuring compliance with the provisions of the Data Protection Act;
- Methods of payments available to various categories of Employees and Officers;
- Procedures for payment by cheque or bank credit;
- Procedures for the recall of cheques and bank credits;
- Pay advances and their recovery;
- Maintenance of regular and independent reconciliation of pay control accounts;
- Separation of duties of preparing records and inputs and verifying outputs and payments; and,
- Systems to ensure the recovery from leavers of sums of money and property due by them to LCFT.

Appropriately nominated Officers have delegated responsibility for:

- Submitting time records, and other notifications in accordance with agreed timetables;
- Completing time records and other notifications in accordance with the Chief Finance Officer's instructions and in the form prescribed by the Chief Finance Officer; and,
- 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 Finance Officer must be informed immediately.

Regardless of the arrangements for providing the payroll service, the Chief Finance 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.

All Employees shall be paid by bank credit transfer, unless otherwise agreed by the Chief Finance Officer.

12. Tendering, Quotations & Signing Contracts

12.1. Approval to Undertake Procurement Activity

Before the commencement of any procurement activity any requirements of the Decision Rights Framework for a business case for Committee approval should have been completed.

All procurement activities carried out by LCFT must also comply with any more specific control arrangements required by the Regulator or HM Treasury.

12.2. Requirement to Tender or Obtain Quotes

EU and UK public procurement policy requires that LCFT promotes fair competition amongst potential suppliers and is open and transparent in dealings with suppliers and potential suppliers.

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.

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.

For procurements with a full life expenditure of under £50,000 three written quotes should be obtained.

12.3. Exceptions to the Requirement to Tender or Obtain Quote

Formal tendering or competitive quotation procedures need not be applied:

- Where the supply is proposed under a contract negotiated by the Department of Health or another body, that LCFT is able to take advantage of, in which event the said contract must be complied with; or,
- Regarding disposals, as set out in these Standing Financial Instructions.

Formal tendering procedures may be waived in the following circumstances:

- 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 LCFT record and reported to the Audit Committee;
- Where the requirement is covered by an existing contract;

- Where Government Procurement Service agreements are in place and have been approved by the Board;
- 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;
- 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;
- Where specialist expertise is required and is available from only one source;
- 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;
- 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,
- Where allowed and provided for in the Capital Investment Manual.

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

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 LCFT record and reported to the Audit Committee at its next meeting.

12.4. Disposals

Competitive tendering or quotation procedures shall not apply to the disposal of:

- 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 subject to DRF associated authority levels;
- Obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of LCFT;
- Items to be disposed of with an estimated sale value of less than £10,000;
- Items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract; and,
- Land or buildings concerning which Department of Health guidance has been issued but subject to compliance with such guidance.

12.5. In-house Services

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.

In all cases where the Board determines that in-house services should be subject to competitive tendering the following groups shall be set up:

- Specification group, comprising the Chief Executive or nominated Officer(s) and specialist;
- In-house tender group, comprising a nominee of the Chief Executive and technical support; and,
- Evaluation team, comprising normally a specialist Officer, a supplies Officer and a Chief Finance Officer representative. For services having a likely annual expenditure exceeding £250,000, a Non-executive Director should be a member of the evaluation team.

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.

The evaluation team shall make recommendations to the Board.

12.6. Signing of Contracts

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

12.7. Compliance Requirements for All Contracts

LCFT may only enter into contracts within the statutory powers delegated to it by the Secretary of State for Health and shall comply with:

- The Trusts Standing Orders and Standing Financial Instructions;
- EU Directives and other statutory provisions; and,
- Any relevant directions including the Capital Investment Manual, “Estatecode” and guidance on the Procurement and Management of Consultants.

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

In all contracts LCFT shall endeavour to obtain best value for money. The Chief Executive shall nominate an Officer who shall oversee and manage each contract on behalf of LCFT.

13. Purchasing

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.

The Chief Finance Officer will set out:

- The list of Officers who are authorised to place requisitions for the supply of goods and services; and,
- The maximum level of each requisition and the system for authorisation above that level.

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.

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).

Purchases from petty cash are to be limited in value and type of purchase in accordance with instructions issued by the Chief Finance Officer at the time of approving the issue of an individual petty cash float, and documented in the form prescribed in those instructions.

Verbal orders must only be issued very exceptionally by an Officer designated by the Chief Finance Officer and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "confirmation order".

Official orders must:

- Be consecutively numbered;
- Be in a form approved by the Chief Finance Officer;
- Include such information concerning prices or costs as required; and,
- Incorporate an obligation on the supplier/contractor to comply with LCFT's 12.7.4 or other relevant Terms and Conditions of Purchase (such as Government Procurement Service).

Details of all orders placed should be available to the Chief Finance Officer either in paper form or accessible through a computerised ledger system.

The Chief Finance 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.

Orders shall not be split or otherwise placed in a manner devised to avoid financial thresholds.

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:

- Isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars; or,
- Conventional hospitality, such as lunches in the course of working visits.

All gifts and hospitality shall be recorded in a register of gifts and hospitality.

Goods are not to be taken on trial or loan in circumstances that could commit LCFT to a future uncompetitive price.

14. Capital Investment, Asset Register & Security of Assets

14.1. Capital Investment

The Chief Executive 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;
- is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost;
- ensure that the capital investment is not undertaken without confirmation of the availability of resources to finance all revenue consequences, including capital charges, and;
- shall not commit to capital expenditure without confirmation of the availability of cash/funding.

Each capital expenditure proposal should be prepared in accordance with the Decision Rights Framework issued by the Chief Executive on the advice of the Company Secretary. The Chief Finance Officer shall have discretion to lower this limit where the nature of the proposal has a significant impact on activity levels or financial commitments. Where a Business Case is required the Chief Executive shall ensure:

- that all proposals including: PFI arrangements, leasing, hiring or renting of fixed assets have been subject to an appropriate appraisal their impact on the Trust's ability to achieve its financial targets and subject to legal advice, from the Trust's legal advisor, on the terms of the proposed contract.

The approval of a capital programme shall not constitute approval for expenditure on any scheme. Procurement procedures detailed elsewhere in this document should be followed for all capital expenditure.

The Chief Executive, or the Chief Finance Officer on their behalf, shall issue to the delegated manager (Decision Rights Framework) responsible for any scheme:

- specific authority to commit expenditure;
- authority to proceed to tender, or
- approval to accept a successful tender.

The Chief Executive will issue a Decision Rights Framework that includes capital investment management in accordance the Trust's Standing Orders.

The Chief Finance Officer shall issue procedures governing the financial management, (including variations to contract), of capital investment projects and any valuation or accounting.

14.2. Asset Registers

The Chief Executive is responsible for the maintenance of a register of financial assets, taking account of the advice of the Chief Finance Officer concerning the form of any register and the method of updating, and arranging for appropriate physical checks of financial asset register to be conducted.

The Trust shall maintain a publicly available property register recording Commissioner Requested Services protected property, in accordance with the guidance issued by the Sector Regulator.

The Trust may not dispose of any Commissioner Requested Services protected property without the approval of the Sector Regulator. This includes the disposal of part of the property or granting an interest in it.

The Trust will account for its assets in accordance with all relevant guidance, including:

- Legislation;
- Sector Regulators, and;
- International Accounting Standards Board

This will include:

- asset Valuation and revaluations;
- asset Economic Useful Life;
- depreciation;
- transfers;
- additions;
- disposals, and;
- Capital Charges.

14.3. Register of Inventory Assets

The Chief Executive is responsible for:

- the definition of items that are to be included in a Register of Inventory Items, and;
- maintenance of the Register of Inventory Items, taking account of the advice of the Chief Finance Officer concerning the form and method of updating the register.

Each employee has a responsibility to exercise a duty of care over the assets of the Trust and it shall be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to trust assets. A substantial or persistent breach of agreed security practices shall be reported to the Chief Finance Officer who will determine the necessary action.

The Chief Executive, taking account of advice of the Chief Finance Officer, shall put in place a system to update the Register of Inventory Items all changes to inventory items, including:

- additions,;
- disposals, and;
- transfer to different locations.

The Chief Executive is responsible for ensuring an appropriate physical check of the Register of Inventory Items is conducted.

14.4. Security of Assets

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

Each Officer has a responsibility to exercise a duty of care over the assets of the LCFT and it shall be the responsibility of senior Officers in all disciplines to apply appropriate routine security practices in relation to LCFT assets.

Any damage to LCFT'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.

Asset control procedures (including fixed assets, inventories, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Chief Finance Officer.

These procedures shall make provision for:

- Recording managerial responsibility for each asset;
- Identification of additions and disposals;
- Identification of all repairs and maintenance expenses;
- Physical security of assets;
- Periodic verification of the existence of, condition of, and title to, assets recorded;
- identification of equipment on loan;
- Identification and reporting of all costs associated with the retention of an asset; and,
- Reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

All discrepancies revealed by verification of physical assets to Financial Asset Register or Register of inventory items shall be notified to the Chief Finance Officer.

A substantial or persistent breach of agreed security practices shall be reported to the Board Secretary, Chief Finance Officer and the Security Management Specialist for appropriate action.

Where practical and appropriate assets should be marked as LCFT property.

15. Payment of Accounts

15.1. System of Payment and Payment Verification

The Chief Finance 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.

Payment of contract invoices shall be in accordance with contract terms and, as appropriate, any adopted payment policies such as Better Payment Policy.

All authorised Officers shall inform the Chief Finance Officer promptly of all money payable by LCFT arising from transactions which they initiate, including contracts, leases, tenancy agreements and other transactions.

The Chief Finance Officer shall be responsible for designing and maintaining a system for the verification, recording and payment of all accounts payable by LCFT. This system will provide for:

- A list of Officers authorised to certify requisitions and invoices;
- Certification that: Goods have been duly received, examined, are in accordance with specification and order, are satisfactory and that 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 were of the requisite standard and that the charges are correct;
- In the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, 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;
- Where appropriate, the expenditure is in accordance with regulations and that all necessary authorisations have been obtained;
- Invoices are in order for payment;
- 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,
- Instructions to Officers regarding the handling and payment of accounts within the Financial Department.

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.

In the case of contracts which require payment to be made on account, during progress of the works, the Chief Finance 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 Finance Officer and such general examination by appropriately qualified Officers as may be considered necessary, before the person responsible to LCFT for the contract issues the final certificate.

The Chief Finance Officer shall ensure that payment for goods and services is made only when the goods and services have been properly received.

15.2. Prepayments

Prepayments will normally only be permitted for instances where they are considered normal business practice.

Prepayments which fall outside of normal business practice are only permitted in exceptional circumstances. In such instances:

- The financial advantages must outweigh the disadvantages;
- The Chief Finance Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed; and,
- 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.

For arrangements in regard of Petty Cash please see section 8.5.

16. Stores & Receipt of Goods

16.1. General

Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be kept to a minimum and subjected to appropriate stock take controls and valuation as determined by the Chief Finance Officer.

16.2. Control of Stores, Stocktaking, Condemnations and Disposal of Stock Items

Subject to the responsibility of the Chief Finance 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/her to departmental Officers, subject to such delegation being entered in a record available to the Chief Finance Officer.

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 LCFT property.

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

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

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

The designated Officer shall be responsible for a system, approved by the Chief Finance 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 Finance Officer any evidence of significant overstocking and of any negligence or malpractice. Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

17. External Borrowing & Investment

17.1. External Borrowing

The Chief Finance Officer will advise the Board concerning LCFT's ability to service debt, pay dividend on, and repay Public Dividend Capital and any proposed new borrowing, within the limits set by the Regulators. The Chief Finance Officer is also responsible for reporting periodically to the Board concerning debt service.

The Chief Finance Officer must prepare detailed procedural instructions concerning applications for loans and overdrafts. The Board will agree the list of Officers (including specimens of their signatures) who are authorised to make short term borrowings on behalf of LCFT. This must contain the Chief Executive and the Chief Finance Officer.

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 Regulators.

Any short-term borrowing must be within authorised limits and with the authority of two members of an authorised mandate, one of which must be the Chief Executive or the Chief Finance Officer. The Board must be made aware of all short term borrowings outside agreed limits at the next Board meeting.

All long-term borrowing must be consistent with the plans outlined in the current business plan and be approved by the Board.

17.2. Investments

Temporary cash surpluses must be held in accordance with the Trusts Treasury Management policies and procedures and Regulatory Guidance.

The Chief Finance Officer will prepare detailed procedural instructions on the operation of investment accounts, the records to be maintained and reporting requirements of the Board.

18. Disposals and Condemnations & Losses and Special Payments

18.1. Disposals and Condemnations

The Chief Finance Officer must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are made available to Officers and Employees.

When it is decided to dispose of an LCFT asset, the Head of Department or authorised deputy will determine and advise the Chief Finance Officer of the estimated market value of the item, taking account of LCFT Procurement Department and/or other professional advice where appropriate.

All unserviceable articles shall be:

- Condemned or otherwise disposed of by an Officer authorised for that purpose by the Chief Finance Officer; and,
- Recorded by the condemning Officer in a form approved by the Chief Finance 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 Finance Officer.

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

The above procedure is not intended to apply to items of negligible intrinsic value, please see the Decision Rights Framework.

18.2. Losses and Special Payments

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

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 Finance Officer, or inform an Officer charged with responsibility for responding to concerns involving loss. This Officer will then appropriately inform the Chief Finance Officer and/or Chief Executive. Where a criminal offence is suspected, the Chief Finance Officer must immediately inform the police, if theft or arson is involved. In cases of fraud and corruption, or of anomalies which may indicate fraud or corruption, the Chief Finance Officer must inform the External Auditor, LCFT's Counter Fraud Specialist and the relevant NHS Protect regional team in accordance with Regulatory Guidance.

For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Chief Finance Officer must immediately notify:

- The Board;
- The External Auditor; and,
- The Trust Security Manager.

Within limits delegated to it by the Department of Health, the Board shall approve the writing-off of losses over £50,000.

The Chief Finance Officer shall be authorised to take any necessary steps to safeguard LCFT's interests in bankruptcies and company liquidations.

The Chief Finance Officer should consider whether any insurance claim can be made.

The Chief Finance Officer shall maintain a losses and special payments register in which write-off action is recorded.

No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.

All losses and special payments must be reported to the Audit Committee at the first meeting following a quarter-end.

19. Information Technology & Governance

19.1. General

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

19.2. Finance System

The Chief Finance Officer shall ensure that adequate controls (including adequate audit trails) exist within all finance computer systems.

The Chief Finance Officer shall satisfy him or herself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation.

The Chief Executive shall be responsible for ensuring that LCFT 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.

The Chief Finance Officer shall be primarily responsible for the accuracy and security of the computerised financial data of LCFT in accordance with security retention and data protection policies as defined by the Officer designated for this purpose by the Chief Executive.

An Officer specifically appointed by the Chief Executive shall devise and implement any necessary procedures to ensure adequate protection of LCFT'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.

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 LCFT financial systems and data as well as the efficient and effective operation of the system.

The Chief Finance 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.

Where another agency provides a computer service for financial applications, the Chief Finance Officer shall periodically seek assurances that adequate controls as outlined above are in operation.

The Chief Finance 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.

20. Funds Held on Trust

20.1. Corporate Trustee

The discharge of LCFT'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.

Where any employee or Officer of the Trust who is acting on behalf of the Trusts Charitable Funds identifies a conflict of interest with corporate responsibilities then any decisions shall be referred to the CFO.

The Chief Finance Officer shall ensure that each fund which LCFT 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

The trustee responsibilities must be discharged separately and full recognition given to LCFT's dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for Health for all funds held on trust.

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

In so far as it is practicable and appropriate to do so, all Standing Financial Instructions will apply to the management of funds held on trust.

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.

21. Acceptance of Gifts by Officers and Members & Link to Standards of Business Conduct

The Secretary to the Board shall ensure that all Members and Officers are made aware of LCFT policy on acceptance of gifts and other benefits in kind. This policy is also deemed to be an integral part of Standing Orders and Standing Financial Instructions.

22. Retention of Documents

The Chief Executive shall be responsible for maintaining archives for all documents required to be retained in accordance with Regulatory and Statutory guidelines and LCFT policy.

The documents held in a secure archive shall be capable of retrieval by persons authorised by the Chief Finance Officer.

Documents held in accordance with Regulatory and Statutory guidelines shall only be destroyed outside of regulatory obligations at the express instigation of the Chief Executive and recorded as such.

23. Risk Management & Insurance

23.1. Programme of Risk Management

The Chief Executive shall ensure that LCFT has a programme of risk management, in accordance with current Regulatory requirements assurance framework requirements, which must be approved by the Board and monitored by the Audit Committee.

The programme of risk management shall include:

- A process for identifying and quantifying risks and potential liabilities;
- Engendering among all levels of staff a positive attitude towards the control of risk;
- 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;
- Contingency plans to offset the impact of adverse events;
- Audit arrangements including; internal audit, clinical audit, health and safety review;
- A clear indication of which risks shall be insured; and,
- Arrangements to review the risk management programme.

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 Regulator guidance.

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

The Board shall decide if LCFT 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 periodically.

23.3. Insurance Arrangements with Commercial Insurers

Consideration of arrangements with commercial insurers will be made in relation to the following activities:

- arrangements for insuring motor vehicles owned or leased by LCFT including insuring third party liability arising from their use;
- under leasing arrangements; and,
- Where non-healthcare (income generation) activities take place.

23.4. Arrangements to be Followed by the Board in Agreeing Insurance Cover

Where the Board, following advice from the Chief Executive, decides to use the risk pooling schemes administered by the NHS Litigation Authority, the Chief Finance Officer shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme.

The Chief Finance Officer shall ensure that documented procedures cover all insurance arrangements and associated claims and reporting requirements.