

To: The Board

For meeting on: 22 March 2016

Agenda item: 7(ii)

Report by: Steve Murray, Head of Internal Finance

Report on: NHS Improvement Standing Financial Instructions and associated policies

Introduction

1. NHS Improvement's Standing Financial Instructions (SFIs) form part of the Rules of Procedure. They set out the financial responsibilities, policies and procedures adopted by NHS Improvement so form an important part of the internal control framework.
2. For consistency across the new organisation there is a need to set a new, aligned framework, however this is made more complicated by Monitor and NHS Trust Development Authority (NHS TDA) remaining separate legal entities.
3. This paper summarises the proposed new aligned SFIs across both organisations and key updates to the detailed policies underpinning the SFIs.
4. The Board is asked to approve the updates to the SFIs and key associated policies.
5. ExCo has approved the SFIs and policies; there have been minor changes since this review taking account of auditor and additional internal reviews. These changes are highlighted in this paper.

Summary of amendments to current SFIs

6. The existing SFIs have been compared by the two internal finance teams and where there are differences alignments have been proposed. Detail of each section of the SFIs and how any differences have been addressed is in Annex 1; the principles of the document are set out below:

- The SFIs have been presented as a high level framework with the underpinning processes and procedures set out in a series of underlying policies.
 - The aim of the SFIs is to enable NHS Improvement to operate as a single coherent organisation whilst acknowledging that NHS Improvement comprises two separate legal entities. This is most apparent in the budget authority principles within the SFIs which are explored below.
7. The principle that NHS Improvement will operate as one organisation presents complications for financial governance as Monitor and NHS TDA will remain as separate legal entities with their own accounts and budgets.
 8. As such, each NHS Improvement directorate budget is likely to comprise elements of 'Monitor' and 'NHS TDA' budgets. The intention is that this 'split' budget is not perceived by budget managers and will be managed in the background by Internal Finance. However to ensure there is sufficient operational flexibility, budget holders and budget managers will need to be given appropriate formal authority covering both Monitor and NHS TDA budgets.
 9. The proposed solution within the SFIs is to allow assignment of joint financial authority to particular individuals. The detail of the delegation would be covered within the underpinning budgetary responsibility policy and in the delegation forms signed by each budget holder.
 10. Specific guidance for budget holders and budget managers will be issued to clarify their responsibilities and authorities.
 11. It should be noted that a number of areas referenced in the SFIs are not yet confirmed in full, for example the precise names and responsibilities of committees or individual roles. Within the proposed SFIs, the underlying functions are referenced (for example the generic role of 'Finance Director') and the document will be updated with specifics in due course.

Underlying policy updates

12. There are a number of policies which are referenced directly in the SFIs and set out the underpinning processes. A full list of these is in Annex 2, which also sets out the key updates proposed to each.
13. The two key policies which require alignment as at 1 April 2016 are:
 - Budgetary responsibility policy – setting out the specifics of budget authority. The underlying delegated limits cannot be confirmed at this point as the detailed structures are not yet set; transitional arrangements are set out below
 - Procurement policy – to ensure a consistent approach to purchasing across NHS Improvement

14. There are further policies which are referenced in the SFIs and are planned to be formally aligned in Q1 2016/17. Existing arrangements will continue to be in place so there is minimal risk associated with this approach.

Transitional arrangements

15. There are a number of areas which at this point are not fully aligned or the integrated NHSI approach fully defined, explained below.

Delegated signing limits

16. There are some areas in which financial governance cannot be fully defined at this point. The most significant of these is the detailed authorisation limits which cannot be substantially updated until the new structure is determined and roles defined. Also, existing delegations cannot be automatically rolled forward as the previous role titles and responsibilities are likely to change.
17. It is proposed that limits are initially set for Executive Directors, who will then be asked to specify any additional limits required in their directorate. It is proposed to set the initial signing limit for Executive Directors at £35k, with the exception of the Deputy CEOs who will have delegation to authorise payments up to £500k across all activity. These limits will be reviewed further as part of the budget setting process.

Business case approvals

18. The precise governance over business case approvals has not yet been agreed. The SFIs do not specify a specific approval route here and instead put the process at the discretion of the Accounting Officer.
19. Budget holders and budget managers will be informed of the process to adopt in the interim period, which will largely be a roll forward of existing process where possible.

Alignment of underlying policies

20. The position on all the associated policies and the approach to updates is contained in Annex 2. The list of proposed initial delegations is contained within the budgetary responsibility policy at Annex 3.
21. There remains a misalignment in the expenses policies. Whilst the principles of the policies are similar, the allowable rates for different types of claim do differ. The NHS TDA's policy rates flow from the Agenda for Change conditions so are likely to need some consultation to change.
22. Finance and HR are working on aligning this as soon as possible, but this will not be in time for 1 April 2016. In practice, Monitor and NHS TDA staff still have different systems for expense claims so having a differential policy is not critical, though this is clearly a priority for alignment after 1 April 2016.

Communication of new requirements

23. The changes in SFIs will not generally affect staff; the impact will mostly be on budget holders and budget managers.

24. We therefore plan the following communications:

- Note within the next staff newsletter highlighting the change as part of the Rules of Procedure;
- Targeted communication to budget holders and budget managers explaining the change in financial governance and the transitional arrangements, including the practicalities of authorising spend from 1 April 2016; and
- Communication to staff explaining any practical changes, as part of the day 1 communications.

Summary of annexes

25. For ease of reference the following annexes are included with this paper:

- Annex 1: alignment of differences between Monitor and NHS TDA SFIs
- Annex 2: summary of underlying policies and resolution of any differences
- Annex 3: proposed NHS Improvement budgetary responsibility policy
- Annex 4: proposed NHS Improvement procurement policy

26. The proposed SFIs themselves are contained in Annex 5.

Updates since ExCo review

27. ExCo has approved the SFIs and updated policies; since that approval we have received comments from our internal and external auditors and further internal review. As a result there have been the following changes:

- Amended the proposed initial delegated limits for Executive Directors;
- SFIs have been updated to clarify there will be two Governance Statements produced for Monitor and NHS TDA, one in each account (section 13);
- The delegated limits within the Budgetary Responsibility Policy have been updated to reflect the latest position on external controls (Appendix 2 of the policy); and
- References within the audit requirements have been updated.

Recommendation

28. The Board is asked to approve the update to the SFIs and underlying policies.

Making a difference for patients:

Monitor's mission is to make the health sector work better for patients. This includes ensuring that decisions are made in a timely manner with relevant information being available.

Public Sector Equality Duty:

Monitor has a duty under the Equality Act 2010 to have due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people from different groups. The Act protects against discrimination on grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, gender and sexual orientation. We have thought about how the issues dealt with in this paper might affect protected groups.

We believe the paper will not have any adverse impact upon these groups and that Monitor has fulfilled its duty under the Act.

Exempt information:

None of this report is exempt from publication under the Freedom of Information Act 2000.

Annex 1: alignment of differences between Monitor and TDA SFIs

SFI section	Differences/issue	Resolution in proposed SFIs
Introduction/general	Within roles & responsibilities the specific title and remit of the Finance Director and committees not yet finalised	Definitions have been included at the start of the SFIs for the underlying responsibilities referenced
Audit	No major differences	
Business planning, budgets, budgetary control and monitoring	SFIs will need to give budget holders authority to commit money to either Monitor or NHS TDA budgets	Statement that delegations can cover both legal entities
Approval of expenditure	General section not included within TDA SFIs with the exception of losses and special payments	Process for business case approval amended to be defined in the budgetary responsibility policy to allow flexibility. Anti-fraud policy will be updated with losses and special payments provisions
Annual Accounts	No major differences	
Banking arrangements	TDA SFIs include section on security of cash, cheques	Reference included in SFIs, further detail will be inserted in cash and bank policy
Payroll	No major differences	
Non-pay expenditure	Monitor SFIs do not include specifics on authorisation of significant prepayments	Additional wording included
Information technology and information governance	Monitor SFIs do not include specifics of Information Governance requirements	Reference to relevant policies included
Gifts and hospitality	No equivalent section in TDA SFIs, but is referenced in conduct policies	Reference to relevant policies included
Risk management and Governance Statement	No major differences	
Counter Fraud Investigation and Security Management	No equivalent section in Monitor SFIs	Will be included in an updated anti-fraud policy
Retention of Documents		Covered by Records Management policies

Annex 2: summary of underlying policies

Policy	Process for alignment	Timescale for update
Budgetary responsibility policy	New policy drafted to reflect the joint nature of the authority over Monitor and TDA budgets. Initial Executive Director signing limits proposed.	By 1 st April (revised policy included at Annex 3)
Business expenses	Principles are largely the same, but allowable rates and claim process differ. TDA policy is aligned with Agenda for Change so amendment will likely require some consultation. Note that the claim process will differ between Monitor and TDA but work is underway to align these processes.	Early Q1 2016/17
Procurement	Propose to broaden Monitor policy to cover NHSI. Limits for quotations, tendering etc. are already aligned. TDA policy includes business case approval processes which are covered in the NHSI SFIs.	By 1 st April (revised policy included at Annex 4)
Cash and bank policy	No separate TDA policy; propose to broaden Monitor policy to cover NHS TDA provisions	Q1 2016/17
Gifts and hospitality	TDA provisions included within Standards of Business Conduct	Q1 2016/17
Anti-fraud	Include TDA counter fraud provisions within the Monitor policy	Q1 2016/17
Lease car	No Monitor policy so need to adopt TDA policy	Q1 2016/17

Where policies are proposed to be updated during Q1, the underlying policies will remain in force for Monitor/TDA staff. There is minimal operational impact of not aligning these policies immediately.

Budgetary Responsibility Policy

<i>Version control</i>	
Date created/revised	March 2016
Document revised by	Steve Murray
Next review due	July 2016
<i>Policy owner and main point contact</i>	
Name of accountable owner	Bob Alexander
Name of main contact	Steve Murray
<i>Sign off</i>	
Date approved	TBC
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1. Purpose

The purpose of this policy is to set out the responsibility and authority for budget holders and other delegated signatories.

2. Applies to

This policy applies to all members of staff who have been designated as an NHS Improvement budget holder or other delegated signatory. This applies to staff employed by Monitor or the NHS Trust Development Authority (NHS TDA).

3. Policy definitions

Where the policy states:

- *Budget holder* refers to the Director for the particular directorate or sub-teams within the directorate.
- *Delegated signatory* refers to employees of Monitor or NHS TDA who have been delegated authority to approve expenditure from a specific budget of an NHS Improvement directorate.

4. Budget holders

- a. The Chief Executive, as Accounting Officer for NHS Improvement, is responsible for ensuring that the public funds for which he is responsible are properly safeguarded and are used only in line with Monitor and NHS TDA's statutory functions and responsibilities. Further detail of Accounting Officer responsibilities is set out in Managing Public Money.
- b. Full details of the financial responsibilities, policies and procedures to be adopted by NHS Improvement are set out in NHS Improvement's Rules of Procedure, to which this policy is subject. Annex E of the Rules of Procedure, the Standing Financial Instructions, include provisions relating to business planning, budgets, budgetary control and monitoring. The Rules of Procedure can be obtained from the NHS Improvement intranet.
- c. The Chief Executive can delegate certain areas of the budget to the Executive and to other members of staff. Budget holders are responsible for requesting and monitoring expenditure throughout the financial year.
- d. Budget and expenditure delegations and the associated limits in respect of individual items of expenditure are contained in Appendix 1.

- e. In the absence of an individual budget holder, authorisation for expenditure in that particular directorate may be given by other signatories but such alternative arrangements must be agreed with the Finance Director in advance.
- f. Budget holders may delegate specific responsibilities further, for example to sub-teams within the directorate. Internal Finance must be informed of all proposed delegations of budgets which must be signed in writing.
- g. The authorised limits in respect of individual items of expenditure are subject to requirements relating to the budget holder's budget and budget headings. Further, all proposed expenditure commitments of above £1,000,000 (excluding VAT) must be formally approved by the Board.
- h. Payments for any expenses incurred by the Chief Executive including on any business credit card are to be made following approval by the Chairman.

5. Management of budgets

- a. Budget holders are responsible for ensuring that they request the appropriate budget, as well as the appropriate amounts for individual budget headings, in order to fulfil their responsibilities. Management of budgets must be in accordance with the Rules of Procedure.
- b. With the exception of items of expenditure covered by the Business Expenses Policy, all commitments to spending must have prior written delegated authority from a budget holder. All budget holders must also provide information as required by the Executive Director of Resources.
- c. When considering items of expenditure, budget holders must have consideration of any relevant special approval required as a result of external spending controls. Details of the spending controls can be found on the NHS Improvement intranet.
- d. The continuous monitoring and accurate forecasting of expenditure is essential. Budget holders should inform the Director of Finance of any significant change in estimated expenditure. It is particularly important to have an accurate picture of expenditure towards the end of the financial year.
- e. Finance will issue regular detailed reports of expenditure with variance against the budget for each directorate and will produce management accounts including a balance sheet and projected cash flow.
- f. Any proposed spend that:
 - Does not have a corresponding budget heading;
 - Exceeds the amount allocated to the appropriate budget heading; or
 - Exceeds a budget holder's authorised limit in respect of individual items of expenditure (see above);

must be approved by the Executive Committee prior to any commitment to the expenditure being made.

- g. Any proposed increase in head count which is not included in a budget holder's budget needs to be approved by the Executive Director of Corporate Affairs and may also require Accounting Officer approval.

Appendix 1: Expenditure approval limits

Note that a comprehensive review of delegated limits will be undertaken once the final NHSI structure and roles are defined. The limits below set out the initial limits for Executive Directors who will be asked to specify any additional limits required in their directorate.

Budget Holder	Items of Expenditure	Limit of approval of individual items of expenditure (figures are excluding VAT)
Board	All NHSI activity	None
Chief Executive	All NHSI activity	£1,000k
Executive Director of Resources/Deputy CEO	All NHSI activity	£500k
Executive Director of Regulation /Deputy CEO	All NHSI activity	£500k
Executive Managing Regional Directors	Regional Directorate	£35k
Executive Medical Director	Medical Directorate	£35k
Executive Director of Nursing	Nursing Directorate	£35k
Executive Director of Strategy		£35k
Executive Director of Corporate Affairs	Corporate Affairs Directorate	£35k
Executive Director of Improvement	Improvement Directorate	£35k

Appendix 2: NHS Improvement delegations and spending controls

The table below summarises NHS Improvement's schedule of delegations issued by the Department of Health. This should be read in conjunction with NHS Improvement's Standing Financial Instructions which sets out the wider framework of responsibilities. External spending controls cover a wide range of activity, including most of NHS Improvement's spending.

NHS Improvement's internal business case thresholds and external spending control limits are contained in the tables below.

Summary of spending control limits

Spend category	Business case approval threshold	DH approval threshold	Ministerial approval threshold	Cabinet Office/HMT approval threshold
<i>Non-pay spend</i>				
Consultancy	All cases (no minimum value)	All cases	Above £200k plus VAT	Projects (or extensions) over 9 months
Other professional services (e.g. legal spend, outsourcing)	All cases (no minimum value)	All cases	Above £200k plus VAT	Projects over 9 months
ICT spend	Above £50k plus VAT	Above £100k plus VAT	Above £5m plus VAT	Above £5m plus VAT
Digital projects (i.e. public facing websites)	All cases (no minimum value)	All cases	All cases	All cases
Comms and marketing spend	Above £20k plus VAT	Above £100k plus VAT Note projects above £20k need to be logged retrospectively with DH	Above £100k plus VAT	Above £100k plus VAT
All other non-pay spend	Above £50k plus VAT	TBC depending on specific category	TBC depending on specific category	TBC depending on specific category
<i>Staff</i>				
Recruitment to time limited 'project' roles	All temporary roles outside the established OD	New roles above £100k salary	-	New roles above £142.5k salary
Interim managers/specialist contractors	Above £220 plus VAT per day	Above £220 plus VAT per day	Above £900 plus VAT per day	-

The process for approval for spending caught by the thresholds above will be set by the Accounting Officer.

Detailed spending control limits

Type of expenditure		Limits (all excluding VAT)				
		Delegated to NHS Improvement	DH approval	DH Ministerial approval	Cabinet Office approval	HM Treasury approval
Staff costs	Salaried staff	Recruitment of business critical posts under £100k salary	Posts with proposed salary over £100k, Executive Director roles, or where recruitment/retention premium applied	N/A	N/A	N/A
	Staff recruitment	£40,000 on single recruitment advertising activity	Above £40,000	N/A	N/A	N/A
	Redundancy	Capitalised costs over £100,000	Capitalised costs over £100,000 Ten or more redundancies irrespective of cost Pay in lieu of notice above £50k	N/A	Approval of redundancy schemes	N/A
Professional services	Consultancy	Nil	All	Above £200,000	Any consultancy contract over 9 months Procurement consultancy over £20,000	Proposals to utilise programme funds for projects in excess of £500,000
	Contingent labour (staff employed on day rates)	Admin posts (up to £220 per day) Secondments from NHS or other Government bodies	Day rates in excess of £220	Day rates in excess of £900	N/A	N/A
	Other professional services (for example legal consultancy)	Nil	All	Above £200,000	N/A	Proposals to utilise programme funds for projects in excess of £500,000
ICT		£100,000	Over £100k	Administration systems above £1m All systems above £5m	Administration systems above £1m All systems above £5m	N/A
Digital projects (external-facing internet projects)		Nil	All	N/A	All items	N/A

Type of expenditure	Limits (all <u>excluding</u> VAT)				
	Delegated to NHS Improvement	DH approval	DH Ministerial approval	Cabinet Office approval	HM Treasury approval
Communications and marketing	£100,000, but with retrospective reporting of items between £20,000-100,000	N/A	N/A	Above £100,000	N/A
Insurance	No limit to approval but presumption is against commercial insurance. Justification should be approved by the Accounting Officer.				
Losses	75,000	N/A	N/A	N/A	Above £75,000
Special payments (e.g. extra-contractual, ex gratia payments)	£20,000, however Nil for HR related cases	Above £20,000, or any HR related special payment	N/A	N/A	Above £20,000
Special severance or retention payments	Nil	All	N/A	N/A	All

Procurement Policy

Please complete all fields below:

Version control

Date of this version	March 2016
Document created/revised by	Dhar Grewal
Next review due	August 2017

Policy owner

Name of accountable owner	Bob Alexander
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Policy lead

Main point of contact for policy	Dhar Grewal
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Sign off

Date approved	TBC
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Document issued

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Procurement Policy

1. Purpose

NHS Improvement (NHSI) as an arm's length body (ALB) to the Department of Health is responsible for public funds. NHSI has a statutory responsibility to ensure that those funds are spent properly, and that our procurement decisions are fully justified and supported by clear audit trails and we must have regard to HM Treasury's *Managing Public Money*¹. NHSI's Accounting Officer also has specific personal duties as set out in the Accounting Officer Letter.

The objectives of this policy are to:

- ensure that NHSI procures the goods and services needed to carry out its role efficiently, economically and effectively;
- ensure a consistent, best practice approach, to procurement across NHSI;
- ensure all staff have a clear understanding of NHSI's procurement policy and what is required of them when considering engaging third parties to provide services and goods;
- deliver customer satisfaction from the NHSI teams who require externally purchased goods and services;*and*
- protect NHSI, and the individuals involved, from the considerable risks associated with procuring services and goods improperly.

This policy has been drafted before the full structure of NHS Improvement is in place. There are references within the document to committees and roles which have been generalised, in particular:

Finance Director refers to the post with responsibility for internal finance below Executive Director level.

2. Applies to

NHS Improvement is comprised of two separate legal bodies, Monitor and the NHS Trust Development Authority (NHS TDA). This policy applies to staff of both organisations.

It should be noted that while the policy refers generally to NHSI, any contracts will be with either Monitor or NHS TDA as the underlying legal entities.

This policy applies to all procurement including:

¹ <https://www.gov.uk/government/publications/managing-public-money>

- services (including information technology, accountancy, financial and consultancy services, , travel, printing services, telecommunications);
- the supply (including hire, rental or lease) of goods including ICT hardware, utilities, furniture and other facilities management products.

This policy also applies where NHSI is acting as the contracting organisation in a collaborative arrangement with other public bodies.

This policy does not apply to:

- contracts of employment;
- secondments or other similar arrangements which are for the purposes of filling a resourcing gap within NHSI and are not procurements of consultancy services.
- contracts relating to land; and
- contracts for goods, services or construction works procured in an emergency situation (e.g. natural disasters such as flooding or fires) involving immediate risk to persons, property or serious disruption to NHSI's business. (All such expenditure in excess of £30,000 excluding VAT is to be reported to the Finance Director as soon as reasonably practicable. Any emergency contract entered into must not be for a term of more than six months)

NHSI is also a procurement regulator in relation to NHS funded clinical services. This activity is wholly separate from the internal procurement activity covered by this policy. It does mean that as a procurement regulator as well as a public body, NHSI needs to be careful not to be seen to condone non-compliance with this regulatory and legal framework.

3. What responsibilities do line managers and employees have?

This policy applies to all staff including full-time and part time employees on a substantive or fixed-term contract and associated persons such as agency staff, contractors and secondees.

Compliance with and application of this policy is not the sole responsibility of the procurement team. The role of the procurement team is described in Section 6.

All staff involved in the procurement of goods and services have a responsibility to familiarise themselves with this policy and ensure compliance.

Managers are responsible for ensuring that all purchasing activities within their areas are undertaken in accordance with this policy and NHSI's Procurement Manual.

Any questions regarding the policy and/or its application should be raised promptly with a member of the procurement team in the first instance.

4. General principles

We spend a significant proportion of our overall budget on goods and services that we require to help us deliver our strategic objectives.

Our categories of spend include corporate services, ICT systems and products, professional services, and HR related services.

To achieve *value for money* on our external expenditure it is important that our procurements are properly planned and executed and that we:

- procure the right services or goods, of the right quality and at the right price to best meet a particular need; and
- comply with the rules and regulations that apply to Monitor which includes the Public Contract Regulations 2015² (the “**PCR 2015**”), public law principles and other legal requirements as well as relevant government mandates and guidance.

As part of this and to follow good practice we will:

- compete our requirements wherever possible to promote economy, efficiency and effectiveness in our expenditure;
- deal with suppliers in a professional manner with the highest standards of honesty, integrity, impartiality and objectivity;
- ensure our procurement practices are fair, equitable and that decisions around any contract award are transparent and stand up to scrutiny;
- apply the procurement procedure (using the relevant templates) that is most relevant and appropriate for what we are purchasing;
- minimise the transactional cost of our procurements for both us and our suppliers; and
- seek to ensure that our procurement processes promote wider policies and duties such as those relating to equality and sustainability.

5. Regulatory and legal framework

We must comply with the regulatory and legal framework for public procurement.

The framework consists of:

- this policy and the Procurement Manual, as revised from time to time;

² http://www.legislation.gov.uk/uksi/2015/102/pdfs/ukxi_20150102_en.pdf

- NHSI's Rules of Procedure and the Budgetary Management Policy;
- EU Procurement Directives and national rules as set out by the PCR 2015;
- national and European case law;
- the general EU Treaty principles which require transparency, equal treatment, proportionality, and appropriate and fair competition across all public procurements;
- relevant public law principles; and
- national guidance.

The national guidance referred to above includes:

- HM Treasury's Managing Public Money particularly Annex 4.43; and
- best practice guidance on procurement issued by the Cabinet Office and the Crown Commercial Service⁴

We must permit, and be seen to permit, appropriate freedom of opportunity to trade with NHSI. The most important principles supporting this are transparency, openness and fair competition. If NHSI fails in this duty, a supplier or contractor may have cause for complaint or even legal action.

As a public body, and as a procurement regulator, NHSI has a low appetite for non-compliance, or the appearance of non-compliance with this regulatory and legal framework.

6. Role of the procurement and legal teams

The role of the procurement team is to set NHSI's internal procurement framework and advise staff on its interpretation and use.

All procurement exercises should involve engaging with a member of the procurement team during the planning phase. The procurement team will advise on the extent of its role in any given procurement and will be responsible for liaising with the legal team to ensure legal advice is sought as needed.

Other staff should not engage with the legal team on procurement issues without the involvement of the procurement team where there is a live procurement.

Consideration should be given for the need for legal advice at each key stage from the start of the project when decisions are being made about the sourcing strategy.

³ <https://www.gov.uk/government/publications/managing-public-money>

⁴ <https://www.gov.uk/government/collections/procurement-policy-notes>

For procurements with an estimated contract value of over £50,000 a member of the procurement team must lead the procurement and market engagement.

The following sections set out the key issues around procurement that must be considered by staff. Further guidance is available in the Procurement Manual which can be found on the intranet.

7. Advertising of requirements

Advertising our requirements via a suitable portal is important in generating maximum interest and competition.

Under EU Treaty principles and in accordance with Cabinet Office guidance there is a need to ensure an appropriate degree of advertising.

The form and extent of the advertising should be based on the individual circumstances of each procurement. Engaging a breadth of suppliers to best meet our requirements is in Monitor's interests.

Requirements with an estimated total value in excess of £25,000 should be advertised in Contracts Finder⁵.

Requirements with an estimated total value in excess of the EU procurement threshold, and where a valid framework is not being used, must be advertised in the Official Journal of the European Union as per the PCR 2015 and the appropriate procurement route must be followed thereafter.

8. Transparency on external spend

NHSI shall publish relevant procurement and contract documentation (redacted as necessary as approved by the Head of Procurement) to Contracts Finder in accordance with UK public procurement rules and regulations and any mandated central government policies on transparency.

In addition, NHSI also publishes details of all expenditure above £25,000 on a monthly basis on its website.

⁵ <https://www.gov.uk/contracts-finder>

9. Maximum contract term

No contract shall be for a period of longer than five years (including any possible extensions) without the express written approval of the Finance Director.

10. Use of frameworks

We have access to 'frameworks' of approved suppliers for the provision of particular types of goods and services which have been established following a competitive process.

Where available and appropriate (and in accordance with the call-off arrangements) we will make maximum use of framework agreements to fulfill our requirements for common goods and services. Using a framework will still involve an element of competition; typically a mini-competition between framework suppliers.

If the call-off arrangements allow a direct award may be possible and guidance should be sought from the procurement team.

If a framework agreement is not available or appropriate then the relevant competitive process as set out below should be followed.

11. Competitive process

Competition between suppliers promotes efficiency, effectiveness and value for money in public expenditure.

Subject to the regulatory and legal framework the form of competition should be appropriate to the estimated value and complexity of the goods or services being acquired.

The requisite procurement procedure that must be followed to select a supplier is dependent upon the total estimated contract value.

To determine the estimated total value of a contract, the whole of the potential and anticipated expenditure over the lifetime of the engagement, must be ascertained and included. For example, if it is proposed that the contract should allow for NHSI to either purchase additional goods or services under the contract or to extend the contract period beyond its initial term, the cost to NHSI of exercising these rights must be included in the estimate of the total contract value.

On no account must a contract be artificially split into smaller separate lots to avoid the application of this policy.

The competition process that must be followed is set out below.

a. Below £10,000

For expenditure below £10,000 (excluding VAT), staff need not obtain written quotes or tenders but must be able to demonstrate VFM. For further guidance on what needs to be done, in particular with regards to Monitor's purchase order requisition procedure, please refer to the Procurement Manual.

b. £10,000 to £50,000

For expenditure in excess of £10,000 but below £50,000 (excluding VAT), staff must seek at least three written quotes from potential suppliers. For further guidance on what needs to be done, please refer to the Procurement Manual.

c. £50,000 to the EU Threshold

For expenditure in excess of £50,000 but below the EU Threshold, staff must carry out a formal tender process and must seek at least four written tenders from potential suppliers. The Procurement Manual describes the formal tender process further and includes templates of invitation to tender documents (including instructions to tenderers, specification etc.).

For procurements with an estimated contract value of over £50,000 a member of the procurement team must lead the procurement and market engagement.

d. Over the EU Threshold

For expenditure over the EU Threshold, staff must comply with the PCR 2015.

The current EU threshold which will apply to most of NHSI's procurements is approximately £164,000⁶. However specific advice should be sought from the procurement team as the threshold varies in certain circumstances and is also updated periodically.

There are a range of procurement routes under the PCR 2015. The procedure to be followed in each case will largely depend on the type of goods or services being procured and the complexity of the procurement. Staff should also bear in

⁶ As at March 2016

mind that the regulations set out stringent timescales which differ depending on the route being followed.

Staff must seek the advice of the Head of Procurement and the legal team who will advise on the appropriate procedure to be followed in each case. Failure to comply with the procedures set out in the PCR 2015 can lead to a legal challenge from an unsuccessful bidder.

12. Exemption to requirement for competition

a. Availability of Exemption

The majority of goods and services should be procured on the above competitive basis.

In certain exceptional circumstances, staff may request an exemption from the requirements of this policy (a '**Request for Exemption**').

However no exemption can be granted for over the EU Threshold procurements. Any Requests for Exemption which would otherwise contravene English or European law will also be rejected.

Staff do not need to Request an Exemption where the goods or services are to be procured as a direct award from an existing Framework Agreement in strict accordance with the rules of that Framework. When considering the use of a direct award staff should seek the guidance of the procurement team.

For the avoidance of doubt a direct award does not remove the requirement to formally engage with a supplier including the preparation and issuing of a robust scope and receipt of a formal proposal.

Approval for an exemption is required in the following circumstances:

- Single tender action⁷ where a contract is proposed to be awarded to a supplier without competition; or
- Extension to an existing contract to materially change the scope or length of an existing contract without further competition.

⁷ An award of a contract without the requisite competition where market engagement is limited to just one supplier

b. Request for Exemption Form

All single tender action exemptions must be applied for using the Request for Exemption form at Appendix 2 to this policy and must be countersigned by the relevant authorised signatory.

Where a Request for Exemption form is being used, staff will be required to submit a written business case for the exemption in the space provided in the Form.

Exemptions may be granted on the following grounds:

- the goods or services can only be supplied by one supplier i.e. there is no market for the goods or services;
- disproportionate technical difficulties;
- significant and unacceptable disruption to the carrying on of Monitor's business; or
- other circumstances which are genuinely exceptional.

Failure to properly prepare and plan for a tendering exercise prior to the expiry of an existing contract will not generally be viewed favourably as the basis for an acceptable business case for exemption.

c. Exemption Decision

Requests for Exemption will be considered, in the first instance, by the Finance Director (with advice from the Procurement and the Legal teams as appropriate) who will recommend approval or rejection of the exemption.

Exemptions may only be approved by the Executive Director of Resources/Deputy CEO (the Executive Director of Regulation/Deputy CEO will be the approver for exemptions to procurements relating to the Resources directorate).

Requests for Exemption will either be approved or rejected and the decision will be recorded on the Request for Exemption form.

The approval of a Request for Exemption does not excuse a proper engagement with the supplier to agree the scope and seek a formal proposal as to how the requirements will be met.

All approvals will be time limited and specific to the procurement in respect of which the exemption is sought. Any exemptions granted for more than one year must be reviewed annually.

13. Evaluation

Evaluation is an essential part of the procurement process. It is the means by which competing proposals are compared with each other and must be against the pre-determined criteria set out in the procurement documentation.

The decision to award a contract must be solely based on the evidence as provided in the supplier's proposal. The decision must not be made on external considerations, for example, reputation, hearsay, anecdotal or unsubstantiated views.

a. Evaluation criteria

At the highest level proposals will be assessed against quality and cost and consideration should be given, in advance, to the relative weightings of the two and that these accurately reflect the requirements.

Quality should be split into sub-criterion which allows the selection of the most suitable supplier to fulfil the requirements.

Evaluation scores must be made on the basis of the material included in the supplier's proposal, together with information obtained through presentations and clarifications.

b. Evaluation panel

The evaluation panel is at the core of the selection process and, therefore, it is important that the members of the evaluation panel should comply with this policy and to adhere to the principles underlying probity and act in a manner consistent with the Nolan Principles of Public Life⁸.

In all procurements an evaluation panel will be established to review suppliers' proposals. The size, make up and experience of the panel should reflect the scale and complexity of the procurement including the need for cross-organisational or specialist input.

Evaluation panel members must fully record their rationale for their evaluation and the scores awarded.

The evaluation must be free of actual or perceived bias. Any conflicts of interest must be disclosed as set out at section 20. below.

⁸ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

The Procurement Manual sets out more information about criteria, scoring etc

14. Debriefing of unsuccessful suppliers

Suppliers who are unsuccessful with their proposal will be offered a de-brief to provide clarity on the outcome of the procurement and why they were not successful.

The de-brief shall be led by the procurement lead with feedback being provided by the members of the evaluation panel.

Debriefs are very important in mitigating the risk of challenge to a contract award as an unsuccessful supplier who understands the rationale for our decision is less likely to object.

15. Contract

Generally, the contract terms to be used will be either NHSI's own contract or the framework call off terms. By exception, a bespoke contract or a supplier's contract may be used following advance consultation with procurement and legal teams before engaging with the supplier in this way and where it is considered to be in NHSI's interests.

On no account must existing contracts be extended or rolled over to avoid the application of this policy. Advice should be sought from procurement and legal teams if an extension is being considered.

Staff must not give assurances to potential suppliers, verbally or otherwise, that a contract will be awarded to that supplier.

16. Post contract review

All contract awards greater than £50,000 in value shall be subject to a post contract review to consider whether value for money has been achieved from the contract and to identify any lessons learnt.

17. Modification of procurement approach for niche services/suppliers

A modification of the procurement approach may be appropriate when engaging with niche services/suppliers for example research related services and counsel.

A client brief setting out the requirements should be issued as part of this approach.

18. Approval to award a contract

Upon satisfactory conclusion of the procurement (where the contract value exceeds £50,000) a ratification document (please refer to the template at Annexe 1) should be drafted by the procurement lead which sets out a summary of the competition exercise, appropriate details of the proposals received and a recommendation for the award of a contract to the winning supplier.

Formal confirmation of contract award cannot be given until the ratification document has been approved by the relevant Monitor authorised signatory as set out in the [Budgetary Responsibility Policy](#).

For contracts below £50,000 a full ratification document is not required but an e-mail summarising the procurement process, the suppliers who were asked to bid, the range of bids and the rationale for selection of the winning bidder should be sent to the Executive Director.

19. Corporate and social responsibility

We recognise that we need to take account of the economic, social, environmental and the equality impact of our procurement activity and wherever possible maximise the positive impact that we can make.

a. Equality and diversity

We have a legal requirement to promote equality and tackle discrimination through our procurement activity.

We will seek to do this through all stages of our procurement process as appropriate.

b. Environmental considerations

Where applicable our procurement decisions will take into account environmental and sustainability factors.

20. Code of conduct

a. Ethics

We have a commitment to observe the highest standards of probity and integrity in our business transactions. Any member of staff that is responsible for or involved in a procurement exercise must:

- be fair, and courteous in our dealings with suppliers;

- maintain the highest possible standards of integrity in our business relationships;
- apply appropriate professional standards in our management of contracts;
- comply with the law and central Government guidance on procurement;
- declare any personal interests (see paragraph b below); and
- respect the confidentiality of the information that they receive in the course of their involvement.

b. Disclosure of interest

When participating in any aspect of a procurement staff are required to declare any personal interest which may affect or be seen by others to unduly influence or affect their impartiality in a matter relevant to their duties.

In the first instance this declaration should be to the Head of Procurement.

At the commencement of every procurement all staff who are involved in the evaluation of suppliers' proposals must complete, sign and return a statement of declaration (as set out at Annexe 4) to the procurement lead. The procurement team shall file these declarations with the procurement documentation.

This is in addition to the requirements of NHSI's conflicts of interest policies which continues to be applicable.

c. Gifts and hospitality from suppliers

Staff must not invite or accept any rewards in connection with any part of the procurement process. See NHSI's gifts and hospitality policy for further details of applicable requirements.

We are required to ensure compliance with the Bribery Act 2010.

This policy came into operation in April 2016.

Please note MS Word editing must be enabled to access these embedded documents.

Annexe 1: Ratification document template



Annexe 1 to
Procurement Policy_R

Annexe 2: Exemption request form



Annexe 2 to
Procurement Policy_E

Annexe 3: Post Contract Review Form



Annexe 3 to
Procurement Policy_P

Annexe 4: Statement of Conflicts Declaration



Annexe 4 to
Procurement Policy_S

Proposed NHS Improvement Standing Financial Instructions

These SFIs have been drafted before the full structure of NHS Improvement is in place. There are references within the document to committees and roles which have been generalised, in particular:

Finance Director refers to the post with responsibility for internal finance below Executive Director level.

Executive Committee refers to the decision making body comprising the majority or all the executive directors.

Board Secretary refers to the post with responsibility for oversight of corporate governance within NHS Improvement.

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1. Introduction

1.1. General

- 1.1.1. These Standing Financial Instructions (SFIs) detail the financial responsibilities, policies and procedures adopted by NHS Improvement. They are designed to ensure that 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 Scheme of Delegation and they provide a framework of procedures and rules for staff to follow.
- 1.1.2. NHS Improvement is comprised of two separate legal bodies, Monitor and the NHS Trust Development Authority (NHS TDA). These SFIs apply to staff of both organisations.
- 1.1.3. Where these SFIs refer to NHS Improvement this references a joint function or responsibility. For financial governance purposes, Monitor and the NHS TDA will remain as separate, legal entities with their own separate accounts and budgets. Where these SFIs refer to Monitor and NHS TDA separately this reflects a responsibility at the individual organisation level.
- 1.1.4. These SFIs identify financial responsibilities that apply to everyone working for Monitor and NHS TDA including staff on payroll of either organisation, secondment or temporary contracts. They do not provide detailed procedural advice and should be read in conjunction with the detailed financial procedures, which have developed by Internal Finance and approved by the Finance Director. Related policies of particular relevance are the [Budgetary Responsibility Policy](#), [Business Expenses Policy](#) and [Procurement Policy](#), all of which are available on NHS Improvement's intranet.
- 1.1.5. For any item or circumstance not covered by these SFIs, principles on handling and reporting public expenditure contained in Managing Public Money (the Treasury's guidance and instruction manual), the Treasury's Financial Reporting Manual and the Civil Service Management Code should be followed.
- 1.1.6. Failure to comply with these SFIs is a disciplinary matter and could result in dismissal.

1.1.7. Wherever the title Chief Executive, Finance Director or other nominated officer is used in these instructions, it shall be deemed to include such other officers who have been duly authorised to represent them, except in respect of banking arrangements (see section 6).

1.2. Terminology

1.2.1. In these SFIs:

“Accounting Officer” means the Chief Executive of NHS Improvement (or whoever is so appointed by the Secretary of State).

“the Act” means the National Health Service Act 2012

“Authorising Officer” means a member of staff who has been given written authority to authorise commitments or payments for specific budgets.

“Board” means the Board of NHS Improvement.

“Budget” means a resource, expressed in financial terms, allocated by NHS Improvement’s Board for the purpose of carrying out, for a specific period, any or all of NHS Improvement’s functions.

“Budget holder” means the individual with delegated authority to manage finances (income and expenditure) for a specific area of the organisation..

“Budget manager” means an employee of either Monitor or NHS TDA who has been delegated day to day responsibilities for managing a budget.

“Employee” means a permanent member of staff of either Monitor or NHS TDA, a member of staff who is on secondment to Monitor or NHS TDA, or a contracted external consultant or adviser.

“ExCo” refers to the Executive Committee of NHS Improvement’s Board.

1.3. Roles, Responsibilities and Delegation

Accounting Officer

1.3.1. The Accounting Officer exercises financial supervision and control by:

- (i) defining specific responsibilities;
- (ii) delegating specific financial responsibilities;

- (iii) agreeing the financial strategy;
- (iv) requiring the submission and approval of budgets within specified limits; and
- (v) defining and approving essential features in respect of financial control procedures and financial systems.

1.3.2. The Accounting Officer is personally accountable to Parliament for the stewardship of NHS Improvement funds, for the good management of the organisation, and for ensuring that NHS Improvement meets its obligation to perform its functions within the financial limits set.

1.3.3. The Accounting Officer is responsible for signing the accounts of Monitor and NHS TDA, including an Annual Governance Statement.

1.3.4. The Accounting Officer will, as he deems appropriate, delegate his detailed responsibilities to named individuals but remains accountable for financial control. Delegations must always be in writing.

1.3.5. The Accounting Officer must ensure that ExCo members and employees and all new appointees are notified of and understand their responsibilities within these Standing Financial Instructions.

Executive Director of Resources/Deputy CEO

1.3.6. The Executive Director of Resources is the Board member responsible for finance. Day to day responsibility for financial oversight rests with the Finance Director.

Finance Director

1.3.7. The Finance Director is responsible for internal financial controls and policies, in particular:

- (i) implementing Monitor and NHS TDA's financial policies and for coordinating any corrective action necessary to further these policies;
- (ii) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems are prepared, documented and maintained to supplement these instructions;
- (iii) ensuring that sufficient records are maintained in order to disclose, with reasonable accuracy, the financial position of NHS Improvement at any time;
- (iv) ensuring the provision of financial advice to the Accounting Officer, the Board, ExCo and its employees;

- (v) the design, implementation and supervision of systems of internal financial control;
- (vi) ensuring that SFIs are kept up to date; and
- (vii) the preparation and maintenance of such accounts, certificates, estimates, records and reports as NHS Improvement may require for the purpose of carrying out its statutory duties.

1.3.8. The Finance Director is responsible for the procurement of goods and services including:

- (i) preparation, implementation and review of a Procurement Policy;
- (ii) ensuring goods and services are procured in accordance with best practice at the lowest cost commensurate with the defined level of quality;
- (iii) ensuring goods and services are procured in accordance with the Government's good practice guidance; and
- (iv) ensuring that employees engaged in procurement are appropriately trained.

Other responsibilities

1.3.9. All Board members, ExCo members and employees, severally and collectively, are responsible for:

- (i) the security of the property of Monitor and the NHS TDA;
- (ii) avoiding loss;
- (iii) exercising economy and efficiency in the use of resources; and
- (iv) conforming with the requirements of NHS Improvement's Rules of Procedure, these SFIs, any limitations on delegation of authority to them, and financial procedures.

1.3.10. All budget holders are responsible for ensuring that budget managers and employees are trained appropriately to manage their financial responsibilities.

1.3.11. It shall be the duty of any employee having evidence of, or reason to suspect, financial or other irregularities or impropriety in relation to these regulations to report these suspicions to the Finance Director. The Finance Director will consider action in line with the Anti-Fraud policy.

1.3.12. All employees are responsible for the proper stewardship of the resources delegated to them. They must:

- (i) abide by all conditions of the delegation;

- (ii) ensure that they and their employees are aware of their responsibilities within these SFIs;
- (iii) ensure that proper financial control arrangements are in place in their teams;
- (iv) ensure that all expenditure is legal and proper and that allotted sums are spent solely for the purpose intended;
- (v) ensure that budget allocations are not overspent and that planned and actual expenditure takes full account of the need to achieve value for money in terms of efficiency, effectiveness and economy; and
- (vi) maintain financial records and discharge their duties to the satisfaction of the Finance Director.

2. Audit

2.1. Audit & Risk Assurance Committee

- 2.1.1. NHS Improvement's Board has established an Audit & Risk Assurance Committee and its terms of reference are set out at Annex F to NHS I's Rules of Procedure.

2.2. External Audit

- 2.2.1. The external audit of Monitor and the NHS TDA is undertaken by the Comptroller and Auditor General (C&AG) and the National Audit Office (NAO).
- 2.2.2. The C&AG's powers to obtain documents and information are set out in the Government Resources and Accounts Act 2000. This legislation provides that the C&AG shall have a right of access at all reasonable times to all such documents as he may reasonably require for carrying out examination and shall be entitled to require from any person holding or accountable for any such document such information and explanation as are reasonably necessary for that purpose.
- 2.2.3. These rights of access extend to the annual audit of all systems, establishments and processes associated with NHS Improvement's functions.

2.3. Internal Audit

- 2.3.1. The Accounting Officer is responsible for ensuring that there are arrangements to measure, evaluate and report on the adequacy and

effectiveness of internal control and efficient use of resources by the establishment of an adequate Internal Audit service.

- 2.3.2. NHS Improvement shall appoint a Head of Internal Audit who will have overall responsibility for the internal audit function.
- 2.3.3. The terms of reference of Internal Audit are set by the Audit & Risk Assurance Committee as set out in its terms of reference.
- 2.3.4. The Board Secretary is responsible for:
 - (i) ensuring that there are arrangements to review, evaluate and report on the effectiveness of internal financial controls and effective use of resources by establishing or contracting for an adequate internal audit function;
 - (ii) ensuring that an annual internal audit report is prepared for the consideration of the Audit & Risk Assurance Committee. The report must cover:
 - a. progress against plan including agreed performance indicators over the previous year;
 - b. major internal financial control weaknesses discovered;
 - c. progress on the implementation of internal audit recommendations;
 - d. strategic audit plan covering the coming three years;
 - e. a detailed plan for the coming year; and
 - f. a clear statement on the effectiveness of internal control.
- 2.3.5. Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash or property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Finance Director must be notified immediately.
- 2.3.6. In accordance with the Terms of Reference of the Audit & Risk Assurance Committee, representatives of internal and external audit will attend Audit & Risk Assurance Committee meetings and have right of access to all Audit & Risk Assurance Committee Members, the Chairman and any other director.
- 2.3.7. The reporting system for internal audit will be agreed between the Finance Director, the Board Secretary, the Audit & Risk Assurance Committee and the Partner of the Internal Audit firm from time-to-time. The agreement will be in writing and will comply with Government accounting rules.

3. Business planning, budgets, budgetary control and monitoring

3.1. Preparation and approval of business plans and budgets

- 3.1.1. The Finance Director on behalf of the Accounting Officer will compile and submit to the Board an annual plan and budget.
- 3.1.2. The budget should be compiled alongside the business plan which is prepared by the Executive Director of Strategy.
- 3.1.3. Business plans and budgets should be submitted to the Board before the start of the financial year, subject to agreement of NHS Improvement's budget allocation with the DH.
- 3.1.4. All budget holders must provide information as required by the Finance Director to enable budgets to be compiled.
- 3.1.5. The Finance Director will ensure that money drawn from the Department of Health against the resource and cash limit is required for approved expenditure only, and is drawn only at the time of need in line with the Department of Health's timetable.
- 3.1.6. Expenditure for which no provision has been made in an approved budget shall be incurred only after authorisation by the Accounting Officer.

3.2. Budgetary control and monitoring

- 3.2.1. The Finance Director will:
 - monitor financial performance against budget and plan and report to ExCo and the Board;
 - devise and maintain systems of budgetary control in line with government accounting guidance;
 - ensure that all regular monitoring returns required by external parties are appropriately submitted; and
 - ensure appropriate review of manual journal entries.
- 3.2.2. The Accounting Officer 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:

- (i) the amount of the budget;
- (ii) the purpose(s) of each budget heading;
- (iii) individual and group responsibilities; and
- (iv) the provision of regular reports.

3.2.3. Budget holders and managers must not exceed the budgetary total limits set. If budget managers are concerned that budgets might be exceeded, they should report it to ExCo as soon as possible. If budgets are exceeded, both the reasons and proposed remedial actions must be reported to ExCo immediately.

3.2.4. The Finance Director shall be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable NHSI to fulfil its statutory responsibility to meet its annual Revenue and Capital Resource Limits.

3.2.5. Each Budget holder is responsible for ensuring that:

- (i) expenditure is kept within budget;
- (ii) 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 budget transfer; and
- (iii) proper records are kept of all financial transactions.

3.2.6. Budgets will be set at a functional level within NHS Improvement. Accordingly, an individual budget delegation may include authority over elements of both Monitor and NHS TDA budgets.

4. Approval of expenditure

4.1. Regularity of expenditure

4.1.1. Any expenditure by NHS Improvement which falls outside the coverage of Parliament's approval or Monitor or NHS TDA's delegated authorities is "irregular" unless specific approval has been given by the Treasury. Irregular expenditure cannot legally be met from funds granted by Parliament.

4.1.2. Delegated authorities are governed in many cases by external spending controls imposed by Cabinet Office, Treasury or the Department of Health. Any expenditure which is not appropriately authorised is likely to be considered irregular.

4.2. Business case approval – non-pay controls

4.2.1. To ensure adherence to internal policy and external spending controls, a business case approval process is in place and must be adopted for all areas of controlled spend.

4.2.2. The main controls covering NHS Improvement expenditure relate to:

- Consultancy;
- Legal services;
- Communications and marketing activity; and
- ICT spend, including digital projects.

4.2.3. The scope and definitions of controlled spend, and the associated delegated limits are subject to external review and change therefore are not replicated in full in this document. Up to date guidance on the limits in place for which business cases are required can be found in the [Budgetary Responsibility Policy](#).

4.2.4. Business cases are considered and approved in line with NHS Improvement's schedule of delegations outlined in the [Budgetary Responsibility Policy](#) within the framework of applicable external spending controls. There is additional governance for high value business cases detailed later in these instructions.

4.2.5. Each business case submission :

- be in the latest template format as approved by the Finance Director;
- contain a unique reference allocated by Internal Finance;
- be subject to a quality review by the relevant budget holder; and
- contain confirmation that Internal Finance, or an individual designated by the Finance Director have reviewed the case to ensure the proposed spend is within budget.

4.2.6. NHS Improvement is subject to a number of external approval processes. The Finance Director will confirm any requirement for external approvals.

4.3. Business case approval – staff controls

4.3.1. Business case approval is required for:

- Engagements of staff on a day rate, whether the appointment is to a permanent or temporary role;
 - Creation or extension of a temporary role outside the agreed organisation design, regardless of how this is filled.
- 4.3.2. Approval from the Department of Health and in some cases HM Treasury is required for appointment with high salaries or day rates. Internal and external approval limits are contained in the [Budgetary Responsibility Policy](#).
- 4.3.3. Proposals for additional permanent roles require approval by the Executive Director of Corporate Affairs and the Finance Director in the first instance.
- 4.3.4. Proposals with a wider business or budgetary impact require additional approval from the Accounting Officer. Wider impact will generally be more than five additional posts.

4.4. High value business cases

- 4.4.1. Before being submitted to Controls Committee or the Board for approval, all business cases with a value in excess of £500,000 (including VAT) must be reviewed by, as a minimum:
- the appropriate budget holder; and
 - the Finance Director (to assure the quality of the business case, procurement route and value for money of the proposal)
- 4.4.2. Consideration should be given as to whether approval is additionally required from a relevant executive committee. Advice can be obtained from the Board Secretary.
- 4.4.3. Board approval is required if the value of the business case exceeds the Chief Executive's delegated limit (as stated in the [Budgetary Responsibility Policy](#)).
- 4.4.4. Following appropriate approval of a business case, this does not require further approval before contract signature unless:
- the expected costs exceed the initially approved value;
 - the scope of the work or procurement route materially change; or
 - a committee or the Board specifically require that further approval is sought before contracts are awarded.

4.4.5. A material change is deliberately not defined here; where there is a proposed departure from the approved business case the Finance Director and Board Secretary should be consulted.

4.5. Losses and special payments

4.5.1. Losses (including fraud and theft), or certain types of payment are deemed 'special payments', for example ex gratia, extra contractual, compensation or severance payments. Such payments should be avoided wherever possible.

4.5.2. If there are any such payments which are considered, suspected or discovered, the Finance Director and the Accounting Officer should be informed immediately and the Anti-Fraud policy followed.

4.5.3. Monitor and NHS TDA have limited delegated authority over losses and special payments. The Finance Director is responsible for ensuring the appropriate approvals from the Department of Health or HM Treasury are obtained and retained for audit purposes.

4.5.4. The Finance Director shall maintain a losses and special payments register in which any write off action is recorded.

4.5.5. All reportable losses and special payments must be reported to the Audit & Risk Assurance Committee on a regular basis.

4.5.6. Further guidance on fraud is contained in Monitor's anti-fraud policy available on the intranet.

5. Annual Accounts and Reports

5.1.1. The Finance Director will:

- (i) prepare financial returns in accordance with HM Treasury's Financial Reporting Manual (FReM);
- (ii) prepare, approve and submit annual financial reports to the Board; and
- (iii) submit financial returns and annual accounts to Parliament for each financial year as required by the Act.

5.1.2. Monitor and NHS TDA will publish Annual Reports as required by the Act and lay these before Parliament which will include the annual accounts for each organisation prepared in accordance with the appropriate Accounts Direction.

6. Banking arrangements

- 6.1.1. The Finance Director is responsible for managing Monitor and NHS TDA's banking arrangements, including accounts held with the Government Banking Service, and for advising staff on the provision of banking services and operation of accounts.
- 6.1.2. The Audit & Risk Committee on behalf of the Board will approve the banking arrangements. The latest banking arrangements can be found within the [Finance policies](#) on the intranet.

7. Security of cash, cheques and other negotiable instruments

- 7.1.1. All receipt books, tickets, agreement forms, or other means of officially acknowledging or recording amounts received or receivable, shall be in a form approved by the Finance Director.
- 7.1.2. All cash, cheques, postal orders and other forms of payment received by an officer shall be entered immediately in an approved form of register.
- 7.1.3. Official money shall not under any circumstances be used for encashment of private cheques.

8. Payroll

- 8.1.1. NHS Improvement's Board has established a Remuneration Committee, the terms of reference for which are set out at Annex F to Monitor's Rules of Procedure.
- 8.1.2. The Executive Director of Corporate Affairs is responsible for managing the payroll, including:
- (i) specifying timetables for submission of properly authorised time records and other notifications;
 - (ii) final determination of pay;
 - (iii) making payment on agreed dates; and
 - (iv) agreeing method of payment.
- 8.1.3. The Executive Director of Corporate Affairs must be satisfied that the chosen method of Payroll Service 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 to appropriate bodies.

- 8.1.4. All employees shall be paid by bank credit transfer, unless otherwise agreed by the Finance Director.
- 8.1.5. NHSI shall delegate responsibility to the Executive Director of Corporate Affairs (or other specifically identified responsible executive officer) for ensuring that all employees are issued with a contract of employment in a form approved by the Authority and which complies with employment legislation and dealing with variations to or termination of contracts of employment.
- 8.1.6. Further information and the latest payroll guidance can be found within the [HR policies](#) section on the intranet.

9. Non-pay expenditure

9.1. Delegation of Authority

- 9.1.1. The Accounting Officer will determine the level of financial delegation to budget holders and budget managers.
- 9.1.2. The Finance Director will establish:
 - (i) a list of managers (and their signatures) who are authorised to place requisitions and official orders for the supply of goods and services;
 - (ii) the maximum level of each requisition or official order and the system for authorisation above that level; and
 - (iii) an ongoing review of the authorised signatory listing.
- 9.1.3. Appropriate prepayments will be permitted for instances relating to payments for rent, maintenance contracts and in those instances where, as standard business practice demands, nominal prepayments are required (ie training, publications).
- 9.1.4. Prepayments which fall outside the above categories are only permitted where exceptional circumstances apply. In such instances: the appropriate Director must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the Authority if the supplier is at some time during the course of the prepayment agreement unable to meet their commitments; the Finance Director 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.

9.2. Tendering and Contract Procedure

- 9.2.1. NHS Improvement's [Procurement Policy](#), which is available on the intranet, must be complied with at all times.
- 9.2.2. Budget holders must set out in writing a list of employees who are authorised to commit non-pay expenditure (for example, by requisition for the supply of goods and services) and the conditions to be followed in requisitioning goods and services, including the maximum level of expenditure to be incurred. Employees authorised to requisition items (e.g. stationery) should aim for best value for money and follow government guidance on procurement.

9.3. Payment and invoices

- 9.3.1. The Finance Director will:
 - (i) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for certification that goods or services invoiced were supplied in the time and manner and to the standard ordered before correct payment is made;
 - (ii) establish a timetable and system for submission of accounts for payment in line with the Public Sector Payment Policy; and
 - (iii) issue instructions to staff regarding the handling and payment of accounts.
- 9.3.2. Budget holders and managers have a responsibility to ensure that invoices received for validation are returned quickly to the payments team.
- 9.3.3. Budget holders and budget managers are responsible for ensuring that all debts are recorded, that all money due to Monitor or NHS TDA is recorded, that appropriate action is taken to recover these sums promptly, and that they have systems in place to achieve this. Any overpayments should be prevented; if any are made they should be detected and recovery initiated immediately.

9.4. Capital expenditure

- 9.4.1. The Finance Director will maintain a register of non-current assets, and record the values and depreciation of these assets in accordance with the applicable accounting standards.
- 9.4.2. Forecasts of future capital requirements should be maintained by the Chief Information Officer (or equivalent, for ICT assets), and Executive Director of Corporate Affairs (for Facilities related assets).

9.5. Asset disposals

- 9.5.1. If any asset requires disposal, the relevant budget holder (normally the Chief Information Officer (or equivalent) or Executive Director of Corporate Affairs) must formally authorise the disposal, which must be reviewed by the Finance Director.
- 9.5.2. The [form for authorising a disposal](#) which must be retained by Finance is available on the intranet.

9.6. Insurance

- 9.6.1. Managing Public Money discourages public bodies from taking out commercial insurance unless there is a particular risk to be covered.
- 9.6.2. Where purchase of commercial insurance is proposed, this should be approved by the Accounting Officer.

10. Information technology

- 10.1.1. In order to ensure compatibility and compliance with NHS Improvement's IT Strategy, no hardware, software or other information technology developments will be procured without the authorisation of an officer specifically appointed by the Chief Executive.
- 10.1.2. The Finance Director shall ensure that adequate controls exist such that adequate controls are in place over the operation of the finance IT systems, for example appropriate segregation of duties between staff and access restricted to authorised personnel. The Finance Director shall ensure that an adequate management (audit) trail exists through the computerised finance system. The Finance Director shall ensure new financial systems or

amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation.

11. Information Governance

11.1.1. Staff must follow the Information Governance policies in place at all times.

12. Gifts and hospitality

12.1.1. All employees must comply with NHS Improvement's policy on [gifts and hospitality](#), which is published on NHS Improvement's intranet.

13. Risk management and Governance Statements

13.1.1. The Accounting Officer shall ensure that NHS Improvement has a programme of risk management, in accordance with current assurance framework requirements which shall be approved and monitored by the Audit & Risk Assurance Committee. The programme of risk management should include:

- (i) a process for identifying and quantifying risks and potential liabilities;
- (ii) engendering among all employees a positive attitude towards the control of risk;
- (iii) management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control and decisions on the acceptable level of retained risk;
- (iv) contingency plans to offset the impact of adverse events;
- (v) audit arrangements; and
- (vi) arrangements to review the risk management programme.

13.1.2. These arrangements will provide a basis to make comprehensive Governance Statements within the Annual Reports and Accounts of Monitor and NHS TDA.

13.1.3. The Executive Director of Resources is responsible for operational oversight of risk management.

14. Retention of Documents

14.1.1. The Accounting Officer is responsible for ensuring systems are in place to maintain archives for all documents required to be retained in accordance with the appropriate guidance.

14.1.2. NHS Improvement's latest [records management](#) policy can be found on the intranet.