

NOTE

This is one of the documents which regulate the business of the Institute of Healthcare Management.

The documents are:

*Memorandum of Association
Articles of Association
Bye-Laws
Standing Orders
Standing Financial Instructions
Scheme of Delegation (in preparation)*

*Where necessary, reference should be made to the other documents.
Once they have all been revised, they will be found on the Institute's web site.*

Institute of Healthcare Management

Standing Financial Instructions

Approved by the Executive Board 16 September 2008

1. Introduction

These Standing Financial Instructions apply to the Institute of Healthcare Management as a corporate entity. They cover all levels of the Institute, and are intended to govern the financial affairs of the Members Council, the Executive Board, Divisional Councils, Regional Councils, branches and special interest groups. This document should be read in conjunction with Standing Orders and the Scheme of Delegation. All three documents form a comprehensive statement of the regulation of the Institute's affairs.

In this document reference to Divisions includes Regions and Branches where appropriate.

The reporting arrangements between the English Division and the English Regions will be agreed by the English Divisional Council.

2. Banking Arrangements

The Chief Executive will review the banking needs of the Institute at regular intervals to ensure that they reflect current business patterns and represent the best value for money.

The bankers of the Institute are:

National Westminster Bank plc, Regent Street, London

The Royal Bank of Scotland plc, Glasgow, Scotland

Ulster Bank plc, Belfast, Northern Ireland

The Chief Executive may place in an interest bearing deposit account or may otherwise invest cash surplus to immediate requirements, subject to the advice of the Institute's bankers and having obtained the approval of the Executive Board.

The Executive Board may prescribe the manner in which divisional, regional and branch bank accounts are held and by which bank. All funds remain the property of the Institute acting on behalf of members.

Regions, divisions and authorised branches may only open bank accounts in the name of the Institute with the prior approval of the Chief Executive. Full details of the account are to be notified to chief financial officer.

No other bank, credit or debit account should be opened in the name or on behalf of the Institute except by agreement of the Executive Board.

The Chief Executive will maintain a list of cheque signatories for all bank accounts. At headquarters these include the Chair, the Chief Executive, and appropriate senior members of staff on a formal contract. Cheque signatories should be approved annually by the Executive Board.

The divisional /regional chairs; the divisional /regional honorary treasurers; and the divisional /regional honorary secretaries will be authorised signatories for divisional /regional bank accounts plus any member of the division/regional council or local staff approved by that council.

Authorisation levels

The authorisation of expenditure shall be as follows:

Headquarters

- cheques and payment documents up to £1,000 require any two authorised signatures
- cheques and payment documents up to £5,000 require any two authorised signatures, of which one must be that of the Chief Executive or other director approved by the Board
- cheques and payment documents over £5,000 require the following authorised signatures: those of the Chief Executive and one other director approved by the Board

Division /Region

- cheques and payment documents up to £250 require any one authorised signature
- cheques and payment documents over £250 require two authorised signatures

Other matters

Disbursements will not, in any circumstances, be made from cash received.

Institute money shall not, in any circumstances, be used for the cashing of private cheques.

Any money collected for the IHM Benevolent fund must be separately recorded and accounted for although it may be paid through a regional bank account.

An individual may not sign a cheque payable to him/herself.

3. Staff

3.1 Recruitment

No person may be employed or recruited or regraded unless within the annual business plan and budget agreed by the Executive Board or expressly authorised by the Executive Board or the Chief Executive under delegated authority.

No appointment will be made unless there is a vacancy and the financial provision to fund it. This provision also applies to hiring of individuals whatever the contractual arrangement with that person might be.

Canvassing of directors of the Institute or members of any committee of the Institute, directly or indirectly, for any appointment with the Institute shall disqualify the candidate from such appointment.

Each employee will be issued with a contract in a form approved by the Chief Executive. The Chair of the Executive Board will approve the contract of the Chief Executive.

3.2 Processing payroll

The chief financial officer is responsible for:

- (a) specifying timetables for submission of properly authorised time records and other notifications;
- (b) the final determination of pay and allowances;
- (c) making payment on agreed dates;
- (d) agreeing method of payment.
- (e) issuing instructions regarding:
 - verification and documentation of data;
 - the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
 - 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;
 - authority to release payroll data under the provisions of the Data Protection Act;
 - methods of payment available to various categories of employee;
 - procedures for payment by cheque, bank credit, or cash to employees;
 - 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 handling cash;
 - a system to ensure the recovery from those leaving the employment of the Institute of sums of money and property due by them to the Institute.

Appropriately nominated managers and Executive Board members have delegated responsibility for:

- (a) submitting time records, and other notifications in accordance with agreed timetables;
- (b) completing time records and other notifications in accordance with instructions and in the form prescribed by the chief financial officer;
- (c) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement.

Where an employee fails to report for duty or to fulfil Executive Board obligations in circumstances that suggest they have left without notice, the chief financial officer must be informed immediately.

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

Expense claims without supporting receipts (except in the case of mileage) will not be accepted unless authorised by the line manager.

The Chief Executive's expenses claims should be approved by the Chair before submission to the chief financial officer.

4. Ordering and payment of accounts

[excluding expenses – see section 8]

All orders and liability to incur expenditure must be made within approved levels of delegated authority and be either included in the business plan (HQ or region/ division) or approved by the Executive Board.

Budget holders at headquarters and honorary officers/local staff in divisions/regions may place orders for goods and services up to £5,000 within their authorised budgets.

In all cases greater than £1000 where formal tendering procedures are not adopted, quotations in writing should be obtained and a record of such quotations should be maintained.

Competitive tenders must be sought for the supply of goods or services where the estimated value of the contract is more than £5,000 in one year or £10,000 over more than one year. Only staff on formal contract may initiate and conclude tender processes on behalf of the Institute. Legal advice should be sought on terms and conditions of tenders and contracts where necessary.

The Institute would take what it considers appropriate disciplinary action against any staff who commits it to a contract without recourse to the procedures stipulated above.

This requirement does not apply when the Executive Board considers that formal tendering procedures are not warranted or competition would not be practicable taking into account all the circumstances. The reasons for waiving competition must be approved at a meeting of the Executive Board. There should be a register of when the

tendering procedure was waived, the date and minute reference of the decision and the reason for waiving the tendering process.

A formal register of tenders invited should be kept by the chief financial officer and divisional/regional treasurers must advise headquarters in this regard.

The chief financial officer will be responsible for overseeing the payment of accounts and claims within the terms and conditions agreed with suppliers.

The general rule is that a payment for goods or services will be made only when the goods or services have been received.

All pre-payments greater than £250 made by HQ or division/region must be approved by the Chief Executive and be reported to the Board. Where any such payment is incorporated in a Business Plan approved by the Chief Executive and subsequently by the Board it shall be regarded as having been approved.

No member shall incur expenditure on behalf of the Institute unless prior approval has been obtained in accordance with these financial instructions. Any expenditure incurred outside these rules will remain the responsibility of the individual concerned.

Petty cash payments

The Institute keeps petty cash at its headquarters for reimbursement of small expenses by staff on behalf of the Institute or claims of £100 and below. Claims and expenses must follow the procedures for expenses as highlighted above. All claims for expenses must be supported by suitable receipts.

The total petty cash held at HQ is set at a maximum limit of £500 or such other limit, if lower, as may be from time to time be determined by the Institute's insurers having regard to the condition and level of security offered by the office safe.

Special request can also be made for petty cash needs as necessary such as during the Annual Conference. All petty cash reimbursements must be authorised by the Chief Executive or chief financial officer. An individual may not authorise reimbursement to himself.

5. Budgetary Control

The Executive Board is responsible for ensuring that proper books of account are kept for:

- the receipt and expenditure of cash
- sales and purchases
- assets and liabilities including a register of debtors and creditors
- income and expenditure incurred

The Chief Executive is responsible for the accuracy and timeliness of the record keeping and reporting. The Chief Executive shall also ensure that adequate financial systems are in place to monitor and control the business of the Institute.

The Chief Executive should prepare and submit a business plan, which incorporates a detailed budget, to the Executive Board for its approval prior to the commencement of each financial year.

The Chief Executive shall require directors, members and staff to provide him or her with all the financial, statistical and other relevant information necessary for the preparation of budgets, estimates and forecasts.

The Chief Executive, working in conjunction with the chief financial officer, shall devise and maintain systems of budgetary control. The systems of budgetary control should incorporate reporting of, and investigations into, variances. The budgetary control arrangements should be approved annually by the Audit Committee.

The budgetary control system should include identification and allocation of responsibility of major items of income and expenditure to senior members of staff. Responsibility for overall budgetary control, however, shall remain with the Chief Executive. Delegated budget holders shall observe any budgetary limits and control procedures determined by the Chief Executive.

The Chief Executive shall be responsible for providing information, advice and guidance about budgets to enable directors and staff to fulfil their budgetary responsibilities.

The budgetary records should show:

- the monthly income and expenditure position together with a comparison to budget
- month end balance sheets
- cumulative year to date estimates for income and expenditure, together with comparisons to budget and previous year's performance
- monthly cash flow statements and forecasts for the following 12 months
- projected year-end positions on income and expenditure together with comparisons to budget and previous year's performance

Monthly accounts should be presented to the Executive Board.

Monthly accounts should be accompanied by a report of the Chief Executive.

Divisions/regions should submit income & expenditure positions, forecast year-end positions and significant cash flow changes on a quarterly basis for incorporation into the reported position.

Every divisional council must draw up a budget of estimated income and expenditure for the next financial year by the end of the previous financial year. The council budget and any branch budgets are presented to the divisional council. The council treasurer or secretary/treasurer sends a copy of the divisional budget and any branch budgets to the Chief Executive within 7 days of the start of the new financial year. Regular quarterly reports should be sent to the Chief Executive.

The Divisional Chair

- will agree an annual budget with the National Chair
- is accountable for divisional performance and providing divisional performance information.

The Regional Chair

- will agree an annual budget with the English Divisional Chair
- is accountable for regional performance and providing regional performance information.

The Divisional/Regional Honorary Treasurer:

- deals with receipts and payments
- maintains accounts and submits -
 - (1) monthly report to Divisional / Regional Council and
 - (2) quarterly reports to the Executive Board in a format laid down by the chief financial officer and within the timetable agreed.

These reports will cover Income and Expenditure position and Balance Sheet.

Bank reconciliation statements and copy of bank statements should be sent to the chief financial officer if requested.

- prepares an annual budget

The Executive Board will agree targets and any corporate funding levels for Headquarters and for divisions on an individual basis in advance of each business year.

Each division should submit a business plan on an annual basis. Quarterly reports on the business plan and the financial status are submitted to the Chief Executive to ensure that there is an awareness of the situation in all divisions. The dates will be agreed at regular meetings of divisional honorary treasurers.

Any division that fails to keep proper records and or to submit adequate financial returns may be directed by the Executive Board to close their bank account and transfer all funds to the Institute of Healthcare Management's main account. All receipts and payments will be processed thereafter by Headquarters on behalf of the division.

All payments made and any expenditure incurred by a division must relate to the purposes of the Institute of Healthcare Management. Only properly constituted divisions may hold funds. Any informal grouping of members active within a division shall seek the prior approval of the Divisional Council before incurring any expenditure.

No division is to incur expenditure in excess of the funds at their disposal unless it is authorised by the Executive Board.

The Chief Executive shall prepare and submit the returns and records as may be required from time to time by the Executive Board.

Cash reserve limit

The Chief Executive must ensure that the Institute at all times has a minimum cash reserve (inclusive of regional balances) equivalent to approximately 4 months of total operational expenses. In the event of cash reserves falling to or near this sum the Chief Executive shall immediately notify the Chair and Chair of the Audit Committee who shall agree with the Chief Executive on the action to be taken. This information shall not unreasonably be withheld from other members of the Executive Board.

6. Statutory Accounts

Statutory annual accounts should be presented at each Annual General Meeting. The annual accounts should be accompanied by reports of the Directors and auditors. The Chief Executive, on behalf of the Institute, shall arrange the preparation and submission of annual accounts, duly certified by the Institute's auditors, in respect of each financial year, in accordance with the requirements of the Companies Act.

The Chief Executive shall prepare and publish an annual report to accompany the annual accounts, giving such information which will assist in the interpretation of those accounts and which give a clear view of the Institute's current position, achievements and its prospects for the future in financial and non-financial terms.

The divisional council treasurer presents to the divisional annual general meeting an account of income and expenditure of the division or branch concerned up to the preceding financial year end. He or she also presents a balance sheet showing all assets and outstanding liabilities at the same date.

Before presentation to an annual general meeting, all accounts should be formally independently examined. Where, exceptionally, this is not practicable then "unaudited" accounts may be presented at the annual general meeting. The reason for this shall be recorded in the minutes. In this event the divisional council shall be authorised to receive the independently examined accounts at their next meeting.

The divisional treasurer sends to the Chief Executive copies of all branch accounts and the independently examined regional accounts and balance sheet within two months of the financial year-end.

The Honorary Secretary shall forward a copy of the report of the divisions/region's activities in the previous year.

All financial statements shall be prepared in accordance with standard accounting practice.

7. Internal Control

The Executive Board is responsible for ensuring that arrangements exist to measure, evaluate and report on the effectiveness of internal control and the efficient use of resources within the Institute.

It is the responsibility of the Chief Executive to arrange the review of, the appraisal of, and report on, on an ongoing basis:

- all procedures to ensure that they are properly documented and understood by all members of staff, directors and honorary officers.
- the soundness, adequacy and application of financial and other managerial controls
- compliance with, relevance of, and financial effect of established policies, plans and procedures
- the extent to which the Institute's assets and interests are accounted for and safeguarded from losses of all kinds
- the suitability and reliability of financial and other management data within the Institute

The Chief Executive is responsible for the accuracy and security of the Institute's financial and other data.

The Chief Executive shall ensure that adequate and reasonable controls exist for the data entry, processing, storage, transmission and output to protect the security, privacy and effective operation of systems.

Every divisional council and branch committee must keep proper books of account including:

- all sums of money received and expended [cash book position]
- the items relating to receipts and expenditure including all sales and purchases of goods and services [the income and expenditure position]
- assets and liabilities (cash, debtors and creditors separating transactions between HQ and other Divisions, from outside individuals and organisation, plus any other assets or stock if applicable) [balance sheet entries]
- reconciliation of bank statements to the book of accounts [cashbook].

8. Expenses

Expenses will be reimbursed to directors, members and staff if incurred on the business of the Institute. Expenses will be paid to staff including the Chief Executive for expenses reasonably incurred whilst undertaking their duties.

Principles

The following principles will apply to authorisation:

- **either** the expenditure must be wholly and exclusively incurred on the Institute's behalf
- **or** the expenditure must be incurred as a result of the role of the claimant in the Institute and not in a personal or business capacity

The Institute will only reimburse expenditure not met by another source or third party.

The Executive Board can authorise exceptional expenditure in special cases.

Authorisation

The following principles will apply:

- Only staff on formal contract can approve expense claims
- expenditure up to £500 will be authorised by the Chief Executive, chief financial officer or responsible budget holder
- expenditure in excess of £500 must be both approved in advance and also authorised by the chief financial officer and either the Chair or Chief Executive
- A claimant cannot approve his or her own expense claim.

Rates

Hotel and subsistence will be reimbursed at cost. However, the rates must be reasonable and based on NHS rates as set out in the scheme of delegation.

UK public transport travel must be standard class. Where possible, tubes and buses should be used rather than taxis. Advantage should be taken of discounts for advance booking.

Car mileage will be reimbursed at the Inland Revenue Fixed Profit Car Scheme (FPCS) rates for excess mileage as set out in the scheme of delegation

Overseas travel must be approved by any two from the Chair, Vice Chair and Chief Executive in advance in all cases. Economy is the normal rate which will be reimbursed. Wherever possible, advantage should be taken of discounts for advance booking.

Expense rates should be prepared annually by the Chief Executive and approved by the Remuneration Committee.

Time out payments

It is expected that most organisations will see the benefits of granting time out for their employees to participate in Institute activities or represent the Institute at meetings. However, consideration will be given to compensatory payments, when meetings are held on weekdays, to an organisation that refuses to grant such absence from work to an employee unless they are reimbursed.

There are set parameters for payment, irrespective of which category the member fits. These are set out in the scheme of delegation

Authorisation must be sought in advance of a meeting for such payments to apply. The Chief Executive and the Chair will make this authorisation. An invoice must be submitted in retrospect to the Institute for these expenses. This invoice should indicate to whom payment should be made. Payments will only be made against an invoice.

9. Insurance

The following insurance cover shall be put in place and be maintained by IHM headquarters:

Combined policy, which consists of:

- Material Damage – *includes damage to presidential and regional badges*
- Business Interruption – *Headquarters only*
- Theft – *Headquarters only*
- Money (held for IHM) – *At Headquarters, in employee's home or in transit with employee*
- Employers Liability – *Head office and staff employed to work in divisions/regions **
- Public/Products Liability – *Head office and Divisions /Regions and special interest Sectors/Groups*
- Personal Accident – *For death / injury while working on behalf of the Institute - honorary officers / volunteers / employees*
- Goods in Transit – *Headquarters only*
- Computers – *Head office and IHM equipment in employees homes*
- Legal Expenses – *Headquarters only*
- Libel – *All printed, typewritten & hand-written matter issued by the Institute*
- Pension Fund Trustee - *Trustees only*
- Professional Indemnity – *All directors, officers and management*
- Terrorism – *Headquarters only*

*The definition of employee includes 'volunteers' in the liability sections of the policies.

It is the responsibility of divisions/regions to inform headquarters of any assets to be insured.

Access to the complete, detailed register of insurances is available through the Office Manager.

All claims should be processed through the Office Manager at IHM headquarters.

The Institute will accept no liability for the loss of personal property of members of staff or other persons brought to or stored on Institute premises. Only Institute property may be stored in the safe at Institute HQ.

10. Income and Invoicing

Income systems

The chief financial 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 financial officer is also responsible for the prompt banking of all monies received.

Fees and charges

The Chief Executive is responsible for approving and regularly reviewing the level of all national fees and charges. Independent professional advice on matters of valuation shall be taken as necessary.

All employees must inform the chief financial officer promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, and other transactions.

Divisions/regions are required to seek headquarters advice on fees and charges expected to be in excess of £250 per activity.

Debt recovery

The chief financial officer is responsible for the appropriate recovery action on all outstanding debts including those of divisions/regions.

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

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

11. Asset Registers

The Chief Executive is responsible for the maintenance of registers of 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 a physical check of assets against the asset register to be conducted once a year. The register should include assets held by divisions/regions.

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

- properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
- stores, requisitions and wages records for own materials and labour including appropriate overheads;
- lease agreements in respect of assets held under a finance lease and capitalised.

Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

The Chief Executive shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.

The value of each asset shall be indexed to current values in accordance with current accounting standards

The value of each asset shall be depreciated using methods and rates approved by the Executive Board in accordance with current accounting standards

Security of assets

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

Asset control procedures (including fixed assets, cash, cheques and negotiable instruments,) must be approved by the Executive Board. This procedure shall make provision for:

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

All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Chief Executive.

Whilst all staff and honorary officers have a responsibility for the security of property of the Institute, it is the responsibility of Executive Board members to apply such appropriate routine security practices in relation to Institute property as may be determined by the Executive Board. Any breach of agreed security practices must be reported in accordance with agreed procedures.

Any damage to the Institute's premises, equipment, or any loss of equipment, stores or supplies must be reported by Executive Board members and employees in accordance with the procedure for reporting losses.

Where practical, assets should be marked as Institute property.

Where items are in the custody of third parties, eg stock, there should be a verification that the Institute has full legal title to the asset and the assets cannot be claimed by others in the event of the third party becoming insolvent.

12. Stores and Receipt of Goods

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

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

Control of stores, stocktaking, condemnations and disposal

Overall responsibility for the control of stores shall be delegated to an employee by the Chief Executive.

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

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

Stocktaking arrangements shall be agreed with the chief financial officer and there shall be a physical check covering all items in store at least once a year. In the case of stock held on behalf on the Institute by a third party, a certified record of the stock held by them should be obtained at the end of each calendar month

The designated Manager shall be responsible for a system approved by the Chief Executive for a review of slow moving and obsolete items and for condemnation, disposal, and 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.