

## INVESTMENT POLICY

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## DOCUMENT CONTROL

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## **1. INTRODUCTION**

- 1.1 This policy is based on the guidance set out in Monitor's (NHS Improvement) document, 'Risk Evaluation for Investment Decisions by NHS Foundation Trusts '(REID).
- 1.2 One freedom which fundamentally distinguishes NHS Foundation Trusts from NHS Trusts is the freedom to invest money for the purposes of, or in connection with, their functions. Monitor best practice guidance identifies that appropriate arrangements must be in place to ensure that investments in new services are successful and to appropriately manage the risk associated with developments.

## **2. PURPOSE AND SCOPE**

- 2.1 The purpose of the policy is to set out the governance arrangements associated with investing in significant transactions. Under the 2012 Act NHS foundation trusts are permitted to decide for themselves what constitutes a "significant transaction". Whilst NHS Improvement does not have a statutory role in approving these transactions, they can take regulatory action to address significant transaction related concerns and there are thresholds in place to determine when transactions should be reported to NHS Improvement. These are as follows:

- assets – where the gross assets subject to the transaction divided by the gross assets of the NHS Foundation Trust is greater than 10%
- income – where the income attributed to the assets or the contract associated with the transaction divided by the income of the NHS Foundation Trust is greater than 10%;
- consideration to total NHS Foundation Trust Capital – the gross capital of the company or business being acquired divided by the total capital of the NHS Foundation Trust following completion is greater than 10%.

- 2.2 Paragraph 42 of the Trust's Constitution specifies the criteria for approval by the Council of Governors:

- assets as defined above 25%;
- income as defined above 25%;
- capital as defined above 25%.

- 2.3 All proposed and actual investments in services which are outside the scope of this policy will be assessed and managed in accordance with the Partnership Trust's business plan, with progress reported to the Board. Capital investments which fall outside the scope of this policy will be dealt with through the Capital Approval and Business Case Policy.

- 2.4 This policy relates to medium to long-term investments and does not apply to investment of surplus operating cash, that is, surplus cash likely to be needed within 12 months to support ongoing operations.
- 2.5 This policy applies only to funds under the direct control of NHS Foundation Trusts. It does not apply to pensions, associated charities, or other funds connected with an NHS Foundation Trust.
- 2.6 The policy should be read in conjunction with the Capital Approval and Business Case Policy.

### **3. DUTIES AND RESPONSIBILITIES**

- 3.1 The Trust Board will:
- establish the overall methodology, processes and controls which govern major investments;
  - ensure that robust processes, e.g. evaluation of fit with the Partnership Trust's overall strategy, use of appropriate independent professional advisers etc, are followed;
  - co-ordinate, scrutinise and monitor investments.
- 3.2 The Council of Governors is responsible for approval of significant transactions as defined in 2.2 above.
- 3.3 NHS Improvement will review significant transactions using risk based assessment techniques.
- 3.4 Other duties and responsibilities as set out in the Standing Orders, Standing Financial Instructions and Scheme of Delegation will apply.

### **4. EXPLANATIONS OF TERMS USED**

- 4.1 The 2012 Act means the Health and Social Care Act 2012.
- 4.2 NHS Improvement means the sector regulator for health services in England.

### **5. STATEMENT OF POLICY**

- 5.1 All investments must support and complement the overall objectives as laid out in the Business Plan and other strategy documents and will not compromise the current services of the Foundation Trust.
- 5.2 In determining major service investment margins the Trust will need to assess the nature of the service, the market in which it is operating and the financial risk associated with it.
- 5.3 All major investments will require detailed business case evaluation and challenge and be informed by guidance from NHS Improvement.

## **6. IDENTIFYING, EVALUATING AND MANAGING INVESTMENTS**

6.1 The risk management of major transactions will be in accordance with the Foundation Trust's Risk Management policies and processes. In considering a proposal for investment in new services the Foundation Trust will need to identify and consider the following risks:

- strategic: risks associated with a particular strategy, e.g. over capacity, outdated services etc.;
- financial: risks associated with the financial structure of the investment and the associated services and financial systems which are in place;
- operational: risks associated with the operation and administrative procedures of the service such as clinical services, IT systems, estates, staff management and the post merger integration process;
- regulatory and political: risks posed by potential changes in the regulatory and political environment, for example changes to the tariff, policy and performance targets;
- reputational: risks to the organisation's reputation from an adverse event either during a service transfer or merger or afterwards, e.g. if a poor quality service is taken on;
- contingent: risks that may only come into existence if a certain contingent event takes place.

6.2 Risks will be identified and placed on the risk register in accordance with the risk matrix based on the probability of the risk x the severity. Controls will then be put in place to minimise the probability and severity of the loss.

6.3 The level of risk associated with a development will be determined by criteria which includes the size and complexity of the business being taken on. A proposed deal outside the Partnership Trust's core operations will increase risk. Highly competitive, uncertain or unfamiliar markets will also increase risk. It is therefore important that the Partnership Trust only invests in line with its strategic objectives.

6.4 The Partnership Trust should seek advice from appropriate independent external advisors as part of due diligence reviews, (e.g. legal, financial, risk management, etc) as appropriate.

## **7. TRAINING REQUIREMENTS**

The Partnership Trust will ensure that the necessary staffs are identified to support this policy. Potential training requirements include:

- risk management;
- project management;

- financial awareness for non-finance staff;
- investment appraisal techniques.

## **8. EQUALITY IMPACT ASSESSMENT**

All relevant persons are required to comply with this document and must demonstrate sensitivity and competence in relation to the nine protected characteristics as defined by the Equality Act 2010. In addition, the Trust has identified Learning Disabilities as an additional tenth protected characteristic. If you, or any other groups, believe you are disadvantaged by anything contained in this document please contact the Equality and Diversity Lead who will then actively respond to the enquiry.

## **9. MONITORING COMPLIANCE AND EFFECTIVENESS**

Overall monitoring will be undertaken by the Finance and Investment Committee.

## **10. COUNTER FRAUD**

The Trust is committed to the NHS Protect Counter Fraud Policy – to reduce fraud in the NHS to a minimum, keep it at that level and put funds stolen by fraud back into patient care. Therefore, consideration has been given to the inclusion of guidance with regard to the potential for fraud and corruption to occur and what action should be taken in such circumstances during the development of this procedural document.

## **11. RELEVANT CARE QUALITY COMMISSION (CQC) REGISTRATION STANDARDS**

Not applicable in the context of this procedural document.

## **12. REFERENCES, ACKNOWLEDGEMENTS AND ASSOCIATED DOCUMENTS**

### **12.1 References**

Risk Evaluation for Investment Decisions (REID) – Monitor 2006

### **12.2 Cross reference to other procedural documents**

Capital Approval and Business Case Policy  
 Estates Strategy  
 Integrated Business Plan  
 Risk Management Policy 2015  
 Standing Financial Instructions and Scheme of Delegation  
 Standing Orders 2016