



Standing Financial Instructions

April 2021 – March 2022

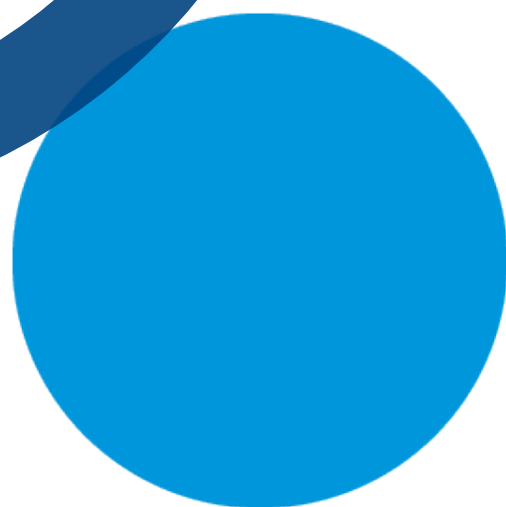


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Section 1: Introduction

General

1.01 Background

These Standing Financial Instructions (“SFIs”) replace all previous instructions and are issued for compliance by all officers of the Common Services Agency, more commonly known as NHS National Services Scotland (and referred to as NHS National Services Scotland or NSS throughout these Standing Financial Instructions) from 1 April 2021.

These SFIs and supporting policies and procedures detail the financial responsibilities adopted by NHS National Services Scotland. Their purpose is to provide sound control of NHS National Services Scotland's financial and related activities and are carried out in accordance with the law and Scottish Government policy. They should be used in conjunction with the Standing Orders and in particular the Schedule of Decisions Reserved to the Board and the Scheme of Delegation therein.

All NSS policies referred to in this document can be found on geNSS or the ServiceNow portal.

1.02 The purpose of the scheme of control is:

- To ensure the NSS acts within the law and that financial transactions are in accordance with the appropriate authority;
- To ensure that proper accounting records, which are accurate and complete, are maintained;
- To ensure that financial statements, which give a true and fair view of the financial position of NSS and its expenditure and income, are prepared timeously;
- To protect NSS against the risk of fraud and irregularity;
- To safeguard NSS assets;
- To ensure proper standards of financial conduct are maintained;
- To enable the provision of appropriate management information;
- To ensure that NSS seeks best value from its resources by making proper arrangements to pursue continuous improvement, having regard to economy, efficiency and effectiveness in NSS operations; and
- To ensure that any delegation of responsibility is accompanied by clear lines of control and accountability, together with reporting arrangements

NSS shall exercise financial supervision and control by:

- Formulating the financial strategy;

- Requiring the submission and approval of financial plans and budgets within approved allocations/overall income;
- Defining and approving essential features of financial arrangements in respect of procedures and financial systems (including the need to obtain value for money);
- Defining specific responsibilities placed on directors and officers as indicated in the Scheme of Delegation.

1.02 Responsibilities & Application of the SFIs

These SFIs identify the financial responsibilities that apply to everyone working for NSS. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures and any consequent amendments must be approved by the Director of Finance.

Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance must be sought before you act.

1.04 Compliance

The Director of Finance is responsible for assisting the Chief Executive as Accountable Officer and therefore has ultimate responsibility ensuring that SFIs are in place, up to date and observed in NSS. The responsibilities of the Director of Finance are specified in the SFIs may be carried out by such other senior finance officers as he or she might specify.

Members and officers of NSS shall observe these SFIs. Directors of strategic business units shall be responsible for ensuring that the SFIs are made known within the services for which they are responsible and shall ensure they are adhered to.

Any breach or non-compliance with these SFIs must, on discovery, be reported immediately to the Director of Finance who will discuss the matter with the Chief Executive and/or Director of Strategic Business Unit in order to determine the proper action to be taken. The views of internal audit and/or Counter Fraud Services may also be taken depending on circumstances. All breaches will be reported to the Finance, Procurement and Performance Committee.

Failure to comply with the SFIs shall be a disciplinary matter.

1.05 Variation and Revocation

These SFIs may only be varied or revoked in accordance with the Standing Orders.

1.06 Terminology

The following terminology applies throughout these Standing Financial Instructions:

- (a) “Accountable Officer” means the Scottish NHS Officer responsible and accountable for funds entrusted to NSS. The Accountable Officer will be responsible for ensuring the proper stewardship of public funds and assets. For NHS National Services Scotland it will be the Chief Executive;
- (b) “Board” means the Board of NHS National Services Scotland;
- (c) “Budget” means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of NSS;
- (d) “Budget Holder” means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation;
- (e) “Chief Executive” means the chief officer of NSS;
- (f) “Contract” means any arrangement giving rise to right and obligations between NSS and any one or more third parties whether legally enforceable or otherwise;
- (g) “Director of Finance” means the chief financial officer of NSS;
- (h) “Executive Management Team (EMT)” means the committee of executive officers of NSS appointed by the Board and given authority by the Board to act in accordance with its remit;
- (i) “Financial Services” means the central finance function of NSS;
- (j) “Framework Agreement” means a framework agreement in terms of the Public Contracts (Scotland) Regulations 2015;
- (k) “Director of Strategic Business Unit” means the chief officer of a Strategic or Support Business Unit or Directorate of NSS; “Legal Advisor” means the properly qualified person appointed by NSS to provide legal advice;
- (l) “Officer” means employee of NSS or any other person holding a paid appointment or office with NSS;
- (m) “NSS” means NHS National Services Scotland, the common name of the “Common Services Agency for the Scottish Health Service”; and
- (n) “SGHSC” means the Scottish Government Health and Social Care Directorates.
- (o) Virement – the reallocation of budget authority

Wherever the title Chief Executive, Director of Finance, and Director of Strategic Business Unit is used in these instructions, it will be deemed to include such other directors or employees who have been duly authorised to represent NSS.

Wherever the term "employee" is used and where the context permits it will be deemed to include employees of third parties contracted to NSS when acting on behalf of NSS.

All references in these Instructions to the singular form will be read as equally applicable to the plural. Similarly, all references in these Instructions to the masculine gender will be read as equally applicable to the feminine gender.

Section 2: Responsibilities of Chief Executive, Director of Finance, Directors of Strategic Business Units and Employees

2.01 Responsibilities of Chief Executive as Accountable Officer

Under the terms of Sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer for the Scottish Government has designated the Chief Executive of NSS as Accountable Officer.

Accountable Officers must comply with the terms of the Memorandum to National Health Service Accountable officers, and any updates issued to them by the Principal Accountable Officer for the Scottish Government. The memorandum was updated in April 2006.

2.01 (a) General Responsibilities

The Accountable Officer is personally answerable to the Scottish Parliament for the propriety and regularity of the public finance for NSS.

The Accountable Officer must ensure that the Board takes account of all relevant financial considerations, including any issues of propriety, regularity or value for money, in considering policy proposals relating to expenditure, or income.

It is incumbent upon the Accountable Officer to combine his or her duties as Accountable Officer with their duty to the Board to whom he or she is responsible and from whom he or she derives his/her authority. The Board is in turn responsible to the Scottish Parliament in respect of its policies, actions and conduct.

The Accountable Officer has a personal duty of signing the Annual Report and Accounts for NSS. Consequently, he or she may also have the further duty of being a witness before the Audit Committee of the Scottish Parliament and be expected to deal with questions arising from the Accounts, or, more commonly from reports made to Parliament by the Auditor General for Scotland.

The Accountable Officer must ensure that any arrangements for delegation promote good management, and that he or she is supported by the necessary staff with an appropriate balance of skills. This requires careful selection and development of staff and the sufficient provision of special skills and services.

2.01 (b) Specific Responsibilities

Ensure that from the outset proper financial systems are in place and applied, and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability, especially at times of major changes.

Ensure that the Board's financial obligations and targets are met. The Chief Executive shall be responsible for the implementation of the Board's financial policies and for co-ordinating any corrective action necessary to further these policies. In fulfilling this responsibility, the Chief Executive shall take account of advice given by the Director of Finance on all such matters. The Director of Finance shall be accountable to the Board for this advice.

Sign the Accounts assigned to him or her, and in doing so, accept personal responsibility for ensuring that they are prepared under the principles and in the format directed by the Scottish Ministers

Ensure that proper financial procedures are followed incorporating the principles of separation of duties and internal check, and that accounting records are maintained in a form suited to the requirements of the relevant Accounting Manual, as well as in the form prescribed by the published Accounts.

Ensure that public funds, and assets such as land, buildings or other property including stores and equipment for which he or she is responsible are properly managed and safeguarded, with the appropriate checks in place.

Ensure that, in the consideration of policy proposals relating to expenditure, or income, for which he or she has responsibilities as Accountable Officer, all relevant financial considerations, including any issues of propriety, regularity or value for money, are taken into account, and where necessary brought to the attention of the Board.

Ensure that effective management systems appropriate for the achievement of the organisation's objectives, including financial monitoring and control systems have been put in place.

Ensure that risks, whether to achievement of business objectives, regularity, propriety or value for money, are identified, that their significance is assessed and that systems appropriate to the risks are in place in all areas to manage them.

Ensure that best value from resources is sought, by making proper arrangements to pursue continuous improvement having regard for economy, efficiency and effectiveness, and in a manner which encourages the observance of equal opportunities requirements.

Ensure that managers at all levels have a clear view of their objectives, and the means to assess and measure outputs for performance in relation to those objectives.

Ensure that managers at all levels are assigned well defined responsibilities for making best use of resources, including a critical scrutiny of output and value for money.

Ensure that managers at all levels have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.

2.01 (c) Regularity and Propriety of Expenditure

The Accountable Officer has a particular responsibility for ensuring compliance with Parliamentary requirements in the control of expenditure. A fundamental requirement is that funds should be applied only to the extent and for the purposes authorised by Parliament in the Budget Acts (or otherwise authorised by Section 65 of the Scotland Act 1998). Parliament's attention must be drawn to losses or special payments by appropriate notation of the organisation's Accounts. In the case of expenditure approved under the Budget Act, any payments made must be within the scope and amount specified in that Act.

All actions must be able to stand the test of parliamentary scrutiny, public judgements on propriety and professional Codes of Conduct. Care must be taken to avoid actual, potential, or perceived conflicts of interest when employing external consultants and their staff.

2.01 (d) Advice to the Board

The Accountable Officer has a duty to ensure that appropriate advice is tendered to the Board on all matters of financial propriety and regularity, and more broadly, as to all considerations of prudent and economical administration, efficiency and effectiveness.

If the Accountable Officer considers that, despite their advice to the contrary, the Board is contemplating a course of action which they consider would infringe the requirements of regularity or propriety, and that they would be required to take action that is inconsistent with the proper performance of his or her duties as Accountable Officer, they should inform the SGHSCD's Accountable Officer, so that the Department if it considers is appropriate, can intervene and inform the Scottish Ministers. If this is not possible, the Accountable Officer should set out in writing his or her objection and the reasons, to the proposal. If their advice is overruled, and the Accountable officer does not feel that he or she would be able to defend the proposal to the Audit Committee of the Scottish Parliament, as representing value for money, he or she should obtain written instructions from the Board for which he or she is designated, and send a copy of his or her request for instruction and the instruction itself as soon as possible to the External Auditor and the Auditor General for Scotland.

It is the duty of the Chief Executive to ensure that the Directors of the Strategic Business Units, employees and all new appointees are notified of and understand their responsibilities within the SFIs.

2.01 (e) Absence of Accountable Officer

The Accountable Officer should ensure that they are generally available for consultation, and that in any temporary period of unavailability a senior officer is identified to act on their behalf.

In the event that the Accountable Officer would be unable to discharge their responsibilities for a period of four weeks or more, NSS will notify the Principal Accountable Officer of the

Scottish Government, in order that an Accountable Officer can be appointed pending their return.

Where the Accountable Officer is unable by reason of incapacity or absence to sign the Annual Report and Accounts in time for them to be submitted to the Auditor General, the Board may submit unsigned copies, pending the return of the Accountable Officer.

2.02 Responsibilities of the Director of Finance

Provision of financial advice to the Board and its employees;

Implementing the Board's financial policies and for co-ordinating any corrective action necessary to further those policies;

Ensuring that sufficient financial records are maintained to show and explain the Board's transactions, in order to disclose, with reasonable accuracy, the financial position of the Board at any time;

The design, implementation and supervision of systems of internal financial control incorporating the principles of separation of duties and internal checks;

The preparation and maintenance of such accounts, certificates, estimates, records and reports as the Board may require for the purpose of carrying out its statutory duties and responsibilities;

Setting accounting policies consistent with Scottish Government guidance and generally accepted accounting practice.

2.03 Responsibilities of all Directors and Employees

All directors and employees of the Board, severally and collectively, are responsible for:

- security of the Board's propriety,
- avoiding loss;
- exercising economy and efficiency in the use of NSS resources;
- complying with the requirements of Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Delegation;
- reporting on discovery of any non-compliance of the SFIs to the Director of Finance.

All staff must be aware of the Fraud Management Policy (including the Fraud Action Plan) and the Whistleblowing Policy. The Counter Fraud Champion (also the Chair of the Audit and Risk Committee) is responsible for ensuring the requirements of Fraud Action 'Plan are met and processes followed in every relevant situation.

The Director of Strategic Business Units should ensure that these SFIs and associated documents are made known to the appropriate persons within the Strategic Business Unit and ensure that they are adhered to.

Any contractor, or employee of a contractor, who is empowered by NSS to commit NSS to expenditure or who is authorised to obtain income will be covered by these instructions. It is the responsibility of the Director of Strategic Business Unit to ensure that such persons are made aware of this.

For any and all members of the Board and Executive Management Team and employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board and Executive Management Team and employees discharge their duties must be to the satisfaction of the Director of Finance.

Section 3: Code of Conduct

3.01 General Principles

There is a general presumption against the giving or receipt of gifts and hospitality by employees of NSS. All employees should: -

- Not put themselves in a position where their official and private interests may conflict;
- To be aware off the presumption of influence on a potential purchasing decision or strategic decision relating to the business objectives of NSS; and
- Not make use of their official positions to further their private interests.
- These guidelines should be read in conjunction with section 3 on bribery

3.02 Activities involving the use of official information or experience

Any employee of NSS (other than medical or dental staff engaged in clinical practice) is required to obtain permission from the relevant Director of Strategic Business Unit, before undertaking any form of private work which involves the use of official NHS information, or his NHS experience.

All media broadcasts or television appearances by employees of NSS on matters relating to the work of NSS should be regarded as official duty, and no question of payment to individuals will normally arise. However, if the work of preparation for the media broadcast/television appearance involves private, as well as official time, the Chief Executive may, at his or her discretion, allow an employee to retain the whole or part of any fee as appropriate.

3.03 Outside Occupation

Employees of NSS are not allowed to accept any outside employment which would require their attendance at any time during their normal working hours with NSS. Employees should notify NSS if they propose to take up outside employment which would, when both or more employments are combined, result in their average working week exceeding the maximum working week laid down in the Working Time Regulations 1998, currently 48 hours per week.

Employees are advised not to engage in outside employment which may conflict with their NHS work, or be detrimental to it.

3.04 Confidentiality

No employee of NSS shall use for their own benefit or gain, or divulge to any persons, firms, companies or other organisation whatsoever, any confidential information belonging to NSS, or relating to its affairs or dealings, which may come to the employee's knowledge during the course of their duties.

Notwithstanding this, any employee who has genuine concerns about operational issues and service delivery, particularly if the concerns relate to health and safety, malpractice or fraud has a right and responsibility to raise these. Further details of how staff should raise concerns are outlined in the NSS Whistle blowing policy and the Fraud Management Policy.

3.05 Contracts and use of services of NSS contractors

On starting employment, all NSS staff must declare any financial interests or relationships (e.g. Honorary positions held) with any manufacturer, supplier or contractor, with whom the NSS has, or is likely to enter into a contractual relationship, or any financial or other interests which may affect NSS's decisions. In addition, any employee engaged in ongoing activity or a project involving third parties must declare any relevant financial or other interests at the earliest opportunity to their SBU Director and comply with any consequent requests or instructions made by NSS. Any NSS staff leading activity or projects with third parties must, at initiation and at all meetings thereafter, seek positive confirmation as to any such interests which those NSS staff present may have and take action accordingly. Any interests declared must be properly recorded in the minutes and records of the meetings.

In addition, Board Members, Directors of Strategic Business Units, Senior Managers and Senior Procurement staff of NSS will be asked quarterly to confirm their declarable interests.

No employee of NSS may purchase goods from, or use the services of, a contractor on preferential terms for private purposes, if these terms are given directly or indirectly because of the contractual or other official business relationship (whether potential or actual), between the contractor and NSS.

3.06 Acceptance of Gifts

For the purpose of this section, a gift shall be taken to mean any personal, material and/or financial advantage or reward, which reward can include material items such as calendars, stationery etc.

Employees should not accept gifts. Where gifts are sent to an employee, these should only be accepted when the gift is of minimal or nominal value and in any case where the value is presumed to be less than £5. All other gifts should be returned to the sender.

It is recognised that, on occasion, a gift may be received from a patient or a donor as a "thank you" for services received. These gifts would be difficult to refuse without causing

offence. If they are of low intrinsic value, the principles outlined above should be applied. Should they be expensive, the SBU Director should be consulted for a view on acceptance.

In all cases in relation to gifts, it is recognised that it is NSS who is the owner of the received gift and not the individual employee.

Casual gifts offered by contractors or others e.g. at Christmas time should be declined.

3.07 Acceptance of Hospitality

For the purpose of this section, hospitality shall be taken to mean an offer of food, drink, invitations to events, travel and/or accommodation.

As a guiding principle, hospitality should be refused. Modest hospitality, provided it is normal and reasonable in the circumstances, e.g. lunches in the course of working visits, may be acceptable when the scale of hospitality is similar to that which the NHS would be likely to offer in the circumstances. Where hospitality is provided at free events or conferences - where the object is to maintain knowledge or develop networks – this may be accepted, provided the hospitality is proportionate,

For the avoidance of doubt, tickets to national sporting events or similar should be refused.

3.08 Procedure for completing and recording forms

Full guidance on accepting and recording of gifts and hospitality can be found on the Service Now portal.

3.09 Reporting

An annual report of all accepted gifts and hospitality offered and accepted will be submitted to the EMT and Audit and Risk Committee for noting.

3.10 Use of official Accommodation, Equipment or Vehicles

No employee of the NSS may make use of, or make available for use, official accommodation, equipment, supplies, services or vehicles, for private purposes, without the prior permission of the Chief Executive.

Employees should not make inappropriate or unauthorised use of IT systems e.g. email and Internet access. The NSS guidelines governing the use of IT systems should be referred to for further guidance.

3.11 Bribery

The Bribery Act 2010 came into force on 1 July 2011 and makes it a criminal offence to take part in 'active' or 'passive' bribery or to fail to prevent bribery in an organisation:

- (a) Active bribery (section 1 of the Act) makes it an offence for a person to offer, give or promise to give a financial or other advantage to another individual in exchange for improperly performing a relevant function or activity.
- (b) Passive bribery (section 2 of the Act) makes it an offence for a person to request, accept or agree to accept a financial or other advantage in exchange for improperly performing a relevant function or activity.
- (c) Bribery of a foreign public official (section 6 of the Act) makes it an offence to offer, promise or give a financial or other advantage to a foreign public official with the intention of influencing the official in the performance of his or her official function. Previously such payments may have been known as Facilitation Payments.
- (d) Corporate offence (section 7 of the Act) states that an organisation may be liable if it fails to have adequate procedures in place to prevent bribery.

Employees must be committed to the prevention of bribery and all forms of corruption. NSS operates a zero tolerance approach to bribery committed by any person working at NSS and any person who provides services for or on behalf of NSS and that any allegation of bribery by a Board member or employee will be investigated in accordance with relevant processes and procedures and may be reported to the authorities, as appropriate.

The NSS approach to addressing fraud, which includes bribery, is set out in Section 4.

Section 4: Suspected Theft, Fraud and Other Irregularities

4.01 Introduction

This section should be read in conjunction with the Fraud Management Policy and the Fraud Action Plan.

The following procedures should be followed, as a minimum, in cases of suspected theft, fraud, embezzlement, corruption, bribery or other financial irregularities to comply with the above guidance.

In addition, guidance and recommendations issued from time to time by NSS Counter Fraud Services to combat fraud should also be considered and implemented where necessary.

4.02 Theft, Fraud, Embezzlement, Corruption, Bribery and Other Irregularities

NSS has a Fraud Management Policy and Action Plan, in accordance with Scottish Executive HDL(2005)5. All NSS staff should be aware of the content of this plan and their responsibilities in relation to the prevention and detection of fraud including bribery and corruption and their duty to report any suspicious activity.

The Fraud Action Plan is reviewed annually, amended as appropriate, and submitted to the Audit and Risk Committee for re-endorsement annually.

The Fraud Action Plan will specify the form and content of NSS's Fraud and Other Illegal Acts Register, which is to be reviewed annually by the Audit and Risk Committee.

The Chief Executive has the responsibility to designate an officer, Counter Fraud Champion (CFC), within the Board with specific responsibility for co-ordinating action where there are reasonable grounds for believing that an instance of fraud, theft, embezzlement, corruption, bribery or other financial irregularity has occurred. The CFC will also be supported by a Fraud Liaison Officer (FLO) for NSS. Contact details for the CFC and FLO can be found in the Fraud Management Policy and on the finance pages on geNSS

It is the CFC's responsibility, supported by the FLO, to inform as he deems appropriate, the police, Counter Fraud Services (CFS), the appropriate director(s), the Appointed External and Internal Auditors, the Chief Executive and the Chair of the Audit and Risk Committee, where such an occurrence is suspected. It should be noted that CFS does not routinely investigate the crime of theft, unless systematic losses have occurred and the use of covert surveillance is being considered.

Where any officer has grounds to suspect any of the above activities has occurred, they should report this to the FLO without delay. The FLO will ensure that there is consultation with CFS as set out in the Fraud Action Plan. It is essential that preliminary enquiries are

carried out in strict confidence and with as much speed as possible. If the suspicion involves an executive director the matter should be reported to the Chair of the Audit and Risk Committee, the Chairman of the Board, or to the Head of Internal Audit.

If, in exceptional circumstances, the CFC, the FLO and the Head of Internal Audit are unavailable the officer should report the circumstances to the Chief Executive who will be responsible for informing CFS. As soon as possible thereafter the FLO should be advised of the situation.

Where preliminary investigations suggest that prima facie grounds exist for believing that a criminal offence has been committed, CFS will undertake the investigation on behalf of, and in co-operation with NSS. At all stages the CFC, the FLO and the Head of Internal Audit will be kept informed of developments on such cases. All referrals to CFS must also be copied to the Appointed Auditor.

4.03 Remedial Action

As with all categories of loss, once the circumstances of a case are known the CFC will be required to take immediate steps to ensure that so far as possible these do not recur. However, no such action will be taken if it would prove prejudicial to the effective prosecution of the case. It will be necessary to identify any defects in the control systems which may have enabled the initial loss to occur, and to decide on any measures to prevent recurrence.

4.04 Reporting to SGHSC

While normally there is no requirement to report individual cases to SGHSC there may be occasions where the nature and/or scale of the alleged offence or the position of the person or persons involved, could give rise to national or local controversy and publicity. Moreover, there may be cases where the alleged fraud appears to have been of a particularly ingenious nature or where it concerns an organisation with which other public health sector bodies may also have dealings. In all such cases, SGHSC must be notified of the main circumstances of the case at the same time as an approach is made to CFS.

4.05 Responses to Press Enquiries

Where the publicity surrounding a particular case of alleged financial irregularity attracts enquiries from the press or other media, the Chief Executive will ensure that the relevant officials are fully aware of the importance of avoiding issuing any statements, which may be regarded as prejudicial to the outcome of criminal proceedings or potential actions of CFS. Advice on such issues will be provided by CFS.

4.06 National Fraud Initiative

NSS participates in the National Fraud Initiative coordinated by the Audit Commission for the prevention and detection of fraud and other financial irregularity. As part of this initiative NSS is required to share financial data including payroll data with the Audit Commission who will compare this data with other public sector bodies to highlight potential fraud. NSS through the FLO will investigate all queries arising through the initiative and take action in accordance with its findings.

Section 5: Audit and Financial Performance Arrangements

5.01 Audit and Risk Committee

In accordance with Standing Orders the Board will establish an Audit and Risk Committee, with clearly defined terms of reference, which will provide an independent and objective view of internal control.

5.02 Finance, Procurement and Performance Committee

In accordance with Standing Orders the Board will establish a Finance, Procurement and Performance Committee, with clearly defined terms of reference, which will provide an independent and objective view on any financial matters referred to it by the Board.

5.03 Director Strategy, Performance and Service Transformation

The Director of Strategy Performance and Service Transformation is responsible for:

- 1) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;
- 2) ensuring that the internal audit is adequate and meets the NHS best practice;
- 3) ensuring that an Internal Audit Plan is prepared for the consideration of the Audit and Risk Committee. The plan must cover:
 - a) strategic audit plan covering the coming three years; and
 - b) a detailed plan for the coming year.
- 4) ensuring that an annual Internal Audit Report is prepared for the consideration of the Audit and Risk Committee. The report must cover:
 - a) a clear opinion on the effectiveness of internal control in accordance with current controls assurance guidance issued by SGHSC including for example compliance with control criteria and standards;
 - b) major internal financial control weaknesses discovered;
 - c) progress on the implementation of internal audit recommendations; and
 - d) progress against plan over the previous year;

The Director of Finance, the Head of Internal Audit or their authorised representatives and CFS in relation to a fraud investigation will have authority, without necessarily giving notice, and on production of identification, to require and receive:

- 1) access at all reasonable times to any land, premises or employee of NSS;
- 2) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature (in which case, he will have a duty to safeguard that confidential nature);
- 3) the production or identification by any employee of any NSS cash, stores, or other property under the employee's control; and
- 4) explanations concerning any matters under investigation.

5.04 Irregularities

Whenever any matter arises which involves, or is thought to involve, irregularities concerning stores or other property of NSS or any suspected irregularity it will be notified immediately to the Fraud Liaison Officer (FLO) who will inform Counter Fraud Services and the Director of Finance. Where appropriate, the Director of Finance will inform the Chief Executive and the Head of Counter Fraud Services.

Any decision to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption will be taken by the Chief Executive and the Director of Finance. Such decisions will be taken after obtaining appropriate advice from NSS Counter Fraud Services.

Further details pertaining to suspected theft, fraud, embezzlement, corruption, bribery and other irregularities are contained at Section 4.

5.05 Audit Reporting

Annual and longer term audit plans will be prepared and laid before NSS's Audit and Risk Committee for approval by 31 March preceding the audit year commencing 1 April, or at such other time as the Committee may approve.

5.06 Internal Audit

Detailed Internal Audit Reports will be submitted to and agreed with management following all audit visits. Management must respond formally to audit reports within five working days of receipt of the final draft. The finalised report will be provided to the Director of Strategic Business Unit, Director of Finance and NSS's statutory auditor.

Each year NSS's Internal Audit Service provider will prepare and present to the Audit and Risk Committee an annual Internal Audit Report which summarises internal audit findings in the preceding year. This will be submitted before 30 June following the audit year in question.

Periodic review of the responses to agreed actions will be carried out by the Internal Auditors and the findings presented to the Audit and Risk Committee.

5.07 External Audit

The Public Finance and Accountability (Scotland) Act 2000 places responsibility on the Auditor General for Scotland to decide who is to undertake the external audit of each health body in Scotland.

The appointed External Auditor will conduct their audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland.

5.08 Service Audit

Annual Service Audit Reports will be submitted to and agreed with management following audits of the key services we provide to NHS Boards. Management must respond formally to audit reports within three weeks of receipt. The finalised reports will be provided to the Director of Strategic Business Unit, Director of Finance, NSS's statutory auditor and to the Audit and Risk Committee.

Each Service Auditor Report will provide an opinion on the controls in place and how effectively they have been operating during the year under review. This will be submitted before 30 June following the audit year in question.

The report will also detail the exceptions that were identified during the course of the testing, and management's responses to these. Management will be required to ensure that action is taken to address the risks or issues identified by the agreed deadlines.

Periodic review of the actions taken will be carried out by the Service Auditors and the findings presented to the Audit and Risk Committee.

5.09 Risk Management

The Audit and Risk Committee is responsible for overseeing the risk management framework for NSS.

The Chief Executive is responsible for reviewing the effectiveness of the system of internal control, which includes the maintenance of an NSS risk register. The NSS risk register

should be reviewed by the Board, Board Committees and Executive Management Team and management teams as set out in the NSS Integrated Risk Management Approach (IRMA).

The Directors of Strategic Business Units are responsible for ensuring that risk registers are appropriately maintained and reviewed, and that appropriate risk management strategies and practices are adopted within their Strategic Business Units as outlined in the IRMA.

Section 6: Financial Planning and Budget Control

6.01 Introduction

NSS has a responsibility to prepare and submit financial plans in accordance with the requirements of SGHSC to the Board and to SGHSC, ensuring that the budgets reconcile to such plans.

NSS will perform its functions within the total of funds allocated by Scottish Ministers and through income from other Health Boards and from other sources. All plans, financial approvals and control systems will be designed to meet this obligation.

NSS's income consists of four elements:

- the NSS baseline allocation which is to be treated as an aggregate sum;
- specific additional allocations of funding for projects and services sponsored by SGHSC and managed by NSS on behalf of NHSScotland;
- bottom sliced allocation from other Health Boards to fund National Services provided by NSS; and
- Income earned from trading with other Health Boards and other third parties.

NSS's financial planning cycle in respect of all income and expenditure will be co-ordinated with its business planning arrangements and timetables as approved by the Board. The financial plans will be reviewed in detail by the EMT and the Finance, Performance and Procurement Committee before being put to the Board for approval.

All requests for additional funding and income whether capital or revenue should be made using the Service Now Demand portal. Requests will be approved and prioritised on both an annual basis through the Resource Allocation Meetings and monthly at the EMT meetings.

The funding for specific ring-fenced projects will be agreed in advance of the projects commencement with NSS and SGHSC and will be supported by request through the Demand tool in the Service Now portal and an approved business case where required by SGHSC. The Director of Finance should be notified of any such projects at the earliest opportunity and will be responsible for ensuring funding is secured via additional allocations

Services funded through bottom slicing will agree the budget with those Health Boards involved. Retrospective adjustments will be made at the same time for any over/underspend from the previous period.

The financial planning cycle in respect all NSS functions, including projects, programmes and services managed by NSS on behalf of NHSScotland will be co-ordinated with SGHSC's planning cycle.

6.02 Preparation of budgets

The Directors of Strategic Business Unit will prepare and submit budgets, which reconcile to the approved financial plan to Director of Finance in line with the agreed timetable for NSS. Such budgets will:

- 1) be prepared within the limits of available funds as advised by the Director of Finance or SGHSC in the case of additional allocations;
- 2) meet any requirements of the Board and SGHSC;
- 3) be in accordance with the aims and objectives set out in the Annual Operating Plan and reflected in the Strategic Business Unit's Business Plan
- 4) accord with workload, workforce plans and funded establishment; and
- 5) identify potential risks and opportunities.

The Directors of Strategic Business Unit will be required to formally approve the delegated budget for their SBU on an annual basis.

6.03 New Funding Requests

The Director of Strategic Business Unit is responsible for securing additional revenue or capital funds for new projects, programmes or services for NSS or delivered by NSS on behalf of NHSScotland. All additional funding, whether through NSS or SGHSC allocations or income from health boards or third parties must be requested through the Business Case process in the Service Now Demand portal. This will ensure the Board have full visibility of all funds they are accountable for.

Once approved these additional funds will form part of the budget for the duration of the project, programme or service.

6.04 Systems of budgetary control

The Director of Finance will monitor financial performance against budget and will ensure that a performance management process is in place to periodically review the finance plan.

The Director of Finance will have a right of access to budget holders on budget-related matters, and be entitled to promptly and fully receive relevant information accordingly.

The Director of Finance will devise, introduce and maintain systems of budgetary control, and all staff of NSS will ensure compliance with these systems.

Such systems will incorporate:

- 1) monthly financial reports to the Board in a form approved by the Board containing:

- a) income and expenditure to date showing trends and forecast year-end position;
 - b) capital project spend and projected outturn against plan on a monthly basis;
 - c) comparison of the agreed annual workforce establishment to the actual in month, year to date and forecast position.
 - d) specific programme level reporting in respect of all major projects, programmes and services managed by NSS on behalf of NHSScotland, in line with the specific requirements defined by the Finance, Performance & Procurement Committee.
 - e) explanations of any material variance from Strategic Business Unit's Finance Plans (material being defined as the higher of 10% and £100,000). For the purpose of reporting, materiality should be considered in relation to the total income, and the total pay and non-pay expenditure; and
 - f) details of corrective action where necessary and the Director of Finance's view of whether such actions are sufficient to correct the situation;
- 2) investigation and reporting of variances from financial, workload and workforce budgets, including a requirement for finance staff to escalate any significant changes to income and expenditure to both the Director of Finance and the Director of Strategic Business Unit;
 - 3) monitoring of management action to correct variances; and
 - 4) arrangements for the authorisation of budget transfers in the case of NSS's general allocation
 - 5) arrangements for the return of specific additional allocations or proposed virement in line with agreed conditions of funding award for funds managed by NSS on behalf of NHSScotland (see section 4.24 for rules of virement).

The Director of Strategic Business Unit is responsible for ensuring that:

- 1) any likely overspending or reduction of income, which is not offset by corresponding reduction in expenditure, which cannot be met by virement within agreed limits is not incurred without the prior consent of the Director of Finance in respect of the general allocation, in addition to SGHSC in respect of ring-fenced funds;
- 2) the amount provided in the approved budget is not used in whole or in part for any other purpose other than that specifically authorised subject to the rules of virement;

The monthly financial returns from Strategic Business Units will report actual results against a revised budget reflecting in year allocations.

6.05 Budget limits and Delegation

The budgets adopted by NSS will be set so as to ensure that it meets the financial targets to contain its Revenue and Capital expenditure in each year within the limits approved by

SGHSC and to meet the targets set by SGHSC regarding Cash Releasing Efficiency Savings (CRES) and cash requirement.

The Board will approve budget limits and set business performance targets for all Strategic Business Units except in respect of earmarked funds allocated for specific purposes by SGHSC. Overall responsibility for budgetary control will rest with the Chief Executive, who is the Accountable Officer of NSS.

The Chief Executive will, in turn, delegate this responsibility to senior officers in NSS within the context of an agreed performance assessment framework.

Each Director of Strategic Business Unit is the designated budget holder and is accountable to the Chief Executive and to the Board for the financial performance of his Strategic Business Unit.

The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board or SGHSC for NSD earmarked funding and other funds managed by NSS on behalf of NHSScotland (including eHealth) (see Appendix I).

Any budgeted funds within NSS's general allocation not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to authorised use of virement (see below). In relation to earmarked funds and other funds managed by NSS on behalf of NHSScotland, budgeted funds not required for their designated purpose revert to the immediate control of either SGHSC's Director of Finance or Health Board Chief Executives as appropriate, subject to the authorised use of virement (see below).

As part of monthly financial reporting arrangements, the Director of Strategic Business Unit with delegated authority to manage earmarked funds and other funds managed by NSS on behalf of NHSScotland, must report formally to the Director of Finance where budgeted funds are not required.

The Director of Finance will be responsible for making arrangements to return un-required funds to SGHSCD in line with agreed protocols.

Non-recurring budgets will not be used to finance recurring expenditure without the prior approval of the Chief Executive or Director of Finance, or SGHSC as appropriate.

Within NSS's general allocation, the Chief Executive, Director of Finance or the Board, as appropriate, must approve expenditure not covered by an approved budget in advance. Further details are contained at Appendix I.

Irrespective of the approved budget levels, commitment of expenditure by budget holders must comply with procurement rules (see section 6 to 9). In particular approval of any contract award should be in accordance with section 7 and the approval levels set out in 7.03 and 7.05 followed.

6.06 Virement

Virement is the re-allocation of budget authority. It involves reducing the level of budget at one or more Budget Centres and correspondingly increasing the level of budget at one or more other Budget Centres.

There is an over-riding requirement on the Board to contain expenditure within NSS's Revenue Resource Limit (RRL); it may, therefore, be necessary in certain circumstances for the Chief Executive to impose virement and vary the budget of an individual Budget Holder.

Subject to the foregoing rules, planned or fortuitous savings may be redeployed within NSS's general allocation provided that the Director of Strategic Business Unit has verified that:

- (a) they do not arise from major alterations in service provision;
- (b) they are not part of an efficiency savings initiative;
- (c) the level of service defined in the Business Plan has been or will be achieved;
- (d) details of the savings figures have been provided to the Director of Finance;
- (e) non-recurring savings are not committed recurrently;
- (f) the Budget Centre in total is expected to remain within budget by the end of the year;
- (g) the alternative use does not conflict with NSS policy.

In the case of NSD's earmarked funding allocation, the Director of NSD has delegated authority from SGHSC to allocate revenue funds to national services, and to vire funds between individual national services. Such actions should be within the earmarked allocation for commissioning national healthcare and screening services to ensure that the actual costs of specialist and screening services needed by residents of Scotland are met, as far as possible, within the overall earmarked allocation made available by SGHSC, provided that:

- a) the level of service defined in National Healthcare and Screening Service Agreements has been or will be achieved;
- b) waiting times are within the limits set by SGHSC;
- c) funding shifts do not generate major service change unless prior approval by SGHSC has been granted;
- d) use or application of savings across the total earmarked funds of NSD (subject to the virement reference above) should be agreed in conjunction with the relevant funding bodies, i.e. SGHSC for top sliced allocation for designated specialist and screening services, and NHS Boards for NHS Scotland financial risk share arrangements; and

- e) savings against earmarked funds of NSD will not be used to support NSS activity; similarly NSS funds will not be used to support activity funded through NSD.

The Director of NSD must report significant virements to the Director of Finance in the first instance and to the National Corporate Finance Network.

Virement within earmarked capital / non-recurring funds and in respect of funding managed by NSS on behalf of NHSScotland is only permitted with prior approval of SGHSC.

For the avoidance of doubt, virement between projects and programmes within eHealth must be specifically approved by the Deputy Director (eHealth) in SGHSCD.

6.07 Financial consequences of change

The Director of Finance will keep the Chief Executive and the Board informed of the financial consequences of changes in policy, pay awards and other events and trends affecting budgets and will advise on the financial and economic aspects of future plans and projects.

Section 7: Staff Appointments, Remuneration and related matters

7.01 Remuneration Committee

In accordance with Standing Orders, the Board will establish a Remuneration and Succession Planning Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

7.02 Staff Appointments

The Board will delegate responsibility to a manager for:

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

No officer of the Executive Management Team or employee may engage, re-engage, or regrade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:

- a) unless within the limit of his approved budget and funded establishment; or
- b) in exceptional circumstances if authorised to do so by the Chief Executive.

The Board will approve or delegate to a Board Committee the approval of procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees.

All employee contracts will conform to relevant standard NHS terms and conditions. Any variation from standard terms and conditions will require prior approval of the Director of Human Resources and Workforce Development.

The Remuneration Committee will approve all new or additional jobs created for AfC band 8d, 9 and Executive grades. In addition, they will agree all appointments where the lower half of the salary range will not secure the preferred candidate.

7.03 Processing of Payroll

The Director of Finance is responsible for ensuring that appropriate arrangements exist for:

- a) specifying timetables for submission of properly authorised time records, expense claims and other notifications;

- b) the final determination of pay and allowances;
- c) making payment on agreed dates; and
- d) agreeing method of payment.

The Director of Finance will issue instructions regarding:

- a) verification and documentation of data;
- b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- c) maintenance of subsidiary records for superannuation, income tax, national insurance contributions and other authorised deductions from pay;
- d) security and confidentiality of payroll information;
- e) checks to be applied to completed payroll before and after payment;
- f) authority to release payroll data under the provisions of the Data Protection Act and National Fraud Initiative;
- g) methods of payment available to various categories of employees and officers;
- h) procedures for payment by bank credit to employees and officers;
- i) procedures for the recall of cheques and bank credits;
- j) pay advances and their recovery;
- k) maintenance of regular and independent reconciliation of pay control accounts;
- l) regular reconciliation of key standing data between the payroll system and the Human Resources Business Systems;
- m) a system to ensure the recovery from leavers of sums of money and property due by them to NSS; and
- n) procedures for reclaiming expenses incurred wholly, necessarily and exclusively for business purposes.

Appropriately nominated managers and EMT members have delegated responsibility for:

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

Regardless of the arrangements for providing the payroll service, the Director of Finance will 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 timely payment of these to appropriate bodies.

7.04 Termination Settlements

In the case of a termination settlement, a cost/benefit statement must be prepared for submission to the Director of Finance to demonstrate the financial effect of the decision. This statement will be in a form approved by the Remuneration Committee. In all cases, the appropriate Director of Strategic Business Unit, the Director of HR and Workforce Development, and the Director of Finance must sign the statement in support.

Where the full cost of the settlement exceeds £75,000, the case must be submitted to the Chair of the Remuneration Committee for prior approval. The Chief Executive will be responsible for authorising settlements where the total cost is less than £75,000. An annual report of all such instances will be presented to the Remuneration Committee by the Chief Executive.

Approval from or notification to SGHSC of any settlement agreements will be done in conjunction with relevant guidance issued by SGHSC.

Prior to payment of any termination settlement the Head of Payroll Services will ascertain from the Director of Finance and the Director of HR and Workforce Development that the settlement has been duly authorised.

7.05 Organisational Change

The Director of the Strategic Business Unit is responsible for setting out the requirements and following the Organisational Change Policy. A full financial appraisal must support the

organisation change programme and be submitted to the Change Oversight Group (COG) for approval.

The financial budget for any established posts is removed from the SBU budget as a gross saving and reinvested within the NSS Workforce Resource Team as required.

7.06 Extension to Pay during periods of absence

The line manager with support from HR advisors is responsible for requesting an extension to pay during extended periods of absence. The Section 14 Workforce review panel, chaired by the Director of Finance will assess the circumstances of the individual and where appropriate approve any extension to pay.

7.07 Ex Gratia Payments

All ex gratia payments made to staff will be approved in line with section 17 on losses and special payments. An annual report of all such payments will be presented to the Remuneration Committee by the Director of Finance.

Section 8: Non Pay Expenditure

8.01 Introduction

This section deals with obtaining goods, works or services solely for NSS own use.

All procurement activity must be undertaken in line with the [Scottish Government Procurement Journey](#) and all specific NHSScotland procurement policies.

The NSS procurement team will provide advice and support to the Strategic Business Units on all aspects of procurement to ensure compliance with all relevant Acts and regulations. The NSS Procurement Team will manage all route 2 and 3 procurement requirements as defined within the Scottish Government Procurement Journey,

Capital works must be undertaken in line with the requirements set out in the [Scottish Government Scottish Capital Investment Manual](#) and the [Construction Procurement Handbook](#) or any subsequent amendment or revision of those documents issued by Scottish Government.

It is the responsibility of everyone involved in the process of commitment of Non-Pay Expenditure to familiarise themselves with the requirements commensurate with their intended procurement. Guidance can be sought from and will be provided by the NSS Procurement team.

It is the responsibility of everyone involved in the process of commitment of Non-Pay Expenditure to familiarise themselves with the requirements commensurate with their intended procurement. Guidance can be sought from and will be provided by the NSS Procurement team.

8.02 Delegation of Authority

Each Director of Strategic Business Unit will designate an officer(s) who will be empowered, within defined limits, to authorise the creation of NSS's official purchase orders on behalf of their respective Strategic Business Unit. The authorisation of a Purchase Order commits expenditure on behalf of NSS and, following completion of the relevant procedures, the disbursement of NSS funds to the supplier.

8.03 Responsibilities

The Chief Executive is responsible for

- setting out procedures on the seeking of professional advice regarding the supply of goods and services in line with SGHSC guidance and recognised best practice.

The Director of Finance is responsible for:

- Issuing instructions for staff regarding the handling, checking and payment of accounts and claims within the Finance Operations team;
- where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
- the account is arithmetically correct;
- appropriate entries have been made in purchasing and payment systems, registers, inventories, stores or similar records as required;
- the appropriate expenditure code numbers are charged with the cost;
- payments for goods and services is only made once goods and services are received;
- appropriate segregation of duties for placing orders, receipting goods and services and authorising payment of invoices;
- ensure that appropriate arrangements are in place for the prompt payment of accounts and claims. Payment of contract invoices will be in accordance with contract terms, or otherwise, in accordance with national guidance;
- only invoices with a valid purchase order number will be paid;
- VAT has been appropriately applied; and
- the account is in order for payment.

Director of Strategic Business Unit is responsible for:

- compliance with the guidance and limits specified by the Director of Finance/
- the purchase of goods be in accordance with Scottish Government Procurement Journey and NHSScotland procurement policies
- ensure the procedures are followed when placing an order and invoking competitive quotation or tendering arrangements are outlined in Section 8;
- where consultancy advice is being obtained, the procurement of such advice must be in accordance with Section 9;
- goods and services are received timeously and accurately;
- no contract will be entered into or purchase order issued for any item or items to any organisation or person which has made an offer of gifts, inducement, reward or benefit to directors or employees,

- no requisition/order or contract acceptance is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive.

8.04 Requisitioning of goods and services

The requisitioner or officer placing the order, in choosing the goods to be supplied (or the service to be performed) and the procurement process to be followed must always seek to obtain the best value for money for NSS and NHS Scotland. In so doing, where deemed appropriate, the advice of NSS's procurement staff and where appropriate CLO shall be sought. Where this advice is not acceptable to the requisitioner, the Director of Finance (and/or the Chief Executive) must be consulted. Details of any such occurrences should be reported quarterly as appropriate to the Finance, Procurement and Performance Committee

Full guidance for ordering and receipting of goods and services can be found on the knowledge base of the Finance and Procurement Service Now portal.

Section 9: Tenders, Quotations and Contracting Requirements

9.01 Introduction

These Standing Financial Instructions define the arrangements for tendering or receipt of quotations and contracting requirements. They apply for procuring or ordering goods or services for which no applicable public sector contract or framework agreement currently exists that NSS can use.

The Director of Finance is responsible for ensuring the maintenance of systems for the invitation, receipt, safe-keeping and selection of tenders and quotations, which will include a register of tenders.

9.02 Thresholds for Purchasing of goods, services and works

The thresholds for the purchasing/ordering of all goods, services and works are as follows: -

Thresholds	Purchasing Process
Contract value < £10,000	Achievement of value for money should be demonstrated. Where possible, this will be through receipt of three competitive quotations from reputable suppliers. (In the absence of such quotes, the purchaser must be prepared to justify the procurement route chosen to the Director of Finance if asked to do so).
Contract value > £10,000 and < £50,000 (except public works) Public Works <£2m	Procurement Journey Route 1
Contract value £50,000 or more over its lifetime (4 years maximum) (except public works) Public Works £2m or greater	Procurement Journey Route 2 . This must be done with full advice and guidance of NSS procurement, CLO and other technical advisers as required. The contract must be advertised on Public Contracts Scotland.
Contract with an estimated value equal to or greater than the published thresholds detailed within SPPN 08/2019 (valid until January 2022)(see 8.07 below)	Procurement Journey Route 3 This must be done with full advice and guidance of NSS procurement, CLO and other technical advisers as required. The contract must be advertised on Public Contracts Scotland.

In order to ensure that value for money is achieved it is essential that a sufficient number of competent, financially sound suppliers with adequate capacity to undertake the work or provide the goods/service are identified. As part of value for money, due regard to other relevant organisational policies is important, for example, policies in relation to corporate social responsibility/sustainability and risk management.

In the case of Goods and Services, the estimated value of the contract must include all possible options under the contract. For example, if the contract allows NSS to aggregate requirements, purchase additional supplies or services or extend the contract period beyond its original duration, the financial implications of these must be included in the estimate of the potential contract value; even if the likelihood of taking up these options is small. This will assist in ensuring the appropriate best practice procurement route is chosen

In the case of Works, purchasers are required to estimate the value of the whole works project, irrespective of whether or not it comprises a number of separate contracts for different activities, stages or phases of an individual project.

Any contract with an anticipated value of over £50,000 must be routed through the NSS Procurement team. The NSS Procurement manager will ensure that standardised NSS procurement processes are followed and that NSS complies fully with regulations and SG policy.

In certain circumstances, public procurement regulations may not apply. This is permitted using the general exclusions and Specific Situations of the Public Contracts (Scotland) Regulations 2015 Sections 4 or 7 through 18 or by being a service listed in Schedule 3 of the aforementioned regulations. To ensure probity the Sole Source Justification form should be completed in these circumstances. If the purchase is of an ongoing nature, a single form for the requirement should be completed at the start of each financial year and attached to the initial Purchase Order for NSS Procurement records. All subsequent Purchase Orders should reference the initial Purchase Order number. The Sole Source Justification form can be found in the NSS Procurement pages on geNSS (see Section 6). These exemptions require careful consideration and the advice of the NSS Head of Procurement must be sought at the earliest opportunity if circumstances may require their use.

No tender may be invited for goods, services or works unless the estimated expenditure is included in the Strategic Business Unit's Budget or Business Plan or has been previously approved by the Chief Executive.

Tender submissions should be sought by use of the SG supported e-Tendering system or the Public Contracts Scotland web portal or another approved Public Sector web portal.

All Tenders must be appraised against the Scottish Procurement Document (SPD). This is a statutory requirement that ensures all mandatory & discretionary exclusion criteria are appropriately assessed for each bidder. Where existing Framework Agreements are to be used, the procedures set out in that Agreement must be followed. Guidance on the use of the SPD should be sought at all times from the NSS Procurement Department.

Where, in exceptional circumstances, three competitive written quotations or tenders cannot be provided by reputable suppliers the tender process and selection must be approved by

the Chief Executive or the Director of Finance via a sole source justification. The sole source justification form can be found on Service Now). The Director of Finance will present, on an annual basis, a report to the Finance, Procurement and Performance Committee detailing the nature and justification for any such circumstances.

The Director of the Strategic Business Unit is the responsible for:

- must be satisfied that all required processes and procedures in compliance with public procurement regulations have been adhered to prior to accepting a tender;
- must ensure that all accepted tenders have the appropriate details entered onto the NSS contract register which will be maintained by the NSS Procurement Department;
- ensure that all tender documentation, reports and records must be retained and stored in line with NSS document management and retention policy.
- ensure that every contract contains a clause entitling NSS to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation if the contractor or his representative, with or without his knowledge, has colluded in tendering for the contract or any other contract with NSS or has employed any corrupt or illegal practice in obtaining or executing that or any other contract with NSS.

An officer or executive having a pecuniary interest, whether direct or indirect, in any tender with NSS must declare this interest to the Director of Finance who must ensure such details are entered in the Register of Pecuniary Interest. Such officers must also disqualify themselves from any involvement in the tender procedures.

Except where otherwise agreed all contracts will be in writing and subject to the Law in Scotland.

9.03 NSS Contract / Framework Agreement

Prior to award on behalf of NSS itself of any contract or Framework Agreement or call off by NSS of any Framework Agreement (or extension of any contract or Framework Agreement or call off same), where the annual amount (or amount relating to the extension period if shorter) which NSS is committing to pay is:

- less than £50,000, three quotes are required and approval is required from Director of Strategic Business Unit;
- £50,000 to £100,000 must follow formal procurement regulations and approval is required from the Director of Strategic Business Unit.;
- more than £100,000 but less than £500,000 approval is required as above and the PCF Contracts Approvals Board and the Director of Finance;

- more than £500,000 but less than £1 million approval is required from PCF Contracts Approvals Board and then from the Chief Executive;
- more than £1 million approval is required from the NSS Board through the Finance, Procurement and Performance Committee, following approval from the Chief Executive as above.

9.04 Contract Extensions

Wherever practicable, approval for contract extensions should be sought on a timely basis so that should extension approval not be granted that there is sufficient time to run the appropriate procurement process set out in these SFIs. For all contract extensions which require authorisation by the Chief Executive or the NSS Board, NSS procurement must seek CLO advice and ensure approval is sought in sufficient time to run an appropriate procurement process or an exemption must be agreed by the Chief Executive / NSS Board.

9.05 Contracts on behalf of Scottish Ministers, NHSS or combinations of public bodies

Prior to the new financial year the PCF SBU Director will provide the Finance, Procurement and Performance Committee with a procurement strategy detailing all planned contracts/framework agreements awards. Based on an assessment of financial and reputational risk the Committee will identify those contracts/framework agreements which will require approval by the Board.

For contracts/framework agreements awards not identified as requiring Board approval by the Finance, Procurement and Performance Committee the following approval strategy will apply based on the estimated/expected **total annual value** or uptake under the Contract or Framework Agreement:

- less than £2 million, approval is required from the PCF SBU Director, the Strategic Sourcing Director and the Director of DaS Strategic Business Unit for an IT-related contract;
- more than £2 million but less than £5 million, approval is required from the PCF Contracts Approvals Board (Director of Finance, PCF SBU Director, Strategic Sourcing Director and for IT approvals the DaS SBU Director);
- more than £5 million, approval is required from the Chief Executive of NSS following the PCF Approval Board;

No award or execution of a contract or a Framework Agreement shall be made by or on behalf of NSS without appropriate authority or in advance of an Approval Certificate being issued.

All NSS officers and employees should be aware of the importance of acting within statutory powers and functions and the requirement of written records.

Verbal contracts are not acceptable. Care must be taken to ensure Contracts and/or Framework Agreements are not concluded informally. Correspondence on contractual issues should contain a statement that the letter or e-mail is not intended to form a contract and that NSS will not be bound by any terms unless and until incorporated within a formal award or document entered into by NSS which satisfies Section 3 of the Requirements of Writing (Scotland) Act 1995.

No award or execution of a contract or a Framework Agreement shall be made by or on behalf of NSS without appropriate authority or in advance of an Approval Certificate being issued.

All NSS officers and employees should be aware of the importance of acting within statutory powers and functions and the requirement of written records.

Verbal contracts are not acceptable. Care must be taken to ensure Contracts and/or Framework Agreements are not concluded informally. Correspondence on contractual issues should contain a statement that the letter or e-mail is not intended to form a contract and that NSS will not be bound by any terms unless and until incorporated within a formal award or document entered into by NSS which satisfies Section 3 of the Requirements of Writing (Scotland) Act 1995.

General Requirements

9.06 Advertising

In accordance with the Procurement Reform Act (Scotland) 2014, any contract between £50,000 and threshold values set out in [SPPN 08/2019](#) (valid until January 2022) over its lifetime is considered a regulated contract. Guidance in tendering these contracts must be in accordance with the Procurement Reform Act (Scotland) 2014, any contract between £50,000 and OJEU value over its lifetime is considered a regulated contract. Guidance in tendering these contracts must be sought from NSS Procurement.

9.07 Signing of contracts

The official signing of any contract or framework agreement that requires Board approval (as per sections 9.02 and 9.04 above) will be sealed with the Common Seal of the Common Services Agency.

The Director of Finance must ensure the segregation of duties between negotiating and the signing of contracts. Contracts entered into by NSS for services for NSS or provided on behalf of NHSScotland must be approved by the Director of Finance or the Chief Executive.

9.08 Record of contracts

To effect compliance with the Procurement Reform (Scotland) Act 2014, NSS' utilises the [Public Contracts Scotland](#) (PCS) web portal contract register functionality to maintain a public register of all contracts in excess of £50,000 in value.. The Director of Finance will receive a copy of the register on an annual basis.

9.09 Variations to contracts

All agreements with suppliers/contractors to vary contracts for supplies/works of a revenue or capital nature must be in-line with procurement regulations and will require approval should additional expenditure meet thresholds detailed in line with Section 9.

Claims from suppliers/contractors which are not clearly within the terms of the contract concerned will be referred to the Procurement Department, who will inform Chief Executive and/or Director of Finance if necessary, before agreement is reached and any payments are made.

Where completion of a contract is delayed the matter will be referred to the Director of Finance for further action.

With regard to contracts for works (capital expenditure), the contract will specify the circumstances that will occur before a variation is appropriate. The officer authorised to supervise and control the work must ensure these conditions are observed before authorising any contract variation.

9.10 Interim and final payments

Officers authorised by Directors of Strategic Business Units to supervise and control work under contracts (including both revenue and capital contracts) will certify payments to suppliers/contractors. Directors of Strategic Business Units will provide the Director of Finance with a list of authorised signatures, together with specimen signatures and initials. These lists will be reviewed by senior Financial Services staff at least annually to ensure currency, completeness and accuracy.

9.11 Communications

All contracts (other than for a simple purchase permitted within the Scheme of Delegation and excluding Service Agreements for national specialist healthcare and screening services), leases, tenancy agreements and other commitments which may result in a liability must be notified to the Director of Finance in advance of any commitment being made.

Section 10: Appointment of advisers and non-permanent staff

10.01 Introduction

These Standing Financial Instructions define the procedures to be followed in the selection and appointment of Advisers and staff not on open-ended contracts and should be read in conjunction with Sections 8 and 9.

Provider	Process
Legal Advisers	CLO must act as appointed legal advisers on all legal matters unless approval has been granted by Chief Executive
Management Consultants/ Contractors (individuals and companies)	This section 9. The authority limits in section 9 also apply.
Agency staff	In line with all establishment posts, agency and contractor staff will be recorded on the relevant NSS Business Systems to ensure compliance with the National Directory and NHS Mail access for all members of staff and to allow for effective monitoring of all staff across NSS. Agency staff must be appointed in line with the NSS Agency Workers Process including a requirement to utilise any national procurement framework or contract in place for such staff within NHSS. Completion of an online “check of employment status for tax” must also be carried out prior to the start of any engagement. The authority limits in section 9 also apply
Secondees	Before appointing any Secondees to work in NSS, the relevant Director of Strategic Business Unit must be consulted and their approval to proceed should be given prior to proceeding with any appointment
Temporary/Fixed Term Employees	Normal HR recruitment

10.02 Definition

Contractors are used by NSS -

- a) to provide specific expertise which may not be readily available within NSS;

- b) to perform a task within a defined time span; or
- c) to provide an outside objective view on a particular matter.

10.03 Specification of need

In considering the need for Management Consultants/Contractors it is essential that the following processes are adhered to: -

- 1) Define assignment to be undertaken: The nature of the task requires to be identified and a specification with the timescale prepared. This will enable the quantity and quality of professional skill required to be assessed.
- 2) Consider alternative means of undertaking assignment: Having prepared the specification it should be possible to consider whether the Strategic Business Unit's own staff can undertake the assignment, within normal working hours, in overtime hours or on a secondment basis. If this is not possible the option of involving other Strategic Business Units' staff on a secondment or chargeable basis should be explored before any consideration of an outside source is made. Should outside support be necessary the suitability of temporary staff should be considered before finally deciding to progress to the process leading to the appointment of Management Consultants/Contractors.
- 3) Define the basis of the consultancy: It is necessary to decide the appropriate method of appointment, for example if the end date of the assignment and timescale can be clearly identified a block fee would be appropriate. However, it is recognised that it is not always possible to do this and in such circumstances a day rate basis would be appropriate.

10.04 Procedures for appointment

The applicable procurement procedures and limits set out in sections 8, 9 and 10 must always be followed.

10.05 Appointment considerations for the Director of the Strategic Business Unit

- Must provide their approval to proceed prior to any appointment;
- For each appointment an online assessment through HMRC must be completed to determine the employment status for tax purposes for the engagement;
- Contract of employment and fee must be aligned to an established job description, any departure from this must be approved by the Director of HR and workforce Development and the Director of Finance;

- Appropriate consideration is given to the particular experience and reputation of the individual(s)/organisation;
- The individual(s)/organisation is competent to undertake the assignment and retain documentary evidence of their consideration;
- Professional competence is vetted and evidence retained;
- Where appointment is made due to lack of specific expertise being available within NSS, arrangements should be made wherever practical for knowledge or skills transfer into NSS to occur. The anticipated knowledge or skills transfer should be documented and tracked thereafter;
- for conducting a review of the effectiveness and value for money of the assignment prior to the departure of, or as soon as practicably possible thereafter, the appointed Management Consultant/Contractor. Internal Audit or any other body as may be required should record details of such review for the purposes of any subsequent independent scrutiny for ensuring that the work to be undertaken in the assignment has been carried out satisfactorily will certify invoices for work done and will ensure that the fee charged is correct;
- Throughout the whole procurement process of developing need, specification, tendering, appointment and payment the officers involved in the exercise are responsible for ensuring that best value for money is obtained.

10.06 Tendering Arrangements

In all circumstances, the arrangements for tendering set out in Section 9 will be followed.

10.07 Functional continuity

Where for whatever reason it is decided to extend the appointment of a Management Consultant/Contractor and this will increase the value of the initial or current assignment sufficient to move it into a higher value band (see Section 9) the materiality of any such extension should be measured and appropriate legal advice sought from CLO prior to the approval of the Chief Executive and/or the Director of Finance must be obtained before proceeding to extend the appointment.

Similarly, CLO advice should be sought and the Chief Executive's and/or the Director of Finance's approval must be obtained in all cases where the value or timescale of the extension cannot be estimated.

10.08 Audit and Risk Committee Reporting Requirements

NSS's Audit and Risk Committee can, at any time, call for the justification of expenditure on Management Consultants.

The Director of Finance will present, on an annual basis, a report to the Audit and Risk Committee detailing the nature of and expenditure incurred by each Strategic Business Unit on the employment of Management Consultants in the preceding year.

Section 11: Income Generation and Intellectual Property

11.01 Introduction

This Standing Financial Instruction refers to all income generation (excluding SGHSC allocations) entered into by NSS, whether or not contractually binding, for the supply of goods and/or services by it to another party and for which money will be receivable by NSS. It applies to “contracts” with NHSScotland bodies, other public sector bodies and to all arrangements with private sector bodies.

Contracts with SGHSC are not subject to this section of the Standing Financial Instructions.

11.02 Authority Levels

Strategic Business Units may enter into income generating activities with outside parties on their own authority provided that:

- 1) the limits set out in Appendix III (pg)are adhered to;
- 2) NSS’s standard terms and conditions of business/service level agreement apply;
- 3) if denominated in a foreign currency, approval has been obtained from Director of Finance as described below; and
- 4) section 10.19 on legal entity participation or investment is not relevant.

Any income agreement which does not meet all of the criteria above requires prior approval by the Director of Finance and/or Chief Executive.

Income agreements are frequently negotiated over a period of time which may be prolonged and often require to be ratified as soon as terms and conditions are agreed in order to avoid financial loss through further delay. Where authority from a higher level is required, officers should plan for and provide prior warning to all officers whose authority may be required.

11.03 Determination of charges

Each Director of Strategic Business Unit will review on at least an annual basis the charges for services provided by the Strategic Business Unit. Unless such charges are fixed externally or are governed by specific SGHSC regulations and/or legislation, the SBU income strategy, including charging principles and proposals for the revision of charges, will be submitted to the Chief Executive and Director of Finance for consideration and approval in advance of such revised charges being published. This will be formally approved as part of the annual business planning process.

In setting the level of fees and charges, Directors of Strategic Business Units should ensure the full recovery of all costs including capital costs represented by capital charges. For recurring income streams there should be a yearly review as part of the budget process to ensure that full recovery of costs is being achieved.

Where day rates form the basis of any fees and charges the approved NSS day rates should be used. Any variation from the approved day rates must be agreed with the Director of Finance.

Planned cross subsidisation is not permitted and marginal costing may only be used when unplanned spare capacity arises during the year.

Charges to the private sector may be set at any level that the market will bear, provided the price covers all direct and indirect costs.

In order to preserve the real value of income, increases recommended should have regard to at least the current rate of inflation.

11.04 Foreign Currency

Business should normally be conducted in sterling. Any Sales which are to be denominated wholly or in part in a foreign currency must be pre-notified to the Director of Finance at the earliest opportunity.

Foreign currency transactions will normally only be acceptable in “hard” currencies such as US dollars, the Euro or Swiss Francs. Other major world currencies will be acceptable where business is conducted with the appropriate country.

Foreign currency transactions in excess of £2million require to receive advance authorisation through the Government Banking Service. Such transactions will be referred to the Director of Finance for arrangement. Government accounting regulations require NSS to minimise the cost of its overseas (banking) transactions while protecting public funds against loss and uncertainty due to foreign exchange movements. NSS will therefore take steps to minimise its exposure to foreign exchange risks, for example by entering into forward exchange contracts, but must not speculate on foreign exchange movements.

11.05 Third party contracts and agreements

Under certain circumstances NSS may enter into non-financial contracts and agreements with third parties. All such agreements should be approved by the relevant Director of Strategic Business Unit. The Director of Strategic Business Units should ensure that an appropriate approval process is followed prior to “sign off” in line with Scottish National Blood Transfusion Service Business Development Execution of Agreement Checklist.

11.06 Intellectual Property and Other Guidance

Strategic Business Units must comply with MEL(2000)13: “Fund Raising, Income Generation and sponsorship within the NHSiS” at all times.

The registration, other forms of protection, management and exploitation of Intellectual Property Rights (e.g. a brand, patent, domain name, etc.) is subject to compliance with current NSS Intellectual Property Policy and Scheme of Delegation.

Consideration should be given to using the services of Scottish National Blood Transfusion Service’s Business Development Department which has particular expertise and experience in providing services necessary for the identification, protection and exploitation of IP as this is a frequent occurrence within Scottish National Blood Transfusion Service R&D programmes and third party collaborations. Any such requests should be made via the office of the Director, Scottish National Blood Transfusion Service. An annual report on all relevant IP activity facilitated by Scottish National Blood Transfusion Service Business Development Department will be provided to the NSS Board/ Chief Executive via the NSS Clinical Governance Committee.

NSS participation or investment in any legal entity (e.g. joint venture) is subject to prevailing legislation and SGHSC guidance and is subject to approval by the Minister. Before proceeding, legal and procedural advice is required, and any activity in this area must be advised to and approved by the Director of Finance.

11.07 Notification of income to the Director of Finance

All accounts for income due to NSS will be raised under arrangements approved by the Director of Finance.

The Director of Strategic Business Unit is responsible for the new projects, programmes or services for NSS or delivered by NSS on behalf of NHSScotland. All new income streams from health boards or third parties must be entered through the Business Case process in the ServiceNow Demand portal for approval by the appropriate authority.

11.08 Recovery of outstanding debt

The Director of Finance will ensure that appropriate systems are maintained for the recovery of outstanding debts in line with the Debt Management Policy.

The Director of Finance is responsible for the recovery of outstanding debts and will ensure agreed credit control procedures are exercised to minimise any loss to NSS.

Outstanding debts that are not recoverable and are to be written off will be dealt with in accordance with the approved procedures for losses (see Section 17 below).

Section 12: Capital Investment, Private Financing, Fixed Asset Registers

12.01 Capital Investment

The Director of Finance will ensure that:

- a) there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans;
- b) adequate arrangements are in place for the effective management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost;
- c) capital investment is not undertaken without confirmation of the availability of resources to finance all revenue consequences, including capital charges; and
- d) All capital programme requests are agreed and prioritised by the Property and Asset Management Board.
- e) For all capital expenditure a proposal should be produced in line with the NSS Business Case Process.

The Director of Strategic Business Unit is responsible for securing capital funds for new projects, programmes or services for NSS or delivered by NSS on behalf of NHSScotland. New projects must be requested through the Business Case process in the ServiceNow Demand portal. Funding will be approved and prioritised on an annual basis through the Resource Allocation Meetings, and any new requirements in year will be approved by the EMT at the monthly meeting. This will ensure the Board have full visibility of all funds they are accountable for.

The Director of Finance will issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

The Chief Executive, Director of Finance or the Board, as appropriate, must approve capital expenditure not covered by an approved budget in advance. Further details are contained at Appendix I.

The approval of a capital programme will not, of itself, constitute approval for expenditure on any scheme. The Director of Finance will issue to the manager responsible for any scheme:

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

The Director of Finance will ensure procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting

purposes are issued. These procedures will fully take into account the delegated limits for capital schemes included in guidance from SGHSC.

12.02 Asset Registers

Director of Finance is responsible for the maintenance of registers of assets, including 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 at least once a year.

The minimum data set to be held within these registers will be as specified in the Scottish Capital Accounting Manual as issued by SGHSC.

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

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

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

The value of each asset will be indexed to current values in accordance with methods specified in the Scottish Capital Accounting Manual issued by SGHSC.

The value of each asset will be depreciated using methods and rates as specified in the Scottish Capital Accounting Manual issued by SGHSC.

The Director of Finance will ensure that capital charges are calculated and accounted for as specified in the Scottish Capital Accounting Manual issued by SGHSC.

A small equipment register as specified by the Director of Finance will be maintained within NSS. This register will incorporate high value and portable items of equipment, e.g. IT equipment, that do not fall within the scope of Capital Expenditure. The register will be in a format approved by the Director of Finance and a full count of identified items will occur at a time period specified by the Director of Finance. Any discrepancies will be noted in writing to the Director of Finance who will investigate as appropriate.

12.03 Security of assets

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

The Director of Finance must approve asset control procedures (including fixed assets and donated assets). This procedure will make provision for:

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

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

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

Any damage to NSS's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Board and Executive Management Team members and employees in accordance with the procedure for reporting losses. (See Section 17)

Where practical, assets will be marked as NSS property.

Upon the closure of premises or transfer of functions a physical check of all items will be conducted. All items held will be detailed on a list certified by the responsible officer, together with their disposition.

12.04 Treatment of receipts

The Director of Finance is responsible for ensuring appropriate arrangements are in place for:

- a) approving the form of all agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- b) ordering and securely controlling any such stationery;

All electronic receipts received on behalf of NSS will be recorded and deposited in accordance with the arrangements authorised by the Director of Finance. No deduction may be made from such money to meet expenditure of any kind.

The Chief Executive may delegate to nominated officers, authority to make ex-gratia payments below approved thresholds in line with procedures pertaining to such payments, e.g. compensation payments. All such payments must be notified to the Director of Finance and reported to the Audit and Risk Committee on at least an annual basis and reported in the Annual Accounts in accordance with the approved procedure for losses (see Section 17).

Section 13: Banking arrangements

13.01 General

The Director of Finance is responsible for the management of NSS's banking arrangements and for advising NSS on the provision of banking services and operation of accounts.

NSS will operate the bank accounts in accordance with all relevant guidance issued by SGHSC.

The Government Banking Service (GBS) will hold NSS's main bank account. Where necessary, subsidiary bank accounts will be held with a commercial bank. All such bank accounts should be authorised by the Director of Finance.

13.02 Banking Procedures

The Director of Finance must agree in writing with NSS's bankers the conditions under which each account will be operated.

The Director of Finance will ensure that detailed instructions on the operation of bank and GBS accounts are prepared which must include:

- a) the conditions under which each bank account is to be operated;
- b) those authorised to sign cheques or other orders drawn on NSS's accounts; and
- c) the arrangements to be made for payments that may be required in other currency denominations (see also section 10).

13.03 Bank balances

All NSS accounts must be kept in positive balance. Any instance of an account being overdrawn, no matter how temporary, should be reported to the Audit and Risk Committee.

13.04 Provision of Imprests

The Director of Strategic Business Unit may request the Director of Finance to provide imprest accounts for the purposes of defraying minor expenses. The request will be in the form of a statement of case and will be by exception where existing processes cannot meet the requirement.

All imprest accounts will be reviewed annually for appropriateness.

13.05 Corporate Purchasing Cards

The Director of Strategic Business Unit may request the Director of Finance to provide the use of a corporate purchase card for the purposes of procuring goods and services, where only card payment method is available. The request will be in the form of a statement of case and will be by exception where existing processes cannot meet the requirement.

It is the responsibility of the Director of the Strategic Business Unit to nominate a card holder or card user for their own area;

All corporate purchase card transactions will be reviewed annually for appropriateness by the Associate Director of Finance with the Director of the Strategic Business Unit.

Daily and single transaction limits will be set by the Director of Finance, based on the expected use of the card. Increases to those limits must be submitted by the card holder and approved by the Director of Finance.

Section 14: Stocks and Stores

14.01 Introduction

Stocks and stores are those goods normally utilised in day-to-day activity but which at any point in time have not yet been consumed (excluding capital assets).

14.02 Custody of stocks

The management, control and safe custody of stocks will be the responsibility of Directors of Strategic Business Units who may delegate responsibility for specific items to appropriate managers.

The Directors of Strategic Business Units will institute a system, approved by the Director of Finance, for the management, control and safety of stocks. Any stock loss should be considered for further investigation under Section 4 and any subsequent write off be dealt with in accordance with Section 17.

14.03 Stores records

The Director of Finance will specify the form of stores records to be utilised, in conjunction with the control systems in place.

14.04 Movement of stocks

The Director of Finance will ensure appropriate arrangements are in place to control the receipt and issue of stocks designed to safeguard the assets of NSS.

14.05 Valuation of stock

Stock will be valued in line with agreed accounting practice. The use of average purchase price is deemed to represent cost where appropriate. Cost includes an appropriate allocation of overheads. Work in Progress will be valued at the cost of direct materials plus other conversion costs.

14.06 Slow moving and / or obsolete stock

Directors of Strategic Business Units will institute a system, approved by the Director of Finance, for the identification of slow moving and obsolete stock and for the condemnation, disposal and replacement of all unserviceable items.

Those stocks that have deteriorated, or are no longer suitable for their intended purposes or usable for any other reason, or may become obsolete or deteriorate before all of the stocks can be used, will be written down to their net realisable value. Where this is considered necessary, a report giving full reasons for the write down will be sent to the Director of Finance in such a form to enable a report to be prepared for the Chief Executive and the Board of the National Services Scotland. Details of all write downs will be included in the Annual Accounts of NSS and reported in accordance with the losses procedures (see Section 17 and Appendix II).

Any stocks disposed of must be recorded and advised to the Director of Finance for inclusion in such a form to enable a report to be prepared for the Chief Executive and the Board. The report will include details of the method of disposal employed, and the costs and/or income accruing.

14.07 Stock levels

Directors of Strategic Business Units will ensure that excess stocks are not held unnecessarily in any part of the supply chain.

Optimum levels of stock must be established by Directors of Strategic Business Units and subjected to continuous monitoring and review as part of the management process.

Unless operational circumstances dictate otherwise, suppliers should be encouraged to hold goods until they are required by direct delivery.

14.08 Stock taking

In order to monitor the effectiveness of measures taken to control stock, a regular programme of stock taking must be established. All stocks will be counted and recorded at least once during each financial year. Unless a programme for 'perpetual inventory' exists, all stocks will also be counted, valued and reported as at 31 March each year.

14.09 Stock certificates

At each year-end it will be the Directors of Strategic Business Units' responsibility to supply the Director of Finance with a certificate for each store that details the value of stock held. The Director of Finance will agree the precise format of this certificate.

14.10 Stocks held on behalf of SGHSC

Delegation of authority

The Scottish Government Health Resilience Unit (SGHRU) team have delegated authority to purchase replenishment stock and issue stock from their Pandemic Stock to National Procurement for the following sectors:

- Healthcare Sector
- Acute Hospital Sector
- Independent Sector GP
- Scottish Ambulance Service
- Social Care Sector

Reporting

The Director for National Procurement will maintain an accurate and up-to-date record of stock balances, issues and replenishment order status. Weekly status reports and areas of risk will be will be provided

Escalation

In the event there is a dispute over the management of the stock this will be initially resolved at an operational level and if required escalated to the National Procurement Director and the lead manager of the SGHRU.

Section 15: Annual Report and Accounts

15.01 Introduction

Statutory Annual Report and Accounts will be completed each year for submission to the Board, prior to onward submission to SGHSC. These will be prepared in accordance with the provisions of the National Health Service (Scotland) Act 1978 and other related regulations in force.

15.02 Basis for preparation

The Annual Report and Accounts will comply with:

- International Financial reporting standards, as applied to the NHS;
- The accounting and disclosure requirements of the Companies Act;
- The requirements of the Annual Accounts Manual.

The Annual Report and Accounts shall give a true and fair view of the income and expenditure, total recognised gains and losses, balance sheet and the cash flow statement.

15.03 Chief Executive Responsibilities

Preparation of the Governance Statement, which he or she shall seek appropriate assurances from the Directors of the Strategic Business Units and that of the Chief Internal Auditor, with regard to the adequacy and effectiveness of internal control throughout the organisation.

15.04 Director of Finance Responsibilities

- Will ensure the maintenance of such detailed financial records as are required under relevant statute and regulations that will form the basis for the preparation of the Annual Accounts of NSS. (see also Section 16 – Information Governance);
- Issue an Annual Report and Accounts completion timetable to Strategic Business Units and Financial Services detailing requirements and associated responsibilities for the provision of information in support of the Annual Accounts process.
- Agree with the External Auditors the timetable for production, audit and approval by the Board of the Annual Report and Accounts by for the Auditor General for Scotland and SGHSC.

15.05 Approval of Annual Report and Accounts

The Annual Report and Accounts will be reviewed by the Audit and Risk Committee, which has responsibility of recommending approval of the Accounts by the Board.

Following the formal approval by the Board, NSS will submit to SGHSC the approved Annual Report and Accounts and such reports prepared in accordance with the requirements of SGHSC and any relevant guidance contained in the Scottish Accounting Manual.

Section 16: Information Governance

16.01 Financial Information Systems

The Director of Finance, who is responsible for the accuracy and security of the financial data (both electronic and paper formats) of NSS, will:

- a) devise and implement any necessary procedures to ensure adequate protection of NSS's financial data, and related computer hardware and software, for which s/he is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for Data Protection principles;
- b) ensure that adequate controls exist over financial data access, entry, processing, storage, transmission, deletion, disposal and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
- c) ensure that adequate controls exist such that the computer operation used in relation to financial procedures is separated from development, maintenance and amendment;
- d) ensure that a secure, adequate, management (audit) trail exists through the computerised system used in relation to financial procedures and that such computer audit reviews as s/he may consider necessary are being carried out. All audit data will be held securely and only accessed by those authorised to access it in line with their business duties;
- e) all policies and procedures will be in line with NSS corporate information governance related policies, procedures and guidelines.

The Director of Finance will satisfy them self that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Development, test and live financial systems shall be appropriately segregated to reduce the risk of unauthorised access to and corruption of live data. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation. Any new financial systems or amendments to existing financial systems must be implemented in line with NHS Scotland Information Security Policy and Standards including HDL (2006) 41 and DL(0215)17. Where the new system or amendment involves the processing of personal data then the development will follow appropriate assessment of any data protection risks.

In the case of all computer systems which are to be utilised by the majority of the Strategic Business Units, the Director of DaS Strategic Business Unit will be responsible for maintaining:

- a) details of the outline design of the system;
- b) in the case of packages acquired either from a commercial organisation, from the NHS Scotland, or from another public sector organisation, the operational requirement.

The Director of Finance will ensure that contracts for computer services for financial applications with another health organisation or any other agency will clearly define the responsibility of all parties for the security, data protection, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes and that all applications and/or systems are purchased, developed, implemented, operated and decommissioned in line with the NHS Scotland Information Policy and Standards. Where the contract includes the processing of personal information it will be set in compliance with Data Protection principles and NHS CEL 25 (2011).

Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance will periodically seek assurances that adequate controls are in operation and they conform to the NHS Scotland Information Security Policy and Standards. If this other organisation is processing personal data as part of the financial application, the assurances sought should, as a minimum, include those set out in NHS CEL 25 (2011).

Where computer systems have an impact on corporate financial systems the Director of Finance will satisfy them self that:

- a) systems acquisition, development and maintenance are in line with corporate policies such as NHS Scotland Information Security Policy and Standards;
- b) data produced for use with financial systems is secure, adequate, accurate, complete and timely, and that a management (audit) trail exists;
- c) staff authorised by/on behalf of the Director of Finance staff have authorised appropriate access to such data in line with their job duties; and
- d) such computer audit reviews as are considered necessary are being carried out.

16.02 Data Protection Act

NSS must comply with provisions and principles of data protection law, including, but not restricted to, the EU General Data Protection Regulation, the Data Protection Act 1998 and the Data Protection Act 2018 including any amendments, subsequent orders under the said Acts or revisions thereto.

NSS's nominated Data Protection Officer (i.e. the Head of Data Protection) is responsible in overall terms for promoting and advising on compliance with the Acts. All staff members must act in compliance with the Acts by observing the NSS Data Protection Policy and approved Information Governance policy and guidelines.

16.03 Freedom of Information

NSS must comply with provisions and principles of the Freedom of Information (Scotland) Act 2002.

NSS's nominated Freedom of Information Officer is the Associate Director, Corporate Affairs and Compliance. Recognising the principal accountability of the Chief Executive, the Associate Director, Corporate Affairs and Compliance is responsible in overall terms for compliance with the Act. All inquiries made under the Freedom of Information (Scotland) Act 2002 should be dealt with in accordance with NSS's Freedom of Information Policy and Information Request Protocol.

16.04 Management, Retention and Disposal of Administrative Records

NSS must comply with the Public Records (Scotland) Act 2011 and the records management guidance set out in the Code of Practice on Records Management issued under Section 61 of the Freedom of Information (Scotland) Act 2002. CEL 31 (2010) Records Management: NHS Code of Practice (Scotland) provides guidance on the retention and disposal of administrative records.

Policies in relation to the above will be approved by the NSS Board in accordance with Standing Orders.

Section 17: Losses and Special Payments

17.01 General

SGHSC has delegated authority to NSS to write-off losses and make special payments up to certain limits. Details are given in Appendix II. For payments to be made above the levels specified SGHSC prior approval must be obtained.

The Board in turn will delegate its responsibility to the Chief Executive and Director of Finance to approve write-off and authorise special payments.

On a regular basis and at least annually, the Director of Finance on behalf of the Chief Executive will submit a report to the Audit and Risk Committee detailing all losses written off and special payments made.

The Director of Finance is responsible for ensuring the maintenance of a Losses and Special Payments Register for recording: -

- the circumstances
- the amount / value involved
- the action taken
- the date of write-off authority

This Register will form the basis of NSS's Annual Scottish Financial Return (SFR 18) which is included in NSS's Annual Accounts.

The Director of Finance will be authorised to take any necessary steps to safeguard NSS's interests in bankruptcies and company liquidations.

Section 18: Non-Public Funds

18.01 General

All receipts of non-public funds must be vested with the Trinity Park Foundation (“the Foundation”) which has its own Board of Trustees, one of which must be a member of the NSS Board.

All gifts, donations and proceeds of fund raising activities which are intended for the Foundation’s use will be passed immediately to the Treasurer of the foundation to be banked directly in the Foundation’s bank account.

All gifts accepted will be received and held in the name of the Foundation and administered in accordance with the Foundation’s policy subject to the terms of any specific trusts.

The Director of Finance is responsible for the consolidation of the Trinity Park Foundation accounts with the NSS Annual Report and Accounts, where the transactions of the foundation are material.

Appendix I

Protocol for the commitment of resources

1.01 Capital Expenditure within NSS's Baseline Allocation

<u>Level of Authority</u>	<u>Delegated Limit</u>
(a) Director of Finance	The commitment of funds in respect of projects having a total gross cost of up to £500,000 in value which accord with the agreed Strategic Business Unit strategy approved by the Board.
(b) Chief Executive	The commitment of funds in respect of projects having a total gross cost of up to £1.0million in value which accord with the agreed Strategic Business Unit strategy approved by the Board.
(c) The Board	The commitment of funds in respect of projects having a gross total cost exceeding £1.0million.

These arrangements are also subject to delegated capital limits as specified by SGHSC in the Scottish Capital Investment Manual, where the delegated limit for all capital projects is £1m. For capital projects greater than £1m approval is also required from the Capital Investment Group of SGHSC.

2.1 Revenue Expenditure within NSS's Baseline Allocation

<u>Level of Authority</u>	<u>Delegated Limit</u>
(a) Director of Strategic Business Unit	All expenditure contained in the Annual Financial Plan, including developments and the specified use of non-recurring funds, subject to the executive approval procedures contained in Standing Financial Instructions and in accordance with agreed policies on, for example, recruitment.
(b) Director of Finance	a) The commitment of pre-planned individual developments where funds become available up to £500,000 in value which accord with the agreed Strategic Business Unit Strategy but are not included in the Annual Financial Plan for that year.

- b) The utilisation of non-recurring funds not in the Financial Plan or covered by the delegated arrangements detailed above up to a total of £500,000 per development.
- (c) Chief Executive
- a) The commitment of pre-planned individual developments where funds become available up to £1million in value which accord with the agreed Strategic Business Unit Strategy but are not included in the Annual Financial Plan for that year.
- b) The utilisation of non-recurring funds not in the Financial Plan or covered by the delegated arrangements detailed above up to a total of £1million per development.
- (d) NSS Board
- The bringing forward of pre-planned individual Revenue developments over £1million in value and the commitment of non-recurring resources not in the plan in excess of the limits specified above.

2.2 Revenue Expenditure for specific projects funded through separate SGHSC allocation

Level of Authority

Project Director

Delegated Limit

The commitment of funds up to the total gross cost of the agreed revenue budget as specified in the approved Business Case.

2.3 Revenue Expenditure for Services provided by NSS on behalf of other Health Boards

Level of Authority

Director of Strategic Business Units

Delegated Limit

The commitment of funds up to the total gross cost of the revenue budget set in agreement with the relevant Health Boards.

Appendix II

Losses: delegated limits

The delegated limits are as per SGHSC circular CEL (2010) 10 are as follows:

		Delegated Authority (per case) £
	Theft / Arson / Wilful Damage	
1	Cash	15,000
2	Stores/procurement	30,000
3	Equipment	15,000
4	Contracts	15,000
5	Payroll	15,000
6	Buildings & Fixtures	30,000
7	Other	15,000
	Fraud, Embezzlement & other irregularities (inc. attempted fraud)	
8	Cash	15,000
9	Stores/procurement	30,000
10	Equipment	15,000
11	Contracts	15,000
12	Payroll	15,000
13	Other	15,000
14	Nugatory & Fruitless Payments	15,000
15	Claims Abandoned	
	(a) Private Accommodation	15,000
	(b) Road Traffic Acts	30,000
	(c) Other	15,000

		Delegated Authority (per case) £
Stores Losses		
16	Incidents of the Service –	
	- Fire	30,000
	- Flood	30,000
	- Accident	30,000
17	Deterioration in Store	30,000
18	Stocktaking Discrepancies	30,000
19	Other Causes	30,000
Losses of Furniture & Equipment And Bedding & Linen in circulation:		
20	Incidents of the Service - Fire	15,000
	- Flood	15,000
	- Accident	15,000
21	Disclosed at physical check	15,000
22	Other Causes	15,000
Compensation Payments - legal obligation		
23	Clinical	250,000
24	Non-clinical	100,000
Ex-gratia payments:		
25	Extra-contractual Payments	15,000
26	Compensation Payments - Ex-gratia - Clinical	250,000
27	Compensation Payments - Ex-gratia - Non Clinical	100,000

28	Compensation Payments - Ex-gratia - Financial Loss	25,000
29	Other Payments	2,500
	Damage to Buildings and Fixtures:	
30	Incidents of the Service	
	– Fire	30,000
	- Flood	30,000
	- Accident	30,000
	- Other Causes	30,000
31	Extra-Statutory & Extra-regulatory Payments	Nil
32	Gifts in cash or kind	15,000
33	Other Losses	15,000

Appendix III

Sales contracts and income generation

AUTHORITY LIMITS

1. All income generation requires the prior approval of the Director of Finance or Chief Executive if the total lifetime value of a sales contract or Service Level Agreement (SLA) is or could be in excess of the undernoted limits.

Strategic Business Unit	SG Funding, Income Generated from NHSScotland and Third Parties (£)	Grant Income (£)
Scottish National Blood Transfusion Services	100,000	500,000
Central Legal Office	100,000	100,000
Procurement, Commissioning and Facilities	100,000	500,000
Practitioner and Counter Fraud Services	100,000	100,000
Digital and Security	100,000	100,000
Finance	100,000	100,000
HR	100,000	100,000
	100,000	100,000

2. Third Party contracts, SLAs new sources of income generation and grant income whose value is or could exceed £500,000 and grant income whose value is or could exceed £1m requires the approval of the Finance, Procurement and Performance Committee prior to entering into any commitment with the customer. Conditional approval may be intimated in writing by the Director of Finance.

Appendix IV

Director of Finance Checklist

Reference	Requirement	Frequency	Committee
1.06	Breaches of SFIs.	Earliest opportunity	Finance, Procurement and Performance Committee
5.14	Ex Gratia payments to staff.	Annual	Remuneration Committee
6.12	Exceptions to procurement guidelines.	Quarterly	Finance, Procurement and Performance Committee
6.28	Advance payment (non-contractual) for goods/services.	Annual	Finance, Procurement and Performance Committee
8.12/9.14	Sole Source Justification report.	Annual	Finance, Procurement and Performance Committee
9.23	Spend on Management Consultancy.	Annual	Audit and Risk Committee
13.06	Any instance of being overdrawn with bank.	Earliest opportunity	Audit and Risk Committee
18.03	Report of losses and special payments made.	Annual	Audit and Risk Committee