NHS Highland

Standing Financial Instructions

March 2017
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SECTION 1
INTRODUCTION

1.1 These Standing Financial Instructions (SFIs) are written in accordance with the requirements of NHS statutory regulations, NHS Circulars issued by the Scottish Government and in conjunction with other relevant instructions.

1.2 The Instructions are issued for the regulation of the conduct of, whose legal title is Highland Health Board, and which is commonly known as NHS Highland, its Directors, Officers and agents in relation to all financial matters. They will have effect as if incorporated in the Standing Orders of the Board. It is intended that these SFIs will be the principal policy statements relating to the subjects covered.

They are also designed to protect NHS Highland and its staff from the risk of fraud and financial irregularity including the new consolidated scheme of offences under the 2010 Bribery Act. http://www/justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf

1.3 NHS Highland will delegate its executive responsibility for the performance of its functions to the NHS Board Chief Executive. It will exercise financial supervision and control by requiring the submission and approval of the Local Delivery Plan and budgets to the NHS Board; this includes defining and approving essential features of financial arrangements in respect of important procedures and financial systems (including the need to obtain value for money); and by defining specific responsibilities placed on officers.

1.4 Within these Standing Financial Instructions, it is acknowledged that the Chief Executive and Director of Finance will have ultimate responsibility for ensuring that NHS Highland meets its obligation to perform its functions within the financial resources made available to it, both directly and through the financial framework introduced and subsequent legislation. The NHS Board Chief Executive has overall executive responsibility for the activities of NHS Highland, and is responsible for ensuring that it operates within its funding limits.

1.5 So far as possible, the NHS Board Chief Executive and Director of Finance should delegate their detailed responsibilities but retain their overall accountability. The extent of the delegation is set out in the scheme of delegation and should be reviewed annually by the NHS Board.

1.6 The NHS Board Chief Executive shall be responsible for the implementation of NHS Highlands' financial policies and for co-ordinating any corrective action necessary to further these policies, after taking account of advice given by the Director of Finance on all such matters. The Director of Finance shall be accountable to the NHS Board for this advice.

1.7 Without prejudice to the functions of Officers of the Board, the Director of Finance is responsible for ensuring sound systems are in place to enable control to be exercised. Their duties will include the provision of financial advice to the NHS Board, and its associated Committees and officers. This includes the design, implementation and supervision of systems of financial control and the preparation and maintenance of such accounts, certificates, estimates, records and reports as the NHS Board may need to carry out its statutory duties.

1.8 The Director of Finance shall keep sufficient records to show and explain NHS Highland’s transactions, such as to disclose with reasonable accuracy, at any time, the financial position of NHS Highland at that time.

1.9 The Director of Finance shall require in relation to any officer who carries out a financial function, that the form in which the records are kept and the manner in which the officer discharges their duties will be to the Director of Finance’s satisfaction.
1.10 The Director of Finance shall prepare, document and maintain detailed financial procedures and systems (Standing Financial Procedures – SFP’s), incorporating the principles of separation of duties and internal check to supplement these Standing Financial Instructions (SFIs). These will be subject to a process of ongoing update, and are therefore not attached in detail. A list of Standing Financial Procedures is however at Appendix 1.

1.11 All Board Directors and staff severally and collectively are responsible for the security of NHS Highland’s property, for avoiding loss, for economy and efficiency in the use of resources and for complying with the requirements of Standing Orders, SFIs and other financial procedures which the Director of Finance may issue.

1.12 The Director of Finance will be responsible for the implementation of NHS Highland’s financial policies, and for co-ordinating any corrective action necessary to further these policies.

1.13 It will be the duty of the NHS Board Chief Executive to ensure that existing staff and all new employees are notified of their responsibilities within these instructions.

1.14 The Chief Executive, Directors, The Senior Management Team, Heads of Service and Heads of Departments have a formal duty to pass on information contained in the SFIs and departmental procedures based on these, to staff with delegated responsibilities for carrying out operations covered by such instructions.

1.15 Wherever the title Chief Executive, Director of Finance - or other nominated officer - is used in these instructions, it will be deemed to include such other Officers who have been duly authorised by that Officer to represent them.

1.16 References in these instructions to “Officer” will be deemed to include all employees of NHS Highland or agents practising upon Board premises.

1.17 Any reference in these instructions to the “SGHSCD” means the Scottish Government Health and Social Care Department.

1.18 SGHSCD instructions, directives and circulars quoted within the body of these instructions are those currently in operation and will be subject to future amendment.

1.19 Any reference to a “budget” means an allocation of resources expressed in financial terms by NHS Highland for the purpose of carrying out, over a specified period, a function or functions of NHS Highland. Any reference to “Budget Holder” means the, Director, Head of Service, Department Head or Budget Manager with delegated authority to manage finances for a specific area of NHS Highland.

1.20 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance or one of the Finance “Head of “ posts must be sought.

1.21 FAILURE TO COMPLY WITH SFIs IS A DISCIPLINARY MATTER, WHICH COULD RESULT IN DISMISSAL FOR EMPLOYEES OR CESSATION OF CONTRACT FOR AGENTS.

1.22 These Standing Financial Instructions shall not override any legal requirement, SGHSCD guidance or NHS Highland PIN Guidelines.
SECTION 2
OVERVIEW OF FINANCIAL ARRANGEMENTS/FINANCIAL FRAMEWORK

2.1 NHS Highland Board is a separate legal entity within the NHS reporting to the Scottish Ministers via the SGHSCD. The Board secures its funding through service agreements with other NHS Boards, The Highland Council for the delivery of Adult Social Care services, unplanned activity with other Scottish NHS Boards, NHS Non-Scottish Bodies and with SGHSCD direct (including funding for FHS Contractors).

2.2 NHS Highland holds assets on behalf of the Scottish First Minister, including - land, buildings and equipment. The value of the net relevant assets transferred to NHS Highland at its inception is matched by a General Fund. Net relevant assets comprises, total assets (excluding donated assets) less liabilities.

2.3 The Board is expected to manage cash balances within the agreed cash requirement and will be monitored by the SGHSCD via a cash flow statement submitted to them on a monthly basis. These include the levels of cash within all relevant accounts, including those with Citibank and any other commercial banks as contained within the Government Banking Service Contract.

2.5 Borrowing and investment policy in respect of NHS Highland funds will be in accordance with the Government Banking Service contract and any Scottish Government guidelines as may be issued.

2.6 NHS Highland should achieve at least break-even taking one year with another and operate within both the revenue and capital resource limits.

2.7 The Director of Finance will ensure that NHS Highland has appropriate insurance in accordance with policy guidance issued at national and local level and liaison with NHS Highland’s appointed brokers. The Director of Finance will be responsible for establishing procedures to deal with all incidents or occurrences which may give rise to an insurance claim.

2.8 Service Agreements (SAs) will operate for services provided by NHS Highland to other bodies. Similarly SAs will dictate the conditions under which services are received by NHS Highland from other agencies. Appropriate Line Managers advised by the Director of Finance will initiate and monitor such SAs as are required by NHS Highland.

2.9 The Director of Finance will administer the Endowment Funds of the Board in accordance with policy guidelines (see Section 20 - Endowments Funds and the associated SFP).
SECTION 3
RESPONSIBILITIES OF CHIEF EXECUTIVE AS ACCOUNTABLE OFFICER

3.1 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 Highland NHS Board as Accountable Officer.

3.2 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 last updated in July 2009.

3.3 GENERAL RESPONSIBILITIES

3.3.1 The Accountable Officer is personally answerable to the Scottish Parliament for the propriety and regularity of the public finance for NHS Highland. The Accountable Officer must ensure that NHS Highland 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.

3.3.2 It is incumbent upon the Accountable Officer to combine their duties as Accountable Officer with their duty to the Highland NHS Board, to whom they are responsible, and from whom they derive their authority. Highland NHS Board is in turn responsible to the Scottish Parliament in respect of its policies, actions and conduct.

3.3.3 The Accountable Officer has a personal duty of signing the Annual Accounts of NHS Highland. Consequently, they 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 the Scottish Parliament by the Auditor General for Scotland.

3.3.4 The Accountable Officer must ensure that any arrangements for delegation promote good management, and that they are 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. They must ensure that staff are as conscientious in their approach to costs not borne directly by NHS Highland, such as costs incurred by other public bodies.

3.4 SPECIFIC RESPONSIBILITIES

3.4.1 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;

3.4.2 Sign the Accounts and the associated Governance Statement assigned to them and in doing so, accept personal responsibility for their proper presentation as prescribed in legislation or in the relevant Accounts Direction issued by the Scottish Ministers.

3.4.3 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 for published Accounts.

3.4.4 Ensure that the public funds for which they are responsible are properly managed and safeguarded, with independent and effective checks of cash balances in the hands of any official.
3.4.5 Ensure that the assets for which they are responsible, such as land, building or other property, including stores and equipment, are controlled and safeguarded with similar care, and checks as appropriate.

3.4.6 Ensure that, in the consideration of policy proposals relating to expenditure, or income, for which they have 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.

3.4.7 Ensure that any delegation of authority is accompanied by clear lines of control and accountability, together with reporting arrangements.

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

3.4.9 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.

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

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

3.4.12 Ensure managers at all levels are assigned well defined responsibilities for making the best use of resources (both those assumed by their own commands and any made available to organisations or individuals outside NHS Highland) including a critical scrutiny of output and value for money.

3.4.13 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.

3.5 REGULARITY AND PROPRIETY OF EXPENDITURE

3.5.1 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 by Parliament in 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 NHS Highland’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.

3.5.2 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.

3.6 ADVICE TO HIGHLAND NHS BOARD

3.6.1 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 economic administrations, efficiency and effectiveness.

3.6.2 If the Accountable Officer considers that, despite their advise 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 their duties as Accountable Officer, they should, if possible, inform
the Scottish Government Health and Social Care Department’s Accountable Officer, so that the Department, if it considers it appropriate, can intervene and inform Scottish Ministers. If this is not possible, the Accountable Officer should set out in writing their objection to the proposal and the reasons for the objection. If their advise is overruled, and the Accountable Officer does not feel that they would be able to defend the proposal to the Audit Committee of the Scottish Parliament, as representing value for money within a framework of Best Value, they should obtain written instructions from the Board for which they are designated, and send a copy of their request for instruction and the instruction itself as soon as possible to the External Auditor and the Auditor General for Scotland.

3.6.3 The Accountable Officer must ensure that their responsibilities as an Accountable Officer do not conflict with those as a Board Member. They should vote against any action that they cannot endorse as an Accountable Officer, and in the absence of a vote, ensure that their opposition as a Board Member, as well as Accountable Officer is clearly recorded.

3.7 ABSENCE OF ACCOUNTABLE OFFICER

3.7.1 The Accountable Officer should ensure that they are generally available for consultation and that in any temporary period of unavailability, due to illness or other cause, or during the normal period of annual leave, a senior officer is identified to act on their behalf if required.

3.7.2 In the event that the Accountable Officer would be unable to discharge their responsibilities for a period of four weeks or more, NHS Highland will notify the Principal Accountable Officer of the Scottish Government, in order that an Accountable Officer can be appointed pending their return.

3.7.3 Where the Accountable Officer is unable by reason of incapacity or absence to sign the 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.
SECTION 4

LOCAL DELIVERY PLAN AND ACCOUNTABILITY

4.1 **NHS Highland** has the following financial responsibilities:

4.1.1 To break even on the Revenue Resource Limit, taking one year with another (the only objective stated in statute)

4.1.2 To operate within its capital resource limit;

4.1.3 There is also the general requirement for NHS Highland to ensure that its activities are carried out in such a way as to achieve best value for money.

4.2 **NHS Highland** will be held accountable to the SGHSCD through NHS Highland’s Local Delivery Plan, the Annual Accounts and the Annual Report.

4.3 **LOCAL DELIVERY PLAN**

4.3.1 The NHS Board Chief Executive will compile and submit to the NHS Highland Board the Local Delivery Plan, which takes into account financial targets and forecast limits of available resources, together with due regard to the guidance on planning and priorities issued by SGHSCD. The format and content of the LDP will support the purpose of recording agreement on the Board’s planned progress towards meeting key targets. The Local Delivery Plan will cover a period of 3 years (or 5 years if there are material service changes) with the opportunity to review and adjust future years’ plans each year, and contain contextual information on risk to delivery of each target and how risks are being managed.

4.3.2 Prior to the start of the financial year the Director of Finance will, on behalf of the NHS Board Chief Executive, prepare and submit budgets for approval by the NHS Board. Such budgets will:

- be in accordance with the aims and objectives set out in the Local Delivery Plan;
- accord with workload and manpower plans;
- be produced following discussion with appropriate Budget Holders;
- be prepared within the limits of available funds; and
- identify potential risks.

4.3.3 The Director of Finance shall monitor financial performance against budget and local delivery plan, periodically review them, and report to the NHS Board.

4.3.4 All budget holders will provide information as required by the Director of Finance to enable budgets to be completed.

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

4.4 **ACCOUNTABILITY**

NHS Highland is directly accountable to the Scottish Ministers, through the SGHSCD for the performance of its functions, meeting financial responsibilities, and abiding by any requirement placed on it.

The four key tools through which NHS Highland will be held accountable are:
4.4.1 the Annual Local Delivery Plan setting out NHS Highland plans for the next 3 or 5 years;

4.4.2 the Annual Report on the last year’s performance which will be laid before a public meeting by the end of September each year having been approved by the SGHSCD;

4.4.3 the Annual Accounts which will also be laid before a public meeting by the end of September each year having been approved by the SGHSCD;

4.4.4 In addition NHS Highland will also be required to provide such other information as the Scottish Ministers and the SGHSCD may request.
SECTION 5

BUDGETARY CONTROL

5.1 BUDGETARY RESPONSIBILITIES

5.1.1 NHS Highland has a responsibility to prepare and submit financial plans in accordance with the requirements of the SGHSCD and to ensure that such plans are reconcilable to the budgets. It shall perform its functions within the total of funds available to it through its Revenue and Capital Resources Limits, and any other relevant income. Appropriate allowance should be made for any planned changes in working balances during the year; and all plans, financial approvals and control systems shall be designed to meet this obligation.

5.1.2 The Director of Finance shall ensure that adequate statistical and financial systems are in place to monitor and control all SAs for patient services and facilitate the compilation of estimates, forecasts and investigations as may be required.

5.1.3 The Director of Finance will, on behalf of the NHS Board Chief Executive, compile and submit to the NHS Board, such financial estimates and forecasts, on both revenue and capital expenditure, as may be required from time to time. This will include the submission of budgets, within the limits of available funds as set out in the 3 or 5 year Local Delivery Plan (Revenue & Capital) and planning policies, to the NHS Board for its approval prior to the commencement of each financial year.

5.2 BUDGETARY CONTROL

5.2.1 NHS Highland will undertake its functions within the total of its Resource Limits, as approved by the SGHSCD, and income receivable from other sources. All plans, financial approval and control systems shall be designed to meet this obligation.

5.2.2 The Director of Finance will devise and maintain a system of budgetary control. All designated budget holders will comply with the requirements of this system. The systems of budgetary control will incorporate the reporting of, and investigation into financial, workload and manpower variances from budget. The Director of Finance will be responsible for providing budgetary information and advice to enable the Chief Executive, and other officers to carry out their budgetary responsibilities.

5.2.3 The NHS Board Chief Executive may, within budget limits approved by the NHS Board, delegate management of a budget or a part of a budget to Managers in consultation with Financial Management Accountants to permit the performance of defined activities. The Delegated Levels of Authority shall include a clear definition of individual and group responsibilities for control of expenditure, exercise of virement, achievement of planned levels of service and the provision of regular reports, upon the discharge of those delegated functions, to the NHS Board Chief Executive. All Budget Holders must provide information as required by the Director of Finance to enable budgets to be compiled.

5.2.4 Officers will have a responsibility in carrying out their functions to ensure that the budgetary limits are not exceeded in the current financial year, or by the commitments for future years.

5.2.5 The NHS Board Chief Executive may vary the budgetary limit of an officer within the limits of the overall budget subject to the rules or virement, and in accordance with the advice of the Director of Finance. Exercise of this power must be within the overall Delegated Levels of Authority.

5.2.6 Budget holders will comply with the requirements of the budgetary control systems and will strictly observe any budgetary limits defined by the Operational Unit.
5.2.7 The Director of Finance shall be responsible for providing budgetary information and advice to enable Officers to carry out their budgetary responsibilities.

5.2.8 The Director of Finance shall monitor delegated budgets to ensure that financial control is maintained and that NHS Highland plans and policies are implemented.

5.2.9 Except where otherwise approved by the NHS Board Chief Executive, taking account of advice of the Director of Finance, budgets will be used only for the purpose for which they were provided and, any budgeted funds not required for their designated purpose will revert to the immediate control of the NHS Board Chief Executive, unless covered by delegated powers of virement.

5.2.10 Any substantial unexpended funds arising from failure or delay in the implementation of plans approved by the Board will be reported to the NHS Board by the Director of Finance.

5.2.11 Non-recurring budgets should not be used to fund recurring expenditure without the formal Committee approval, i.e. in the case of Argyll and Bute Governance Committee this will be the formal Committee or designated Finance Committee where appropriate, and the approval, including acceptance of longer term funding arrangements will be clearly highlighted in the Minute., for Corporate transfers the written authorisation of the Chief Executive or Director of Finance must be obtained following consideration of the item at the Senior Management Team.

5.2.12 Expenditure for which no provision has been made in an approved budget and not subject to funding under the delegated powers of virement will only be incurred after authorisation by the NHS Board Chief Executive or the NHS Board, on the advice of the Director of Finance.

5.2.13 The Director of Finance will keep the NHS Board Chief Executive and the NHS 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 all future plans and projects.

5.2.14 The Director of Finance will devise and maintain systems of budgetary control. These will include:

- monthly financial reports to the NHS Board in a form approved by the NHS Board containing:
- statement to date showing trends and forecast year-end position;
- revenue resource analysis;
- capital project spend and projected outturn against plan;
- explanations of any material variances from plan, with narrative input from Financial Management Accountants as appropriate, duly summarised by the Director of Finance; and
- details of any corrective action where necessary and the view of the NHS Board Chief Executive and/or Director of Finance whether such actions are sufficient to correct the situation;
- the issue of timely, accurate and comprehensive advice and financial reports to each Budget Holder, covering the areas for which they are responsible;
- investigation and reporting of variances from financial, workload and manpower budgets;
- monitoring of management action to correct variances; and
- arrangement for the authorisation of budget transfers.

5.2.15 Each Budget Holder is responsible for ensuring that;

- any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the NHS Board;
• 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, and

• No permanent employees are appointed without the approval of the NHS Board other than those provided for in the budgeted establishment as approved by the NHS Board.

5.2.16 The Senior Management Team are responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Local Delivery Plan and any other guidance received from the SGHSCD to ensure a balanced budget.

5.2.17 Most support services are provided on a shared basis from the NHS Board, under the direct accountability of the NHS Board Chief Executive. The NHS Board Chief Executive will hold a budget for the delivery of these services, and will be responsible for the delivery of such services to a given quality.

5.2.18 A number of services are subject to a Service Level Agreement. Service Level Agreements exist where NHS Highland purchases services from another Authority. In these cases those budget holders who are the end user and purchaser of the service have no authority to use sources of supply/service outwith the provider unless exceptional circumstances prevail and written approval is given by the NHS Board or Chief Operating Officer.
SECTION 6

e-HEALTH

6.1 The Head of e-Health will be accountable to the NHS Board Chief Executive for the accuracy and security of the financial data of NHS Highland.

6.2 The Head of e-Health will devise and implement any necessary procedures to ensure adequate protection of NHS Highland data, programs and computer hardware. This includes damage or loss from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Freedom of Information (Scotland) Act 2002, Data Protection Act 1998, the Computer Misuse Act 1990 and the Copyright, Designs and Patents Act 1988.

6.3 The Director of Finance in conjunction with the Head of e-Health will ensure that contracts for computer services for financial applications with other organisations, clearly define the responsibilities of all parties for the security, privacy, accuracy, completeness and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes.

6.4 The Head of e-Health will ensure that adequate data controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness and timeliness of the data, as well as the efficient and effective operation of the system including the use of any external agency arrangements.

6.5 The Head of e-Health will ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment.

6.6 The Head of e-Health must ensure that an adequate audit trail exists through the computerised systems and that such computer audit reviews as may be necessary are undertaken.

6.7 All computer applications and developments will be in accordance with the policy on e-Health.

6.8 A properly documented disaster recovery plan should be available for major systems and be understood by the staff responsible for its implementation, following a realistic and continuous programme of staff training. The recovery plan should include all aspects of standby and recovery, for example, the commencement of standby procedures operating at the standby installation including any requirements for the movement of staff and data, alternative data preparation procedures, reconstituting data files and implementing alternative manual systems. The occasions when these procedures will be invoked should be clearly laid down, identifying who has the final responsibility for making decisions.
SECTION 7

ANNUAL REPORT AND ANNUAL ACCOUNTS

7.1 ANNUAL ACCOUNTS

7.1.1 The Director of Finance, on behalf of NHS Highland will:

- prepare financial returns in accordance with the guidance given and regulations laid down by the SGHSCD, NHS Highland accounting policies, and generally accepted accounting principles;
- prepare, certify and submit annual financial reports to the Scottish Ministers in accordance with current guidelines; and
- submit financial returns to the Scottish Ministers for each financial year in accordance with the timetable prescribed by the SGHSCD.

7.1.2 The Annual Accounts shall be reviewed by the Audit Committee, which has the responsibility of recommending adoption of the Accounts by the Board. NHS Highland Audited Annual Accounts must be presented to and approved by the Board at a public meeting.

7.2 ANNUAL REPORT

NHS Highland will produce an Annual Report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will include inter alia:

7.2.1 Extracts from NHS Highland Annual Accounts as relevant and required;

7.2.2 Will prepare an Operating and Financial Review, which should include a balanced and comprehensive analysis of:

- the development and performance of the Board during the financial year;
- the position of the Board at the year end;
- the main trends and factors underlying the development, performance and position of the Board during the financial year; and
- the main trends and factors that are likely to affect the Board’s future development, performance and position.

7.2.3 Details of relevant directorships and other significant interests held by Executive Directors, Non Executive Directors and Senior Employees;

7.2.4 Remuneration of the Executive Directors, Non Executive Directors and Senior Employees.

7.2.5 The Directors’ Report will be produced in accordance with guidance as detailed in the Scottish Accounting Manual issued annually by the SGHSCD.
SECTION 8

INCOME

8.1 INTRODUCTION

NHS Highland derives most of its income from the Revenue Resource Limit Funding provided by the Scottish Government to provide NHS Services to the population of the defined Highland area. Other sources of income include funds:

8.1.1 Funds from planned activity;
8.1.2 Funds from unplanned activity;
8.1.3 For supporting medical and dental education and research;
8.1.4 For education and training of other health and social care professionals; and
8.1.5 From income generation activities.

The Director of Finance will prepare detailed procedure for income collection and recording.

8.2 DIRECT HEALTH SERVICES AND SERVICE AGREEMENTS

8.2.1 The budget for Direct Health Services is based on funding the provision of services to patients in accordance with the Local Delivery Plan. Service Level Agreements with other Scottish NHS Boards are based on negotiated activity using marginal costing.

8.2.2 Unplanned activity from other areas is charged on a full cost recovery basis as activity arises.

8.2.3 Income for treatment of non-Scottish UK patients is calculated in accordance with SGHSCD guidance and is funded directly from the relevant Health Authority.

8.2.4 The Chief Operating Officer is responsible for identifying and agreeing an appropriate budget for the delivery of agreed healthcare services and negotiating healthcare service agreements with any external organisations or agencies. In carrying out these functions, the Chief Operating Officer should take into account the advice of the Director of Finance regarding costing and pricing services.

8.2.5 The Director of Finance shall produce regular reports detailing actual and forecast income with a detailed assessment of the impact of the variable elements.

8.3 INCOME COLLECTION

8.3.1 The Director of Finance is responsible for designing and maintaining systems for the raising of invoices and the collection of income due, which shall incorporate the principles of internal check and segregation of duties. Income due includes non-cash settlements received from other NHS bodies and deductions from payments to staff.

8.3.2 All officers shall inform the Director of Finance of monies due to NHS Highland arising from transactions which they initiate involving all contracts, leases, tenancy agreements, undertakings by private, overseas or amenity patients and other transactions so that an official invoice may be raised. The Director of Finance shall be responsible for arranging the levels of rentals for newly acquired property and for regularly reviewing rental and other charges. This review may take into account independent professional advice in determining the level of such charges.
8.3.3 The Director of Finance or delegated officer shall take appropriate recovery action on all outstanding debts.

8.3.4 Income due to the Board but not recovered shall be dealt with in Section 12 - Losses and Special Payments.

8.4 **INCOME GENERATION SCHEMES**

In relation to income generation schemes (new schemes which plan to earn income on a trading basis, and which normally are not part of NHS Highland business); the Director of Finance shall ensure that there are systems in place to identify all costs and revenues attributed to each scheme. This information should be used to construct individual accounts.

8.5 **PRICING POLICY**

8.5.1 The Director of Finance shall be consulted about the pricing/costing of goods and services offered for sale and appropriate national and local negotiated rates shall be observed.

8.5.2 Pricing/costing of services will be on the basis of covering costs, including depreciation on assets and cost of capital based on the relevant rate (14/15 – 3.5%).

8.5.3 NHS Highland will attribute its costs using the principles as issued by the SGHSCD. It is generally not permitted for NHS Bodies to cross-subsidise services, and marginal costing should only be used for unplanned spare capacity arising during the year.

8.5.4 Contracts with the private sector should be priced at the level the market will bear, subject to the need to make the minimum return on assets.
SECTION 9
TERMS OF SERVICE AND PAYMENT OF DIRECTORS AND EMPLOYEES

9.1 STAFF GOVERNANCE

9.1.1 The NHS Board should formally agree and record in the minutes of its meetings, the precise terms of reference of the sub-committee which deals with remuneration, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

9.1.2 The Remuneration sub-committee will:

- advise the NHS Board about appropriate remuneration and terms of service for the NHS Board Chief Executive, the Chief Executive and other Directors (and other senior employees) including,
  - all aspects of salary (including any performance-related elements/bonuses);
  - provisions for other benefits, including pensions and vehicles; and
  - arrangements for termination of employment and other contractual terms.
- make such recommendations to the NHS Board on the remuneration and terms of service for the officers identified in above to ensure they are fairly rewarded for their individual contribution to NHS Highland – having proper regard to NHS Highland circumstances and performance and to the provisions of any national arrangements for such staff where appropriate;
- monitor and evaluate the performance of the officers identified above.

9.1.3 The Remuneration sub-committee shall report in writing to the NHS Board the reasons for its recommendations. The NHS Board shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of Executive Directors. Minutes of the NHS Board meeting should record such decisions.

9.1.4 The NHS Board will approve proposals presented by the NHS Board Chief Executive for setting of remuneration and conditions of service for those employees not covered by the sub-committee.

9.1.5 NHS Highland will remunerate the NHS Board Chair and Non Executive Directors in accordance with instructions issued by the SGHSCD.

9.2 FUNDED ESTABLISHMENT

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

9.2.2 The funded establishment of any Department may not be varied without the approval of the NHS Chief Executive, Chief Operating Officer or the Director of Finance.
9.3 STAFF APPOINTMENTS

9.3.1 No Director or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree changes in respect of remuneration:

- unless authorised to do so by the NHS Board or Chief Executive; and
- within the limit of their approved budget and funded establishment.
- the limits specified in the Delegated Levels of Authority.

9.3.2 The NHS Board will approve procedures presented by the NHS Board Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees.

9.4 PAYMENT OF STAFF

9.4.1 Existing staff will be encouraged to accept payment of salaries or wages by BACS credit transfer. New staff will be encouraged to accept BACS from the commencement of employment. No cash payments (pre-existing cash payments will continue to be honoured) will be made.

9.4.2 The Director of Finance is responsible for the final determination of pay, the proper compilation of the payroll and for payments made.

9.5 PROCESSING OF PAYROLL

9.5.1 The Director of Finance is responsible for:

- specifying timetables for submission of properly authorised time records (whether manual or electronic) and other notifications;
- the final determination of pay;
- making payment on agreed dates; and
- agreeing the method of payment.

9.5.2 The Director of Finance will ensure that Highland Payroll Services operates to instructions regarding:

- verification and documentation of data;
- the timetable for receipt and preparation of payroll data and the payment of employees;
- maintenance of subsidiary records for superannuation, income tax, social security, student loans, other employers pension and other authorised deductions from pay;
- security and confidentiality of payroll information;
- checks to be applied to completed payroll before and after payment;
- authority to release payroll data under the provisions of the Data Protection Act;
- procedures for payment to employees;
- procedures for the recall of payments;
- pay advances and their recovery;
- maintenance of regular and independent reconciliation of pay control accounts;
- separation of duties of preparing records; and
- a system to ensure the recovery from leavers of sums of money and property due by them to NHS Highland.

9.5.3 Appropriately nominated Managers have delegated responsibility for:
- submitting time records (whether manual or electronic), and other notifications in accordance with agreed timetables;
- completing time records (whether manual or electronic) and other notifications in accordance with the instructions and in the form prescribed by the Director of Finance; and
- submitting termination forms in the prescribed form immediately upon knowing the effective date an employee’s resignation, termination or retirement.
- where an employee fails to report for duty in circumstances that suggest they have left without notice; the Payroll Manager must be informed immediately.

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

9.6 **CONTRACTS OF EMPLOYMENT**

9.6.1 The NHS Board shall delegate responsibility to the HR Director for:
- ensuring that all employees are issued with a contract of employment in a form approved by the NHS Board and which complies with employment legislation; and
- dealing with variation to, or termination of, contracts of employment.

9.7 **LEAVE**

9.8.1 Requests for annual leave must be notified to authorising officers within a reasonable period prior to the commencement date. Records will be submitted to the appropriate authorising officer and recorded in the employee’s personal record.

9.8.2 Other leave (maternity leave, paternity leave, sick leave, study leave, etc) will be in accordance with the appropriate PIN guidelines.
SECTION 10
SUPPLIES, SERVICES AND WORKS

10.1 GENERAL

The Director of Finance shall prepare Standing Financial Procedures detailing the process and operational controls to be adhered to in the attainment of supplies, services and works, incorporating the thresholds set by NHS Highland in the arrangements for purchasing, contracting and tendering. These must comply with the Key Procurement Principles as contained within CEL 05 (2012).

Where national, regional or local contracts (hereinafter also referred to as framework agreements, dynamic purchasing systems or design contests) exist, the overriding principle is that use of these contracts is mandatory. Only in exceptional circumstances and only with the authority of the Head of Procurement or the Director of Finance, based on the scheme of delegation, shall supplies, services or works be ordered outwith such contracts. The Head of Procurement (hereinafter includes ‘or nominated deputy’) shall maintain a record of exceptions.

10.2 DELEGATION OF AUTHORITY

10.2.1 NHS Highland Board will approve the budget for expenditure on supplies, services and works on an annual basis and NHS Highland’s Chief Executive will determine the level of delegation to Budget Managers through the Delegated Levels of Authority Matrix:

i. the list of officers who are authorised to place orders for the supply of goods and services;

ii. the maximum level of each order and the system for authorisation above that level;

iii. The Director of Finance shall set out Standing Financial Procedures on the seeking of professional advice regarding supplies, services and works which shall be reviewed annually.

10.3 THRESHOLDS

The Director of Finance will advise the NHS Highland Board regarding the setting of thresholds above which quotations (competitive and otherwise) or formal competitive tenders must be obtained. Orders will not be placed in a manner devised to avoid the financial thresholds specified within Section 11 Procurement of the SFIs. Orders shall only be placed subject to the authority delegated through the Delegated Levels of Authority Matrix.

10.4 CHOICE, REQUISITIONING, ORDERING, RECEIPT AND PAYMENT FOR SUPPLIES, SERVICES AND WORKS

10.4.1 The requisitioner, in choosing the item to be supplied, services to be performed or works to be carried out shall always obtain the best value for money for NHS Highland. Value for money is defined as the optimum combination of whole-life cost, quality and fitness for purpose to meet NHS Highland’s requirements. In so doing, the advice of the Head of Procurement should be sought and applied.

10.4.2 In line with CEL 05 (2012), NHS Highland operates a No Purchase Order No Pay policy. All Purchase Orders issued by the NHS Board shall be generated in electronic form from an authorised ordering system. Exceptions to this will only be permitted in specific circumstances as approved by the Director of Finance or the Deputy Chief Executive.
Official Orders (electronic) must:

i. be in an agreed alphanumeric format;

ii. be in form approved by the Director of Finance;

iii. state the standard terms and conditions of trade for NHS Highland; and

iv. only be issued to, and used by, those duly authorised by NHS Highland.

10.4.3 Officers must ensure that they comply fully with the guidance and limits specified and that;

i. all contracts, leases, tenancy agreements and other commitments which may result in liability are notified to the Director of Finance in advance of any commitment being made, with the exception of Adult Social Care where Senior Management Tender Board approval applies;

ii. all contracts above the EU Procurement thresholds specified at 11.3.2 are legally required to be advertised in the Official Journal of the European Union (OJEU), and awarded in accordance with the European Directives, Procurement Reform (Scotland) Act 2014, Public Contracts (Scotland) Regulations 2015 and comply with White Paper on Standards, Quality and International competitiveness (CMND 8621).

iii. all contracts above the Regulated Procurement thresholds specified at 11.3.2 are legally required to be advertised on the Public Contracts Scotland website (PCS), and awarded in accordance with the Procurement Reform (Scotland) Act 2014 and Procurement (Scotland) Regulations 2016.

iv. where consultancy advice is being obtained, the procurement of such skills must be in accordance with guidance issued by the Scottish Government Health & Social Care Directorate.

v. no order will be issued for any item or items for which hospitality or any offer of gifts, other than low cost items (e.g. calendars, diaries, pens, etc.) has been received from the person interested in providing the supplies, services or works. Any officer receiving such an offer will notify their senior officer as soon as is practicable. Visits at supplier’s expense to inspect equipment, etc. must not be undertaken without the prior approval of NHS Highland’s Chief Executive in accordance with procedures operated on their behalf by the Director of Finance.

vi. no order will be issued for the purchase of tobacco or alcohol products, except for tobacco where it is bought for re-sale at New Craigs or alcohol for catering use by our Catering Services Managers.

vii. no requisition/order is placed for any supplies, services or works for which there is no budget provision unless authorised by the Director of Finance on behalf of NHS Highland;

viii. all supplies, services, or works are ordered on an official order except purchases from petty cash;
ix. verbal orders may only be issued by an employee designated by NHS Highland or Deputy Chief Executive and only in the cases of emergency or urgency. These must be confirmed by an official order, including an order number and clearly marked ‘Confirmation Order’.

x. orders must not be placed in a manner devised to avoid the financial thresholds;

xi. all departments must ensure that any plans for evaluation or loan of medical equipment and supplies are agreed by Head of Procurement to ensure that there is no commitment for NHS Highland to an uncompetitive or non-compliant purchase. The exception to this is where the supplies are under evaluation via a legally compliant national, regional or local tendering process where there is no future commitment.

xii. it is mandatory for all NHS Highland officers to use Procurement approved contracts contracted between NHS Highland and suppliers, whether at a national, regional or local level. At all times, officers have a duty to obtain best value for money for NHS Highland. Where this can be obtained off contract, the Head of Procurement should be notified immediately for approval and prior to any commitment or raising a purchase order.

xiii. changes to the list of officers authorised to certify invoices are notified to the Director of Finance, and are in line with the Delegated Levels of Authority Matrix available on the NHS Highland intranet pages or from Finance;

xiv. purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance; and

xv. petty cash records are maintained in a form as determined by the Director of Finance.

10.4.4 The Scottish Government is committed to supporting business in the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance. In addition, it will be built into any contract that valid sub-contractor invoices are paid within 30 days.

10.4.5 The Director of Finance will:

i. advise the NHS Highland Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in these SFI’s and regularly reviewed;

ii. prepare procedural instructions on the obtaining of supplies, services or works incorporating the relevant thresholds in the form of Standing Financial Procedures;

iii. be responsible for the prompt payment of all properly authorised accounts and claims;

iv. be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:

a. a list of officers (including specimens of their signatures) authorised to certify invoices in line with the Delegated Levels of Authority Matrix;
b Certification that

- supplies have been duly received, examined and are in accordance with specification and the prices are correct;

- work done or services rendered have been satisfactorily carried out in accordance with the order, and where applicable, the materials used are of the requisite standard and the charges are correct;

- in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;

- where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;

- the account is arithmetically correct;

- the account is in order for payment;

- be responsible for ensuring that payment for supplies, services and works is only made once the supplies, services and works are received/completed, (except as below) and an invoice has been appropriately authorised.

10.4.6 Prepayments are only permitted where exceptional circumstances apply. In such instances:

i. the appropriate Director must provide, in the form of a written report, a case setting out the relevant circumstances of the purchase. The report must set out the effects on NHS Highland if the supplier is at some time during the course of the prepayment agreement unable to meet their commitments;

ii. the Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed; and

iii. the ordering officer is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Chief Executive if problems are encountered.

iv. The automatic advance payment for Adult Social Care services, including Third Sector Organisations.
SECTION 11

PROCUREMENT

11.1 GENERAL

11.1.1 These instructions come into force 18 April 2016 and shall be reviewed annually. Should any further advice be required on any of the following information please contact the Head of Procurement (hereinafter includes ‘or nominated deputy’).

11.1.2 The instructions establish the rules on procedures for the procurement of supplies, services or works by NHS Highland with respect to public contracts (hereinafter referring to framework agreements, dynamic purchasing systems and design contests).

11.1.3 Where the procurement has as its subject a mixed contract including supplies, services or works, it shall be determined by the part of the mixed contract that characterises the main subject of the contract and has the highest value.

11.1.4 NHS Highland shall ensure the standard terms and conditions of contract appropriate to each class of supplies, services and works apply to any contract entered into. Officers shall not accept any other terms and conditions of contract without written approval from the Director of Finance.

11.1.5 NHS Highland shall ensure equal treatment and non-discrimination of suppliers and act in a transparent and proportionate manner.

11.1.6 NHS Highland shall adhere to the Scottish Government Procurement and Commercial Directorate (SPCD) Policy, the Freedom of Information (Scotland) Act 2002, the Environmental Information (Scotland) Regulations 2004 and any other enactment NHS Highland is subject to relating to the disclosure of information.

11.2 STATUTORY GUIDANCE

11.2.1 No act or omission contained within the Standing Financial Instructions shall prevent adherence to the Statutory Guidance published under the Procurement Reform (Scotland) Act 2014. The Statutory Guidance takes precedence.

11.3 THRESHOLDS

11.3.1 The Director of Finance shall advise the NHS Highland Board regarding the setting of thresholds above which quotations (competitive and otherwise) or formal competitive tenders must be obtained.

11.3.2 Purchasing of supplies, services or works is subject to the following limits:

<table>
<thead>
<tr>
<th>Supplies and Services:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>THRESHOLD</strong></td>
</tr>
<tr>
<td>£106,047+</td>
</tr>
<tr>
<td>£50,000 - OJEU</td>
</tr>
<tr>
<td>£10,000 - £49,999</td>
</tr>
<tr>
<td>£1,000 - £9,999</td>
</tr>
<tr>
<td>Under £999</td>
</tr>
</tbody>
</table>
The above thresholds are exclusive of VAT.

The Director of Finance shall also prepare Standing Financial Procedures detailing the tendering and contracting process.

11.3.3 All officers responsible for specifying, financially approving or externally committing requirements will ensure that all requirements for supplies, services or works with an annual or contract term within the threshold values identified at 11.3.2 shall be procured by sourcing the requirement through:

<table>
<thead>
<tr>
<th>THRESHOLD</th>
<th>PROCEDURE</th>
<th>ELECTRONIC SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>£4,104,394&gt;</td>
<td>OJEU - Competitive Tender</td>
<td>PCS-Tender mandatory</td>
</tr>
<tr>
<td>£50,000 - OJEU</td>
<td>Regulated - Competitive Tender</td>
<td>PCS-Tender mandatory</td>
</tr>
<tr>
<td>£10,000 - £49,999</td>
<td>Competitive Quotation</td>
<td>PCS Quick Quote mandatory</td>
</tr>
<tr>
<td>£1,000 - £9,999</td>
<td>One Written Quotation</td>
<td></td>
</tr>
<tr>
<td>Under £999</td>
<td>No Requirement</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>THRESHOLD</th>
<th>PROCEDURE</th>
<th>ELECTRONIC SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>£589,148&gt;</td>
<td>OJEU - Light Touch Regime</td>
<td>PCS-Tender mandatory</td>
</tr>
<tr>
<td>£50,000 - OJEU</td>
<td>Due consideration of a Regulated - Competitive Tender</td>
<td>PCS-Tender mandatory</td>
</tr>
<tr>
<td>£10,000 - £49,999</td>
<td>Competitive Quotation</td>
<td>PCS Quick Quote mandatory</td>
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<table>
<thead>
<tr>
<th>PROCEDURE</th>
<th>PROCEDURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>OJEU – Competitive Tender (including Light Touch Regime)</td>
<td>Procurement Journey – Route 2 or 3 (<a href="https://www.procurementjourney.scot/procurement-journey">https://www.procurementjourney.scot/procurement-journey</a>)</td>
</tr>
<tr>
<td></td>
<td>For Light Touch Regime - statutory guidance ‘Procurement for Health or Social Care Services’</td>
</tr>
<tr>
<td></td>
<td>Contract Notice – Official Journal of the European Journal (OJEU) at least 48hours prior to advertising nationally via Public Contracts Scotland (PCS) (<a href="http://www.publiccontractsscotland.gov.uk">www.publiccontractsscotland.gov.uk</a>)</td>
</tr>
<tr>
<td></td>
<td>Electronic Tendering System – PCS Tenders (PCS-T) (<a href="http://www.publictenderssscotland.publiccontractsscotland.gov.uk">www.publictenderssscotland.publiccontractsscotland.gov.uk</a>)</td>
</tr>
<tr>
<td></td>
<td>An Award Notice shall be published via OJEU and PCS within 30 days of Award of Contract.</td>
</tr>
<tr>
<td>Regulated - Competitive Tender</td>
<td>Procurement Journey – Route 2 or 3 (<a href="https://www.procurementjourney.scot/procurement-journey">https://www.procurementjourney.scot/procurement-journey</a>)</td>
</tr>
<tr>
<td></td>
<td>Contract Notice – Public Contracts Scotland (PCS) (<a href="http://www.publiccontractsscotland.gov.uk">www.publiccontractsscotland.gov.uk</a>)</td>
</tr>
<tr>
<td></td>
<td>Electronic Tendering System – PCS Tenders (PCS-T) (<a href="http://www.publictenderssscotland.publiccontractsscotland.gov.uk">www.publictenderssscotland.publiccontractsscotland.gov.uk</a>)</td>
</tr>
<tr>
<td></td>
<td>An Award Notice shall be published via PCS within 30 days of Award of Contract.</td>
</tr>
<tr>
<td>Competitive Quotation</td>
<td>Procurement Journey – Route 1 (<a href="https://www.procurementjourney.scot/procurement-journey">https://www.procurementjourney.scot/procurement-journey</a>)</td>
</tr>
</tbody>
</table>
11.3.4 All requirements above the competitive tender threshold identified within 11.3.2 shall only be commenced after consultation with the Head of Procurement.

11.4 CALCULATING THE ESTIMATED VALUE

11.4.1 The estimated value refers to the total amount payable under the contract over the full contract period including any extension options and excluding VAT. For works contracts, the estimated value of any supplies and services necessary in executing the works should be included.

11.4.2 The estimated value for Framework Agreements and Dynamic Purchasing Systems (see Section 11.15) shall be based upon the estimated value of all call-off contracts pursuant to and for the full term of the agreement or system.

11.4.3 The estimated value for Innovation Partnerships (see Section 11.13) shall be based upon the estimated value of the research and development during all stages of the partnership and including the estimated value of any supplies, services or works to be developed and delivered by the partner.

11.4.4 The estimated value for leasing, rental, hire or hire purchase shall be based upon the total value (less than or equal to 12 months) or the total value including residual value (more than 12 months).

11.4.5 All officers responsible for determining the estimated value must not do so with the intention of excluding the contract from the appropriate Regulations. This includes subdividing with the intention to avoid a regulated procurement. Where the contract is to be awarded under separate lots, the estimated value shall be the total of all lots.

11.4.6 Life-cycle and whole-life costing must be considered as a cost effectiveness approach for all procurements. The Head of Procurement shall be consulted on the application of this approach.

11.4.7 Where a bid is received exceeding the estimated tender value (11.3.2), a report shall be submitted to the NHS Board.

11.5 EXCLUSIONS

11.5.1 Competitive quotations or tenders for supplies, services and works to NHS Highland shall be invited unless:

i. the estimated value of the contract falls below the relevant thresholds as specified by NHS Highland at 11.3.2;

ii. the specific supplies, services or works are excluded under the Public Contracts (Scotland) Regulations 2015 or Procurement (Scotland) Regulations 2016. All exclusions must be approved by the Head of Procurement;
iii. the supplies, services or works are proposed under special arrangements negotiated by the Scottish Government in which event the said special arrangements must be complied with or have been arranged by the National Services Scotland National Procurement or any other agency approved by the Head of Procurement;

iv. the supplies, services or works are of a special nature or character in respect of which it is not possible or desirable to obtain competitive quotes or tenders. In such circumstances a procurement waiver will be submitted to the Head of Procurement for consideration in accordance with 11.5.2;

v. where emergency action had to be taken to ensure safety or the continuity of use, such cases must be reported to the Head of Procurement;

vi. the supplies are for those items of pharmaceutical inventory in respect of which it is recognised by the Deputy Chief Executive that it is not appropriate to obtain competitive tenders; or

vii. the works relate to the Hub Initiative procurement arrangements.

viii. The services fall under Care and Other Associated Services at Section 11.19.

PROCUREMENT WAIVER PROCESS

11.5.2 Where competitive quotations or tenders are not required under the terms described in 11.5.1, a written procurement waiver shall be sought, in accordance with procedures set by NHS Highland.

Namely, all procurement waivers shall be submitted to the Head of Procurement on the Procurement Waiver Process Authorisation Form for verification before authorisation is obtained as follows:

i. waivers of competitive quotation value (see 11.3.2) may be undertaken by either the Director of Finance, or Deputy Chief Executive;

ii. waivers of regulated competitive tender value (see 11.3.2) must be approved by the Director of Finance or Chief Executive and another relevant NHS Board Director;

iii. waivers of £100,000 - £249,999 must be approved by the Director of Finance or Chief Executive and Deputy Chief Executive;

iv. Thereafter, waivers of £250,000 and above must be approved by the Director of Finance or Chief Executive and Deputy Chief Executive and requires the consideration/approval of the NHS Board.

All waivers shall be recorded in the Procurement Waiver Process Register and presented to the Audit Committee on an annual basis.

11.5.3 Where a waiver is approved in accordance with 11.5.2 for Regulated Contracts and above the relevant threshold (see 11.3.2), an Award Notice shall always be published via Public Contracts Scotland (see 11.17). In some circumstances a Voluntary ex Ante Notice may also be required, advice should be sought from procurement.
11.5.4 Procurement Waivers must be approved (see 11.5.2) prior to entering into any contract with the exception of Adult Social Care Services.

11.6 COMMUNICATION

11.6.1 All communication and information exchange including submission shall be performed using electronic means of communication using the systems identified within 11.3.4.

11.6.2 Any exception to 11.6.1 must be recorded to ensure a full audit trail and reported to the Head of Procurement.

11.7 CONFLICT OF INTERESTS

11.7.1 A Declaration of Interest Form shall be completed, as soon as a potential conflict of interest arises or becomes known, for all procurement procedures. Where a direct or indirect conflict is declared, there shall be no involvement of the officer in the procedure to avoid distortion of competition and ensure compliance with the principles at 11.1.5.

11.7.2 NHS Highland shall maintain a register of declaration of pecuniary interests of any officers concerned with a contract. Staff shall be made aware of the requirements of national and local guidance regarding standards of conduct for NHS staff with regard to acceptance of financial assistance, gifts and hospitality and declaration of interests.

11.8 REGIONAL/NATIONAL PURCHASING ACTIVITIES AND BODIES

11.8.1 NHS Highland may acquire supplies, services or works by use of a contract awarded by a regional or national purchasing body. NHS Highland shall be ultimately responsible for the proper use of a regional or national contract and therefore advice should be sought from the Head of Procurement prior to using any such agreement.

11.8.2 NHS Highland shall consider whether there are any appropriate regional or national contracts available for use prior to commencement of any local procurements.

11.9 JOINT PROCUREMENT

11.9.1 NHS Highland may conduct procurement collaboratively with other Public Sector Contracting Authorities. Approval shall be sought from the Head of Procurement prior to commencement of any joint procurement.

11.9.2 Joint Procurement involving Contract Authorities from different member states must be carried out by the Head of Procurement.

11.10 RESERVED CONTRACTS

11.10.1 NHS Highland may reserve the right to participate in the procurement to a supported business or to be performed in the context of a supported employment. Advice and approval should be sought from the Head of Procurement prior to reserving a contract.

11.11 SERIOUS ORGANISED CRIME

11.11.1 NHS Highland shall adhere to the Information Sharing Protocol between NHS Highland (excluding Argyll & Bute) and Police Scotland which recognises the opportunity for unscrupulous, criminal and corrupt persons and criminal enterprises to make criminal
and financial gains by obtaining business from NHS Highland. Serious Organised Crime shall be included as selection criteria for all requirements of £50,000 and over which fall under the Top 10 Business Types as identified as high risk by Police Scotland.

11.12 MARKET RESEARCH AND PRIOR INVOLVEMENT OF TENDERERS

11.12.1 NHS Highland may conduct market research before commencement of any procurement to inform the Specification of Requirements and must be conducted in line with current guidance. The market research must not be with only one supplier and must not distort competition or violate the principles of equal treatment and non-discrimination. Advice shall be sought from the Head of Procurement prior to commencement of any market research.

11.12.2 NHS Highland must take appropriate measures to ensure the competition is not distorted by the participation of a tenderer who has been involved in market research or been involved in the preparation of the documentation. A tenderer must only be excluded from participation in the tender process where there are no other means to ensure compliance with the foregoing.

11.13 CHOICE OF PROCEDURE

11.13.1 NHS Highland must apply one of the following procedures when conducting a procurement:

i. Quotation Procedure  
ii. Open Procedure  
iii. Restricted Procedure

11.13.2 The following procedures must only be used in specific circumstances and approval must be sought from the Head of Procurement before commencement:

i. Innovation Partnership  
ii. Competitive Procedure with Negotiation  
iii. Competitive Dialogue

QUOTATION PROCEDURE

11.13.3 The Quotation – How To Guide shall be adhered to for all competitive quotation procedures carried out on behalf of NHS Highland utilising the Public Contracts Scotland Quick Quote facility.

OPEN PROCEDURE

11.13.4 In an open procedure, any interested supplier may submit a tender within the set time period which shall be a minimum of 30 calendar days where acceptance of tenders is by electronic means. The time period for receipt of tenders shall otherwise be 35 calendar days.

11.13.5 Where a Prior Information Notice has been published between 35 calendar days and 12 months before the Contract Notice is published, the minimum time period for receipt of tenders can be reduced to 15 calendar days.

11.13.6 Where there is a state of urgency that renders it impossible to apply the minimum time period please seek advice from the Head of Procurement.
RESTRICTED PROCEDURE

11.13.7 In an OJEU restricted procedure, any interested supplier can request to participate within the set time period which shall be a minimum of 30 calendar days. Only short-listed suppliers may then submit a tender within the further set time period which shall be a minimum of 30 calendar days.

11.13.8 In a regulated restricted procedure, any interested supplier can request to participate within the set time period which shall be a minimum of 14 calendar days. Only short-listed suppliers may then submit a tender within the further set time period which shall be a minimum of 30 calendar days.

11.13.9 Where a Prior Information Notice has been published between 35 calendar days and 12 months before the Contract Notice, the minimum time period for can request to participate remains as 30 calendar days and the receipt of tenders can be reduced to 10 calendar days.

11.13.10 The minimum number of candidates invited to tender may be restricted to 5.

11.14 EUROPEAN SINGLE PROCUREMENT DOCUMENT (ESPD)

11.14.1 The ESPD must be used electronically for all Competitive Tender level processes (see 11.3). The ESPD allows self-declaration as preliminary evidence rather than requiring evidence from all tenderers. Evidence must only be requested from the short-listed suppliers prior to issue of the invitation to tender (restricted process) or from the recommended tenderer prior to award (open process).

11.14.2 For all tenders, NHS Highland must obtain a fully completed ESPD for evaluation from all proposed sub-contractors and ensure that the contract terms and conditions make clear that every act or omission of any approved sub-contractor shall for the purposes of the contract be deemed to be the act or omission of the main contractor and that the main contractor shall be liable for any such act or omission committed or omitted by the approved sub-contractor.

11.15 FRAMEWORK AGREEMENTS, DYNAMIC PURCHASING SYSTEMS & ELECTRONIC AUCTIONS

11.15.1 Framework agreements concluded by NHS Highland shall not exceed 4 years in duration with a sole supplier or multiple suppliers. Where a framework agreement is concluded with multiple suppliers, it must be set up to allow direct call off, a mini competition or both. Where a mini competition can be sought, the award criteria must be detailed within the framework agreement’s Invitation to Tender. Advice shall be sought from the Head of Procurement on setting up a framework agreement prior to commencement.

11.15.2 A Dynamic Purchasing would only be used specific circumstances and approval must be sought from the Head of Procurement prior commencement.

11.15.3 An Electronic Auction would only be used specific circumstances and approval must be sought from the Head of Procurement prior commencement.

11.16 DIVISION OF CONTRACTS INTO LOTS & COMMUNITY BENEFITS
11.16.1 NHS Highland must consider for all contracts whether it is appropriate to divide into lots. Where NHS Highland decides not to award a contract in the form of separate lots NHS Highland must detail the reasons within the contract notice and procurement documents. Advice should be sought from the Head of Procurement prior to the division of contracts into lots.

11.16.2 NHS Highland must consider for all contracts with a value of £4,000,000 and over whether it is appropriate to include community benefits. Where NHS Highland decides not to include community benefits it must detail the reasons within the contract notice and procurement documents. Advice should be sought from the Head of Procurement prior to the division of contracts into lots.

11.16.3 For Care and Support Services (Section 11.19), it is important to consider the appropriateness of language and terms used in a procurement exercise. For example, the term 'lots' is a standard term in the forms mandated by the European Commission for the advertisement of contracts in the Official Journal of the European Union (OJEU). Although the term 'lots' in a procurement context refers to groups of services and not those who use them, the absence of a clear distinction can be misconstrued. The use of the term 'lots', for example, should therefore be avoided, wherever possible, in documentation relating to the procurement for care and support services. Efforts should be made to ensure that terminology reflects the principles of dignity and respect and that jargon is kept to a minimum.

11.17 SELECTION AND AWARD

11.17.1 Award must be based upon the most economically advantageous tender and under no circumstances based upon cost alone.

11.17.2 Award of any contract must be based upon the published criteria and awarded to the most economically advantageous tender provided that NHS Highland has verified it meets the requirements, conditions and criteria set out and that the supplier is not excluded under any of the mandatory exclusion grounds.

11.17.3 Where a tender appears to be abnormally low, NHS Highland must request an explanation of the proposed costs. Where a satisfactory explanation is not provided this may result in NHS Highland rejecting the bid subject to approval from the Head of Procurement.

11.17.4 Award shall be subject to a satisfactory financial evaluation having been carried out by Finance prior to award of any contract of £50,000 and over based upon their Economic and Financial Standing ESPD response.

11.17.5 For every contract with a regulated or OJEU value (see 11.3.2), a Tender Report shall be produced and signed off by the Project Sponsors or Project Board whom shall be of a level deemed appropriate by the Head of Procurement. The Report shall include the Authority name and address, subject-matter, value of the contract, procurement procedure followed, evaluation scoring results/justification and recommendations.

11.17.6 NHS Highland must notify all bidders in writing as soon as possible following a decision to award including the criteria for award, scores achieved, name and score of successful candidate and any general feedback to allow for improvement of future bids. In addition, for every contract with a regulated or OJEU value (11.3.2), unsuccessful bidders should receive reasons why they were unsuccessful and the relative advantages of the successful tenderer.
11.17.7 For applicable tenders, NHS Highland shall allow for a standstill period of 10 days (where issued by electronic means), ending at midnight at the end of the 10th day after which the Standstill letters are sent. A period of 15 days shall apply where sent by other means.

11.17.8 All contracts (whether local, regional or national) with a whole life value for of £1,000,000 or greater (including VAT) must be approved and signed off by an Executive Director of the Board.

11.17.9 A Contract Award Notice must be published for all awards of competitive quotations and regulated competitive tenders via the Public Contracts Scotland website no later than 30 days after award. A Contract Award Notice must be published for all awards of OJEU competitive tenders via the Official Journal of the European Union and the Public Contracts Scotland website no later than 30 days after award.

11.17.10 A Contract Award Notice must be published for all individual call-off awards under a framework agreement of £50,000 and above no later than 30 days after award.

11.17.11 Where a Voluntary ex Ante Notice is published via Public Contracts Scotland in place of a Contract Award Notice, a minimum of 35 days prior to award of Contract.

11.18 VARIATIONS AND TERMINATION OF CONTRACTS

11.18.1 The Head of Procurement should be consulted prior to implementing any variation to contract to ensure that it is not considered a material change to contract which would require a new procurement procedure. All variations shall be approved by the Project Sponsors or Project Board whom shall be of a level deemed appropriate by the Head of Procurement prior to the implementation of any variation. Variations to contracts shall be carried out in accordance with the terms and conditions of contract and shall not have retrospective effect unless approved by the Head of Procurement, Director of Finance and Project Sponsor. For clarity, variations include extensions to the contract term.

11.18.2 NHS Highland Standard Terms and Conditions of Contract shall apply to all contracts awarded and include an appropriate termination clause as agreed by Central Legal Office. For Social Care and Support Services, the Contract shall include the appropriate National Care Home Contract termination clause. No contract shall be terminated without Head of Procurement involvement. Termination of contracts shall be carried out in accordance with the terms and conditions of contract and shall not have retrospective effect unless approved by the Head of Procurement.

11.19 SOCIAL AND OTHER SPECIFIC SERVICES

11.19.1 For regulated contracts (listed within Schedule 3 of The Public Contracts (Scotland) Regulations 2015) for health or social care services (see 11.3.2), it is possible to directly award a contract below the regulated threshold without conducting a competitive tender process. In deciding to do so, the authority must give due consideration to the principles of transparency, objectivity and non-discrimination in accordance with the statutory guidance ‘Procurement for Health or Social Care Services’. The procedure used must take into account the specificities of the service and the needs of the users whilst ensuring compliance with the principles of transparency and equal treatment of suppliers. The procedure must provide for exclusion based upon the mandatory exclusion grounds. Award must be based upon
the conditions for participation, time limits and award procedure as detailed within the Contract Notice and procurement documentation.

11.19.2 For OEUJ contracts (listed within Schedule 3 of The Public Contracts (Scotland) Regulations 2015) for health or social care services (see 11.3.2), a Contract Notice must be published via Public Contracts Scotland (see 11.3.4) as a call for competition and a Contract Award Notice published post award. The EU Directive 2014/24/EU applies.

Other Services

11.19.3 For regulated contracts for ‘Other Services’ (11.3.2), there is no bespoke provision which allows general exemption for advertising the contract. Therefore, there is no distinction between regulated and OJEU level procurements and the statutory guidance applies.

11.20 CONTRACTS REGISTER, PROCUREMENT STRATEGY AND ANNUAL REPORT

11.20.1 NHS Highland must keep, maintain and publish a Contracts Register of contracts entered into as a result of a regulated procurement. All officers shall provide the required contracts data to the Head of Procurement upon award of contract. It shall also be the responsibility of officers to provide updated information such as expiry of the contract or activation of a contractually permitted extension period.

11.20.2 A Procurement Strategy shall be published annually which outlines how NHS Highland intends to carry out regulated procurements and all contracts to be tendered for the year ahead. All officers must make the Head of Procurement aware of their contracting requirements for the year ahead.

11.20.3 NHS Highland must prepare an annual procurement report on its regulated procurements. All officers must make the Head of Procurement aware of their regulated procurements at the end of each financial year. This report must detail progress against the Procurement Strategy including the outcome of all regulated tenders.
SECTION 12
CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

12.1 GENERAL

12.1.1 Any officer discovering or suspecting a loss of any kind shall forthwith inform their head of department, who shall immediately inform the Director of Finance. Where a criminal offence is suspected, the Fraud Policy must be applied.

12.1.2 If the case involves suspicion of financial crime then the particular circumstances of the case must be notified to Counter Fraud Services and the Fraud Policy applied.

12.1.3 Where the nature of the alleged offence or the position of the person or persons involved could give rise to national or local controversy and publicity, the SGHSCD should be informed about the main circumstances of the case at the same time as an approach is made to the Procurator Fiscal.

12.2 TYPES OF LOSSES AND SPECIAL PAYMENTS

Losses and special payments can be classified as follows:

12.2.1 Losses

- Cash losses (due to theft, financial crime, overpayment, fire, etc).
- Fruitless payments (including abandoned capital schemes).
- Bad debts and claims abandoned.
- Stores losses e.g. deterioration, theft, damage.

12.2.2 Special Payments

- Compensation payments (made under legal obligation).
- Ex-gratia payments.
- Extra-statutory and extra-regulatory payments.

12.3 DISPOSALS AND CONDEMNATIONS

12.3.1 The Director of Finance must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to Managers.

12.3.2 All articles surplus to requirements or unserviceable will be condemned or otherwise disposed of on the best possible terms by an officer authorised for that purpose by the Director of Finance.

12.3.3 When it is decided to dispose of an NHS Board asset, the Head of Department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.

12.3.4 All unserviceable articles shall be:
recorded by the Condemning Officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the counter-signature of a second employee authorised for the purpose by the Director of Finance.

the condemning officer must establish whether or not there is evidence of negligence and will report any such evidence to the Director of Finance who will take appropriate action.

12.4 LOSSES AND SPECIAL PAYMENT

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

12.4.2 Any employee discovering or suspecting a loss of any kind must immediately inform their Head of Department, who must immediately inform the Director of Finance. Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved, but if the case involves suspicion of financial crime, Counter Fraud Services must lead the investigation and the particular circumstances of the case will determine the stage at which the police are notified.

12.4.3 The Director of Finance must notify the SGHSCD of all actual or suspected financial crimes.

12.4.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial and where financial crime is not suspected, the Director of Finance must immediately notify:

- the NHS Board, and
- the Statutory Auditor.

12.5 APPROVAL FOR WRITE OFF

12.5.1 Within limits delegated to it by the SGHSCD the NHS Board shall approve the writing-off of losses.

12.5.2 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded. A schedule of which shall be presented annually to the Audit Committee for scrutiny.

12.6 SPECIAL PAYMENTS IN EXCESS OF DELEGATED LIMITS

No special payments exceeding the delegated limits will be made without the prior approval of the SGHSCD.

12.7 BANKRUPTCIES AND LIQUIDATIONS

The Director of Finance will be authorised to take any necessary steps to safeguard the NHS Board’s interest in bankruptcies and company liquidations.
SECTION 13
BANKING ARRANGEMENTS

13.1 GENERAL

The Director of Finance will prepare procedural instructions on the operation of bank accounts. These instructions will set out the accounting procedures and related internal controls to be implemented to ensure that transactions are completely and accurately recorded and assets are safeguarded. The internal controls to be applied include the segregation of duties, authorisation procedures and security controls to prevent unauthorised or incorrect amendment to records.

13.2 BANKING (EXCHEQUER)

13.2.1 The operation of the Board’s banking arrangements will be operated in accordance with the SGHSCD guidance and subsequent updates.

As directed by the SGHSCD, the Government Banking Service (GBS) will be the main banker for the NHS in Scotland (with the exception of Endowment and Patients Private Funds); NHS Highland may also appoint commercial banks to provide services that the GBS is unable to offer.

13.2.2 The NHS Board Chief Executive or the Director of Finance are the only officers permitted to open bank accounts in the name of Highland Health Board. They will advise the bankers in writing of the conditions under which each account will be operated, the limits to be applied to any overdraft and any limitation on single signatory payments. All funds will be held in accounts in the name of Highland Health Board.

13.2.3 The Director of Finance will advise the bankers in writing of any alteration in the conditions of operation of accounts that may be required by resolution of the NHS Board.

13.2.4 The Director of Finance will advise the bankers in writing of the officers authorised by NHS Highland to release money from, draw cheques on, and transfer monies between, Highland Health Board bank accounts, and will notify promptly the cancellation of any such authorisation. The limits on each signatory’s authority will be defined and notified to the bankers, and will accord with the Scheme of Delegation.

13.2.5 One current account and one Citibank account will be used for the receipt of all NHS Highland (health) income and for all NHS Highland payments. An account will be held at The Co-operative Bank for use in collecting Adult Social Care Income from Pay Point locations.

13.3 INVESTMENTS

13.3.1 Temporary cash surpluses must only be held in Board bank accounts held within the Government Banking Service Contract.

13.3.2 Constituent parts of the Scottish Administration must not deliberately invest resources outside the public sector. Where sponsored bodies have powers to invest resources set out in their enabling legislation, they should ensure that appropriate arrangements covering the application of these powers are included in the relevant framework document. These arrangements should exclude investments of a speculative nature.
13.4 NON-EXCHEQUER FUNDS

13.4.1 Patients’ Funds Bank Accounts will be operated under separate banking arrangements agreed by the Director of Finance.

13.4.2 Endowments Funds Bank Accounts will only be opened by the Director of Finance, on behalf of the NHS Board who act as the Trustees. These Bank accounts will be operated under separate banking arrangements as agreed by the Director of Finance.
SECTION 14
SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

14.1 Whilst each employee has a responsibility for the security of property of NHS Highland, it will be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to NHS property. Any breach of agreed security practices will be reported in accordance with instructions.

14.2 Proper arrangements must be made by the responsible designated officer for the security of cash and other negotiable items similar to cash (e.g. accountable stationery). There must be proper segregation of duties between officers responsible for the different stages of the transaction cycle.

14.3 The Director of Finance shall prepare procedural instructions on the security, checking and disposal of assets (including cash, cheques and negotiable instruments, and also including donated assets). These shall incorporate references to the general principles set out below:

14.4 All Officers whose duty it is to collect or hold cash shall be provided with a safe or with a lockable cash box which will normally be deposited in a safe. The loss of any key shall be reported immediately to the Director of Finance.

14.5 All accountable stationery must be in a standard form approved by the Director of Finance and must not be amended without their approval. These items include receipt books, tickets, agreement forms, or other means of officially acknowledging or recording amounts received or receivable. The ordering and keeping of such stationery shall be limited to the authorised users and to a controlled volume consistent with requirements and subject to the same precautions as are applied to cash, in accordance with the direction of the Director of Finance.

14.6 Two Officers shall be present at the opening of incoming post. All cash, cheques, postal orders and other forms of payment received by an Officer other than a cashier shall be entered immediately in an approved form of register.

14.7 The opening of coin operated machines (including telephones) and the counting and recording of the takings shall be undertaken by two Officers together, and the coin box keys shall be held by a nominated Officer.

14.8 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Director of Finance.

14.9 For all payments by Debit or Credit card through the Streamline System the automated reconciliation print must be extracted from the system and, with a corresponding income analysis sheet, forwarded to the Head Cashier in the Finance Department at the end of each working day.

14.10 Official monies will under no circumstances be used for the encashment of private cheques.

14.11 NHS Highland will not accept responsibility for unofficial funds. If, in exceptional circumstances, such funds require to be deposited in an NHS Highland safe, it will be made clear to the person responsible for the funds that NHS Highland is not to be held liable for any loss and written indemnity must be obtained from the organisation or individual
absolving NHS Highland from the responsibility for any loss. The deposit should be notified to the Director of Finance and held in identifiable sealed envelopes or locked containers.

14.12 Any loss or shortfall of cash, cheques, or other negotiable instruments, for whatever reason, will be reported immediately in accordance with the agreed procedure for reporting losses. (Reference Losses Section 12).

14.13 Security of assets other than cash is covered in Section 15 – Asset Management.
SECTION 15

ASSET MANAGEMENT

15.1 INTRODUCTION
The purpose of this Standing Financial Instruction is to ensure adequate control exists for the management of assets by NHS Highland and to protect the security of NHS Highland Assets. Asset Managers will be responsible to the NHS Board Chief Executive through their respective heads of Departments, and the Director of Finance will be responsible for ensuring that these binding instructions and SGHSCD regulations are adhered to.

15.2 Capital expenditure comprises expenditure, in excess of £5,000 (including VAT where this is not recoverable) on the following:

- acquisition of land and premises, lump sum payment for related rights (including capitalised rents), payments made under the relevant acts and associated fees;

- individual works schemes (i.e. buildings, external works, elements of building including engineering services and plant) for the initial provision, improvement, adaptation (including upgrading), renewal or replacement;

- pay and related expenses of personnel who are directly engaged on expenditure attributed to the acquisition of specific capital assets or capital schemes e.g. project managers but not including staff employed to administer the capital expenditure programme of NHS Highland. These latter costs should be charged to revenue; and

- individual items of equipment or groups of items as defined for the purposes of the capital charging system. The term equipment covers all categories e.g. medical, dental, computer, printing or other equipment (technical and non-technical) not associated with works schemes described above. This also includes all vehicles. Assets with a value of lower than £5,000 may be capitalised if they form part of a group, with a group value in excess of £20,000.

15.3 The Asset Management Group will ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal on business plans. They are responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost. They will ensure that the capital investment is not undertaken without confirmation of purchaser support and the availability of resources to finance all revenue consequences, including capital charges.

15.4 For every major capital expenditure proposal the Asset Management Group will ensure that:

- a business case is produced setting out an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs and also setting out appropriate project management and control arrangements;

- the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case.

15.5 The Director of Finance will issue procedures for regular reporting of expenditure and commitment against authorised expenditure.
15.6 The approval of a capital programme will not constitute approval for expenditure on any scheme. The relevant project directors will be formally notified of the approval of the scheme and thereafter the project directors must ensure that the schemes progress in accordance with the procedures and authorisation limits detailed in the Standing Financial Instructions and the Scheme of Delegation.

15.7 The Scheme of Delegation for capital investment management will be in accordance with the Standing Orders and SGHSCD guidance.

15.8 The Director of Finance will issue procedures governing the financial management, including variations to contract and stage payments, of capital investment projects and valuation for accounting purposes.

15.9 When NHS Highland proposes to use finance which is to be provided other than through the SGHSCD for example lease arrangements with the commercial sector or through the HUB Initiative and Scottish Futures Trust, the Director of Finance will satisfy himself and NHS Highland that the use of alternative finance represents value for money and an appropriate level of risk transfer. Where the sum involved exceeds the limits of approval delegated to NHS Highland, a business case must be prepared by the Director of Finance and approved by the Highland NHS Board for referral to the SGHSCD.

15.10 A capital asset is a tangible asset as defined in the Capital Accounting Manual as issued by SGHSCD. It must be capable of being used in NHS Highland’s activities for a period exceeding one year. Expenditure on replacing items not counted as capital assets must be regarded as a revenue cost in the year in which the expenditure is incurred. All capital assets rank as assets for capital charging purposes.

15.11 Donated assets are non-Exchequer funded assets acquired after the establishment of the NHS in 1948 for which no consideration has been given. Some assets are jointly funded by donation and NHS funding. Sources of funding will be properly recorded in the asset register in such a way that the capital charge is correctly calculated.

15.12 The effectiveness of the capital charging scheme relies on the successful compilation and maintenance of asset registers. NHS Highland is required to maintain an asset register, which records all assets costing more than £5,000 each. The Chief Executive, or nominated representative, is responsible for the maintenance of a register of assets, taking account of the advice of the Director of Finance on the form, the method of updating, and the arrangement of an annual physical check of assets against the asset register. Depreciation is levied on the current value of all assets, or parts of assets, which are owned by NHS Highland, including those assets which were acquired by gift. The asset register will clearly identify those assets for which depreciation is chargeable.

15.13 The data to be held within the asset register will be specified in the Capital Accounting Manual issued by the SGHSCD to ensure the proper management of NHS Highland’s capital assets. Assets that meet the criteria for capital charging, but are excluded because they are fully depreciated or donated, must still be recorded in the asset register. When items are purchased that meet the definition of a capital asset, a Capital Asset Addition Form should be prepared as a notification of this purchase. An Asset Transfer Form must be completed when an asset is moved from one location to another. The onus is on the receiving Asset Manager to notify the Director of Finance that responsibility for the asset has moved into their control.
15.14 All assets in the asset register will be identified as being under the responsibility of a named Asset Manager. Asset Managers are designated with certain responsibilities for assets within their operational control. They will have the following duties:

- to ensure the security of assets;
- to duly notify the appropriate officer of maintenance or repairs required; and
- to ensure the completion of forms notifying the Capital Accountant of amendments to be made to the asset register arising from the purchase, sale or transfer of the assets under their control.

15.15 Additions to the capital asset register must be clearly allocated to an appropriate asset manager and be validated by reference to:

- properly authorised and approved agreements, architects certificates, suppliers invoices and other documentary evidence in respect of purchases from third parties; and
- stores requisitions and wages records for own materials and labour.

15.16 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.

15.17 Disposals of premises and land are authorised by the Board subject to current SGHSCD guidelines.

15.18 The Director of Finance will approve procedures for reconciling balances on capital asset accounts in ledgers against balances on capital asset registers.

15.19 The SGHSCD will issue indices each year to determine the values of assets at 31 March of that year. The independent valuer, appointed by the Board, will value all land on an annual basis. The valuer will also value at least 20% of NHS Highland’s buildings on a rolling basis to ensure that, as a minimum, 100% of the estate is covered over a five-year period. Indices will be used to revalue the remaining buildings on an annual basis. The Director of Finance will ensure that where necessary such valuations are subject to challenge. The asset register will be adjusted to reflect the revised values based on either indexation or revaluation.

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

15.21 Overall control of capital assets is the responsibility of the Chief Executive. The asset control procedure will make provision for:

- recording managerial responsibility for each asset;
- identification of additions and disposals;
- identification of all repairs and maintenance expenses;
- physical security of assets;
- periodic verification of the existence of, condition of, and title to assets recorded; and
- identification and reporting of all costs associated with the retention of an asset.
15.22 All discrepancies revealed by the verification of physical assets to the capital asset register will be notified to the appropriate departmental head and to the Director of Finance, who may also undertake such other independent checks as the Director of Finance considers necessary. On the closure of any premises, a check will be carried out and a responsible Officer will certify a list of items held pending eventual disposal.

15.23 Registers will also be maintained and receipts obtained for equipment on loan and all contents of furnished lettings.

15.24 Whilst each employee has a responsibility for the security of the property of NHS Highland, it will be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to NHS property. Any breach of agreed security practices will be reported to the Chief Executive.

15.25 Wherever practicable, items of equipment will be marked as NHS Highland property and, where appropriate, cross-referenced to the Capital Asset Register or Equipment Register.

15.26 Any damage to NHS Highland’s premises, vehicles and equipment or any loss of equipment or supplies will be reported by staff in accordance with the procedure for reporting losses. (See also Section 12 – Condemnations, Losses and Special Payments)

15.27 Disposal of scrap and items surplus to requirements will be dealt with in accordance with the losses and special payments procedures.

15.28 The retention of benefit from asset disposals is subject to agreement with the SGHSCD on a case by case basis. Receipts from NHS Highland’s asset disposals will form part of its net cash requirement. The Profit or loss on disposal of assets is part of net expenditure charged to the Revenue Resource Limit; NHS Highland is required to notify the SGHSCD of planned property disposals in its three-year estimate of property transactions including the forecast impact of property transactions on the Revenue Resource Limit.

15.29 The Chief Executive will be responsible for ensuring that appropriate policies and procedures for site security and property therein are developed and implemented in accordance with risk management and statutory responsibilities.
SECTION 16

STORES

16.1 INTRODUCTION

These SFIs apply only to stores within the control and ownership of NHS Highland, e.g. pharmacy, catering and supplies and equipment held at ward and departmental level.

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

- kept to a minimum compatible with safe operation of services;
- subjected to annual stocktake;
- valued at the lower of current cost and net realisable value.

16.1.2 Subject to the responsibility of the Director of Finance for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the NHS Board Chief Executive. The day-to-day responsibility may be delegated by them to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of Pharmaceutical inventories shall be the responsibility of a designated Pharmaceutical Officer, with the control of fuel oil delegated to a designated Estates Officer.

16.1.3 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated Manager. Wherever practicable, inventories should be marked as health service property.

16.1.4 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses. This will include computerised systems.

16.1.5 Registers will also be maintained and receipts obtained for:

- Controlled drugs (subject to conditions and procedures prescribed by the Controlled Drugs Accountable Officer and agreed by the Director of Finance).

16.2 GOODS RECEIVED

All goods received will be checked as regards quantity and/or weight and inspected as to quality and specification. A delivery note will be obtained from the supplier at the time of delivery and will be signed after due examination of the goods by the person receiving them. Instructions will be issued to staff covering the procedure to be adopted in those cases where a delivery note is not available. Particulars of all goods received will be entered on a goods received record on the day of receipt, and if goods received are unsatisfactory, the goods received record will be marked accordingly. Further, where goods received are seen to be unsatisfactory or short on delivery, they will only be accepted on the authority of the designated officer and the supplier will be notified immediately.
16.3 ISSUES

16.3.1 For goods supplied via stores facilities, the NHS Board Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipts against the delivery note to ensure that the goods have been received. A copy of the signed delivery note shall be retained with the order.

16.3.2 The issues of stores will be supported by an authorised requisition note. Except where other arrangements approved by the Director of Finance have been made, a receipt for the stores issued will be returned to the designated officers who should be independent of the storekeeping staff. Where a “topping up” system is used, a record will be maintained as approved by the Director of Finance. Regular comparisons will be made of the quantities issued to wards/departments, etc and explanations recorded of significant variations.

16.3.3 All transfers and returns will be recorded on forms provided for the purpose and approved by the Director of Finance.

16.4 CONTROL OF INVENTORIES

General

16.4.1 Stocktaking arrangements will be agreed with the Director of Finance and there will be a physical check covering all items in store at least once a year. The physical check will involve at least one officer other than the storekeeper, and the Director of Finance, or nominated representative, will have the right to attend. The stocktaking records will be numerically controlled and signed by the officers undertaking the check. Any surpluses or deficiencies revealed on stocktaking will be reported immediately to the Director of Finance, who may investigate as necessary.

16.4.2 Where a complete system of inventory control is not justified, alternative arrangements shall require the approval of the Director of Finance.

Losses

16.4.3 This section should be read in conjunction Section 12 - “Condemnations, Losses and Special Payments”.

16.4.4 The designated officer will be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal and replacement of all unserviceable articles. The designated officer will report to the Director of Finance, any evidence of significant overstocking and of any negligence or malpractice.

16.4.5 Breakages and other losses of goods in stores will be recorded as they occur and a summary will be presented to the Director of Finance at regular intervals. Tolerance limits will be established for all stores subject to unavoidable loss, e.g. shrinkage and natural deterioration of certain goods. Known losses of inventory items not on stores control will also be reported to the Director of Finance.

16.5 INVENTORY VALUATION

16.5.1 Inventories will be valued at the lower of current cost and net realisable value on an item by item basis. For this purpose cost will be ascertained on either the basis of being used on the basis of average purchase price. The cost of stock, with the exception of finished inventory arising from manufacturing, will be the purchase price without any overheads. For
“manufacturing” finished inventory, direct overheads should be included. The cost basis used must be clearly stated in any returns and accounts.

16.5.2 Inventories which have deteriorated, or are not usable for any other reason for their intended purposes, or may become obsolete, will be written down to their net realisable value. The write down will be approved by the Director of Finance and recorded.
SECTION 17

RISK MANAGEMENT

17.1 GENERAL

17.1.1 The Director of Finance is responsible for ensuring that NHS Highland has appropriate insurance cover in accordance with its risk management policy and SGHSCD guidelines.

17.1.2 The NHS Board will implement a Risk Management Policy in accordance with SGHSCD guidance. Risks which are considered insurable, and for which risk levels must first be minimised include:

- Business interruption (non-NHS);
- Vehicle insurance.

Decisions concerning insurance will take into account value for money.

17.1.3 All other risks will fall directly on NHS resources as they have done in the past of which the most substantial element will be property losses.

NHS Highland takes part in CNORIS (the Clinical Negligence and Other Risks Indemnity Scheme), a not for profit, mutual Scheme providing a pool of funds to meet financial claims on the NHSS, which provides cover for both clinical and non-clinical claims against NHS Highland.

NHS Highland retains the services of legal advisors, primarily the Central Legal Office who liaise with the Clinical Governance Team regarding claims and inform NHS Highland about the best course of action to take in ease case.

17.2 RESPONSIBILITY

Internal Reporting

17.2.1 The Director of Finance will ensure that detailed procedural instructions are adhered to for reporting the loss of or damage to assets used by NHS Highland or the injury of NHS Highland employees and members of the public whilst on NHS Board premises.

17.2.2 Each employee has a duty to report any incident or occurrence, either verbally or in writing, directly to the designated officer of NHS Highland. It is the responsibility of designated officers to ensure that existing staff and all new employees are notified of their duties within these instructions, particularly with regard to the completion of report forms.

External Reporting

17.2.3 Where commercial insurance is taken out, the Director of Finance is entrusted to report any incidents or occurrences to the insurance brokers appointed by the NHS Board.
17.3 INSURANCE CLAIMS REGISTER

17.3.1 The Director of Finance is responsible for maintaining a register which records all incidents which may result in an insurance claim.

17.3.2 The register is to be used to provide information which will be of assistance to the NHS Board and the Insurance Brokers. The Director of Finance must ensure that there are internal controls in place to ensure that the register is kept up to date.
SECTION 18
FHS CONTRACTORS

18.1 GENERAL

18.1.1 In line with Scottish Government arrangements, the Practitioner Services Division (PSD) of the National Services Scotland (NSS) is the payment agency for all Family Health Service (FHS) contractor payments:

- General Practitioners
- Dentists
- Community Pharmacists
- Optometrists

18.1.2 The Director of Finance shall conclude a Partnership Agreement with the PSD covering validation, payment, monitoring, reporting and the provision of an audit service by the NSS service auditors. The agreement will be signed off by the Chief Executive of NHS Highland.

18.1.3 The Associate Medical Director (Primary Care) will approve additions to, and deletions from, approved lists of contractors, taking into account the health needs of the local population, and the access to existing service.

18.1.4 The Associate Medical Director (Primary Care) will

- ensure that lists of all contractors are maintained and kept up to date: and
- ensure that systems are in place to deal with applications, resignations, inspection of premises, etc., within the appropriate contractors’ terms and conditions of service.

18.1.5 The Director of Finance shall ensure that NSS systems are in place to provide assurance that:

- only contractors who are included on the Board’s approved list receive payments;
- all valid contractors’ claims are paid correctly, and are supported by the appropriate documentation and authorisation;
- all payments to third parties are notified to the FHS Contractors on whose behalf payments are made;
- ensure that regular independent post payment verification of claims is undertaken to confirm that:
  - rules have been correctly and consistently applied;
  - overpayments are prevented wherever possible; if, however, overpayments are detected, recovery measures are initiated;
financial crime is detected and instances of actual and potential financial crime are followed up.

- Exceptionally high/low payments are brought to their attention;
- Payments made via the NSS are reported to NHS Highland;
- Payments made on behalf of the Board by NSS are pre-authorised;
- Payments made by the NSS are reconciled with the cash draw-down reported by the SG to Health Boards.

18.1.6 The Director of Finance shall prepare Standing Financial Procedures to cover all payments made by the NSS, both payments made directly and payments made on behalf of the Board.

18.1.7 Payments made to all FHS Contractors shall comply with their appropriate contractor regulations.
SECTION 19

FINANCIAL AUDIT

19.1 AUDIT COMMITTEE

19.1.1 In accordance with Standing Orders and the Scheme of Delegation, the NHS Board shall establish an Audit Committee which will provide an independent and objective view of internal control by:

- overseeing Internal and External Audit services;
- reviewing financial systems;
- ensuring compliance with Standing Orders, Standing Financial Instructions, statute, guidance and codes of conduct;
- reviewing schedules of losses and compensations and making recommendations to the NHS Board.

19.1.2 Where the Audit Committee believes there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Board. Exceptionally, the matter may need to be referred to the SGHSCD.

19.1.3 It is the responsibility of the Director of Finance to ensure an adequate internal audit service is provided and the Audit Committee shall be involved in the selection process when an internal audit service provider is re-tendered.

19.2 DIRECTOR OF FINANCE

19.2.1 The Director of Finance is responsible for:

- ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control by the establishment of an internal audit function or that such a service is provided;
- ensuring that the internal audit is adequate and meets the NHS mandatory audit standards;
- deciding at what stage to involve the police in cases of financial crime, misappropriation, and other irregularities, subject to guidance and directions issued by the SGHSCD;
- ensuring that an annual audit report of Internal Audit activities is prepared for the consideration of the Audit Committee and the Board. The report must cover:
  - progress against plan over the previous year;
  - major internal financial control weaknesses discovered;
  - progress on the implementation of internal audit recommendations;
  - strategic audit plan covering the coming three years;
  - a detailed plan for the coming year.
19.2.2 The Director of Finance or designated auditors (internal and external) are entitled without necessarily giving prior notice to require and receive:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- access at all reasonable times to any land, premises or employee of NHS Highland;
- the production of any cash, stores or other property of NHS Highland under an employee’s control; and
- explanations concerning any matter under investigation.

19.3 ROLE OF INTERNAL AUDIT

19.3.1 Internal Audit will review, appraise and report upon:

- the adequacy and application of financial and other related management controls;
- the extent of compliance with, relevance and financial effect of relevant established policies, plans and procedures;
- the extent to which NHS Highland assets and interests are accounted for and safeguarded from losses of all kinds arising from:
  - financial crime and other offences (where malpractice is suspected, the Director of Finance will be notified immediately);
  - waste, extravagance and inefficient administration; and
- poor value for money or other cause;
- the efficient use of resources;
- the suitability and reliability of financial and other related management data developed within NHS Highland;
- the adequacy of follow-up action reports.

19.3.2 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately. The Chief Internal Auditor as instructed by the Director of Finance shall investigate cases of financial crime misappropriation or other irregularities in consultation with Counter Fraud Services and or the police where appropriate.

19.3.3 The Chief Internal Auditor will normally attend Audit Committee Meetings and has a right of access to all Audit Committee Members, the Chairman and NHS Board and Chief Operating Officer.
19.3.4 The Chief Internal Auditor shall report direct to the Director of Finance who shall refer Audit reports to the appropriate Officers designated by the NHS Board Chief Executive. Failure to take any necessary remedial action within a reasonable period shall be reported to the Audit Committee. Where, in exceptional circumstances, the use of normal reporting channels could be seen as a possible limitation to the objectivity of the Audit, the Chief Internal Auditor shall seek the advice of the Audit Committee Chairman, or the NHS Board Chair.

19.3.5 The appointed Internal Auditor in consultation with the Director of Finance will prepare and submit a Strategic Audit Plan to the NHS Board Audit Committee and will submit an annual report of the Internal Audit function to them indicating the extent of audit cover achieved and providing a summary of audit activity during the year.

19.4 IRREGULARITIES

General

19.4.1 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of NHS Highland or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance will be notified immediately and will undertake a thorough investigation of all the circumstances.

Financial crime

19.4.2 After notification of an alleged financial crime, consultation will take place between the Fraud Liaison Officer and appropriate officers from the Board, acting on behalf of the Accountable Officer, and Counter Fraud Services to determine who should undertake the investigation. Any investigation should comply with the process as detailed in the Fraud Policy of the Board, Partnership Agreement with Counter Fraud Services and guidelines set down by the SGHSCD.

19.5 EXTERNAL AUDIT

NHS Highland accounts are audited by auditors appointed by the Scottish Ministers through Audit Scotland. Audit Scotland is responsible for auditing the accounts of NHS Highland and laying them before the Scottish Parliament. Audit Scotland has the right of access to all papers and other records relating to NHS Highland’s financial, accounting and auditing matters. In addition, the statutory auditors and Audit Scotland may conduct Best Value Audits in NHS Highland.
SECTION 20
ENDOWMENT FUNDS

20.1 GENERAL

20.1.1 The principles contained in other sections of this document also apply to endowment funds.

20.1.2 All gifts will be accepted and held in the name of NHS Highland and administered in accordance with NHS Highland policy, subject to the terms of specific endowments. As NHS Highland can accept gifts only for purposes relating to health services or research, officers will, in cases of doubt, consult the Director of Finance before accepting any gift.

20.1.3 Any offer of a gift which may result in on-going costs such as staffing, supplies or maintenance must be referred to the Director of Finance who will decide whether it can be accepted.

20.1.4 All gifts, donations and proceeds of fund raising activities which are intended for NHS Highland’s use will be handed to the Director of Finance, or a nominated officer, to be banked directly to the Endowment Fund.

20.1.5 The Director of Finance will maintain such accounts and documents as may be necessary to record and protect all transactions and funds of the NHS Board as Trustees of non-exchequer funds, including an investments register.

20.1.6 All Members of the Board, appointed by Scottish Ministers, are ex officis, Trustees of Highland NHS Board Endowment Fund. The Director of Finance will act as custodian of NHS Highland Endowment Funds and is responsible for all endowment matters including the discharge of all normal bequests.

20.1.7 The Endowment Committee of the NHS Board deals with matters relating to the investment and expenditure of Endowment Funds, in accordance with Board policy, statutory requirements, and the NHS Board Scheme of Delegation.

20.1.8 Expenditure of any Endowment Funds will be made subject to:

- the principle of segregation of duties being applied where appropriate;

- the item being within the terms of the original gift; i.e. for the purpose(s) indicated by the donor at the time of making the gift and only with the; or

- approval by the NHS Highland Board Members following recommendation of NHS Highland Board Endowments Committee, or as delegated in the Schedule of Delegation.

20.1.9 The Director of Finance shall be kept informed of all enquiries regarding legacies and shall keep an appropriate record. Where it becomes necessary for NHS Highland to obtain Confirmation of Estate, in order to obtain a legacy due to NHS Highland under the terms of a will, the Director of Finance shall be the NHS Highland nominee for the purpose.
20.2 CUSTODY OF DEEDS, ETC

All share and stock certificates and property deeds will be deposited either with NHS Highland’s bankers, investment brokers or solicitors or temporarily in a safe, or a compartment within a safe, to which only designated responsible officers will have access.

20.3 SOURCES OF NEW FUNDS

20.3.1 In respect of Donations, the Director of Finance shall:

- provide guidelines to officers as to how to proceed when offered funds. These to include:
  - the identification of the donors intentions
  - where possible, the avoidance of new Trusts;
  - the avoidance of impossible, undesirable or administratively difficult objects;
  - sources of immediate further advice; and
  - treatment of offers for personal gifts; and
- provide secure and appropriate receipting arrangements which will indicate that funds have been accepted directly into the endowment funds and that the donor’s intentions have been noted and accepted.

20.3.2 In respect of Legacies and Bequests, the Director of Finance shall:

- provide guidelines to Officers covering any approach regarding:
  - the wording of wills;
  - the receipt of funds/other assets from executors;
- where necessary, obtain a grant of probate, or make an application for grant of letters of administration where the Board is the beneficiary;
- be empowered to negotiate arrangements regarding the administration of a will with executors and to discharge them from their duty; and
- be directly responsible, in conjunction with the Legal Adviser, for the appropriate treatment of all legacies and bequests.

20.3.3 In respect of Fund Raising, the Director of Finance shall:

- after consultation with the Legal Adviser, where appropriate, deal with all arrangements for fund raising by and/or on behalf of endowments and ensure compliance with all statutes and regulations;
- be empowered to liaise with other organisations/persons raising funds for Endowments and provide them with an adequate discharge. The Director of Finance shall be the
only Officer empowered to give approval for such fund-raising subject to the over-riding direction of the Endowment Committee.

- be responsible, in conjunction with the Legal Adviser, for alerting the Endowments Committee to any irregularities regarding the use of the NHS Highland name or its registration numbers; and

- be responsible, after due consultation with the Legal Adviser, for the appropriate treatment of all funds received from this source.

20.3.4 In respect of **Trading Income**, the Director of Finance shall:

- be primarily responsible, along with the Legal Adviser and other designated Officers, for any trading undertaken by endowments as corporate Trustee; and

- be primarily responsible, along with the Legal Adviser, for the appropriate treatment of all funds received from this source.

20.3.5 In respect of **Investment Income**, the Director of Finance shall be responsible for the appropriate treatment of all dividends, interest and other receipts from this source.

### 20.4 INVESTMENT MANAGEMENT

20.4.1 The Director of Finance shall be responsible for all aspects of the management of the investment of funds held by NHS Highland. The issues on which they shall be required to provide advice to the Endowments Committee shall include:

- In conjunction with the Legal Adviser, the formulation of investment policy and within governing instruments to meet its requirements with regard to income generation and the enhancement of capital value;

- the appointment of advisers, brokers and where appropriate Fund Managers and:

- the Director of Finance shall agree the terms of such appointments; and for which

- written agreements shall be signed by the NHS Board Chief Executive;

- pooling of investment resources and the preparation of a submission to the Scottish Charities Office for them to make a scheme;

- participation in common investment funds and the agreement of terms of entry and withdrawal from such funds;

- that the use of NHS Highland assets shall be appropriately authorised in writing and charges raised within policy guidelines;

- the review of the performance of brokers and fund managers;

- the reporting of investment performance.
20.5 ENDOWMENT EXPENDITURE

20.5.1 The exercise of expending endowment monies shall be managed by the Endowments Committee. In so doing they shall be aware of the following:

- the objects of various funds and the designated objectives;
- the availability of liquid funds;
- the powers of delegation available to commit resources;
- the avoidance of the use of exchequer funds to discharge NHS Highland fund liabilities (except where administratively unavoidable), and to ensure that any indebtedness to the Exchequer shall be discharged by NHS Highland funds at the earliest possible time;
- that funds are to be spent rather than preserved, subject to the wishes of the donor and the needs of the endowments Trustees;
- the definitions of ‘charitable purposes’ as agreed by the SGHSCD with the Office of the Scottish Charities Regulator.

20.6 BANKING SERVICES

The Director of Finance shall advise the Endowment Committee and, with its approval, shall ensure that appropriate banking services are available as corporate Trustee. These bank accounts should permit the separate identification of liquid funds where this is deemed necessary by the the Office of the Scottish Charities Regulator.

20.7 ASSET MANAGEMENT

Assets in the ownership of or used by endowments as corporate Trustee, shall be maintained along with the general estate or inventory of assets of NHS Highland. The Director of Finance shall ensure:

20.7.1 In conjunction with the Legal Advisor, that appropriate record of all assets purchased through endowments are maintained, and that all assets, at agreed valuations, are brought to account;

20.7.2 That appropriate measures are taken to protect and/or replace assets. These to include decisions regarding insurance, inventory control, and the reporting of losses;

20.7.3 That donated assets received on Trust rather than into the ownership of the Scottish Ministers shall be accounted for appropriately;

20.7.4 That all assets acquired from funds held on Trust which are intended to be retained within NHS Highland funds are appropriately accounted for, and that all other assets so acquired are brought to account in the name of the Scottish Ministers.
20.8 REPORTING

20.8.1 The Director of Finance shall ensure that regular reports are made to the Endowment Committee with regard to, inter alia, the receipt of funds, investments, and the disposition of resources.

20.8.2 The Director of Finance shall prepare annual accounts in the required manner which shall be submitted to the Endowment Committee within agreed timescales;

20.8.3 The Director of Finance, in conjunction with the Legal Adviser, shall prepare an annual Trustees' report (separate reports for charitable and non-charitable Organisations) and the required returns to the SGHSCD and to the Office of the Scottish Charities Regulator for adoption by the Endowment Committee.

20.9 ACCOUNTING AND AUDIT

20.9.1 The Director of Finance shall arrange for the appointment of external auditors of non exchequer funds. It is permissible that these be the Board’s own external auditors. External Auditors may be asked to prepare the Annual Accounts in addition to the audit.

20.9.2 The Director of Finance shall maintain all financial records to enable the production of reports as above and to the satisfaction of internal and external audit.

20.9.3 The Director of Finance shall ensure that the record, accounts and returns receive adequate scrutiny by internal audit during the year. The Director of Finance will liaise with external audit and provide them with necessary information.

20.9.4 The Endowment Committee shall be advised by the Director of Finance on the outcome of the annual audit.

20.10 ADMINISTRATION COSTS

The Director of Finance shall identify all costs directly incurred in the administration of funds held by NHS Highland and, in agreement with the Endowment Committee, shall charge such costs to the appropriate charitable funds held.

20.11 TAXATION AND EXCISE DUTY

The Director of Finance shall ensure that Endowments liability to taxation and excise duty is managed appropriately, taking full advantage of available concessions, through the maintenance of appropriate records, the preparation and submission of the required returns and the recovery of deductions at source.
SECTION 21
PATIENTS AND CLIENTS PROPERTY AND FUNDS

21.1 GENERAL

21.1.1 NHS Highland has a responsibility to provide safe custody for money and other personal property (hereafter referred to as “property”) in respect of the following:

- property handed in for safe custody by any patient/client (or guardian as appropriate); and
- property taken into safe custody having been found in the possession of mentally disordered patients, confused and/or disorientated patients, unconscious patients dying in hospital, patients found dead on arrival at hospital, or patients severely incapacitated for any other reason.

21.1.2 Such property shall be provided for as detailed in Standing Financial Procedures. A record shall be completed in respect of all persons detailed above; including a nil return if no property is taken into custody.

21.1.3 Additional provisions apply where either:

- the patient is detained in hospital under the Mental Health (Care and Treatment) (Scotland) Act 2003 or the Criminal Procedure (Scotland) Act 1995
- adult patients/clients who lack capacity to manage their financial affairs whilst their main residence is a care home or hospital.

21.1.4 In these cases the aggregate value of money and valuables held on behalf of a person must not exceed a specified amount directed by the Adults with Incapacity (Scotland) Act 2000 – Management of Residents Finances under Part 4.

21.1.5 These conditions are primarily directed at patients in mental illness hospitals, but can also apply to mentally ill patients in long stay wards or care homes, as designated under the Mental Health Act “Adults with Incapacity (Scotland) Act 2000”.

21.2 RESPONSIBILITY FOR PATIENTS/CLIENTS PROPERTY

21.2.1 The Director of Finance will provide detailed written instruction on the collection, custody, recording, safekeeping and disposal of patients'/clients' property (including instructions for the disposal of the property of deceased patients/clients and patients/clients transferred to other premises) for all staff whose duty it is to administer, in any way, the property of patients. Staff shall be informed, on appointment, by the appropriate departmental or senior officers, of their responsibilities and duties for the administration of the property of patients/clients.

21.2.2 The Director of Finance shall be responsible for informing patients/clients or their guardians, as appropriate, before or at admission that NHS Highland will not accept responsibility or liability for patients/clients monies and personal property brought into Health Service premises, unless it is handed in for safe custody and a copy of an official patients property record is obtained as a receipt.
21.2.3 A patient’s/client’s property record, in a form determined by the Director of Finance, shall be completed for all personal property received from patients/clients as described in section 21.1.1. For persons in section 21.1 a nil return will be completed if no property is taken into custody.

21.2.4 The record shall be completed by a member of staff in the presence of a second member of staff and in the presence of the patient or personal representative where practicable. It shall then be signed by both members of staff and by the patient/client, except where the latter is restricted by physical or mental incapacity. Any alterations shall be validated by two signatures as required for the original entry on the record.

21.2.5 Property handed over for safe custody shall be placed in the care of the Administrator or the most senior member of the nursing staff at the unit as appointed by the Director of Finance.

21.2.6 Except as provided in section 21.2.7, refund of cash handed in for safe custody will be dealt with in accordance with written instructions issued by the Director of Finance. Property other than cash which has been handed in for safe custody will be returned to the patient/client as required, by the Officer who has been responsible for its security. The return shall be receipted by the patient/client or guardian as appropriate and witnessed.

21.2.7 The disposal of property of deceased patient/client will be effected by the officer who has been responsible for its security. Such a disposal shall be in accordance with the written instruction issued by the Director of Finance. In particular where cash or valuables have been deposited for safe custody prior to death, they shall only be released after written authority has been given by the Director of Finance and an official receipt has been signed by the recipients. Such authority shall include details of the lawful kin or other person entitled to the cash and valuables in question.

21.2.8 Confirmation of the Estate in favour of an executor or administrator must be exhibited before any funds are released where either:

- the estate of a deceased patient/client is of a value of more than the limit prescribed by the SGHSCD or
- there is doubt as to the validity of claims being lodged for the residue of the estate

21.2.9 Forms of indemnity relieving NHS Highland of any claim by third parties will be obtained, where the total value of the property falls below a prescribed minimum set by SGHSCD.

21.2.10 Where a patient/client dies intestate and with no known next of kin, preferential claims on the estate may be disbursed. A report will be prepared to The Queen’s and Lord Treasurer’s Remembrancer detailing all cash and property held on behalf of the deceased at date of death and specifying payments made out thereafter. The Queen’s and Lord Treasurer’s Remembrancer will be informed of any information which might assist them in tracing next of kin.

21.2.11 Any funeral expenses necessarily borne by NHS Highland are a first charge on a deceased person’s estate. Where arrangements for burial or cremation are not made privately any cash of the estate held by the Board may be appropriated towards the funeral expenses, upon the authorisation of the Director of Finance. No other expenses or debts will be discharged out of the estate of a deceased patient/client.
21.3 PATIENTS’/CLIENTS’ FUNDS

21.3.1 The Director of Finance shall make proper arrangements, detailed in Standing Financial Procedures, to ensure that Patients/Clients Funds are controlled and administered in an efficient and effective manner and in accordance with SGHSCD instructions, and any other statutory duties.

21.3.2 Where SGHSCD instructions require the opening of separate bank accounts for patients’ monies, these will be opened and operated under arrangements agreed by the Director of Finance.

21.3.3 Patients’ Social Security payments and benefits are affected by periods of treatment in hospital. Such payments and receipts will be dealt with in accordance with current instructions from the SGHSCD and subsequent amendments. An officer appointed by the Director of Finance will inform the Department of Work and Pensions immediately on a patient’s admission. For long stay patients/clients, the Chief Operating Officer will ensure that positive action is taken to use their funds effectively.
SECTION 22

FINANCIAL CRIME AND IRREGULARITIES

22.1 The following procedures should be followed, as a minimum, in cases of suspected theft, financial crime, embezzlement, corruption or other financial irregularities to comply with CEL (2009) 18 and the Bribery Act 2010. A partnership agreement was created between the Board and Counter Fraud Services following the issue of this guidance. This procedure also applies to any non-public funds.

22.2 THE BOARD’S POLICY

22.2.1 The Board is committed to the NHS Scotland policy on countering financial crime and corruption and to the public service values outlined above.

22.2.2 The Board will maintain an honest and open culture and wishes to encourage anyone having suspicions of theft, dishonesty, corruption or financial crime to report them without delay.

22.2.3 It is also the Board’s policy, which will be rigorously enforced, that all members of staff can be confident that they will not suffer in any way as a result of reporting suspicions held in good faith i.e., suspicions other than those that are raised maliciously.

22.3 ROLES AND RESPONSIBILITIES

22.3.1 As Accountable Officer, the Chief Executive has the responsibility for countering financial crime in the broadest terms. To fulfil this responsibility, as well as the Board’s own staff and directors, they have the resources of the Counter Fraud Services (CFS) to call upon. The Chief Executive may delegate the day to day responsibility for the management of individual cases to the Board’s Director of Finance or Fraud Liaison Officer.

22.3.2 The Accountable Officer should also use CFS to assist in the investigation of actual, and alleged, losses involving patients’ funds where evidence exists of systematic financial crime.

22.3.3 The Scottish Government’s Strategy asks Health Board to appoint a senior executive or non-executive director to be a Counter Fraud Champion to help with the process of changing attitudes to financial crime within organisations, where it is felt that further work needs to be done on this challenge.

22.3.4 The partnership agreement places a duty on the Fraud Liaison Officer to notify the CFS of all relevant cases. The Board’s external auditor, the Chair of the Audit Committee to be informed of all cases.

22.3.5 The Fraud Liaison Officer will liaise with CFS on all matters relating to NHS Scotland financial crime and will co-operate with pro-active enquiries. The FLO will have a duty to report/receive, on the Health Board’s behalf, all allegations of financial crime to/from CFS, and, subject to Section 6.1 of the Partnership Agreement, decide in partnership with CFS, whether the allegation will be taken forward for potential criminal prosecution, and/or as a disciplinary or civil case. See CEL 03 (2008) for roles and responsibilities of Counter Fraud Champions and Fraud Liaison Officers.

22.3.6 In cases where the Fraud Liaison Officer and CFS cannot agree a course of action, the Accountable Officer shall make a decision based on the facts presented.
22.3.7 Where CFS is undertaking a case on behalf of the Board no further action shall be taken by the Director of Finance, the Counter Fraud Champion, the Fraud Liaison Officer, the Human Resources Director, or any other Board officer without consultation with CFS. This is necessary to maintain the integrity of the investigation.

22.3.8 Where it is agreed that the Board shall commence an internal enquiry with a view to disciplinary proceedings and/or civil recovery, if at any stage it becomes apparent that an actionable criminal act may have taken place, the investigation must be halted and CFS consulted.

22.3.9 Regardless of whether the investigation is carried out with a view to criminal prosecution or disciplinary/civil recovery, all staff are under a duty to refrain from taking any direct action with regard to the enquiry without first consulting the Director of Finance, the Fraud Liaison Officer or the CFS Officer in Charge.

22.3.10 The Director of Human Resources shall ensure that those involved in the investigation are advised in matters of employment law and in other procedural matters, such as disciplinary and complaints procedures, as required.

22.3.11 The Chief Executive has a duty to ensure that all Board staff and primary care contractors are aware of the implications of financial crime for the NHS and of how they can work with the Board and the CFS to deter, disable, detect and deal with.

22.3.12 The CFS, in conjunction with Boards, must deliver such publicity campaigns, staff induction information and financial crime awareness presentations, as to allow Boards to fulfil their obligation in countering financial crime.

22.3.13 For CFS staff acting on the Director of Finance’s behalf to require and receive access to;

- All records, documents and correspondence relating to relevant transactions
- At all reasonable times to any premises or land of the Board
- The production or identification by any employee of any Board cash, stores or other property under the employee’s control

22.3.14 All staff have a duty to protect the assets of the Board. Assets include information, intellectual property and goodwill as well as cash and physical property.
SECTION 23

JOINT VENTURES

23.1 Prior to entering into a joint venture (JV) the Board will conduct due diligence to identify whether the JV has or will have in place anti-bribery policies and procedures that are consistent with its own.

23.2 Where the Board has overall control of the JV it should ensure that the JV has anti-bribery controls in place that are consistent with the Board’s own policies and procedures.

23.3 Where the Board does not have overall control of the JV it will inform the JV organisations of its policy and procedures and encourage them to adopt these for the venture.

23.4 Where due diligence shows that the JV does not have appropriate anti-bribery policies and procedures in place consistent with its own, the Board should ensure that it is protected from litigation arising from acts of bribery by partner organisations in the wording of any contract or agreement. Central Legal Office advice and guidance should be obtained to ensure that the Board is fully protected.

23.5 The Board should monitor the programmes and performance of its JV partners in respect of anti-bribery. Anti-bribery should be a standing agenda item on JV meetings and reports should be tabled demonstrating adherence to policy and procedures, identification of any acts of bribery or potential bribery and management actions taken and proposed.

23.6 Where the Board determines that the JV policies and practices are inconsistent with its own, the Board will take appropriate action. This may involve insistence by the Board of adoption of appropriate policy and procedures by the JV, putting in place legal protection for the Board, where the partners indemnify the Board against acts of bribery or ultimately withdrawal of the Board from the JV.

23.7 Where the Board is unable to ensure that a JV has anti-bribery policy and procedures consistent with its own, it will ensure that it has a plan to exit from the arrangement if bribery occurs or may be reasonably thought to have occurred. Central Legal Office advice and guidance should be sought to ensure that such arrangements are in place in any legal documentation.
Standing Financial Procedures – Appendix 1

Access to Funds Policy
Appointee Policy
Banking Arrangements
Care and Custody of Patients Property and Valuables
Care and Custody of Residents Property and Valuables
Cashflow
Condemnations, Losses & Special Payments
Control Accounts
Credit Card Use
Endowment Funds
Fraud Policy
General Ledger Reconciliations
Income, Cash & Debt Collecting
Income Generation Schemes
Lost & Found Property
Maintenance of Asset Register
Management Consultants
Operating Corporate Appointeeship
Operation of the Adults with Incapacity – Access to Funds
Out of Area Treatments
Patients Travel
Payment of Accounts
Petty Cash
Security of Cash
Standards of Business Conduct for NHS Staff
Staff Travel
Supplies & Services

Year End Stock Valuation