

B/17/66

NSS Formal Board Meeting – Thursday, 29 June 2017

Annual Review of the Standing Financial Instructions

Purpose

The Board is asked to consider and approve the reviewed and amended Standing Financial Instructions (SFI's).

Recommendation

The SFIs have been considered by the Performance and Finance Committee at their meeting on 31 May 2017, with all changes accepted.

All proposed changes are highlighted by way of tracked changes in the amended version of the SFIs. The main changes accepted by the Performance and Finance Committee were:

- Section 2 – minor amendments to Code of Conduct, giving further clarity on approval of gifts and hospitality forms.
- Section 7 – References to Procurement Action Forms removed throughout with focus on early engagement of NSS procurement department.
- Section 7.09 – Updated to reflect regulation changes in relation to regulated contracts with lifetime value over £50k.
- Section 7.11 – amendment to reflect use of the Public Contracts Scotland web portal to hold the NSS Contract Register for all contracts in excess of £50,000.
- Section 8.08 – updated to reference requirement to provide a “Sole Source Justification” form where EU Directives may not apply as a result of exclusion or specific situation.
- Section 8.10 – reference to paper based tendering removed as all completed electronically.
- Section 8.21 (previously) – removal of reference to accepting tenders other than the most economically advantageous. An award cannot be made on this basis. EU regulations state all tenders MUST be awarded using best price quality ratio.
- Section 9.01 – agency staff process amended to include requirement to complete online “check of employment status for tax” prior to any engagement.
- Section 9.06 – Appointment of Advisors, updated to include requirement to complete and attach a copy of the HMRC online assessment which will determine the employment status for tax purposes of the engagement. This reflects our responsibilities under IR35 Intermediaries Legislation.
- Section 10.06 – Income Generation, determination of charges. Updated to include requirement to submit an SBU Income Strategy including charging principles for authorisation as part of the business planning process.

Timing

The final version of the SFIs is presented to the Board for approval on 29 June 2017.

Background

The SFIs are required to be reviewed on an annual basis.

Engagement

The Director of Finance and senior finance colleagues have been involved in the review of the SFIs. In addition the review of each section has been lead by an appropriate individual, e.g. procurement sections have been reviewed by the NSS Head of Procurement.

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STANDING FINANCIAL INSTRUCTIONS

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Change Record

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22/05/17 05/16	C Low	0.2	Incorporating C. Low review
08/06/17 06/16	C Low J-Ryan	0.30-3	<u>No change from Performance and Finance Committee incorporating update from Performance and Finance Committee on Gifts and Hospitality. Formatting changes only</u>
22/08/16	J-Ryan	FINAL	<u>No change from Board Meeting 24/6/16 Final verification and issue</u>
02/05/17	S McLaughlin		<u>Changes in procurement regs</u>

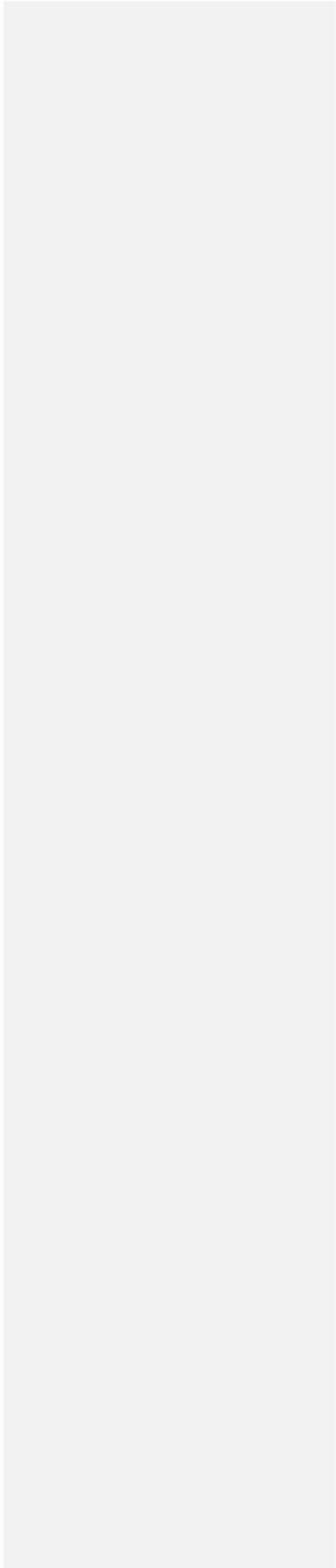
Reviewers

Name	Position
Director of Finance/EMT/P&FC	

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Copy No	Name
0.1	Carolyn Low
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NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 1 - Introduction

General

- 1.01 These Standing Financial Instructions (“SFIs”) replace all previous instructions and are issued for compliance by all officers of the Common Services Agency, more commonly known as NHS National Services Scotland (and referred to as NHS National Services Scotland or NSS throughout these Standing Financial Instructions) from 24 June 2016.
- 1.02 These SFIs and supporting policies and procedures detail the financial responsibilities adopted by NHS National Services Scotland. They are designed to ensure that NHS National Services Scotland's financial and related activities are carried out in accordance with the law and Scottish Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Standing Orders and in particular the Schedule of Decisions Reserved to the Board and the Scheme of Delegation therein.
- 1.03 These SFIs identify the financial responsibilities that apply to everyone working for NHS National Services Scotland and its constituent organisations, including Trading Units. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. The Director of Finance must approve all financial procedures and any consequent amendments.
- 1.04 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Director of Finance **MUST BE SOUGHT BEFORE ACTING**. The user of these SFIs should also be familiar with, and comply with, the provisions of NSS's Standing Orders.
- 1.05 **FAILURE TO COMPLY WITH STANDING FINANCIAL INSTRUCTIONS AND STANDING ORDERS MAY RESULT IN DISCIPLINARY ACTION BEING TAKEN.**
- 1.06 Any breach or non-compliance with these SFIs must, on discovery, be reported immediately to the Director of Finance who will discuss the matter with the Chief Executive and/or Director of Strategic Business Unit in order to determine the proper action to be taken. The views of internal audit and/or Counter Fraud Services may also be taken depending on circumstances. All breaches will be reported to the Performance and Finance Committee.

Terminology

- 1.07 The following terminology applies throughout these Standing Financial Instructions:
- (a) “Accountable Officer” means the Scottish NHS Officer responsible and accountable for funds entrusted to NSS. The Accountable Officer will be responsible for ensuring the proper stewardship of public funds and assets. For NHS National Services Scotland it will be the Chief Executive;
- (b) “Board” means the Board of NHS National Services Scotland;

- (c) "Budget" means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of NSS;
- (d) "Budget Holder" means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation;
- (e) "Chief Executive" means the chief officer of NSS;
- (f) "Contract" means any arrangement giving rise to right and obligations between NSS and any one or more third parties whether legally enforceable or otherwise;
- (g) "Director of Finance" means the chief financial officer of NSS;
- (h) "Executive Management Team (EMT)" means the committee of executive officers of NSS appointed by the Board and given authority by the Board to act in accordance with its remit;
- (i) "Financial Services" means the central finance function of NSS;
- (j) "Framework Agreement" means a framework agreement in terms of the Public Contracts (Scotland) Regulations [20122015](#);
- ~~(k) "Chief Operating Officer" means the chief operating officer of NSS supporting the Chief Executive~~
- ~~(k)~~ "Director of Strategic Business Unit" means the chief officer of a Strategic or Support Business Unit or Directorate of NSS; "Legal Advisor" means the properly qualified person appointed by NSS to provide legal advice;
- ~~(m)~~ "Officer" means employee of NSS or any other person holding a paid appointment or office with NSS;
- ~~(n)~~ "NSS" means NHS National Services Scotland, the common name of the "Common Services Agency for the Scottish Health Service"; and
- ~~(o)~~ "SGHSC" means the Scottish Government Health and Social Care Directorates.

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

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

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

Responsibilities and Delegation

- 1.11 The Board exercises financial supervision and control by:
- (a) formulating the financial strategy;
 - (b) requiring the submission and approval of budgets within approved allocations/overall income;
 - (c) defining and approving essential features in respect of important procedures

and financial systems (including the need to obtain value for money); and

(d) defining specific responsibilities placed on members of the Board and Executive Management Team and employees as indicated in the Scheme of Delegation document.

- 1.12 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the Reservation of Powers to the Board within the Standing Orders.
- 1.13 The Scheme of Delegation and remit of the Board Sub-committees adopted by NSS within the Standing Orders set out those responsibilities delegated by the Board.
- 1.14 Within the Standing Financial Instructions, it is acknowledged that the Chief Executive is ultimately accountable to the Board, and as designated Accountable Officer, to the Scottish Parliament in accordance with Section 17 of the Public Finance and Accountability (Scotland) Act 2000, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for NSS's activities; is responsible to the Chairman and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for NSS's system of internal control.
- 1.15 The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.
- 1.16 It is a duty of the Chief Executive to ensure that existing members of the Board and Executive Management Team, employees and all new appointees are notified of, and understand, their responsibilities within these SFIs.
- 1.17 The Director of Finance is responsible for:
- (a) implementing NSS's financial policies and for co-ordinating any corrective action necessary to further these policies;
 - (b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
 - (c) ensuring that sufficient records are maintained to show and explain NSS's transactions, in order to disclose, with reasonable accuracy, the financial position of NSS at any time;
- and, without prejudice to any other functions of NSS, and employees of NSS, the duties of the Director of Finance include:
- (d) the provision of financial advice to other members of the Board, Executive Management Team and employees;
 - (e) the design, implementation and supervision of systems of internal financial control; and
 - (f) the preparation and maintenance of such financial accounts, certificates, estimates, records and reports as NSS may require for the purpose of carrying out its statutory duties.

- 1.18 All members of the Board and Executive Management Team and all NSS employees, severally and collectively, are responsible for:
- (a) the security of the property of NSS;
 - (b) avoiding loss;
 - (c) exercising economy and efficiency in the use of resources;
 - (d) conforming with the requirements of Standing Orders and SFIs; and
 - (e) reporting, on discovery, of any breach or non-compliance with Standing Financial Instructions.
- 1.19 All staff must be made aware of NSS's Fraud Action Plan and the Whistle blowing Policy. The Counter Fraud Champion is responsible for ensuring that the requirements of the Fraud Action Plan are met and processes followed in all relevant situations.
- 1.20 The Director of Strategic Business Units should ensure that these SFIs and associated documents are made known to the appropriate persons within the Strategic_Business Unit and ensure that they are adhered to.
- 1.21 Any contractor, or employee of a contractor, who is empowered by NSS to commit NSS to expenditure or who is authorised to obtain income will be covered by these instructions. It is the responsibility of the Director of Strategic_Business Unit to ensure that such persons are made aware of this.
- 1.22 For any and all members of the Board and Executive Management Team and employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board and Executive Management Team and employees discharge their duties must be to the satisfaction of the Director of Finance.

Variation and revocation

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

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 2 - Code of Conduct

General Principles

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

- Not put themselves in a position where their official and private interests may conflict;
- Have cognisance of the presumption of influence on a potential purchasing decision or strategic decision relating to the business objectives of NSS; and
- Not make use of their official positions to further their private interests.

These guidelines should be read in conjunction with section 2.17 on bribery.

Activities involving the use of official information or experience

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

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

Outside Occupation

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

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

Confidentiality

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

2.07 Notwithstanding this, any employee who has genuine concerns about operational issues and service delivery, particularly if the concerns relate to health and safety, malpractice or fraud has a right and responsibility to raise these. Further details of

how staff should raise concerns are outlined in the NSS Whistle blowing policy.

Contracts and use of services of NSS contractors

- 2.08 On starting employment, all NSS staff must declare any financial interests or relationships (e.g. Honorary positions held) with any manufacturer, supplier or contractor, with whom the NSS has, or is likely to enter into a contractual relationship, or any financial or other interests which may affect NSS's decisions. In addition, any employee engaged in ongoing activity or a project involving third parties must declare any relevant financial or other interests at the earliest opportunity to their SBU Director and comply with any consequent requests or instructions made by NSS. Any NSS staff leading activity or projects with third parties must, at initiation and at all meetings thereafter, seek positive confirmation as to any such interests which those NSS staff present may have and take action accordingly. Any interests declared must be properly recorded in the minutes and records of the meetings.
- 2.09 In addition, Executive Directors of NSS will be asked quarterly to confirm their declarable interests.
- 2.10 No employee of NSS may purchase goods from, or use the services of, a contractor on preferential terms for private purposes, if these terms are given directly or indirectly because of the contractual or other official business relationship (whether potential or actual), between the contractor and NSS.

Acceptance of Gifts

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

Employees should not accept gifts. Where gifts are sent to an employee, these should only be accepted when the gift is of minimal or nominal value and in any case where the value is presumed to be less than £5. Articles of low intrinsic value such as diaries, calendars or other "desk top items" with a retail value of less than £5 need not necessarily be refused but, as with all gifts offered, should be entered in the Strategic Business Unit's Hospitality Register. All other gifts should be returned to the sender with the appropriate note of thanks and an explanation of this part of the SFIs. In all cases, even when the gift is returned, the Gift and Hospitality Record should be completed, signed and recorded as detailed below.

It is recognised that, on occasion, a gift may be received from a patient or a donor as a "thank you" for services received. These gifts would be difficult to refuse without causing offence. If they are of low intrinsic value, the principles outlined above should be applied. Should they be expensive, the SBU Director should be consulted for a view on acceptance. In all cases in relation to gifts, it is recognised that it is NSS who is the owner of the received gift and not the individual employee.

- 2.12 Casual gifts offered by contractors or others eg at Christmas time should **normally** be declined. If acceptance of such a gift is being contemplated then advice on this should be sought, prior to acceptance, from the direct line manager. Should the line manager not be available, advice may be sought of the SBU Director or the Associate Director of Corporate Affairs and Compliance. If such a gift is accepted, following receipt of advice, then it must be registered in the Gift and Hospitality Record for the SBU.

Acceptance of Hospitality

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

As a guiding principle, hospitality should ~~usually~~ be refused. Modest hospitality, provided it is normal and reasonable in the circumstances, eg lunches in the course of working visits, may be acceptable when the scale of hospitality is similar to that which the NHS would be likely to offer in the circumstances. Where hospitality is provided at free events or conferences - where the object is to maintain knowledge or develop networks – this may be accepted, provided the hospitality is proportionate, for example, a sandwich lunch may be proportionate but a drinks reception may not be. Where not proportionate, staff should either refuse the hospitality or declare it on their return to the office. Should the hospitality be offered at a post-contract conclusion event, unless permission has been obtained in advance from the SBU Director, this should be refused or be paid for by the employee. Where this has ~~not~~ been possible, the employee should declare it on their return to the office. Staff should always seek advice in relation to events of this nature as advised in paragraph 2.12 above

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

Procedure for completing and recording forms

- 2.14 A template form and examples of gifts and hospitality is available on the [Finance Strategy and Governance](#) webpages. All gifts and hospitality received should be recorded on the SBU's Gift and Hospitality Register ~~(template on the Finance webpages)~~. Where the gift/hospitality received is above £5 or £15 in value respectively, the record should prior to acceptance, be signed by the SBU Director, or where the recipient is a Director, the form should be signed off by the Chief Executive. Each SBU should nominate a person to hold the Register for that SBU. Annual reporting of the completed Register per financial year should go to the Corporate Compliance Group prior to sign off of the SFIs by the Performance and Finance Committee. A central report will then be submitted to EMT and Audit and Risk Committee for noting.

Use of Official Accommodation, Equipment or Vehicles

- 2.15 No employee of the NSS may make use of, or make available for use, official accommodation, equipment, supplies, services or vehicles, for private purposes, without the prior permission of the Chief Executive.
- 2.16 Employees should not make inappropriate or unauthorised use of IT systems e.g. email and Internet access. The NSS guidelines governing the use of IT systems should be referred to for further guidance.

Bribery

- 2.17 The Bribery Act 2010 came into force on 1 July 2011 and makes it a criminal offence to take part in 'active' or 'passive' bribery or to fail to prevent bribery in an organisation:
- (a) Active bribery (section 1 of the Act) makes it an offence for a person to offer, give or promise to give a financial or other advantage to another individual in

exchange for improperly performing a relevant function or activity.

(b) Passive bribery (section 2 of the Act) makes it an offence for a person to request, accept or agree to accept a financial or other advantage in exchange for improperly performing a relevant function or activity.

(c) Bribery of a foreign public official (section 6 of the Act) makes it an offence to offer, promise or give a financial or other advantage to a foreign public official with the intention of influencing the official in the performance of his or her official function. Previously such payments may have been known as Facilitation Payments.

(d) Corporate offence (section 7 of the Act) states that an organisation may be liable if it fails to have adequate procedures in place to prevent bribery.

- 2.18 Employees must be committed to the prevention of bribery and all forms of corruption. NSS operates a zero tolerance approach to bribery committed by any person working at NSS and any person who provides services for or on behalf of NSS and that any allegation of bribery by a Board member or employee will be investigated in accordance with relevant processes and procedures and may be reported to the authorities, as appropriate.
- 2.19 The NSS approach to addressing fraud, which includes bribery, is set out in Section 3.

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SECTION 3 - Suspected Theft, Fraud & Other Irregularities

Introduction

3.01 NSS staff should be aware of the following publications in relation to fraud which are available on the Scottish Government website:

- Scottish Executive HDL(2002)23 – Financial Control: Procedure where criminal offences are suspected
- Scottish Executive HDL(2005)5 – Tackling Fraud in NHS Scotland – Joint Action Programme, which updates HDL(2002)23;
- Scottish Government CEL 3 (2008) - Strategy to Combat NHS Fraud in Scotland; Scottish Government CEL 33 (2010) – Tackling NHS Fraud Training DVD; and
- The Bribery Act 2010.

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

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

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

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

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

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

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

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

- 3.07 Where any officer has grounds to suspect any of the above activities has occurred, they should report this to the FLO without delay. The FLO will ensure that there is consultation with CFS as set out in the Fraud Action Plan. It is essential that preliminary enquiries are carried out in strict confidence and with as much speed as possible. If the suspicion involves an executive director the matter should be reported to the Chair of the Audit and Risk Committee, the Chairman of the Board, or to the Head of Internal Audit.
- 3.08 If, in exceptional circumstances, the CFC, the FLO and the Head of Internal Audit are unavailable the officer should report the circumstances to the Chief Executive who will be responsible for informing CFS. As soon as possible thereafter the FLO should be advised of the situation.
- 3.09 Where preliminary investigations suggest that *prima facie* grounds exist for believing that a criminal offence has been committed, CFS will undertake the investigation on behalf of, and in co-operation with NSS. At all stages the CFC, the FLO and the Head of Internal Audit will be kept informed of developments on such cases. All referrals to CFS must also be copied to the Appointed Auditor.

Remedial action

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

Reporting to SGHSC

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

Responses to Press Enquiries

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

National Fraud Initiative

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

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SECTION 4 - Budgets, Projections and Budgetary Control

Introduction

- 4.01 NSS has a responsibility to prepare and submit financial plans in accordance with the requirements of SGHSC to the Board and to SGHSC, ensuring that the budgets reconcile to such plans.
- 4.02 NSS will perform its functions within the total of funds allocated by Scottish Ministers and through income from other Health Boards and from other sources. All plans, financial approvals and control systems will be designed to meet this obligation.
- 4.03 NSS's income consists of five elements:
- the NSS baseline allocation which is to be treated as an aggregate sum;
 - specific ring-fenced funding for projects sponsored by SGHSC and managed by NSS;
 - bottom sliced allocation from other Health Boards to fund National Services provided by NSS;
 - specific ring-fenced funding for commissioning certain national healthcare and screening services through the National Services Division ("NSD earmarked funding"); and
 - Income earned from trading with other Health Boards and other third parties.

NSS's budget cycle in respect of its general allocation will be co-ordinated with its business planning arrangements and timetables as approved by the Board. The financial plans will be reviewed in detail by the EMT and the Performance and Finance Committee before being put to the Board for approval. This will include NSD's funding.

All requests for additional baseline funding whether capital or revenue should be made using the NSS Business Case process in conjunction with the New and Improved Services process (NISE).

The budget for specific ring-fenced projects will be agreed in advance of the projects commencement with SGHSC and will be supported by an approved business case. The EMT should be notified of any such projects at the earliest opportunity.

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

The budget cycle in respect of the NSD earmarked funding will be co-ordinated with SGHSC's planning cycle.

Preparation of budgets

- 4.04 The Director of Finance will:
- (a) prepare a 3 year or 5 year Financial Plan for NSS in line with SGHSC indications regarding likely levels of future allocation, for presentation to the Performance and Finance Committee prior to being put to the Board for approval;

- (b) other than NSD, advise the Directors of Strategic Business Units of the funds available for budgetary purposes; and
- (c) ensure that Strategic Business Unit's business plans and budgets are in line with NSS's Financial Plan.
- (d) ensure that for the NSD earmarked funding,
 - (i) prepare a 3 year Financial Plan (updated annually) for negotiation and approval by SGHSC for top sliced allocation. In addition, those elements of NSD earmarked allocation relating to NHS Board "risk shares" should be negotiated and approved by NHS Board Chief Executives;
 - (ii) ensure that funding allocated to NHS Boards by NSD for national services is in line with NSD earmarked funding; and
 - (iii) these plans should also be included in the NSS financials plans presented to the NSS Board to recognise the accountability that the Board has for these funds.

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

4.06 Each Director of Strategic Business Unit is responsible for ensuring the preparation, on an annual basis, of a Business Plan in the approved format that will be central to the proper management and control of the Strategic Business Unit and for obtaining the agreement of the Director of Finance and Chief Executive to the plan.

4.07 Prior to the start of the financial year the Director of Strategic Business Unit will prepare and submit budgets to the Director of Finance (and SGHSC in the case of NSD earmarked funding). Such budgets will:

- (a) be prepared within the limits of available funds as advised by the Director of Finance or SGHSC in the case of earmarked funds;
- (b) meet any requirements of the Board or SGHSC in the case of earmarked funds;
- (c) be in accordance with the aims and objectives set out in the Corporate Business Plan and reflected in the Strategic Business Unit's Business Plan and SGHSC policy on national healthcare and screening services;
- (d) accord with workload and workforce plans; and
- (e) identify potential risks and opportunities.

Systems of budgetary control

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

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

4.10 The Director of Finance will devise, introduce and maintain systems of budgetary

control, and all staff of NSS will ensure compliance with these systems.

4.11 Such systems will incorporate:

- (a) monthly financial reports to the Board in a form approved by the Board containing:
 - (i) income and expenditure to date showing trends and forecast year-end position;
 - (ii) capital project spend and projected outturn against plan on a quarterly basis;
 - (iii) explanations of any material variance from Strategic Business Unit's Finance Plans (material being defined as the higher of 10% and £100,000). For the purpose of reporting, materiality should be considered in relation to the total income, and the total pay and non-pay expenditure. In the case of NSD materiality should be considered in relation to each national healthcare contract; and
 - (iv) details of corrective action where necessary and the Director of Finance's view of whether such actions are sufficient to correct the situation;
- (b) investigation and reporting of variances from financial, workload and workforce budgets;
- (c) monitoring of management action to correct variances; and
- (d) arrangements for the authorisation of budget transfers in the case of NSS's general allocation (see section 4.24 for rules of virement within NSD's earmarked allocation).

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

- (a) any likely overspending or reduction of income, which is not offset by corresponding reduction in expenditure, which cannot be met by virement is not incurred without the prior consent of the Director of Finance in respect of the general allocation, in addition to SGHSC in respect of ring-fenced funds;
- (b) 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;

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

Budget limits

4.14 The budgets adopted by NSS will be set so as to ensure that it meets the financial targets to contain its Revenue and Capital expenditure in each year within the limits approved by SGHSC and to meet the targets set by SGHSC regarding Cash Releasing Efficiency Savings (CRES) and cash requirement.

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

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

- 4.17 The Chief Executive and delegated budget holders must not exceed the budgetary total or virement limits set by the Board or SGHSC for NSD earmarked funding (see Appendix I).
- 4.18 Any budgeted funds within NSS's general allocation not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to authorised use of virement (see below). In relation to earmarked funds, budgeted funds not required for their designated purpose revert to the immediate control of either SGHSC's Director of Finance or Health Board Chief Executives as appropriate, subject to the authorised use of virement (see below).
- 4.19 Non-recurring budgets will not be used to finance recurring expenditure without the prior approval of the Chief Executive or Director of Finance, or SGHSC as appropriate.
- 4.20 Within NSS's general allocation, the Chief Executive, Director of Finance or the Board, as appropriate, must approve expenditure not covered by an approved budget in advance. Further details are contained at Appendix I.
- 4.21 Irrespective of the approved budget levels, commitment of expenditure by budget holders must comply with procurement rules (see section 6 to 9). In particular approval of any contract award should be in accordance with section 7 and the approval levels set out in 7.03 and 7.05 followed.

Virement

- 4.22 Virement is the re-allocation of budget authority. It involves reducing the level of budget at one or more Budget Centres and correspondingly increasing the level of budget at one or more other Budget Centres.
- 4.23 There is an over-riding requirement on the Board to contain expenditure within NSS's Revenue Resource Limit (RRL); it may, therefore, be necessary in certain circumstances for the Chief Executive to impose virement and vary the budget of an individual Budget Holder.
- 4.24 Subject to the foregoing rules, planned or fortuitous savings may be redeployed within NSS's general allocation provided that the Director of Strategic Business Unit has verified that:-
- (a) they do not arise from major alterations in service provision;
 - (b) they are not part of an efficiency savings initiative;
 - (c) the level of service defined in the Business Plan has been or will be achieved;
 - (d) details of the savings figures have been provided to the Director of Finance;
 - (e) non-recurring savings are not committed recurrently;
 - (f) the Budget Centre in total is expected to remain within budget by the end of the year;
 - (g) the alternative use does not conflict with NSS policy.

In the case of NSD's earmarked funding allocation, the Director of NSD has delegated authority from SGHSC to allocate revenue funds to national services, and to vire funds between individual national services. Such actions should be within the earmarked allocation for commissioning national healthcare and screening services

to ensure that the actual costs of specialist and screening services needed by residents of Scotland are met, as far as possible, within the overall earmarked allocation made available by SGHSC, provided that:

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

Virement within earmarked capital / non recurring funds is only permitted with prior approval of SGHSC.

Financial consequences of change

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

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 5 - Staff Appointments, Remuneration and related matters

Remuneration Committee

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

Staff appointments

- 5.02 The Board will delegate responsibility to a manager for:
- (a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Board; and
 - (b) dealing with variations to, or termination of, contracts of employment.
- both in a form which complies with employment legislation
- 5.03 No officer of the Executive Management Team or employee may engage, re-engage, or regrade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:
- (a) unless within the limit of his approved budget and funded establishment; or
 - (b) in exceptional circumstances if authorised to do so by the Chief Executive.
- 5.04 The Board will approve or delegate to a Board Committee the approval of procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees.
- 5.05 All employee contracts will conform to relevant standard NHS terms and conditions. Any variation from standard terms and conditions will require prior approval of the Director of Human Resources and Workforce Development.
- 5.06 The Chair of the Remuneration Committee will approve all new or additional jobs created on a range with a salary maximum of £75,000 or over. In addition they will agree all appointments where the lower half of the salary range will not secure the preferred candidate.

Processing of payroll

- 5.07 The Director of Finance is responsible for ensuring that appropriate arrangements exist for:
- (a) specifying timetables for submission of properly authorised time records, expense claims and other notifications;
 - (b) the final determination of pay and allowances;
 - (c) making payment on agreed dates; and
 - (d) agreeing method of payment.

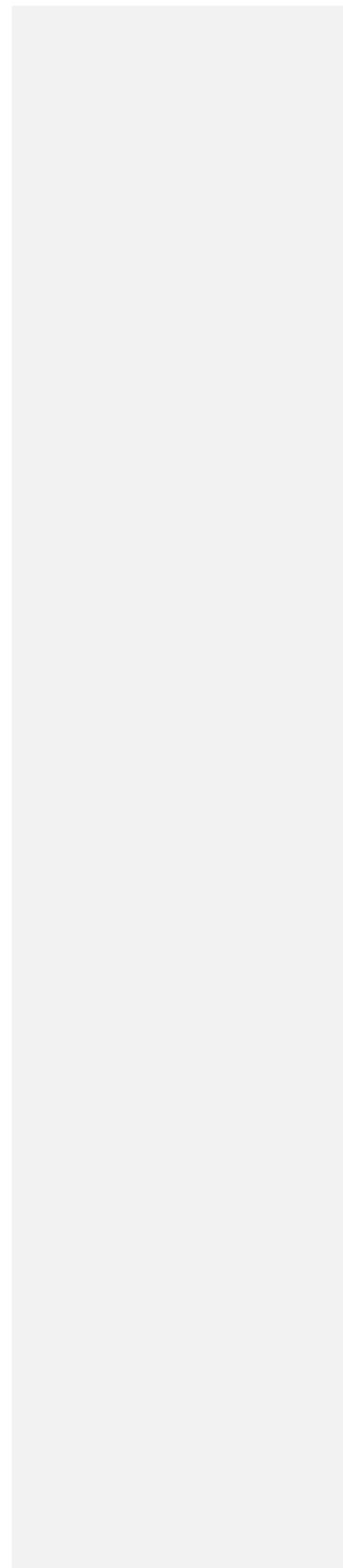
- 5.08 The Director of Finance will issue instructions regarding:
- (a) verification and documentation of data;
 - (b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
 - (c) maintenance of subsidiary records for superannuation, income tax, national insurance contributions and other authorised deductions from pay;
 - (d) security and confidentiality of payroll information;
 - (e) checks to be applied to completed payroll before and after payment;
 - (f) authority to release payroll data under the provisions of the Data Protection Act and National Fraud Initiative;
 - (g) methods of payment available to various categories of employees and officers;
 - (h) procedures for payment by cheque, bank credit, or cash to employees and officers;
 - (i) procedures for the recall of cheques and bank credits;
 - (j) pay advances and their recovery;
 - (k) maintenance of regular and independent reconciliation of pay control accounts;
 - (l) regular reconciliation of key standing data between the payroll system and the Human Resources Business Systems;
 - (m) separation of duties of preparing records and handling cash;
 - (n) a system to ensure the recovery from leavers of sums of money and property due by them to NSS; and
 - (o) procedures for reclaiming expenses incurred wholly, necessarily and exclusively for business purposes.
- 5.09 Appropriately nominated managers and EMT members have delegated responsibility for:
- (a) completing and authorising time records, and other notifications in accordance with the Director of Finance's instructions and in the form prescribed by the Director of Finance;
 - (b) submitting time records, and other notifications in accordance with agreed timetables; and
 - (c) submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil Executive Management Team obligations in circumstances that suggest they have left without notice, the Director of Finance must be informed immediately.
- 5.10 Regardless of the arrangements for providing the payroll service, the Director of Finance will ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and timely payment of these to appropriate bodies.

Termination Settlements

- 5.11 In the case of a termination settlement, a cost/benefit statement must be prepared for submission to the Director of Finance to demonstrate the financial effect of the decision. This statement will be in a form approved by the Remuneration Committee. In all cases, the appropriate Director of Strategic Business Unit, the Director of HR and Workforce Development, and the Director of Finance must sign the statement in support.
- 5.12 Where the full cost of the settlement exceeds £75,000, the case must be submitted to the Chair of the Remuneration Committee for prior approval. The Chief Executive will be responsible for authorising settlements where the total cost is less than £75,000. An annual report of all such instances will be presented to the Remuneration Committee by the Chief Executive.
- 5.13 Approval from or notification to SGHSC of any settlement agreements will be done in conjunction with relevant guidance issued by SGHSC.
- 5.14 Prior to payment of any termination settlement the Head of Payroll Services will ascertain from the Director of Finance and the Director of HR and Workforce Development that the settlement has been duly authorised.

Ex Gratia Payments

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



NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 6 – Non Pay Expenditure - Procurement

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

- 6.01 All procurement must be undertaken in line with the following;
- Procurement Reform Act (Scotland) 2014
 - Public Contracts (Scotland) Regulations 2016
 - Public Contracts (Scotland) Regulations 2015
 - Utilities Contracts (Scotland) Regulations (2016)
 - Concessions Contracts (Scotland)
- 6.02 All procurement must also incorporate the principles set out in the Scottish Government – Scottish Procurement Policy Handbook 2008; the SG published Procurement Journey or any subsequent revisions to that Handbook or Journey guidance.
- 6.03 Capital works must be undertaken in line with the requirements set out in the Scottish Government Scottish Capital Investment Manual and the Construction Procurement Manual (December 2005) or any subsequent amendment or revision of those documents issued by Scottish Government.
- 6.04 All procurements of IT related goods or services are required to be approved by the NSS Corporate Initiative / IT PMG in line with best practice procurement and expenditure limits.
- 6.05 In addition, the Key Procurement Principles set out in Scottish Government, Directorate for Health Finance and Information, CEL 05 (2012) dated 1 March 2012 should be adhered to.

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

Existing Central Contracts and Frameworks

- 6.06 Each Director of Strategic Business Unit is required to ascertain, prior to ordering any goods, works or services, whether a central contract or framework exists for these goods, works or services. Where such a central contract or framework exists it must be used unless the Director of Finance or nominee authorises the exception. A central contract or framework may be one established by Procurement, Commissioning and Facilities on behalf of NHSS or by Scottish Government or some other government agency from which NSS can derive benefit. Consideration must be given to the explicit arrangements of central contracts or frameworks to ensure that they are appropriately applied within NSS.
- 6.07 Advice should be sought from NSS Procurement teams prior to the use of central contracts or frameworks not negotiated by Procurement, Commissioning and Facilities to ensure that the correct interpretation on their use is made and best value is obtained. This may include referral for guidance to NSS legal advisers where

appropriate. [Procurement guidance can be located on geNSS NSS Procurement pages under the Procurement, Commissioning and Facilities SBU area.](#)

If no contract or framework currently exists, the procedures set out in Sections 7 and 8 must be followed.

- 6.08 For the avoidance of doubt, a central contract or framework need not be used if an external customer of an NSS Strategic Business Unit (e.g. a SHSC external customer) specifies a requirement which cannot be met from an existing national contract and, prior to procurement by the NSS Strategic Business Unit on the customer's behalf, has confirmed it is prepared to meet the full cost of the goods or services procured by an NSS Strategic Business Unit on their behalf.

Delegation of authority

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

In relation to earmarked funds for national healthcare and screening services, the Director of NSD is empowered to sign Service Agreements with NHS Boards on behalf of SGHSC. The signing of a Service Agreement commits expenditure on behalf of NSS and, following completion of the relevant procedures, the disbursement of NSS funds to the provider of the national service. Steps should be taken to ensure that all NHSS goods and services to be procured to support NSD managed programmes utilise available national contracts and framework agreements where possible.

- 6.10 Where manual authorisation is required, each Director of Strategic Business Unit will notify the Director of Finance in a prescribed format, on a quarterly basis, of all such officers in his Strategic Business Unit with their defined authorisation limits. The Director of Strategic Business Unit will also advise the Director of Finance immediately any change is made to any of these authorisations. Each Director of Strategic Business Unit will be responsible for ensuring that system based approvals for non pay expenditure are up to date and accurate at all times.

- 6.11 Each Director of Strategic Business Unit will be responsible for ensuring that all goods, works and services are procured via an agreed best practice purchasing method, such as the raising of a Purchase Order via an approved NSS purchasing system or procured via an authorised Procurement Card.

Choice, requisitioning, ordering, receipt and payment for goods and services

General

- 6.12 The Director of Finance will:
- (a) advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds will be incorporated in the Standing Financial Instructions and regularly reviewed (see Section 8);
 - (b) prepare procedural instructions (where not already provided in the Scheme of Delegation or procedure notes for budget holders) on the obtaining of goods, works and services incorporating the thresholds;
 - (c) ensure that appropriate arrangements are in place for the prompt payment of all properly authorised accounts and claims, in accordance with the Better Payment

Practice Code;

- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system will provide for:
- (i) an electronic list of Executive Management Team members/employees (including specimens of their signatures) authorised to certify non Purchase Order invoices;
 - (ii) all invoices received from suppliers will be registered on NSS's Accounts Payable System. Invoices that are not a bona fide charge on NSS must be passed to the Director of Finance together with any available explanation within 24 hours of receipt;
 - (iii) certification that:
 - goods have been duly received, examined and are in accordance with specification and the prices, extensions, calculations, trade discount, other allowances, credits and tax 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;
 - appropriate entries have been made in purchasing and payment systems, registers, inventories, stores or similar records as required;
 - the appropriate expenditure code numbers are charged with the cost;
 - VAT has been appropriately applied; and
 - the account is in order for payment.
- (e) Ensure that a timetable and system is in place for submission to NSS Financial Services of accounts for payment. Provision will be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment.
- (f) Ensure that procedures are in place for the handling and payment of accounts within Financial Services.
- (g) Ensure that payment for goods, works and services is only made once the goods, works and services are received, (except as below).
- 6.13 Directors of Strategic Business Units must ensure that they comply fully with the guidance and limits specified by the Director of Finance/ the delegated authority from SGHSC in respect of earmarked funds and that:
- (a) the purchase of goods by NSS will be in accordance with extant guidance issued by SGHSC and the Scottish Government Scottish Procurement and Commercial Directorate. In addition, circumstances involving specialist requirements should be written or adopted by the ordering officer on advice from NSS's Procurement Departments or Central Legal Office;
 - (b) all leases and tenancy agreements which may result in a liability are notified to

- the Director of Finance in advance of any commitment being made;
- (c) the procedures to be followed when placing an order and invoking competitive quotation or tendering arrangements are outlined in Section 8;
 - (d) where consultancy advice is being obtained, the procurement of such advice must be in accordance with Section 9;
 - (e) no contract will be entered into or purchase order issued for any item or items to any organisation or person which has made an offer of gifts, inducement, reward or benefit to directors or employees, other than:
 - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars as outlined at Section 2.11; and
 - (ii) conventional hospitality, such as lunches in the course of working visits, providing such hospitality is appropriately authorised and properly recorded in line with NSS's procedure as outlined at Section 2.11;
 - (f) no requisition/order or contract acceptance is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
 - (g) all goods, services, or works (except purchases from petty cash) are ordered on an official order form (or, in exceptional circumstances verbally – see 6.10(h) below) prior to receipt of goods/services/works and invoice;
 - (h) verbal orders may only be issued under exceptional circumstances - by an employee designated by the Director of Strategic Business Unit within their delegated limit, and authorised by the Director of Strategic Business Unit, and only in cases of emergency or urgent necessity for critical goods or services. These must be confirmed by an official order as soon as possible, and clearly marked "Confirmation of verbal Order";
 - (i) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds contained within these SFIs and/or legal requirements;
 - (j) goods or services are not purchased, taken on trial or loan in circumstances that could commit NSS to a future non-budgeted expenditure or uncompetitive purchase;
 - (k) changes to the list of Executive Management Team members/employees and officers authorised to certify non Purchase Order invoices are notified to the Director of Finance;
 - (l) purchases from cash imprests, including petty cash, are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance;
 - (m) petty cash records are maintained in a form as determined by the Director of Finance; and
 - (n) official orders will only be placed where an arms-length relationship exists with the supplier.

Choice, requisitioning and ordering of goods and services

- 6.14 The requisitioner or officer placing the order, in choosing the goods to be supplied (or the service to be performed) and the procurement process to be followed must always seek to obtain the best value for money for NSS and NHS Scotland. In so doing, where deemed appropriate, the advice of NSS's procurement staff and where appropriate CLO shall be sought. Where this advice is not acceptable to the

requisitioner, the Director of Finance (and/or the Chief Executive) must be consulted. Details of any such occurrences should be reported quarterly as appropriate to the Performance and Finance Committee.

- 6.15 The Chief Executive will set out procedures on the seeking of professional advice regarding the supply of goods and services in line with SGHSC guidance and recognised best practice.
- 6.16 All orders of any kind will only be made on official order forms. The Directors of Strategic Business Units will inform all existing and proposed suppliers of this restriction. All orders, both for stock and non-stock items, will be raised using the Finance system or approved e-Procurement system where the supplier adoption process has been carried out. Orders may be electronically authorised.
- 6.17 Official Orders must:
- (a) be consecutively numbered;
 - (b) be in a form approved by the Director of Finance;
 - (c) contain information on goods/service being purchased, volume, costs and prices as necessary; and
 - (d) incorporate an obligation on the supplier to comply with the applicable NSS or other contract or framework agreement terms and conditions related to the purchase, delivery, carriage, documentation, variations, etc.
- 6.18 System generated purchase orders can only be input to electronic purchasing systems and authorised by users with adequate authorisation. Once completed, purchase orders are e-mailed, or electronically faxed or transmitted directly from purchasing systems or posted to suppliers and therefore do not require manual authorisation. Directors of Strategic Business Unit should satisfy themselves that authorisation levels for electronic purchasing systems are appropriate and current at all times.
- 6.19 Directors of Strategic Business Units should satisfy themselves that escalation routes and timescales for escalation and approval of electronic purchasing systems generated purchase orders are appropriate and current at all times, in line with NSS agreed ways of working.

Receipt of goods

- 6.20 The Director of Finance will specify how the receipt of goods and satisfactory completion of provision of services to NSS is to be recorded.
- Directors of Strategic Business Units are responsible for ensuring that goods are receipted accurately and timeously.
- 6.21 The recording of the receipt of goods, works and the satisfactory completed provision of services must be made by an officer independent of the officer who authorised the relevant Purchase Order where the same officer is to authorise the invoice. Where no separate goods inwards or similar arrangement of internal check is practicable, the budget holder's superior officer or a designated responsible officer must make this authorisation.
- 6.22 The recording of the receipt of goods, works or services is an essential element in the purchase to pay process. It must be undertaken as soon as possible after the receipt of goods, works or services unless there has been exceptional prior agreement and approval by the Director of Finance for electronic purchasing and payments systems arrangements to be in place to auto-receipt such goods or services.
- 6.23 Failure to receipt goods, works or services in a timely manner creates downstream

processing problems and reduces the ability of NSS to pay suppliers promptly. The Director of Finance will ensure that mechanisms are in place to monitor the receipt of goods, works or services. Where individual officers continually fail to receipt goods, works or services in a timely manner this will be made known to the relevant Director of Strategic Business Unit and may result in further action.

- 6.24 The Director of Finance will specify any goods or services which do not require manual receipt input to electronic systems and may be transacted through an electronic auto-receipt facility. An up to date record will be maintained by NSS Financial Services of all such auto receipt commodities.

Payment for goods and services

- 6.25 The Director of Finance will ensure that appropriate arrangements are in place for the prompt payment of accounts and claims. Payment of contract invoices will be in accordance with contract terms, or otherwise, in accordance with national guidance.
- 6.26 No officer may authorise a supplier's invoice for clearance through NSS's Accounts Payable system that has been derived from a purchase order physically or electronically signed by him.
- 6.27 Where the officer providing certification has not himself obtained verification, he will ensure that the officer doing so has not placed the order or negotiated price or terms.
- 6.28 Payment will not be made on duplicate or photocopy invoices unless the Associate Director of Finance (Financial Services), or other authorised senior official, certifies in writing that the amounts have not been previously passed for payment.
- 6.29 Any amendments required to payment vouchers/invoices will be noted by Financial Services and the payment voucher/invoice returned to the supplier for alteration and re-presentation.
- 6.30 All payments will be made within NSS's normal terms of trade although special regard should be given to available prompt payment discounts subject to instructions issued from time to time by the Director of Finance. Under normal circumstances, non-contractual payments will not be made for goods or services in advance of their receipt or performance. Notwithstanding, the Director of Finance may authorise such advance payments where it can be demonstrated to be in the interests of NSS or NHSScotland. All such circumstances will be recorded and presented to the Performance and Finance Committee, annually as appropriate, for review and to confirm appropriateness.
- 6.31 Overpayments by NSS should be detected (or preferably prevented) and recovery initiated.
- 6.32 In line with CEL 05 (2012) – Key procurement principles, NSS must implement a policy where no payment shall be made to any supplier where there is no pre-let purchase order. Only if a separately agreed payment mechanism has been pre-arranged and approved by the Director of Finance should direct payments be made. Each supplier should be formally notified of this and the limit of the NSS liability if they proceed with supply without such order cover.

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 7 - Contracting Requirements

7.01 Specific rules for the placing of contracts by Strategic Business Units of NSS are shown at Sections 6 and 8.

7.02 If a new order, contract or contract extension is required, there are five elements to consider ensuring compliance with these SFI's.

- 1) Early engagement of the NSS Procurement Department ~~including completion of the relevant sections of the Procurement Action Form (PAF).~~
- 2) The procurement process required – this varies by value and is set out in Section 8.03
- 3) NSS spend – level of spend dictates authority required as set out below in 7.03.
- 4) Total spend – if other bodies (e.g. Health Boards) are part of the contract NSS is negotiating, then the total value dictates the NSS authority required as set out in Section 7.05.
- 5) General requirements – as set out below from 7.06 onwards

For the avoidance of doubt, the rules set out in this section relate to the approval of procurement through contractual and framework agreements and not to the approval of budget. Prior to any contractual/framework agreement being approved appropriate funding should have been identified and approved in line with section 4 above.

NSS Contract/Framework Agreement

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

- less than £100,000 approval is required from the Director of Strategic Business Unit ~~with the relevant budget subject to completion of an approved PAF. Information regarding the requirements of the PAF can be sought from the NSS Head of Procurement;~~
- more than £100,000 but less than £500,000 approval is required as above and the PCF Contracts Approvals Board ~~through completion of the appropriate sections of the PAF:~~
- more than £500,000 but less than £1 million approval is required from PCF Contracts Approvals Board ~~through the completion of the appropriate sections of the PAF as above~~ and then from the Chief Executive;
- more than £1 million approval is required from the NSS Board through the Performance and Finance Committee, following approval from the Chief Executive as above.

Comment [s1]: I'm not convinced that PAF is the way to go; this will involve yet another login and associated training!

~~In any circumstances where approval is required in terms aforesaid a PAF shall be completed, signed and submitted to the individuals named above.~~

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

Guidance on completing the Approvals Protocol should be sought from Procurement, Commissioning and Facilities.

Planning of NSS Contracts / Frameworks should ensure that sufficient time is allowed for the necessary approval route.

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

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

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

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

~~In any circumstances where approval is required in terms aforesaid a PAF shall be completed, signed and submitted to the individuals named above.~~

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

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

7.08 Verbal contracts are not acceptable. Care must be taken to ensure Contracts and/or Framework Agreements are not concluded informally. Correspondence on contractual issues should contain a statement that the letter or e-mail is not

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intended to form a contract and that NSS will not be bound by any terms unless and until incorporated within a formal award or document entered into by NSS which satisfies Section 3 of the Requirements of Writing (Scotland) Act 1995.

General Requirements

Advertising

- 7.09 ~~Scottish Procurement Policy Note 4/2009 confirmed that there is a presumption that all public contracts for goods and services with an anticipated expenditure of £50,000 or more over its lifetime (4 years maximum) should be advertised on the Public Contracts Scotland web portal. An annual report will be published on all regulated contracts let in accordance with the Procurement Reform Act (Scotland) 2014. Any contract of between £50,000 and OJEU value over its lifetime is considered a regulated contract. Guidance in tendering these contracts must be sought from NSS Procurement Information on this portal and its use can be obtained from NSS PCF SBU.~~

Comment [s2]: Updated to reflect regulation changes

Signing of contracts

- 7.10 The official signing of any contract or framework agreement that requires Board approval (as per sections 7.03 and 7.05 above) will be sealed with the Common Seal of the Common Services Agency.

Records of contracts

- 7.11 ~~To effect compliance with the Procurement Reform (Scotland) Act 2014, NSS utilises the Public Contracts Scotland (PCS) web portal contract register functionality to maintain a public register of all contracts in excess of £50,000 in value. However it is the NSS aim to continuously improve processes in order to move toward a solution where all contracts of over £10,000 in value are placed on this public register. The Director of Finance will receive a copy of the register on an annual basis. This will also enable completion of the EU Statistical returns on behalf of the NSS. Each Director of Strategic Business Unit will maintain a register of all contracts in excess of £10,000 in value in a form compliant with international requirements for qualifying contracts. The Director of Finance will approve the format of the register and a copy must be forwarded to him on an annual basis. This will also enable completion of the EU Statistical returns on behalf of the NSS. The Procurement Reform (Scotland) 2014 further mandates the legislative requirement for the board to maintain an up to date contract register.~~

Comment [s3]: Updated after J Ryan discussion 19/05/17

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Variations to contracts

- 7.12 All agreements with suppliers/contractors to vary contracts for supplies/works of a revenue or capital nature will be under specified procedures agreed by the Director of Finance.
- 7.13 Claims from suppliers/contractors which are not clearly within the terms of the contract concerned will be referred to the Chief Executive and/or Director of Finance if necessary, before agreement is reached and any payments are made.
- 7.14 Where completion of a contract is delayed the matter will be referred to the Director of Finance for further action.

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

Interim and final payments

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

7.17 **Communications**

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

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 8 – Tenders and Quotations

Introduction

- 8.01 These Standing Financial Instructions define the arrangements for tendering or receipt of quotations. They apply for procuring or ordering goods or services for which no applicable public sector contract or framework agreement currently exists that NSS can use.
- 8.02 The Director of Finance is responsible for ensuring the maintenance of systems for the invitation, receipt, safe-keeping and selection of tenders and quotations, which will include a register of tenders.
- 8.03 The thresholds for the purchasing/ordering of all goods, services and works excluding designated and nationally commissioned healthcare and screening services within NSS's earmarked allocation are as follows:-

Thresholds	Purchasing Process
Contract value < £10,000	Achievement of value for money should be demonstrated. Where possible, this will be through receipt of three competitive quotations from reputable suppliers. (In the absence of such quotes, the purchaser must be prepared to justify the procurement route chosen to the Director of Finance if asked to do so).
Contract value > £10,000 and < £50,000	A minimum of three competitive written quotations to be received from reputable suppliers, subject to section 8.12 below. Suppliers may be identified by searching the register of suppliers on the Public Contracts Scotland (PCS) web portal or with assistance from NSS PCF SBU. Quotes must be obtained using The Public Contracts Scotland website 'Quick Quote' system. Guidance on the use of PCS can be obtained from NSS PCF SBU.
Contract value £50,000 or more over its lifetime (4 years maximum)	Tendering process applies and advice and assistance must be sought from NSS PCF SBU before proceeding. The contract must be advertised on Public Contracts Scotland or other available and approved government procurement system.
Contract with an estimated value equal to or greater than the published OJEU threshold (see 8.07 below)	———— A full EU tendering process must be undertaken in line with the requirements of the Public Contracts (Scotland) Regulations 20122015 . This must be done with full advice and guidance of NSS procurement and other technical and legal advisors as required. The contract must be advertised on Public Contracts Scotland.

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

If a purchase is likely to be above the relevant EU threshold (see 8.07 below), publication of the appropriate advertising and other associated documentation within the Official Journal of the European Union (OJEU) is mandatory and EU procurement processes apply. This should be by advertising via the Public Contracts Scotland portal as outlined at 7.09 and 8.03 above.

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

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

All procurement should be undertaken in line with the SG Scottish Procurement Policy Handbook, the Scottish Public Procurement Toolkit, the Scottish Government Procurement Journey and the Scottish Capital Investment Manual where appropriate, and NSS published procurement guidance material approved by the Procurement Steering Group.

8.05 Any purchase that falls within the requirements of the tendering process should be routed through the NSS PCF SBU. Procurement managers will ensure that standardised NSS procurement processes are followed and that NSS complies fully with EU Procurement Legislation and SG policy.

8.06 All contracts with an estimated total value of £50,000 or more (see 7.09) must be advertised on the Public Contracts Scotland Advertising Portal ~~in line with Scottish Public Sector best practice~~. Subsequent award information must also be placed on the Portal in line with ~~Procurement Reform Act (Scotland) 2014~~ ~~SC requirements~~. ~~The NSS PCF SBU procurement~~ will provide guidance to Strategic Business Units for these processes.

Comment [s4]: Regulation changes

8.07 The EU Directives must be applied when the estimated contract value exceeds the procurement thresholds set by the EU and which are revised from time to time. In cases of doubt, advice should be sought from the relevant NSS Procurement Manager.

Guidance on the current EU procurement thresholds should be sought from the NSS Procurement Department.

8.08 In certain circumstances, EU Directives may not apply. This is permitted using the general exclusions and Specific Situations of the Public Contracts (Scotland) Regulations 2015 Sections 4 or 7 through 18 or by being a service listed in Schedule 3 of the aforementioned regulations. To ensure probity the Sole Source

Justification form should be completed in these circumstances. If the purchase is of an ongoing nature, a single form for the requirement should be completed at the start of each financial year and attached to the initial Purchase Order for NSS Procurement records. All subsequent Purchase Orders should reference the initial Purchase Order number. The Sole Source Justification form can be found in the NSS Procurement pages on GeNSS (see 6.07). These exemptions require careful consideration and the advice of the NSS Head of Procurement must be sought at the earliest opportunity if circumstances may require their use.

~~In certain circumstances, EU Directives may not apply. This is permitted using the general exclusions and Specific Situations of the Public Contracts (Scotland) Regulations 2015 Sections 6 through 16 or by being a service listed in Schedule 3 of the aforementioned regulations, general exclusions under Section 6 of the Public Contracts (Scotland) Regulations 2012 or Part 1 Section 4 of The Procurement Reform (Scotland) Act 2014. These exemptions require careful consideration and the advice of NP, NSS Head of Procurement Manager and CLO must always be sought at the earliest opportunity if circumstances may require their use.~~

Comment [s5]: Updated as per J Ryan discussion 18/05

Comment [s6]: Ensure sole source justification form is referenced

Comment [s7]: Regulation changes and clarity on when these apply

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Comment [s8]: Regulation changes and clarity on when these apply

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

8.10 Tender submissions ~~may should~~ be sought by use of the SG supported e-Tendering system or the Public Contracts Scotland web portal or another approved Public Sector web portal. ~~They may also be sought in hard copy format via mail/delivery from potential suppliers if an electronic system is not being used. Only one process must be used for each ITT and there should not be mix of hard copy and e-tendering within a tender process.~~

Comment [s9]: I think we should remove paper tendering. Does anyone in NSS still do this?

8.11 All Tenders ~~shortlists should~~ must be ~~developed~~ appraised against following a ~~systematic supplier appraisal by use of~~ the European Single Procurement Document (ESPD). This ~~will allow a shortlist of suitable companies who express an interest in the contract to be developed~~ is a statutory requirement that ensures all mandatory & discretionary exclusion criteria are appropriately assessed for each bidder. Where existing Framework Agreements are to be used, the procedures set out in that Agreement must be followed. Guidance on the use of the ESPD should be sought at all times from the NSS Procurement Department.

Comment [s10]: Regulatory changes reflected

8.12 Where, in exceptional circumstances, three competitive written quotations or tenders cannot be provided by reputable suppliers the tender process and selection must be approved by the Chief Executive or the Director of Finance via ~~the electronic PAF process~~ a sole source justification. ~~The sole source justification form can be found in the NSS Procurement pages on Genss (see 6.07).~~ The Director of Finance will present, on an ~~annual~~ quarterly basis, a report to the Performance and Finance Committee detailing the nature and justification for any such circumstances.

Comment [s11]: Ensure sole source justification form is referenced

Tendering Requirements

8.13 Each Director of Strategic Business Unit is responsible for ensuring that tender documents and invitations to tender (ITT) are prepared which comply with legislation, the SG Procurement Journey and must:-

- have a covering letter
- provide clear instructions to the tenderer including stating the last date and time when tenders will be received;

- have a clear specification of requirements
- have the appropriate NSS standard or specific terms and conditions
- have clear Schedules to the tender for completion by tenderers e.g. the Form of Tender, Pricing Schedules, Non collusion certificate
- Specify the award criteria and their relative weightings
- Specify the award process and timescales
- Specify the appeals process

In compiling the ITT care should be taken to ensure that it sets out all obligations of the parties in a clear, complete, concise and unambiguous way.

- Under conditions approved by the Director of Strategic Business Unit and where the public sector electronic tendering system is used, electronic tender submissions will be accepted as set out at 8.10 above.

8.14 Tenderers must be advised that NSS reserves the right to accept a tender based on ~~most economically advantageous tender~~ best Price / Quality ratio offering best value for money and other than the lowest price or to accept no tender at all.

Comment [s12]: Reflects wording in EU regs

8.15 Where electronic tendering systems are used, suppliers ~~will may not~~ be able to submit a late offer in line with NSS PCF Procurement procedures, ~~however where written tenders are required, if they are returned after the due date and time they will only be considered in the following circumstances:~~

Comment [s13]: Reflects actual processes

~~— if there is clear documented evidence that the completed tender documents had been received in the Department, named in the ITT, before the tender receipt date and time~~

~~— if there are exceptional circumstances that could not have been foreseen by tenderers. The tenderer will require to record and justify these circumstances.~~

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~~Late tenders will only be permitted with the formal approval of the PCF SBU Director.~~

Comment [s14]: Remove paper tenders

8.16 ~~———— Tenders must be opened by two designated and authorised NSS staff. One from Procurement and one from the customer Strategic Business Unit or Financial Services. These staff are responsible for opening, checking, and recording the details of one tender at a time on the tender opening form or e-tendering system. Any omissions must be recorded in writing, either on the tender opening form, the e-tendering system or as a file note for the project.~~

Comment [s15]: As above – no paper tenders

8.167 ~~————~~The tender evaluation panel should comprise of the customer(s), procurement and any other relevant officers with sufficient technical ability to evaluate detailed tenders. The evaluation must be against the pre-determined and published award criteria from the ITT and full records on the decision making process and outcomes must be maintained.

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~~—~~The panel will:

- evaluate the tenders in line with the published ITT criteria and methodology;
- maintain records of the evaluation and decision making process
- make the recommendation for award in a published, signed report; and
- ensure NSS procurement procedures are adhered to.
- debrief unsuccessful tenderers

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- ensure that applicable legislative timescales are maintained

| 8.178 Before accepting a tender the Director of Strategic Business Unit must be satisfied that all required processes and procedures in compliance with EU procurement legislation have been adhered to

| 8.189 The Director of Strategic Business Unit must ensure that all accepted tenders have the appropriate details entered onto the NSS contract register which will be maintained by the NSS Procurement Department.

| 8.1920 The Director of Strategic Business Unit must ensure that all tender documentation, reports and records must be retained and stored in line with NSS document management and retention policy.

| 8.21 ~~In exceptional circumstances where a tender other than the most economically advantageous tender received is accepted, an appraisal must be undertaken involving at least two adequately experienced officers. A detailed report must be prepared specifying the reasons for the decision and a copy signed by the officers involved in the appraisal and should be sent to the Director of Finance and/or the Chief Executive for approval before an appointment is made. The Director of Finance will report all such exceptions to the approved tendering arrangements to the Performance and Finance Committee on at least a quarterly basis.~~

| 8.202 An officer or executive having a pecuniary interest, whether direct or indirect, in any tender with NSS must declare this interest to the Director of Finance who must ensure such details are entered in the Register of Pecuniary Interest. Such officers must also disqualify themselves from any involvement in the tender procedures.

| 8.213 Each Director of Strategic Business Unit must ensure that every contract contains a clause entitling NSS to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation if the contractor or his representative, with or without his knowledge, has colluded in tendering for the contract or any other contract with NSS or has employed any corrupt or illegal practice in obtaining or executing that or any other contract with NSS.

| 8.224 Except where otherwise agreed all contracts will be in writing and subject to the Law in Scotland.

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Comment [s16]: We're not legally allowed to award on this basis – EU regs state all tenders MUST be awarded using best price quality ratio

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 9 - Appointment of Advisers and non-permanent staff

Introduction

- 9.01 These Standing Financial Instructions define the procedures to be followed in the selection and appointment of Advisers and staff not on open-ended contracts and should be read in conjunction with Sections 6 and 7.

Provider	Process
Legal Advisers	CLO must act as appointed legal advisers on all legal matters unless approval has been granted by Chief Executive
Management Consultants/ Contractors (individuals and companies)	This section 9. The authority limits in section 7.03 also apply.
Agency staff	In line with all establishment posts, agency and contractor staff will be recorded on the relevant NSS Business Systems to ensure compliance with the National Directory and NHS Mail access for all members of staff and to allow for effective monitoring of all staff across NSS. Agency staff must be appointed in line with the NSS Agency Workers Process including a -requirements to utilise -of any national procurement framework or contract in place for such staff within NHSS. Completion of an online “check of employment status for tax” must also be carried out prior to the start of any engagement. The authority limits in section 7.03 also apply
Secondees	Before appointing any Secondees to work in NSS, the relevant Director of Strategic Business Unit must be consulted and their approval to proceed should be given prior to proceeding with any appointment
Temporary/Fixed Term Employees	Normal HR recruitment

Definition

- 9.02 Contractors are used by NSS -
- a) to provide specific expertise which may not be readily available within NSS;
 - b) to perform a task within a defined time span; or
 - c) to provide an outside objective view on a particular matter.

Specification of Need

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

Procedures for appointment

- 9.04 The applicable procurement procedures and limits set out in sections 6, 7 and 8 must always be followed.
- 9.05 Before appointing Management Consultants/Contractors the relevant Director of Strategic Business Unit must be consulted and his approval to proceed should be given prior to proceeding with any appointment. ~~via a signed Procurement Action Form.~~
- 9.06 For each appointment, a file will be set up and a checklist included in the file listing all items that must be included. This will include a copy of the HMRC online assessment which will determine the employment status for tax purposes of the engagement.

- 9.07 The use of any available SG or other Government agency procurement frameworks agreements for Business Management Consultancy services or any other Consultancy Services provision must be considered and used where appropriate. Any exception to this must be approved by the Director of Strategic Business Unit. Details of available consultancy frameworks can be obtained from NSS PCF SBU.

When considering the assignment it is appreciated that it may not always be possible to estimate the value or the timescale. In such cases however it should be possible to ascertain the range and nature of skills required and the likely number of days work required. This will enable competitive quotations or tenders to be obtained, as above, on a day rate basis. If this approach is appropriate it is essential that the schedule of day rates is maintained and updated no less frequently than annually and documentary evidence retained.

- 9.08 In considering the suitability of a Management Consultant/Contractor, the selection process must ensure that appropriate consideration is given to the particular experience and reputation of the individual(s)/organisation.
- 9.09 In making the appointment the officers must satisfy themselves that the Management Consultant/Contractor is competent to undertake the assignment and must maintain and retain documentary evidence of their consideration of this matter.
- 9.10 It is imperative that the professional competence of the Management Consultant/Contractor is vetted by the Director of Strategic Business Unit who must prepare and retain documentary evidence of this consideration.
- 9.11 Where a Management Consultant/Contractor has been appointed due to a lack of specific expertise being available within NSS, arrangements should be made wherever practical for knowledge or skills transfer into NSS to occur. The anticipated knowledge or skills transfer should be documented ~~in the appropriate section of the Procurement Action Form~~ and tracked thereafter.

Tendering Arrangements

- 9.12 In all circumstances, the arrangements for tendering set out in Section 8 will be followed.
- 9.13 Particular attention is drawn to the need to ensure that adequate provision has been made in the annual budget for the sums involved.
- 9.14 The appointment of consultants/contractors can occur without completion of the tender process where the Chief Executive and/or the Director of Finance has within EU procurement law, approved the use of a "single tender" process. ~~Approval is via completion of a Sole Source Justification form. via the completion of the relevant section of the Procurement Action Form.~~ In such circumstances a formal Sole Source Justification exception to tendering report will be produced by the Director of Finance and presented to the Performance and Finance Committee ~~quarterly~~ annually explaining the reason(s) for exception.

Functional Continuity

- 9.15 Where for whatever reason it is decided to extend the appointment of a Management Consultant/Contractor and this will increase the value of the initial or current assignment sufficient to move it into a higher value band (see Section 7) the materiality of any such extension should be measured and appropriate legal advice sought from CLO prior to the approval of the Chief Executive and/or the Director of

Finance must be obtained before proceeding to extend the appointment.

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

Authorisation and Payment of Invoices

- 9.17 The officer responsible for ensuring that the work to be undertaken in the assignment has been carried out satisfactorily will certify invoices for work done and will ensure that the fee charged is correct.

- 9.18 Thereafter payment will be in accord with normal practice.

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Review of Assignments

- 9.19 The Director of Strategic Business Unit is responsible for conducting a review of the effectiveness and value for money of the assignment prior to the departure of, or as soon as practicably possible thereafter, the appointed Management Consultant/Contractor. Internal Audit or any other body as may be required should record details of such review for the purposes of any subsequent independent scrutiny.

Value for Money

- 9.20 Throughout the whole procurement process of developing need, specification, tendering, appointment and payment the officers involved in the exercise are responsible for ensuring that best value for money is obtained.

Audit and Risk Committee Reporting Requirements

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

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

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 10 - Income Generation and Intellectual Property

Introduction

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

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

Authority levels

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

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

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

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

Determination of charges

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

10.07 In setting the level of fees and charges, Directors of Strategic Business Units should ensure the full recovery of all costs including capital costs represented by

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capital charges. For recurring income streams there should be a yearly review as part of the budget process to ensure that full recovery of costs is being achieved.

- 10.08 Where day rates form the basis of any fees and charges the approved NSS day rates should be used. Any variation from the approved day rates should be agreed with the Director of Finance.
- 10.09 Planned cross subsidisation is not permitted and marginal costing may only be used when unplanned spare capacity arises during the year.
- 10.10 Charges to the private sector may be set at any level that the market will bear, provided the price covers all direct and indirect costs.
- 10.11 In order to preserve the real value of income, increases recommended should have regard to at least the current rate of inflation.

Foreign currency

- 10.12 Business should normally be conducted in sterling. Any Sales which are to be denominated wholly or in part in a foreign currency must be pre-notified to the Director of Finance at the earliest opportunity.
- 10.13 Foreign currency transactions will normally only be acceptable in "hard" currencies such as US dollars, the Euro or Swiss Francs. Other major world currencies will be acceptable where business is conducted with the appropriate country.
- 10.14 Foreign currency transactions in excess of £2million require to receive advance authorisation through the Government Banking Service. Such transactions will be referred to the Director of Finance for arrangement. Government accounting regulations require NSS to minimise the cost of its overseas (banking) transactions while protecting public funds against loss and uncertainty due to foreign exchange movements. NSS will therefore take steps to minimise its exposure to foreign exchange risks, for example by entering into forward exchange contracts, but must not speculate on foreign exchange movements.

Third Party Contracts and Agreements

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

Intellectual Property and Other Guidance

- 10.16 Strategic Business Units must comply with MEL(2000)13: "Fund Raising, Income Generation and sponsorship within the NHSis" at all times.
- 10.17 The registration, other forms of protection, management and exploitation of Intellectual Property Rights (e.g. a brand, patent, domain name, etc.) is subject to compliance with current NSS Intellectual Property Policy and Scheme of Delegation.
- 10.18 Consideration should be given to using the services of Scottish National Blood

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

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

Notification of income to the Director of Finance

- 10.20 All accounts for income due to NSS will be raised under arrangements approved by the Director of Finance. Full particulars of all charges made for work done or services rendered will be included in such accounts in a form approved by the Director of Finance.

Recovery of outstanding debts

- 10.21 The Director of Finance will ensure that appropriate systems are maintained for the recovery of outstanding debts in line with the Debt Management Policy.
- 10.22 The Director of Finance is responsible for the recovery of outstanding debts and will ensure agreed credit control procedures are exercised to minimise any loss to NSS.
- 10.23 Outstanding debts that are not recoverable and are to be written off will be dealt with in accordance with the approved procedures for losses (see Section 17 below).

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 11 - Capital Investment, Private Financing, Fixed Asset Registers and Security Of Assets including Cash

Capital investment

- 11.01 The Director of Finance will ensure that:
- (a) there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon business plans;
 - (b) adequate arrangements are in place for the effective management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
 - (c) capital investment is not undertaken without confirmation of the availability of resources to finance all revenue consequences, including capital charges.
- 11.02 For all capital expenditure a proposal should be produced in line with the NSS Business Case Process.
- 11.03 The Director of Finance will issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.
- 11.04 The Chief Executive, Director of Finance or the Board, as appropriate, must approve capital expenditure not covered by an approved budget in advance. Further details are contained at Appendix I.
- 11.05 The approval of a capital programme will not, of itself, constitute approval for expenditure on any scheme. The Director of Finance will issue to the manager responsible for any scheme:
- (a) specific authority to commit expenditure;
 - (b) authority to proceed to tender; and
 - (c) approval to accept a successful tender.
- 11.06 The Director of Finance will ensure procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes are issued. These procedures will fully take into account the delegated limits for capital schemes included in guidance from SGHSC.

Not for Profit Distribution (NPD) model

- 11.07 NSS should normally test for the appropriateness of using the NPD model when considering a capital procurement. When NSS proposes to use finance which is to be provided other than through its Allocations, the following procedures will apply:
- (a) The Director of Finance will ensure that the use of the NPD model represents value for money and genuinely transfers significant risk to the private sector.
 - (b) Where the sum involved exceeds delegated limits, the business case must be referred to SGHSC and/or treated as per current guidelines.

- (c) The Board must specifically agree the proposal.

Asset registers

- 11.08 The Director of Finance is responsible for the maintenance of registers of assets, including the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted at least once a year.
- 11.09 The minimum data set to be held within these registers will be as specified in the Scottish Capital Accounting Manual as issued by SGHSC.
- 11.10 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:
 - (a) Properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
 - (b) Stores, requisitions and wages records for own materials and labour including appropriate overheads; and
 - (c) Lease agreements in respect of assets held under a finance lease and capitalised.
- 11.11 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).
- 11.12 The Director of Finance will approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 11.13 The value of each asset will be indexed to current values in accordance with methods specified in the Scottish Capital Accounting Manual issued by SGHSC.
- 11.14 The value of each asset will be depreciated using methods and rates as specified in the Scottish Capital Accounting Manual issued by SGHSC.
- 11.15 The Director of Finance will ensure that capital charges are calculated and accounted for as specified in the Scottish Capital Accounting Manual issued by SGHSC.
- 11.16 A small equipment register as specified by the Director of Finance will be maintained within NSS. This register will incorporate high value and portable items of equipment, e.g. IT equipment, that do not fall within the scope of Capital Expenditure. The register will be in a format approved by the Director of Finance and a full count of identified items will occur at a time period specified by the Director of Finance. Any discrepancies will be noted in writing to the Director of Finance who will investigate as appropriate.

Security of assets

- 11.17 The overall control of fixed assets is the responsibility of the Chief Executive.
- 11.18 The Director of Finance must approve asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets). This procedure will make provision for:
 - (a) Recording managerial responsibility for each asset;

- (b) Identification of additions and disposals;
 - (c) Identification of all repairs and maintenance expenses;
 - (d) Physical security of assets;
 - (e) Periodic verification of the existence of, condition of, and title to, assets recorded;
 - (f) Identification and reporting of all costs associated with the retention of an asset; and
 - (g) Reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 11.19 All discrepancies revealed by verification of physical assets to fixed asset register will be notified to the Director of Finance.
- 11.20 Whilst each employee and officer has a responsibility for the security of the property of NSS, it is the responsibility of the Board and Executive Management Team members and senior employees in all disciplines to apply such appropriate routine security practices in relation to NSS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with instructions.
- 11.21 Any damage to NSS's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Board and Executive Management Team members and employees in accordance with the procedure for reporting losses. (See Section 17)
- 11.22 Where practical, assets will be marked as NSS property.
- 11.23 Upon the closure of premises or transfer of functions a physical check of all items will be conducted. All items held will be detailed on a list certified by the responsible officer, together with their disposition.

Treatment of cash and other receipts

- 11.24 The Director of Finance is responsible for ensuring appropriate arrangements are in place for:
- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
 - (b) ordering and securely controlling any such stationery;
 - (c) the provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
 - (d) prescribing systems and procedures for handling cash and negotiable securities on behalf of NSS.
- 11.25 All cash and other receipts received on behalf of NSS will be recorded and deposited in accordance with the arrangements authorised by the Director of Finance. No deduction may be made from such money to meet expenditure of any kind. Cash settlement discounts will not be offered to any debtor.

Personal cheques

- 11.26 Personal cheques will not be cashed out of monies held on behalf of NSS.

Security over cash

- 11.27 The designated secure facilities should only be used for such items that relate to the activities of NSS. In exceptional circumstances officers responsible for the operation of such facilities may hold unofficial items if in sealed or locked closures. NSS will accept no responsibility for such items.

Loss of cash, cheques etc.

- 11.28 All losses of such items will be reported immediately in accordance with agreed procedures. (See Sections 3 and 17).
- 11.29 The Chief Executive may delegate to nominated officers, authority to make ex-gratia payments below approved thresholds in line with procedures pertaining to such payments, e.g. compensation payments. All such payments must be notified to the Director of Finance and reported to the Audit and Risk Committee on at least an annual basis and reported in the Annual Accounts in accordance with the approved procedure for losses (see Section 17).

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 12 - Banking Arrangements

General

- 12.01 The Director of Finance is responsible for the management of NSS's banking arrangements and for advising NSS on the provision of banking services and operation of accounts.
- 12.02 NSS will operate the bank accounts in accordance with all relevant guidance issued by SGHSC.
- 12.03 The Government Banking Service (GBS) will hold NSS's main bank account. Where necessary, subsidiary bank accounts will be held with a commercial bank. All such bank accounts should be authorised by the Director of Finance.

Banking Procedures

- 12.04 The Director of Finance must agree in writing with NSS's bankers the conditions under which each account will be operated.
- 12.05 The Director of Finance will ensure that detailed instructions on the operation of bank and GBS accounts are prepared which must include:
- (a) the conditions under which each bank account is to be operated;
 - (b) those authorised to sign cheques or other orders drawn on NSS's accounts; and
 - (c) the arrangements to be made for payments that may be required in other currency denominations (see also section 10.13).

Bank balances

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

Provision of imprests

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

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 13 - Stocks and Stores

Introduction

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

Custody of stocks

- 13.02 The management, control and safe custody of stocks will be the responsibility of Directors of Strategic Business Units who may delegate responsibility for specific items to appropriate managers.
- 13.03 The Directors of Strategic Business Units will institute a system, approved by the Director of Finance, for the management, control and safety of stocks. Any stock loss should be considered for further investigation under Section 3 and any subsequent write off be dealt with in accordance with Section 17.

Stores records

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

Movements of stocks

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

Valuation of stock

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

Slow moving and/or obsolete stock

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

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

Stock levels

- 13.10 Directors of Strategic Business Units will ensure that excess stocks are not held unnecessarily in any part of the supply chain.
- 13.11 Optimum levels of stock must be established by Directors of Strategic Business Units and subjected to continuous monitoring and review as part of the management process.
- 13.12 Unless operational circumstances dictate otherwise, suppliers should be encouraged to hold goods until they are required by direct delivery.

Stock taking

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

Stock certificates

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

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 14 - Annual Accounts

Introduction

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

Financial records

- 14.02 The Director of Finance will ensure the maintenance of such detailed financial records as are required under relevant statute and regulations that will form the basis for the preparation of the Annual Accounts of NSS. (see also Section 16 – Information Governance)

Annual Accounts and reports

- 14.03 Following approval by the Board, NSS will submit to SGHSC the Approved Annual Accounts and such reports prepared in accordance with the requirements of SGHSC and any relevant guidance contained in the Scottish Accounting Manual. These will include the Report of Directors and the Statement on Internal Control.
- 14.04 The Director of Finance will issue an Annual Accounts completion timetable to Strategic Business Units and Financial Services detailing requirements and associated responsibilities for the provision of information in support of the Annual Accounts.

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 15 - Audit and Financial Performance Arrangements

Audit and Risk Committee

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

Performance and Finance Committee

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

Director of Strategy and Governance

- 15.03 The Director of Strategy and Governance is responsible for
- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective internal audit function;
 - (b) ensuring that the internal audit is adequate and meets the NHS best practice;
 - (c) ensuring that an Internal Audit Plan is prepared for the consideration of the Audit and Risk Committee. The plan must cover:
 - (i) strategic audit plan covering the coming three years; and
 - (ii) a detailed plan for the coming year.
 - (d) ensuring that an annual Internal Audit Report is prepared for the consideration of the Audit and Risk Committee. The report must cover:
 - (i) a clear opinion on the effectiveness of internal control in accordance with current controls assurance guidance issued by SGHSC including for example compliance with control criteria and standards;
 - (ii) major internal financial control weaknesses discovered;
 - (iii) progress on the implementation of internal audit recommendations; and
 - (iv) progress against plan over the previous year;
- 15.04 The Director of Finance, the Head of Internal Audit or their authorised representatives and CFS in relation to a fraud investigation will have authority, without necessarily giving notice, and on production of identification, to require and receive:
- (i) access at all reasonable times to any land, premises or employee of NSS;
 - (ii) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a

confidential nature (in which case, he will have a duty to safeguard that confidential nature);

- (iii) the production or identification by any employee of any NSS cash, stores, or other property under the employee's control; and
- (iv) explanations concerning any matters under investigation.

Irregularities

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

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

15.06 Further details pertaining to suspected theft, fraud, embezzlement, corruption, bribery and other irregularities are contained at Section 3.

Audit reporting

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

Internal Audit

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

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

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

External Audit

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

15.12 The appointed External Auditor will conduct their audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as

required by the Code of Audit Practice approved by the Auditor General for Scotland.

Service Audit

- 15.13 Annual Service Audit Reports will be submitted to and agreed with management following audits of the key services we provide to NHS Boards. Management must respond formally to audit reports within three weeks of receipt. The finalised reports will be provided to the Director of Strategic Business Unit, Director of Finance, NSS's statutory auditor and to the Audit and Risk Committee.
- 15.14 Each Service Auditor Report will provide an opinion on the controls in place and how effectively they have been operating during the year under review. This will be submitted before 30 June following the audit year in question.
- 15.15 The report will also detail the exceptions that were identified during the course of the testing, and management's responses to these. Management will be required to ensure that action is taken to address the risks or issues identified by the agreed deadlines.
- 15.16 Periodic review of the actions taken will be carried out by the Service Auditors and the findings presented to the Audit and Risk Committee.

Risk Management

- 15.17 The Audit and Risk Committee is responsible for overseeing the risk management framework for NSS.
- 15.18 The Chief Executive is responsible for reviewing the effectiveness of the system of internal control, which includes the maintenance of an NSS risk register. The NSS risk register should be reviewed by the Board, Board Committees and Executive Management Team and management teams as set out in the NSS Integrated Risk Management Approach (IRMA).
- 15.19 The Directors of Strategic Business Units are responsible for ensuring that risk registers are appropriately maintained and reviewed, and that appropriate risk management strategies and practices are adopted within their Strategic Business Units as outlined in the IRMA.

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 16 - Information Governance

Financial Information Systems

- 16.01 The Director of Finance, who is responsible for the accuracy and security of the financial data (both electronic and paper formats) of NSS, will:
- (a) devise and implement any necessary procedures to ensure adequate protection of NSS's data, and computer hardware and software, for which he is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;
 - (b) ensure that adequate controls exist over data access, entry, processing, storage, transmission, deletion, disposal and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
 - (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
 - (d) ensure that a secure, adequate, management (audit) trail exists through the computerised system and that such computer audit reviews as he may consider necessary are being carried out. All audit data will be held securely and only accessed by those authorised to access it in line with their business duties;
 - (e) all policies and procedures will be in line with NSS corporate information governance related policies, procedures and guidelines.
- 16.02 The Director of Finance will satisfy himself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Development, test and live financial systems shall be appropriately segregated to reduce the risk of unauthorised access to and corruption of live data. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation. Any new financial systems or amendments to existing financial systems must be implemented in line with NHS Scotland Information Security Policy and Standards including HDL (2006) 41. Where the new system or amendment involves the processing of personal data then the development will follow appropriate assessment of any privacy risks.
- 16.03 In the case of all computer systems which are to be utilised by the majority of the Strategic Business Units, all responsible directors and employees will send to the Director of Finance:
- (a) details of the outline design of the system;
 - (b) in the case of packages acquired either from a commercial organisation, from the NHS Scotland, or from another public sector organisation, the operational requirement.
- 16.04 The Director of Finance will ensure that contracts for computer services for financial applications with another health organisation or any other agency will clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes and that all applications and/or systems are purchased, developed, implemented, operated and

decommissioned in line with the NHS Scotland Information Policy and Standards. Where the contract includes the processing of personal information it will be set in compliance with the Data Protection Act 1998 and NHS CEL 25 (2011).

- 16.05 Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance will periodically seek assurances that adequate controls are in operation and they conform to the NHS Scotland Information Security Policy and Standards. If this other organisation is processing personal data as part of the financial application, the assurances sought should, as a minimum, include those set out in NHS CEL 25 (2011).
- 16.06 Where computer systems have an impact on corporate financial systems the Director of Finance will satisfy him/herself that:
- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
 - (b) data produced for use with financial systems is secure, adequate, accurate, complete and timely, and that a management (audit) trail exists;
 - (c) staff authorised by/on behalf of the Director of Finance staff have authorised appropriate access to such data in line with their job duties; and
 - (d) such computer audit reviews as are considered necessary are being carried out.

Data Protection Act

- 16.07 NSS must comply with provisions and principles of the Data Protection Act 1998. To this end, the NSS Board will approve the NSS Data Protection Policy submitted by the Chief Executive.
- 16.08 NSS's nominated Data Protection Officer (i.e. the NSS Privacy Adviser) is responsible in overall terms for promoting and advising on compliance with the Act. All staff members must act in compliance with the Act by observing the NSS Data Protection Policy approved Information Governance policy and guidelines.

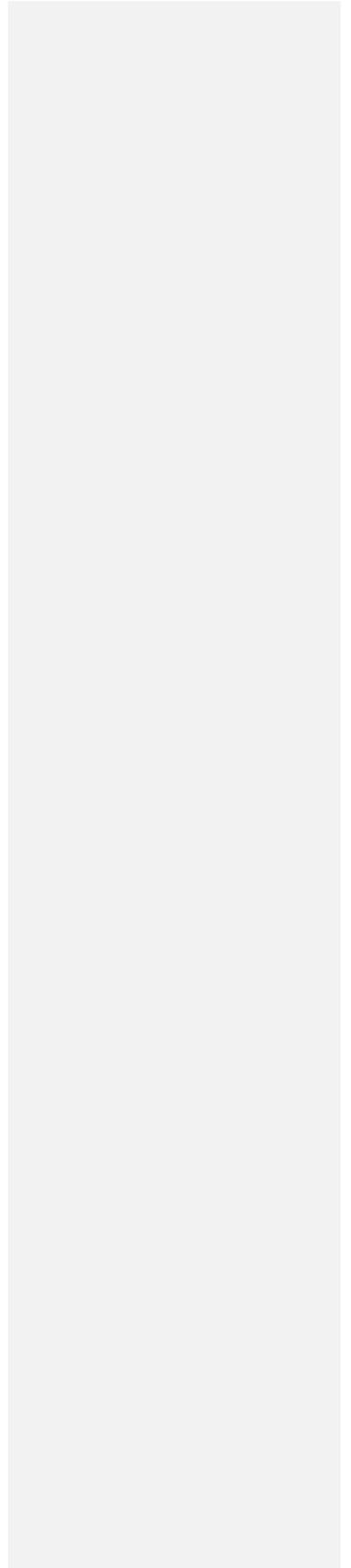
Freedom of Information

- 16.09 NSS must comply with provisions and principles of the Freedom of Information (Scotland) Act 2002. To this end, the NSS Board will approve the NSS Freedom of Information Policy submitted by the Chief Executive.
- 16.10 NSS's nominated Freedom of Information Officer is the Associate Director, Corporate Affairs and Compliance. Recognising the principal accountability of the Chief Executive, the Associate Director, Corporate Affairs and Compliance is responsible in overall terms for compliance with the Act. All inquiries made under the Freedom of Information (Scotland) Act 2002 should be dealt with in accordance with NSS's Freedom of Information Policy and Information Request Protocol.

Management, Retention and Disposal of Administrative Records

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

16.12 The NSS Board will approve the NSS Corporate Records Management Policy and NSS Document Storage and Retention Policy submitted by the Chief Executive.



NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 17 - Losses and Special Payments

- 17.01 SGHSC has delegated authority to NSS to write-off losses and make special payments up to certain limits. Details are given in Appendix II. For payments to be made above the levels specified SGHSC prior approval must be obtained.
- 17.02 The Board in turn will delegate its responsibility to the Chief Executive and Director of Finance to approve write-off and authorise special payments.
- 17.03 On a regular basis and at least annually, the Director of Finance on behalf of the Chief Executive will submit a report to the Audit and Risk Committee detailing all losses written off and special payments made.
- 17.04 The Director of Finance is responsible for ensuring the maintenance of a Losses and Special Payments Register for recording:-
- the circumstances
 - the amount/value involved
 - the action taken
 - the date of write-off authority
- This Register will form the basis of NSS's Annual Scottish Financial Return (SFR 18) which is included in NSS's Annual Accounts.
- 17.05 The Director of Finance will be authorised to take any necessary steps to safeguard NSS's interests in bankruptcies and company liquidations.

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

SECTION 18 - Non-Public Funds

- 18.01 All receipts of non-public funds must be vested with the Trinity Park Foundation ("the Foundation") which has its own Board of Trustees, one of which must be a member of the NSS Board.
- 18.02 All gifts, donations and proceeds of fund raising activities which are intended for the Foundation's use will be passed immediately to the Director of Finance to be banked directly in the Foundation's bank account.
- 18.03 All gifts accepted will be received and held in the name of the Foundation and administered in accordance with the Foundation's policy subject to the terms of any specific trusts.
- 18.04 The Director of Finance must ensure that he is kept informed of all enquiries regarding legacies and will be the Foundation's nominee for the purpose of making application for grant of letters of administration in order to obtain a legacy. After the death of a testator all correspondence concerning a legacy will be dealt with by the Director of Finance who will be empowered to give an executor a good discharge.

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

PROTOCOL FOR THE DEPLOYMENT OF RESOURCES

Level of Authority

Delegated Limit

1.1 Capital Expenditure within NSS's Baseline Allocation

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

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

1.2 Capital Expenditure for specific projects funded through separate SGHSC allocation

- | | |
|------------------|---|
| Project Director | Subject to the rules above, the commitment of funds up to the total gross cost of the agreed capital budget as specified in the approved Business Case. |
|------------------|---|

2.1 Revenue Expenditure within NSS's Baseline Allocation

- (a) Director of Strategic Business Unit All expenditure contained in the Annual Financial Plan, including developments and the specified use of non-recurring funds, subject to the executive approval procedures contained in Standing Financial Instructions and in accordance with agreed policies on, for example, recruitment.
- (b) Director of Finance
- a) The commitment of pre-planned individual developments where funds become available up to £0.25million in value which accord with the agreed Strategic Business Unit Strategy but are not included in the Annual Financial Plan for that year.
 - b) The utilisation of non-recurring funds not in the Financial Plan or covered by the delegated arrangements detailed above up to a total of £0.25million per development.
- (c) Chief Executive
- a) The commitment of pre-planned individual developments where funds become available up to £1million in value which accord with the agreed Strategic Business Unit Strategy but are not included in the Annual Financial Plan for that year.
 - b) The utilisation of non-recurring funds not in the Financial Plan or covered by the delegated arrangements detailed above up to a total of £1million per development.
- (d) NSS Board The bringing forward of pre-planned individual Revenue developments over £1million in value and the commitment of non-recurring resources not in the plan in excess of the limits specified above.

2.2 Revenue Expenditure for specific projects funded through separate SGHSC allocation

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

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

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

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

LOSSES: DELEGATED LIMITS

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

		Delegated Authority (per case) £
	Theft / Arson / Willful Damage	
1	Cash	15,000
2	Stores/procurement	30,000
3	Equipment	15,000
4	Contracts	15,000
5	Payroll	15,000
6	Buildings & Fixtures	30,000
7	Other	15,000
	Fraud, Embezzlement & other irregularities (inc. attempted fraud)	
8	Cash	15,000
9	Stores/procurement	30,000
10	Equipment	15,000
11	Contracts	15,000
12	Payroll	15,000
13	Other	15,000
14	Nugatory & Fruitless Payments	15,000
15	Claims Abandoned	
	(a) Private Accommodation	15,000
	(b) Road Traffic Acts	30,000
	(c) Other	15,000
	Stores Losses	
	Incidents of the Service –	
16	- Fire	30,000
	- Flood	30,000
	- Accident	30,000
17	Deterioration in Store	30,000
18	Stocktaking Discrepancies	30,000
19	Other Causes	30,000
	Losses of Furniture & Equipment And Bedding & Linen in circulation:	
20	Incidents of the Service - Fire	15,000
	- Flood	15,000
	- Accident	15,000
21	Disclosed at physical check	15,000

		Delegated Authority (per case) £
22	Other Causes	15,000
	Compensation Payments - legal obligation	
23	Clinical	250,000
24	Non-clinical	100,000
	Ex-gratia payments:	
25	Extra-contractual Payments	15,000
26	Compensation Payments - Ex-gratia - Clinical	250,000
27	Compensation Payments - Ex-gratia - Non Clinical	100,000
28	Compensation Payments - Ex-gratia - Financial Loss	25,000
29	Other Payments	2,500
	Damage to Buildings and Fixtures:	
30	Incidents of the Service	
	– Fire	30,000
	- Flood	30,000
	- Accident	30,000
	- Other Causes	30,000
31	Extra-Statutory & Extra-regulatory Payments	Nil
32	Gifts in cash or kind	15,000
33	Other Losses	15,000

NATIONAL SERVICES SCOTLAND

STANDING FINANCIAL INSTRUCTIONS

Sales Contracts and Income Generation

AUTHORITY LIMITS

1. All income generation requires the prior approval of the Director of Finance and Chief Executive if their total lifetime value is or could be in excess of the undernoted limits.

Strategic Business Unit	Third Party contracts and new sources of income generation (£)	Grant Income (£)
Scottish National Blood Transfusion Services	100,000	500,000
Central Legal Office	50,000	100,000
Procurement, Commissioning and Facilities	100,000	500,000
Practitioner and Counter Fraud Services	100,000	100,000
Public Health and Information Services	100,000	500,000
Information Technology	100,000	100,000
Business Services	50,000	100,000
HR	50,000	100,000
Clinical	50,000	100,000
& Strategy & Governance	50,000	100,000
CEAD	50,000	100,000

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

NATIONAL SERVICES SCOTLAND
STANDING FINANCIAL INSTRUCTIONS

Director of Finance Checklist

Reference	Requirement	Frequency	Committee
1.06	Breaches of SFIs.	Earliest opportunity	Performance and Finance Committee
5.14	Ex Gratia payments to staff.	Annual	Remuneration Committee
6.12	Exceptions to procurement guidelines.	Quarterly	Performance and Finance Committee
6.28	Advance payment (non-contractual) for goods/services.	Annual	Performance and Finance Committee
8.12/8.24/9.145	Exception to tender/Sole Source Justification report/written quotations.	Quarterly/Annual	Performance and Finance Committee
9.23	Spend on Management Consultancy.	Annual	Audit and Risk Committee
13.06	Any instance of being overdrawn with bank.	Earliest opportunity	Audit and Risk Committee
18.03	Report of losses and special payments made.	Annual	Audit and Risk Committee

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