

**STANDING FINANCIAL INSTRUCTIONS  
&  
SCHEME OF DELEGATION**

<b>Author:</b>	<b>Laura Ace</b>
<b>Responsible Lead Executive Director:</b>	<b>Laura Ace</b>
<b>Endorsing Body:</b>	<b>Board</b>
<b>Governance or Assurance Committee</b>	<b>Audit Committee</b>
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<b>Responsible Person:</b>	<b>Calum Campbell</b>

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<b>CONSULTATION AND DISTRIBUTION RECORD</b>	
<b>Contributing Author / Authors</b>	<ul style="list-style-type: none"> <li>• Laura Ace</li> <li>• Morag Holmes</li> <li>• Gordon Smith</li> <li>• Chris Sanderson</li> </ul>
<b>Consultation Process / Stakeholders:</b>	<ul style="list-style-type: none"> <li>• Corporate Management Team</li> <li>• Audit Committee</li> <li>• Board</li> </ul>
<b>Distribution:</b>	<ul style="list-style-type: none"> <li>• Firstport</li> <li>• All budget holders</li> </ul>

<b>CHANGE RECORD</b>			
<b>Date</b>	<b>Author</b>	<b>Change</b>	<b>Version No.</b>
March 2010			1
September 2011			2
October 2012			3
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March 2019			9

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- i) Consultation and Distribution Record**
- ii) Change Record**

### **1. INTRODUCTION**

These Standing Financial Instructions (SFI's) are issued in accordance with the financial directions provided by the Scottish Government Health and Social Care Directorate (SGHSCD) under National Health Service in Scotland (NHSiS) Statutes and Circulars. The SFI's are also in accordance with all other enabling powers for the regulation of the conduct of NHS Boards, their members, officers and agents in relation to all financial matters.

### **2. AIM, PURPOSE AND OUTCOMES**

These SFI's are issued for the regulation of the conduct of the Board, its directors, officers and agents in relation to all financial matters. They shall have effect as if incorporated in the Standing Orders of the Board. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.

### **3. SCOPE**

#### **3.1 Who is the Policy Intended to Benefit or Affect?**

These SFI's are issued for the regulation of the conduct of the Board, its directors, officers and agents in relation to all financial matters.

#### **3.2 Who are the Stakeholders?**

Standing Orders, Scheme of Delegation and SFI's provide a comprehensive governance framework. All Executive Directors, non-Executive Directors, and all members of staff, should be aware of the existence of these documents and, where necessary, be familiar with the detailed provisions. The Scheme of Delegation supporting these SFIs is attached as Annex A.

### **4. PRINCIPLE CONTENT**

Financial Instructions as detailed below.

**5. ROLES AND RESPONSIBILITIES**

It is the duty of the Chief Executive to ensure that existing members of the Board and employees and all new appointees are notified of, and understand, their responsibilities within these instructions.

**6. RESOURCE IMPLICATIONS**

None

**7. COMMUNICATION PLAN**

Firstport, staff briefing, and cascade through line management structure.

**8. QUALITY IMPROVEMENT – MONITORING AND REVIEW**

To be reviewed by April 2017 or earlier if change of legislation.

**9. EQUALITY AND DIVERSITY IMPACT ASSESSMENT**

This policy meets NHS Lanarkshire's EDIA. A completed copy has been sent to [hina.sheikh@lanarkshire.scot.nhs.uk](mailto:hina.sheikh@lanarkshire.scot.nhs.uk)

(tick box)

**10. Summary or Frequently Asked Questions (FAQs)**

Please ensure you send a summary of your policy or a frequently asked questions with your completed policy

**11. REFERENCES**

None.

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## **SECTION 1 INTRODUCTION**

- 1.1 These Standing Financial Instructions (SFI's) are issued in accordance with the financial directions provided by the Scottish Government Health and Social Care Directorate (SGHSCD) under National Health Service in Scotland (NHSiS) Statutes and Circulars. The SFI's are also in accordance with the Scottish Public Finance Manual and all other enabling powers for the regulation of the conduct of NHS Boards, their members, officers and agents in relation to all financial matters. References to key legislative or SG codes regulating business conduct are listed at the end of this section.
- 1.2 These SFI's are issued for the regulation of the conduct of the Board, its directors, officers and agents in relation to all financial matters. They shall have effect as if incorporated in the Standing Orders of the Board.
- 1.3 They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Director of Finance.
- 1.4 Standing Orders, Scheme of Delegation and SFI's provide a comprehensive governance framework. All Executive Directors, non-Executive Directors, and all members of staff, should be aware of the existence of these documents and, where necessary, be familiar with the detailed provisions. The Scheme of Delegation supporting these SFIs is attached as Annex A.
- 1.5 It is the duty of the Chief Executive, managers and heads of department, to ensure that existing members of the Board and employees and all new appointees are notified of, and understand, their responsibilities within these instructions.
- 1.6 Should any difficulties arise regarding the interpretation or application of any of the SFI's then the advice of the Director of Finance must be sought before acting. The user of these SFI's should also be familiar with and comply with the provisions of the NHS Lanarkshire Standing Orders.
- 1.7 All members of the Board and staff have a duty to disclose any non-compliance with these SFI's to the Director of Finance as soon as possible. Failure to comply with SFI's will be deemed a disciplinary matter. It may also result in authority to conduct transactions on behalf of the Board being revoked until assurance is obtained on full future compliance with the SFIs.

Minor, isolated and unintentional non compliance of the SFI's will be logged by the Director of Finance and dealt with as appropriate. For any other breaches full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit Committee for referring action or ratification.

### **References**

Scottish Public Finance Manual  
<http://www.gov.scot/Topics/Government/Finance/spfm>

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NHS Circular MEL (1994) 48  
Standards of Business Conduct for NHS Staff

NHS Circular MEL (1994) 80  
Corporate Governance in the NHS,

NHS Circular MEL (2000) 13,  
Fundraising, Income Generation and Sponsorship within the NHSiS

Ethical Standards in Public Life (Scotland) Act 2000.  
Incorporating the Model Code of Conduct for Members of Devolved Bodies  
<http://www.gov.scot/Resource/0044/00442087.pdf>

SG Publication 2001  
Standards of conduct, accountability and openness

SG Publication  
A Common Understanding; Guidance on Joint working between NHS Scotland and  
the Pharmaceutical Industry 2003

Prevention of Corruption Acts 1906 and 1916

The Bribery Act 2010



## **SECTION 2      KEY RESPONSIBILITIES FOR FINANCIAL GOVERNANCE**

The Board will exercise financial supervision and control by:-

- 2.1. Formulating the financial strategy;
- 2.2. Requiring the submission and approval of annual budgets within approved allocations;
- 2.3. Approving Standing Financial Instructions;
- 2.4. Defining specific responsibilities placed on directors and employees as indicated in the Scheme of Delegation;

The Chief Executive

- 2.5. The Chief Executive is ultimately accountable to the Board, and as Accountable Officer, to the Scottish Minister, for ensuring that the Board meets its obligation to perform its functions within the available financial resources and in line with the principles of Best Value;
- 2.6. The Chief Executive has overall executive responsibility for NHS Lanarkshire activities and is responsible to the Chairperson and the Board for ensuring that its financial obligations and targets are met and has overall responsibility for NHS Lanarkshire system of internal control;

The Director of Finance

- 2.7. As specified in the Scheme of Delegation, the Director of Finance, without prejudice to any other function of officers of Lanarkshire NHS Board, shall exercise financial supervision and control by:
  - 2.7.1 requiring the submission and approval of financial plans to predetermined timetables;
  - 2.7.2 supervising the implementation of the Board's financial strategies and for co-ordinating any corrective action necessary to further these strategies;
  - 2.7.3 the design, implementation and supervision of systems of financial control incorporating the principles of separation of duties, internal checks and the need to obtain value for money and wider Best Value;
  - 2.7.4 defining the specific financial responsibilities placed on officers;
  - 2.7.5 setting the Board's accounting policies consistent with Scottish Government, Treasury guidance and generally accepted accounting practice, incorporating International Financial Reporting Standards;
  - 2.7.6 the provision of financial advice to other members of the Board and employees;

- 2.7.7 ensuring that sufficient records are maintained to show and explain the Board's transactions, in order to disclose, with reasonable accuracy, the financial position of the Board at any time;
- 2.7.8 The preparation and maintenance of such accounts, certificates, estimates, records and reports as NHS Lanarkshire may require for the purpose of carrying out its statutory duties.
- 2.8 The Chief Executive and Director of Finance can delegate their detailed responsibilities where appropriate but will remain accountable to the Board for financial control.

All Directors and Employees

- 2.9. All members of the Board and employees, severally and collectively, are responsible for:
- 2.9.1. the security of the property and resources of the Board;
- 2.9.2. avoiding loss;
- 2.9.3. exercising economy and efficiency in the use of resources;
- 2.9.4. conforming to the requirements of Standing Orders, Scheme of Delegation, Standing Financial Instructions and Financial Procedures;
- 2.9.5. securing Best Value;
- 2.9.6. being impartial and honest in their conduct of business, remaining beyond suspicion when committing NHS resources directly or indirectly;
- 2.9.7. demonstrating appropriate ethical standards of personal conduct.
- 2.10. All budget holders shall ensure that:-
- a) information is provided to the Director of Finance to enable budgets to be compiled;
- b) budgets are only used for their stated purpose; and
- c) budgets are never exceeded.
- 2.11. When a budget holder expects their expenditure will exceed their delegated budget, they must secure an increased budget, or seek explicit approval to overspend before doing so.
- 2.12. Furthermore employees shall not:
- Abuse their official position for the personal gain or to the benefit of their family or friends;
  - Undertake outside employment that could compromise their NHS duties;
  - Seek to advantage or further their private business or interest in the course of their official duties.
- 2.13. All employees must protect themselves and the Board from any allegations of impropriety by seeking advice from their line manager, or from the appropriate contact point, whenever there is any doubt as to the interpretation of the

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Standing Orders, Scheme of Delegation, Standing Financial Instructions and Financial Procedures.

- 2.14 Any contractor or employee of a contractor who is empowered by the Board to commit the Board to expenditure or who is authorised to obtain income shall be covered by these SFI's. It is the responsibility of the Director of Finance to ensure that such persons are made aware of this.

## SECTION 3      AUDIT ARRANGEMENTS

### Audit Committee

- 3.1. An independent Audit Committee is the central means by which Lanarkshire NHS Board ensures effective internal control mechanisms are in place. As required by statute and laid down in MEL 1994(80) the Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the Audit Committee Handbook to perform the following tasks:

<http://www.gov.scot/Publications/2008/08/08140346/0>

- 3.1.1. Ensuring that management, has established an effective internal audit function, that complies with Public Sector Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive and Board;
- 3.1.2. Reviewing the work and findings of the external auditor appointed by Audit Scotland and considering the implications of and management's responses to their work;
- 3.1.3. Reviewing the findings of other significant assurance functions, both internal and external to NHS Lanarkshire, and considering the implication for the governance of the organisation;
- 3.1.4. Ensuring that the systems for financial reporting to the Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Board;
- 3.1.5. Reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;
- 3.1.6. Reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives;
- 3.1.7. Monitoring compliance with Standing Orders, Standing Financial Instructions and all related detailed Financial Procedures;
- 3.1.8. Reviewing schedules of losses and compensations and making recommendations to the Board;
- 3.1.9. Reviewing the annual report and financial statements prior to submission to the Board focusing particularly on:
- The wording in the Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
  - Changes in, and compliance with, accounting policies and practices;
  - Unadjusted mis-statements in the financial statements;
  - Major judgmental areas;
  - Significant adjustments resulting from audit.
  - Reviewing the annual financial statements and recommending their approval to the Board;
  - Reviewing the external auditors report on the financial statements and the annual management letter;

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- Conducting a review of the NHS Lanarkshire major accounting policies;
- Reviewing any incident of fraud or corruption or possible breach of ethical standards or legal or statutory requirement that could have a significant impact on NHS Lanarkshire published financial accounts or reputation;
- Reviewing any objectives and effectiveness of the internal audit services including its working relationship with external auditors;
- Reviewing major findings from internal and external audit reports and ensuring appropriate action taken;
- Reviewing 'value for money' audits reporting on the effectiveness and efficiency of the selected departments or activities;
- Investigating any matter within its terms of reference, having the right of access to any information relating to the particular matter under investigation;
- Reviewing waivers to Standing Orders, Standing Financial Instructions, Scheme of Delegation.

3.2. The minutes of the Audit Committee meetings shall be formally recorded and submitted to the Board. The Chair of the Committee shall draw to the attention of the Board any issues that require disclosure to the full Board, or require executive action. The Committee will report to the Board annually on its work in support of the Governance Statement, specifically commenting on the fitness for purpose of the Assurance Framework, the extent to which a comprehensive risk management process embedded in the organisation, the integration of governance arrangements and the self-assessment of the effectiveness of the Audit Committee.

3.3. Where the Audit Committee feels there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chairperson of the Audit Committee should refer the matter to a full meeting of the Lanarkshire NHS Board. Exceptionally, the matter may need to be referred to the Scottish Government Health and Social Care Directorate.

### **Director of Finance**

- 3.4. The Director of Finance is responsible for:-
- 3.4.1. Ensuring there are arrangements to review, evaluate and report on the effectiveness of internal control including the establishment of an effective internal audit function;
  - 3.4.2. Ensuring that Internal Audit is adequate and meets the mandatory audit standards;
  - 3.4.3. Deciding at what stage to involve the police in cases of fraud, misappropriation, and other irregularities;
  - 3.4.4. Ensuring that the Chief Internal Auditor prepares the following for approval by the Audit Committee [and the Board]:
    - A clear statement on the effectiveness of internal control;
    - Major internal control weakness discovered;
    - Progress on the implementation of internal audit recommendations;
    - A strategic audit plan;
    - A detailed plan for the coming year.
- 3.5. The Director of Finance or designated internal auditors are entitled without necessarily giving prior notice to require and receive:-
- (a) Access to all records, documents and correspondence relating to any transactions, including documents of a confidential nature;
  - (b) Access at all reasonable times to any land, premises or employee of the organisation;
  - (c) The production of any cash, stores or other property of each organisation under an employee's control;
  - (d) Explanations concerning any matter under investigation.

### **Internal Audit**

- 3.6. Internal audit is an independent and objective appraisal service within the organisation which provides:
- an independent assurance to the Accountable Officer, the Board and the Audit Committee on the whole system of internal control by measuring and evaluating its effectiveness in achieving the organisation's agreed objectives. The whole system of internal control comprises the procedures and operations established for the assessment of risk, the achievement of objectives, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and the behavioural and ethical standards set for the organisation.
  - an independent objective consulting activity to support line management in adding value and improving an organisation's internal control system. This is done by bringing a systematic and disciplined approach to the evaluation and improvement of the risk management, control and governance processes which are intended to support the

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achievement of organisational objectives. Such consultancy work contributes to the assurance which internal audit provides on the whole system of internal control.

**External Auditors**

- 3.7. The External Auditor is concerned with providing an independent assurance of each organisation's financial stewardship including value for money, probity, material accuracy, compliance with guidelines and accepted accounting practice for NHS accounts. Responsibility for securing the audit of the Board rests with Audit Scotland. The appointed External Auditor's statutory duties are contained in the Public Finance and Accountability (Scotland) Act 2000.
- 3.8. The appointed auditor has a general duty to satisfy themselves that:
- a) The organisations' accounts have been properly prepared in accordance with directions given under the Public Finance and Accountability (Scotland) Act 2000;
  - b) Proper accounting practices have been observed in the preparation of the accounts;
  - c) The organisation has made proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- 3.9. In addition to these responsibilities, Audit Scotland's Code of Audit Practice requires the appointed auditor to consider whether the statement of accounts presents a true and fair view of the financial position of the organisation;
- 3.10. The Audit Committee provides a forum through which non-executive Directors can secure an independent view of any major activity within the appointed auditor's remit. The Audit Committee has a responsibility to ensure that NHS receives a cost-effective service and that co-operation with senior managers and Internal Audit is appropriate.
- 3.11. The appointment of external auditors for patients' funds and endowment funds requires to be approved by the Audit Committee.

Commented [SG1]: Does this need to be approved by the AC?

## **SECTION 4 FINANCIAL MANAGEMENT**

This section applies to both revenue and capital budgets.

### **4.1. Allocations**

4.1.1. The Director of Finance of NHS Lanarkshire will:

- (a) At least on a six monthly basis review the basis and assumptions used for distributing allocations and ensure that these are reasonable and realistic and secure NHS Lanarkshire's entitlement to funds;
- (b) prior to the start of each financial year submit to the Board for approval a report showing the total allocations received and their proposed distribution including any sums to be held in reserve; and
- (c) regularly update the Board on significant changes to the initial allocation and the uses of such funds.

### **4.2 Annual Operational Plan (AOP)**

4.2.1 The Chief Executive shall be responsible for leading an inclusive process, involving staff and partner organisations, to secure the compilation and approval by Lanarkshire NHS Board of the annual AOP for Lanarkshire. They will compile and submit to the Board an AOP which takes into account financial targets; forecast limits of available resources and spending proposals. The plan will contain:

- (a) a statement of the significant assumptions on which the plan is based;
- (b) details of major changes in workload, delivery of services or resources required to achieve the plan;
- (c) any potential risks to achieving the plan
- (d) plans which implement the directions issued by the Integrated Joint Boards under their strategic plan alongside plans for the non delegated functions including reviewing the regional dimension of healthcare and the scope for sharing resources with planning partners.

By concisely describing the key health and healthcare issues facing Lanarkshire, by setting out succinctly how these will be tackled and by whom, and by setting clear priorities, key milestones and other qualified improvement targets over time, the AOP will help to secure understanding of important health issues, a shared approach to taking action, and a common commitment to achieving results.



### **4.3. Budgetary Control**

- 4.3.1. The Director of Finance shall, on behalf of the Chief Executive, prepare and submit to the Board for its approval, an annual financial plan for all revenue funds and capital where applicable, within the limits of available funds as determined by the notified allocations.
- 4.3.2. In preparing this plan the Director of Finance will work with the Chief Finance Officer of the North and South Integrated Joint Boards to develop the proposals for uplifts to budgets for delegated functions.
- 4.3.3. The Financial Plan shall be submitted to the NHS Lanarkshire Corporate Management Team for detailed scrutiny and risk assessment, following which the Corporate Management Team shall be responsible for recommending approval of the Financial Plan by NHS Lanarkshire Board.
- 4.3.4. The Financial Plan shall be a component of the AOP, and shall be reconcilable to an annual update of the financial planning returns which the Director of Finance will prepare and submit to the Scottish Government Health and Social Care Directorate, in accordance with guidance or direction issued from time to time.
- 4.3.5. The Director of Finance shall ensure that adequate financial and statistical systems are in place to monitor and control income and expenditure and to facilitate the compilation of financial plans, estimates and any investigations which may be required from time to time.
- 4.3.6. The Director of Finance shall devise and maintain systems of budgetary control and all officers, whom the Lanarkshire NHS Board and Corporate Management Team may empower to engage staff or otherwise incur expenditure or to collect or generate income, shall comply with the requirements of those systems. The systems of budgetary control shall incorporate the reporting of (and investigation into) financial, activity or workforce variances from budget. The Director of Finance shall be responsible for providing budgetary information and advice to enable the Chief Executive and other officers to carry out their budgetary responsibilities.
- 4.3.7. The Chief Executive may, within limits approved by Lanarkshire NHS Board, delegate authority for a budget or a part of a budget to the individual officer or group of officers who will be responsible for the activities provided for within that budget.

4.3.8. The terms of delegation shall include a clear definition of individual and group responsibilities for:-

- the amount of budget;
- the purpose(s) of each budget heading;
- control of expenditure;
- exercise of virement;
- achievement of planned levels of service; and
- the provision of regular monitoring reports.

upon the discharge of those delegated functions to the Chief Executive.

4.3.9. Responsibility for overall budgetary control, however, shall remain with the Chief Executive.

4.3.10. Where Budgets for functions delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 have been issued to the Health Board via a direction of the IJBs the rules as to their use are as set out in the IJB Strategic Commissioning Plan and Financial Regulations. In other circumstances these SFIs applies.

4.3.11. Except where otherwise approved by the Chief Executive, taking account of the advice of the Director of Finance, budgets shall be used only for the purpose for which they were provided

4.3.12. Any budgeted funds not required for their designated purpose shall revert to the immediate control of the Chief Executive, unless covered by powers of virement delegated by the Chief Executive.

4.3.13. Expenditure for which no provision has been made in an approved budget shall only be incurred after authorisation by the Chief Executive or Director of Finance, subject to their authorised virement limit.

4.3.14. The Director of Finance shall 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 shall advise on the financial and economic aspects of future plans and projects.

4.3.15. There is a duty requiring the Chief Executive, other officers and all employees of NHS Lanarkshire not to exceed approved budgetary limits.

4.3.16. Any substantial funds arising from inability to action, or delay in the implementation of projects approved by Lanarkshire NHS Board, shall be reported in the first instance by the Chief Executive, together with advice on the use of such funds, to the NHS Lanarkshire Corporate Management Team, who shall report to Lanarkshire NHS Board.

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- 4.3.17. The Director of Finance shall ensure the issue of timely, accurate and comprehensive advice, and monthly financial reports to each budget holder, covering the areas for which they are responsible.
- 4.3.18. The Director of Finance shall produce a regular Financial Report for submission to Lanarkshire NHS Board. This report shall highlight any significant in-year variance from the Financial Plan together with a forecast of the outturn position for the financial year concerned, and shall recommend any proposed corrective action.
- 4.3.19. The Director of Finance will ensure that the Chief Finance Officers of the IJBs are timeously provided with the information required in order to report to the IJBs.
- 4.3.20. The Director of Finance of Lanarkshire NHS Board shall prepare such reports as required by the Scottish Government Health and Social Care Directorate.
- 4.3.21. In order to fulfil these responsibilities, the Director of Finance shall have right of access to all budget holders on budgetary related matters.

## **SECTION 5 COMMISSIONING/PROVIDING HEALTHCARE SERVICES**

### **5.1. Entering agreements to Provide Services to other NHS bodies**

- 5.1.1. It is expected that NHS organisations will collaborate to share services to make more efficient use of resources and provide more robust patient care. Entering in to an agreement to provide new or extend existing services to an NHS body requires a business case proportionate to the size and complexity of the arrangement. This should consider the cost of providing the service including any increased demand on support services, the ability to staff and accommodate the expanded service, any associated risks and the fair division of responsibilities for risk management.
- 5.1.2. The principles of Regional Planning circular HDL (2004) 46 shall be taken into account in charging for the service and resolving disputes.
- 5.1.3. Officers have the same level of delegated authority to commit to provide services to other NHS bodies as they do for committing to receiving services for other NHS bodies.

### **5.2. Entering agreements to Provide Services to non NHS public sector bodies**

- 5.2.1. Joint planning and integrated services between community planning partners and sharing support services with other local public sector bodies is desirable to promote efficiency and provide better public services. Services should only be provided to non NHS public sector bodies in circumstances where they are a good fit with NHS activities and capabilities.
- 5.2.2. A business case proportionate to the size and complexity of the arrangement is required. This should consider the cost of providing the service including any increased demand on support services and the contribution to overheads, the ability to staff and accommodate the expanded service, a fair division of risk and clarity on respective responsibilities and which terms, conditions and procedures will be followed. The business case should be signed off by the relevant Divisional Director and Deputy Director of Finance.
- 5.2.3. Any arrangements with a lifetime value of more than £2m is required to be discussed by the CMT and signed by the Chief Executive.

### **5.3. Entering agreements to Provide Services to non NHS bodies**

- 5.3.1. Services should only be provided to non NHS bodies in circumstances where they are a good fit with NHS activities and capabilities. The purposes of the Board are set out in the National Health Service (Scotland) Act 1978 and it is important that no activity is entered into that would be dissonant with that purpose or otherwise bring an unjustifiable reputational risk to the Board. It is important that the provision of these services do not impact on the ability to provide NHS services.

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- 5.3.2. A business case proportionate to the size and complexity of the arrangement is required. This should consider the cost of providing the service including any increased demand on support services and the contribution to overheads and, the ability to staff and accommodate the expanded service. Risks should be identified through our standard risk management approach. There should be a financial assessment signed off by the deputy Director of Finance and appropriate Director which clearly sets out the assumptions and models the impact of identified risks. At a minimum, these risks should cover penalty clauses, the impact of early termination and exit strategy at the end of the agreement.
- 5.3.3. Legal advice should be sought on the agreement to ensure the respective obligations are clearly expressed and do not impose an unduly onerous burden on the NHS.
- 5.3.4. Any arrangements with a lifetime value of more than £1m is required to be discussed by the CMT and signed by the Chief Executive. Any arrangements with a lifetime value of more than £2m require Board approval.

**SECTION 6            ALIGNED AND POOLED BUDGETS**

- 6.1. The Public Bodies (Joint Working) (Scotland) Act 2014 established a statutory mechanism through which responsibility for planning and monitoring a range of health and social care functions would be delegated to an Integrated Joint Board. It is envisaged that most instances of joint working would be covered by these arrangements, the financial instructions for which are set out in section 7. In the event of a joint working requirement arising that does not fall within the agreed, or extended remit, of the IJBs, the following provisions shall apply.
- 6.2. NHS Scotland organisations and Scottish Local Authorities have a statutory duty to co-operate to provide improved Community Care Services. The Community Care and Health (Scotland) Act 2002 and the Community Care (Joint Working etc.) Regulations 2002 increased the flexibility available to both organisations to improve outcomes for people using these services, together with their carers. Scottish Ministers are also given power to direct the NHS and Local Authorities to enter into joint working arrangements, where existing performance is unsatisfactory.
- 6.3. Part 2 of the Act enables payments to be made between the NHS and Local Authorities in connection with relevant functions, both Capital and Revenue, in order to move resources to deliver joint objectives. Each partner retains the overall, original, responsibility and accountability for the exercise of existing functions delegated in this way. Partnership arrangements entered into by NHS Lanarkshire must comply with the guidance on aligned and pooled budgets issued by the Scottish Government
- 6.4. A local Partnership Agreement or Heads of Agreement must be drawn up between the partner organisations. This will specify the services to be managed jointly, joint management structures and arrangements, the governance arrangements, the accountability arrangements, the budgetary control arrangements, and the financial reporting and monitoring arrangements. Each partner organisation's Director of Finance must approve the Local Partnership Agreement which must then be ratified by both the NHS Board and the Council.
- 6.5. The Act provides enabling powers to develop pooled budgets. Each partner contributes agreed resources to a discrete fund, which is managed as a single budget; by a separate discrete body e.g. voluntary organisations. This body however is not a separate legal entity, and for legal reasons must be linked to one of the statutory authorities, the authority becomes the "host" partner. The partners must agree at the outset the purpose, scope and outcomes for services within the agreement, meeting their own statutory obligations and justifying their contribution to the fund.
- 6.6. Joint Services managerial posts will be given delegated authority for the management of budgetary resources from each partner. There will be clearly defined roles and responsibilities for the achievement of financial and service

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performance targets. For the management of resources and activities associated with NHS Lanarkshire's contribution to the jointly managed services, the NHS Lanarkshire Code of Corporate Governance will be complied with and the manager will be included in the NHS Lanarkshire Scheme of Delegation, as appropriate. For the management of resources and activities associated with Council's contribution to the jointly managed services, the Council Financial Regulations and Contract Regulations will be complied with and the manager will be included in the Council Scheme of Delegation, as appropriate. In addition any instructions guidance produced by the Directors of Finance from either partner will be complied with if it is to be applied to the appropriate budget/resources.

- 6.7. If a separate body is created to manage pooled budgets, the lead officer of the newly created partnership body shall issue Financial Regulations and Standing Financial Instructions/Code of Corporate Governance, in accordance with directions issued by the Scottish Government, and agreed by the partner authorities. Such regulations and instructions will specify the arrangements for the provision of financial and service performance information to the partner authorities who remain responsible and accountable for their contribution to the pooled budget.
- 6.8. NHS Lanarkshire Chief Executive and the Council Chief Executives will remain accountable to the Scottish Government for the financial contribution made by their organisation in all joint service arrangements.
- 6.9. Jointly managed services will be subject to both financial and value for money audit by both internal audit and the Auditor General for Scotland. Annual Statements will be prepared for inclusion in both partners' Annual Accounts complying with all appropriate accounting standards and Scottish Government requirements. Each partner's Director of Finance will be equally responsible for ensuring that all relevant financial information is made available to the other partner as appropriate.

## **SECTION 7 HEALTH AND SOCIAL CARE INTEGRATION**

- 7.1. Each partner will agree the formal budget setting timelines and reporting periods as defined in the Financial Regulations.
- 7.2. The initial budget for the NHS contribution to the Integrated Joint Board budget for delegated functions under the Public Bodies (Joint Working) (Scotland) Act 2014 will be set in accordance with the Integration Schemes and SG's Integrated Resource Advisory group guidance. In subsequent financial cycles the NHS Board will take account of any further guidance issued by SGHSCD and ensure the IJB Chief Officer and IJB Chief Financial Officer are engaged in discussions on the possibilities afforded by the NHS settlement. This may involve the IJB officers developing a case for the integrated budget based on the Strategic Plan and presenting it to NHS (and local Authority) for consideration as part of the annual budget setting processes. The NHS Board will evaluate the case for the Integrated Budget against its other priorities and will agree its contributions accordingly. The budget will be evidenced based with transparency of assumptions including, but not limited to pay award, contractual uplift, savings requirements etc.
- 7.3. Following on from the budget process, the IJB Chief Officer and Chief Financial Officer will prepare a financial plan supporting the Strategic plan and once approved by the IJB issue Directions with defined payment levels to the NHS Board.
- 7.4. If at the outset the NHS Board does not believe the direction can be achieved for the payment being offered then it shall notify the IJB of its concerns and seek a mutually acceptable solution. For any concerns on the affordability of direction associated with the set aside budget, the notification would be in line with s 28 (4) of the Public Bodies (Joint Working) (Scotland) Act 2014, that additional funding would be necessary to comply with the direction.
- 7.5. Once the payments to be made by the IJB to the NHS Board for the delegated functions have been agreed they will for, the directly managed functions, form the basis of annual budgets to be issued to the Chief Officer of the IJB (in their operational capacity, accountable to the Chief Executive of the NHS Board). The payments for the set aside budgets will form part of the budgets to be issued to the relevant NHS Director.
- 7.6. In managing these operational budgets the Chief Officer will comply with these SFIs unless the SFI's explicitly state otherwise.
- 7.7. In further delegating budgetary authority to managers in their structure the Chief Officer is responsible for ensuring all transactions processed by the NHS comply with these SFIs and any further detailed procedural NHS Board guidance relevant to the transaction.
- 7.8. It is envisaged that the Chief Officer will have a structure including joint management posts who are responsible for both health and council expenditure.



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- 7.9. Where a manager has delegated authority for both health and council expenditure they must ensure the VAT treatment is in line with the Integrated Resource Advisory Group and any HMRC guidance. If there is any doubt they should seek advice from the Director of Finance for any expenditure that might previously have been made from NHS budgets.
- 7.10. Where a council employee has been given delegated authority for NHS budgets a signed declaration that they have received and will comply with these SFIs is required. This should also be signed by the Chief Officer, who will further undertake to pursue any breaches of the NHS SFIs through the council line management structure if required.
- 7.11. For the Directly managed functions under their control, the Chief Officers power to make in year changes to the funding balance between NHS functions or to the funding balance between NHS and other bodies will derive from the flexibility granted by the IJBs when they set their financial regulations. If under those regulations IJB approval is required for changes above a certain level then the NHS Board will only act when that authority is obtained.
- 7.12. Notwithstanding that a budget virement lies within the Chief Officers level of authority it can only be executed if detailed consideration of the financial impact confirms any risks associated with it are acceptable. If there is a difference of opinion between the Chief Officer and NHS finance as to the acceptability of the risk, the Chief Officer and Director of Finance of the NHS will first seek to reach an acceptable solution. Failing that the Chief Executive of the NHS will consider the level of risk, involving the CMT if necessary for a wider view. Should there still not be agreement the IJB would be invited to review this and set out how it would mitigate the stated risk.
- 7.13. If an overspend is forecast on the NHS budget, the Chief Officer and the Integration Joint Board's Chief Financial Officer will aim to agree a recovery plan in line with the Integration Scheme and discuss this with the NHS Director of Finance. Should an agreed plan not be in place in time to prevent or manage an in year deficit, the NHS Director of Finance may request that such expenditure controls as are necessary to avoid an NHS budget deficit are put in place. Having considered any alternatives, the Chief Executive of NHS Lanarkshire would have the ultimate power to require these are enacted.
- 7.14. If an underspend is forecast on the Chief Officer's NHS budget then section 7.8 relating to virements applies. Under s 28(3) of the Public Bodies (Joint Working) (Scotland) Act 2014 the IJB is entitled to ask for the return of unused funding issued under a payment direction. A verified underspend taking into account the totality of the NHS spend on delegated functions will be disposed of as instructed by the IJB.
- 7.15. The NHS Director of Finance is responsible for providing the Chief Officer (as with all budget holders) with regular financial information to allow them to manage their budgets. The NHS Director of Finance is also responsible for providing the Chief finance officer of the IJB with the financial information required by the integration scheme as expanded by subsequent agreements,

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to meet the reporting requirement to the IJB. In advance of each financial year a timetable will be agreed with the IJB.

- 7.16. The IJB Chief Financial Officer will be responsible for the preparation of the annual financial statements as required by s 39 of the Public Bodies (Joint Working) (Scotland) Act 2014 and the statutory annual accounts. The Accounting Standards as adapted for the public sector will apply to the Integration Joint Board. The Code of Practice on Local Authority Accounting in the UK will be the applicable guidance for their interpretation. The financial statements of the Integration Joint Board will be completed to meet the audit and publication timetable specified in regulations (Regulations under section 105 of the Local Government (Scotland) Act 1973). Initially, recording of financial information in respect of the Integration Joint Board will be processed via the Local Authority ledger (though this will be reviewed in time). Although the responsibility lies with the Chief Finance officer of the IJB the Director of Finance will ensure such information is supplied from the NHS as is required to fulfil these obligations.
- 7.17. The financial ledger transactions relating to the Integration Joint Board will be carried out prior to the end of the financial year with post year-end adjustments for material information only. Year-end balances and transactions will be agreed timeously in order to allow completion of the Accounts in line with required timescales. This date will be agreed annually by the Integration Joint Board, the Health Board and the Local Authority.
- 7.18. Detailed Financial Regulations governing the Integration Joint Board will be agreed between the Local Authority and the Health Board and approved by the Integration Joint Board. Once agreed the NHS Director of Finance will be responsible for ensuring any NHS obligations are fulfilled.
- 7.19. Although the Public Bodies (Joint Working) (Scotland) Act 2014 will supersede most of the previous joint working arrangements, it remains possible that there could be pooled or aligned budgets with community partners that fall outwith that. The previous standing financial instruction provisions relating to this have therefore been retained as Section 6 in case they should be needed.

## **SECTION 8 INVESTMENT APPRAISALS & EVALUATION**

- 8.1. The Director of Finance and Director of Strategic Planning, Property and Performance are jointly responsible for developing guidance on business cases.
- 8.2. The lead Director is responsible for ensuring all SCIM or SPFM requirements are adhered to regarding major investment projects i.e. greater than £3.5m.
- 8.3. The key principles of this guidance should however be adopted in relation to all investment projects.
- 8.4. For projects under this level local guidance will be developed jointly by the Director of Finance and Director of Strategic Planning, Property and Performance.
- 8.5. An appropriate Senior Responsible Owner must be appointed at the earliest possible stage of a project and all project roles, responsibilities and delegated authorities must be clearly identified, agreed and documented prior to commencement.
- 8.6. Accountable Officers must be kept informed of progress and any developments that could undermine the business case for the project.
- 8.7. Arrangements must be put in place to identify and evaluate benefits and to capture lessons learned from the project's delivery.
- 8.8. Appraisal and evaluation are essential parts of good financial management. The general principles should apply to any proposal - whether project, programme or policy related - with implications for expenditure/use of resources.
- 8.9. Appraisal is normally the starting point for any proposal and should normally include the following steps:
  - define the objectives;
  - consider a range of options;
  - identify, quantify and value the costs, benefits, risks and uncertainties associated with each option, including considerations of public private partnerships and the scope for shared services arrangements with other public bodies, optimism bias and distributional implications;
  - analyse the information;
  - decide what evaluation should be performed at a later stage; and present the results.
- 8.10. Evaluation examines the outturn of a project, programme or policy against its objectives. It adds value by providing lessons from experience to help future

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management or development of a specific project, programme or policy. Evaluation should be planned from the outset of the project, and should normally include the following steps:

- establish exactly what is to be evaluated and how past outturns can be measured;
- choose alternative states of the world and/or alternative management decisions as counterfactuals;
- compare the actual outturn with the target outturn, and with the effects of the chosen alternative states of the world and/or management decisions;
- draw up the results and recommendations; and
- disseminate and use the results and recommendations.

## **SECTION 9      PAY EXPENDITURE**

### **Remuneration Committee**

- 9.1. The Remuneration Committee of the Board shall approve any changes to the remuneration, allowances and conditions of service of Chief Executive and other Directors in accordance with the Code of Corporate Governance.
- 9.2. The Committee will:
- (a) Agree all terms and conditions of employment of Executive Directors of NHS Lanarkshire in the following respects:
    - (i) content and format of job descriptions;
    - (ii) terms of employment including tenure;
    - (iii) pay;
    - (iv) benefits including motor cars;
    - (v) annual salary review.
  - (b) Ensure for all senior managers on executive pay scales that arrangements, compliant with SGHSCD guidance, are in place for the assessment of the performance against pre-determined criteria linked to service objectives and for determining annual pay uplifts and pay progression.
  - (c) Approve NHS Lanarkshire's arrangements for the grading of posts and to oversee these arrangements by receiving regular reports from the Director of Human Resources.
  - (d) Approve for all other terms and conditions of service issues not covered by Direction or Regulation such as Discretionary Points for Medical Staff.
- 9.3. After approval by the Remuneration Committee, the Director of HR, through the Scheme of Delegation will personally authorise for payment the Performance Related Pay (PRP) agreed by the Remuneration Committee.
- 9.4. NHS Lanarkshire will pay allowances to the Chairperson and non-executive directors of the Board in accordance with instruction issued by the Scottish Minister.
- 9.5. All early retirements or severance packages for Executive Directors which result in additional costs being borne by the employer will be submitted to the Remuneration Committee for approval. All other early retirements or severance packages shall be authorised by the Director of Finance and Director of HR once the budget has been agreed by the Corporate Management Team.

### **Funded Establishment**

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- 9.6. The workforce plans incorporated within the annual budget shall form the funded establishment.
- 9.7 The funded establishment of any department may not be varied in a way that increases costs (taking account of future pay progression) beyond the delegated budget for that department unless authorised to do so by the Chief Executive.

Commented [SG2]: Or DOF??

**Staff Appointments**

- 9.8 Directors and managers, authorised to do so, may engage, re-engage or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree changes in any aspect of remuneration providing:
- (a) they are authorised to do so by the Chief Executive; and
  - (b) it is within the limit of their approved budget and funded establishment;
  - (c) the remuneration is in line with NHS terms and conditions, pay circulars and the outcomes of NHS Lanarkshire job evaluation systems.
- Control of Recruitment forms must be completed for all vacancies.
- 9.9 The Chief Executive will approve procedures presented by the Director of Human Resources for the determination of commencing pay rates, condition of service, etc, for employees.

**Processing Payroll**

- 9.10 The Director of Finance is responsible for:
- (a) specifying timetables for submission of properly authorised time records and other notifications;
  - (b) the final determination of pay and allowances.
- 9.11 All managers and staff will ensure that strict confidentiality is maintained with regard to staff payroll information and that it is held securely when not in authorised use. Details of an employee's salary shall not be divulged to a third party except in the course of Board duties or with authority from the employee concerned.
- 9.12 Through the Electronic Employee Support System (eESS), workforce shall be notified immediately of new start employees and upon the effective date of any change in state of employment or personal circumstances of an employee, including terminations.
- 9.13 The Director of Human Resources and the Director of Finance shall be jointly responsible for ensuring that rates of pay and relevant conditions of service are in accordance with current agreements. The Chief Executive, or Board in

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appropriate circumstances, shall be responsible for the final determination of pay but subject to the statutory duty of the Director of Finance/Director of Human Resources who shall 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 and other authorised deductions from pay;
- d) security and confidentiality of payroll information in accordance with the principle of the Data Protection Act/General Data Protection Regulation (GDPR);
- 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/GDPR;
- 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) separation of duties of preparing records and handling cash; and
- m) a system to ensure the recovery from leavers of sums of money and property due by them to the Board;
- n) A system to ensure recovery or write-off of payment of pay and allowances.

9.14 Appropriately nominated managers have delegated responsibility for:

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

9.15 The Director of Finance shall ensure payments and processes are supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

9.16 The Director of Finance shall ensure salaries and wages are paid on the currently agreed dates, but may vary these when necessary due to special

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circumstances (e.g. Christmas and other Bank Holidays). Payment to an individual shall not be made in advance of normal pay except:-

- a) As authorised by the Chief Executive or Director of Finance to meet special circumstances and limited to the net pay due at the time of payment.

9.17 All employees shall be paid by bank credit transfer monthly unless otherwise agreed by the Director of Finance.

9.18 Responsibilities of Employees -

9.19 All staff have the responsibility to ensure they receive their payslip in order to check that they are being paid correctly. If an employee believes they are being paid incorrectly i.e. either underpaid or over paid, they should report the matter to their line manager or alternatively to Payroll using the contact information contained on their payslip.

9.20 A failure to check that salary is being paid correctly will not provide an employee with justification for refusing to repay any amount overpaid.

#### **Contracts of Employment**

9.21 The Board shall delegate responsibility to the Director of HR for:

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

#### **Claims for Expenses**

9.22 The Director of Finance shall ensure that all expense claims by employees of NHS Lanarkshire or outside parties are reimbursed in line with the relevant regulations or HR policies and that all such claims should be supported by receipts wherever possible. Removal expenses will be limited to the amount specified by the HMRC as being tax free (currently £8,000), except with the express approval of the Remuneration Committee, and be in accordance with the Board's current Relocation Policy.

9.23 All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses will be submitted to the Payroll Department duly certified in an approved format, by a specified day each month. The names of officers authorised to sign such records or approve electronic claims through the eExpenses system, will be held by the Payroll Department, together with specimen signatures and will be amended on the occasion of any change.

9.24 The Chairperson shall personally authorise all expense claims from the Chief Executive. The Chief Executive shall personally authorise all expense claims



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from the Executive Members of Lanarkshire NHS Board with appropriate arrangements in place in the event of their absence.

- 9.25 The Chairperson shall authorise all expense claims from Non-Executive Directors though may delegate this duty to the Board Secretary.
- 9.26 The certification by or on behalf of the Director of a service, or Head of Department shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by NHS Lanarkshire.
- 9.27 The Director of Finance shall issue additional guidance on the submission of expense claims, specifying the documentation to be used, the timescales to be adhered to and the required level of authorisation.
- 9.28 Claims submitted more than 3 months after the expenses were incurred, either on paper or through E-expenses, will be rejected and will require submission to the appropriate Director, acting in line with guidance supplied by the Director of Finance and the Director of Human Resources, who will only authorise payment if there is an appropriate justification for the delay and it is an isolated occurrence. Claims more than 1 year old will not be considered.

## **SECTION 10 NON –PAY EXPENDITURE**

- 10.1 The Board will approve the level of non-pay expenditure on an annual basis and the Chief Executive will determine the level of delegation to budget managers.
- 10.2. The Chief Executive shall set out procedures on the seeking of professional advice regarding the supply of goods and services.
- 10.3. The Director of Finance shall:
- (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 should be incorporated in the Scheme of Delegation and regularly reviewed;
  - (b) prepare procedural instructions or guidance in line with the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds;
  - (c) be responsible for the prompt payment of all properly authorised accounts and claims.

### **Procurement, Tenders, Contracts**

- 10.4. The SFIs specify the arrangements for the award of contracts and for the purchase of supplies and equipment. Procurement shall take place in line with the principles set out in NHS circular [CEL\\_5\(2012\)](#) and the [Board's procurement strategy](#).
- 10.5. The Procurement Reform Act 2014 and the Public Contracts (Scotland) Regulations 2015 shall have effect as if incorporated in these Standing Financial Instructions.
- 10.6. Unless otherwise agreed by the Procurement Department, NHS Lanarkshire's Standard Terms and Conditions must be used when contracting with a supplier. The current versions are available on the [Board's website](#).
- 10.7. NHS Lanarkshire shall comply with the Scottish Capital Investment Manual, Capital Accounting Manual and other Scottish Government Health and Social Care Directorate guidance on contracting and purchasing.
- 10.8 Equipment and assets with a value in excess of £5,000 (including VAT) is funded through Capital Funds and must be approved by the Core Equipment Group and Capital Investment Group before proceeding to the procurement stage.

### **Pre-Market Engagement**

Prior to any procurement process, there can be a requirement to engage with suppliers in a particular market segment in order to:

- Understand the availability of products and services relating to a business requirement and capabilities of suppliers in a market or industry
- Gain a high level understanding of costs to assess budget implications or to inform a potential business case
- To help build a specification for a potential procurement activity that would inform a procurement strategy to ensure sufficiency of competition, and in turn, Best Value
- To engage the market openly and transparently about future procurement activity.

Officers should not extend supplier pre-market engagement beyond the activities described above, and should instead seek professional advice from the Procurement Department if there is a requirement to proceed on to formal procurement activity.

If there is any doubt about what is acceptable in terms of pre-market engagement, advice should be sought from the Procurement Department.

## Formal Competitive Tendering

### Competitive Tendering Procedures

10.09 There are a significant number of local, regional and national contracts and frameworks in place. These should be utilised in the first instance to satisfy a purchasing requirement. A list of available national frameworks/contracts is available on the Procurement Department intranet page or by contacting the procurement department. In the main, the frameworks utilised by the Health Board are let by Scottish Procurement, National Procurement (our sectoral centre of expertise) or Crown Commercial Service. There are other framework organisations available, but their use should be consistent with Scottish Government advice set out in [SPPN 03/2017](#).

10.10 Where a requirement cannot be satisfied through an existing Scottish Government or NSS National Procurement contract (our sectoral 'centre of expertise'), the process to be followed is defined by value thresholds based on the lifetime value of the proposed contract including extension options (excluding VAT) as set out in the table below. The Values relate to the lifetime value of the contract, not the annual amount. Deliberate attempts to disaggregate the contract value into smaller portions of work to avoid the limits below will be a breach of the Standing Financial Instructions. Where there is a legitimate business reason for breaking a larger requirement into separate lots this should be discussed with the procurement department before proceeding.

#### Goods and services

<b>Contract Value</b> (full lifetime value ex VAT)	<b>Process</b>
Under £2,000	Minimum requirement to obtain a single quote, ensuring Best Value is being obtained.

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£2,000 - £10,000	Minimum requirement to obtain at least three quotes by fax / email and select a preferred supplier on the basis of the Best Value option
£10,000 - £50,000	A Competitive Quotations process should be followed using the Public Contracts Scotland Quick Quote system. The successful supplier should be selected on the basis of lowest cost bid or most economically advantageous tender.
Over £50,000	Requirement exposed to competition as a regulated procurement exercise in accordance with relevant procurement legislation

Works

<b>Contract Value</b> (full lifetime value ex VAT)	<b>Process</b>
Under £2,000	Minimum requirement to obtain a single quote, ensuring Best Value is being obtained.
£2,000 - £10,000	Minimum requirement to obtain three quotes by fax / email and select a preferred supplier on the basis of the Best Value option
£10,000 - £250,000	A Competitive Quotations process should be followed using the Public Contracts Scotland Quick Quote system. The successful supplier should be selected on the basis of lowest cost bid or most economically advantageous tender.
Over £250,000	Requirement exposed to competition as a regulated procurement exercise (tender) in accordance with relevant procurement legislation

- 10.11 Advice on undertaking a competitive quotations exercise or regulated procurement (tender) should be sought from the Procurement Department. Instructions are set out in both the [Competitive Quotations Procedure and Regulated Procurements Procedure](#).
- 10.12 Where competitive quotations are being sought, the list of suppliers approached should be based on market research as to who is likely to offer best value to the NHS. At each renewal consideration should be given to inviting other suppliers to bid to ensure quotations remain competitive.
- 10.13 Procurement Regulations make provisions for contracts covering 'Social and Other Specific Services.' The process and relevant thresholds for this category of contract are set out in the [Social and Other Specific Services Procedure](#). Advice must be sought from the procurement department as to whether the thresholds in section 10.10 will apply, or those in social and other specific services.

**Invitation to Tender**

- 10.14 Sufficient time must be allowed to prepare for a competitive quotations exercise or regulated procurement. Failure to allow sufficient time in the planning process or project lifecycle is not a justifiable reason for requesting to waive these Standing Financial Instructions.
- 10.15 Competitive procurement processes may be waived in the following circumstances as set out in more detail in the [SFI Waiver Procedure](#):
- The supply of goods, services or works are of a special character for which it is not possible or desirable to obtain competitive quotations
  - The goods/services/works are required urgently and their absence would cause the Board not to perform their duties

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- The requirement is essential to complete an existing project and engaging a new supplier would not offer best value.

10.16 Before a Procurement waiver is granted both the Director of Finance (or delegate) and the relevant service director must be satisfied that there is no alternative approach that could meet the organisation's need. The advice of the procurement department will always be sought and at no time would a waiver be granted that would lead the organisation to be in breach of relevant legislation. The procurement department shall maintain a register of waivers. Waivers will be reported to the next available audit committee.

10.17 In any procurement process, if an employee involved in the decision making process has an interest in any of the bidders, they must declare this and, if the assessment of the Head of Procurement is that this could be deemed to be a conflict, they must remove themselves from the process.

10.18 If an employee is offered a gift or hospitality from a supplier they must declare it in accordance with section 17. If, by size or nature, this could be construed as an inducement to award business this must be reported to the Fraud Liaison officer and Head of Procurement who will provide further advice.

10.19 For any regulated procurement (tender over £50,000) all members of the evaluation panel must sign a formal declaration of interests.

#### **Admissibility and Acceptance of Formal Tenders**

10.20 Necessary discussions with a tenderer of the contents of their tender, in order to clarify technical points, pricing etc., before the award of a contract, are quite acceptable but must be appropriately recorded.

10.21 Where post-tender negotiation takes place the following should be observed:

- the justification for the use of post-tender negotiation;
- the aim of the negotiations and the methods used;
- a record of all exchanges, both written and oral (verbal);
- management approval for the award of contract;
- the approval of the Chief Executive of Director of Finance, as applicable.

10.22 Best Value in the Public Interest is critical within the acceptance criteria. The lowest tender may not necessarily be best value and this should come to light through the comparative evaluation of the bids. Reasons for not accepting lowest tender must be recorded.

10.23 The evaluation process should be reasonable and transparent with all bidders treated fairly.

10.24 In circumstances where a requirement has been exposed to competition through competitive quotations or as a regulated procurement and only one bid has been received, prior to contract award, a tender outcome report should be prepared, with a rationale as to the circumstances which may have contributed to only a single bid being received. This may include, but is not limited to:

- Whether the specification of requirements, prevented other competent suppliers from submitting a bid
- Whether the specification of requirements could have been re-framed to be more commercially attractive in order to stimulate competition
- How competitive the relevant market segment is.

A case should then be made to proceed so long as the supporting evidence can demonstrate the receipt of a single bid was not as a result of a distortion of competition. The process for seeking approval to proceed on the basis of a single bid is covered in the [Single Bids Procedure](#).

10.25 Where approval has been given to award a contract by the Director of Finance and Executive Director for the related area on the basis of a single bid, the approval and the reasons should be documented and reported to the Audit Committee.

#### **Unsuccessful Tenders**

10.26 Following completion of the tender acceptance, and having obtained confirmation from the successful tenderer of acceptance of the contract, the unsuccessful tenderers should be advised in writing that the contract has been awarded and that they have not been successful.

#### **Quotations**

10.27 Where quotations are required they should be obtained from at least three firms/individuals (four in the case of Works contracts) based on specifications or terms of reference prepared by, or on behalf of NHS Lanarkshire. Reasons must be kept if less than 3 quotations are sought or received.

#### **Acceptance and Award of Contracts by the Chief Executive**

10.28 The limits for delegation for the acceptance of tenders shall be approved by Lanarkshire NHS Board in line with the annual review of the Standing Financial Instructions and Scheme of Delegation or earlier if required.

10.29 No quotation or tender shall be accepted which will commit expenditure in excess of that which has been allocated by NHS Lanarkshire and which is not in accordance with the Scheme of Delegation except with the authorisation of either the Chief Executive or Director of Finance.

## **Contracts**

10.30 NHS Lanarkshire may only enter into contracts within their statutory powers and shall comply with:-

- Standing Orders;
- Standing Financial Instructions;
- EU Directives and other statutory provisions;
- Any relevant directions including the Scottish Capital Investment Manual and guidance on the Use of Management Consultants;
- NHS Lanarkshire's Standard Terms and Conditions.

10.31 Where specific contract conditions are considered necessary by the lead officer appointed by the Chief Executive or Director of Finance, or by the Board, where appropriate, advice shall be sought from suitably qualified persons. Where this advice is deemed to be legal advice, this must be sought from the Central Legal Office of National Services Scotland.

10.32 Where appropriate, contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited.

10.33 Employees must ensure that all contracts, leases, tenancy agreements, property transactions and other commitments they enter into on behalf of NHS Lanarkshire are within their delegated authority and that a funding source has been identified before the commitment has been made. If no funding source has been identified but the commitment regarded as essential the relevant service director must take this to the Chief Executive or Director of Finance.

10.34 The General Manager - Procurement shall maintain an organisation wide contracts register. All contracts should be advised to the General Manager - Procurement for inclusion in the contracts register.

10.35 The Director of Finance shall ensure there is an annual audit of compliance with the Property Transactions Handbook and that the results are considered by the Audit Committee.

## **Appointment of Management Consultants**

10.36 The bespoke nature of many consultancy services and the degree of interest in the amount of public money spent on this area means additional procedures are needed for procuring consultancy services to ensure they are used sparingly, effectively and only where their use is unavoidable to deliver business objectives. NHS Boards are directed by the Scottish Public Finance manual [Consultancy procedures](#) to regard the Scottish Government "Use of Consultancy" procedures as best practice.

10.37 A business case, establishing the need for consultancy services should be completed at the outset and sent to the relevant Deputy Director of Finance. A proforma business case can be found in firstport.



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- 10.38 Business cases up to £50,000 (excluding VAT) over the life of the consultancy agreement can be approved by the relevant Executive Director. Business cases in excess of £50,000 (excluding VAT) require CMT approval.
- 10.39 Appointment of Consultants should in the first instance utilise National Contracts and, where this is not possible, by competitive tender. The reasons and approval for waiving the requirement to tender should be clearly documented and submitted to the Corporate Management Team.
- 10.40 Where successive assignments beyond the scope and terms of an appointment made by competitive tender arise, these should also be subject to tender arrangements. Where it is expected that there may be follow-on assignments, it may be more appropriate for the tendering exercise to appoint one or more Consultants under a call-off arrangement.
- 10.41 On completion of the assignment a post project evaluation should be required for all consultancy appointments. These should be submitted to the Director of Finance. Those for assignments costing more than £50,000 will be presented to the Audit Committee.

### Official Orders

- 10.42 No goods, services or works other than works and services executed in accordance with a contract, goods and services acquired via the Board approved Purchasing Cards and purchases from petty cash shall be ordered except on an official order, whether hardcopy or electronic, and contractors shall be notified that they should not accept orders unless on an official order form or processed via an approved secure electronic medium. Oral (Verbal) orders shall be issued only by an officer designated by the Chief Executive and only in cases of emergency or urgent necessity. These shall be confirmed by an official order issued no later than the next working day and clearly marked "Confirmation Order". National and Board contracts should be used where available/appropriate. A limited list of exceptions will be maintained and communicated by the Head of Finance - Corporate Services.
- 10.43 Orders may be processed and transmitted by approved electronic methods.
- 10.44 Official order/requisition forms shall only be issued to and signed (signature may be replaced by electronic authorisation) by officers authorised by the Chief Executive. Lists of authorised officers shall be maintained by Procurement and a copy of such lists supplied to the Director of Finance.
- 10.45 Orders shall not be placed in a manner devised to avoid the financial thresholds specified by the Board. Deliberate attempts to disaggregate the order value into smaller portions of work to avoid the limits set in the Scheme of Delegation will be a breach of the Standing Financial Instructions. Where there is a legitimate business reason for breaking a larger requirement into separate orders this should be discussed with the procurement department before proceeding.
- 10.46 Goods e.g. medical equipment shall not be taken on trial or loan in circumstances that could commit NHS Lanarkshire to a future uncompetitive purchase.
- In such cases an indemnity agreement should be signed by the Director of Finance or General Managers.

### New Suppliers

Addition of new suppliers to both the e purchasing system and/or financial ledger system must adhere to the [Supplier Adoption procedures](#), to ensure only appropriate suppliers are adopted.

## Payment

- 10.47 The Director of Finance shall be responsible for the payment of all accounts, invoices and contract claims in accordance with contractual terms and/or the Better Payment Practice Code. Payment systems shall be designed to avoid payments of interest arising from non-compliance with the Late Payment of Commercial Debt (Interest) Act 1998 or other contractual requirements where payment conditions may be more onerous e.g. PFI contracts at Wishaw and Hairmyres.
- 10.48 All requests for payment should, wherever possible, have relevant original VAT invoices or contract payment vouchers attached and shall be authorised for payment by an approved officer from a list of authorised signatories agreed by NHS Lanarkshire. These should also be addressed to NHS Lanarkshire.
- 10.49 The Director of Finance shall be responsible for designing and maintaining systems for the verification, recording and payment of all amounts payable, including monies relating to clinical services. The system shall provide for certification that:-
- goods have been duly received, examined, are in accordance with specification and order, are satisfactory and that the prices are correct;
  - Work done or services rendered have been satisfactorily carried out in accordance with the order; that where applicable the materials used were of the requisite standard and that 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, that the rates of labour are in accordance with the appropriate rates, that the materials have been checked as regards quantity, quality and price and that the charges for the use of vehicles, plant and machinery have been examined;
  - Where appropriate, the expenditure is in accordance with regulations and that all necessary Board or appropriate officer authorisation have been obtained;
  - The account/claim is arithmetically correct;
  - The account /claim is in order for payment;
  - VAT has been recovered as appropriate;
  - Clinical services to patients have been carried out satisfactorily in accordance with Service Level Agreements (SLAs) and Unplanned Activity arrangements (UNPACs);
  - A timetable and system for submission to the Director of Finance of accounts for payment; provision shall be made for early submission of accounts subject to cash discounts or otherwise requiring early payment; and
  - Instruction of staff regarding the handling, checking and payment of accounts and claims within NHS Lanarkshire Finance Department.

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10.50 The Director of Finance shall ensure that payment for goods and services is only made once the goods and services are received other than under the terms of a specific contractual arrangements.

10.51 Where an officer certifying accounts or claims relies upon other officers to do preliminary checking they shall, wherever possible, ensure that those who check delivery or execution of work act independently of those who have placed order and negotiated prices and terms. Budget Managers must therefore ensure that there is effective separation of duties between:

- The person placing the order; and
- The person authorising the order

Additionally,

- The person certifying receipt of goods and services, and
- The person authorising the invoice.

And no one person should undertake all these functions.

10.52 In the case of contracts for building or engineering works which require payment to be made on account during progress of the works, the Director of Finance shall make payment on receipt of a certificate from the technical consultant or officer. Without prejudice to the responsibility of any consultant or works officer appointed to a particular building or engineering contract, a contractor's account shall be subject to such financial examination by the Director of Finance and such general examination by a works officer as may be considered necessary before the person responsible for the contract issues the final certificate. To assist financial control, a contracts register should be created.

10.53 The Director of Finance may authorise advances on the imprest system for petty cash and other purposes as required. Individual payments must be restricted to the amounts authorised by the Director of Finance and appropriate vouchers obtained and retained in accordance with the policy on culling and retention of documents.

10.54 NHS Lanarkshire officers responsible for commissioning work (e.g. contractors including those who were previously employees of the Board) must, before any work assignment is agreed, carry out an employee status assessment using the HMRC tool that confirms their status to ensure that NHS Lanarkshire is not held liable for Income Tax and National Insurance by the HMRC.

This applies to workers who are engaged by or seconded from a company or other organisation, or engaged through their own limited company (a personal service company).

Further guidance can be found at -  
[Check employment status for tax - GOV.UK](#)

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This HMRC assessment must be retained by the officers responsible for commissioning the self employed contractors and submitted to the Director of Finance.

- 10.55 Advance/Prepayments for supplies, equipment or services shall not normally be permitted other than in exceptional circumstances, e.g. advance booking of courses, ordering literature subscriptions and goods supplied on pro forma invoices. Should other exceptional circumstances arise any proposal must be submitted to the Director of Finance at the earliest opportunity. The Director of Finance shall take appropriate advice in determining a course of action.
- 10.56 Payments to general medical practitioners, general dental practitioners, general ophthalmic practitioners and community pharmacists for their family health service work shall be processed through NSS.
- 10.57 The budget holder is responsible for ensuring that all items due under a payment in advance contract are received and they must inform the Director of Finance or Chief Executive immediately problems are encountered.
- 10.58 Managers and officers must ensure that they comply fully with the guidance and limits specified by the Director of Finance and that:
- (a) all contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of any commitment being made;
  - (b) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees, other than:
    - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
    - (ii) conventional hospitality, such as lunches in the course of working visits;
  - (c) no commitment shall be made to any suppliers for goods and services by non-procurement staff outwith procurement guidelines.
- 10.59 Payments to local authorities and voluntary organisations made under NHS (Scotland) Act 1978 shall comply with procedures laid down by the Director of Finance which shall be in accordance with that Act.

### **Payments to Independent Contractors (Primary Care)**

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

- GP Contract;
- Prescribing / dispensing /Pharmacy Contract;
- Dentistry;
- Ophthalmic.

The Director of Finance shall conclude a "Service Level Agreement" with the PSD covering validation, payment, monitoring and reporting and the provision of an audit service by the NSS internal auditors.

10.61 The Primary Care Administration department will approve additions to, and deletions from, the approved list of contractors, taking into account the health needs of the local population and the access to existing services. All applications and resignations received shall be dealt with equitably within any time limits laid down in the contractors' NHS terms and conditions of service.

10.62 The Primary Care Administration Department shall:

- a) ensure that lists of all contractors for whom Health Board is responsible are maintained in an up to date condition;
- b) ensure that systems are in place to deal with applications, resignations, inspection of premises etc. within the appropriate contractors' terms and conditions of service.

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

- a) only contractors who are included on the Board's approved list receive payments;
- b) all valid contractors' claims are paid promptly and correctly and are supported by the appropriate documentation and authorisation;
- c) ensure that regular independent post payment verification of claims is undertaken to confirm that:
  - i) rules have been correctly and consistently applied;
  - ii) overpayments are detected (or preferably prevented) wherever possible; if however overpayments are detected, recovery measures are initiated;
  - iii) suspicions of possible fraud are identified and subsequently dealt with in line with the guidance issued by Counter Fraud Services (CFS) and NHS Lanarkshire's policy on the management of Theft, Fraud and other Financial Irregularities policy and response plan;
- d) exceptionally high, low or no payments are highlighted for further investigation;

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- e) payments made via the NSS are reported to the Community Health partnership;
- f) Payments made on behalf of the board by the NSS are pre-authorised;
- g) Payments made to all Primary Care independent contractors and community pharmacists shall comply with their appropriate contractor regulations;
- h) a prompt response is made to any query raised by Practitioner Services of National Services Scotland, regarding claims from contractors submitted directly to them;
- i) ensure that Fraud/Error reports in respect of patient charges from CFS are reviewed and reported to the Audit Committee.

**Purchase from Petty Cash**

10.64 Purchases from Petty Cash will be restricted in value and by type of purchase and records maintained in accordance with instructions issued by the Director of Finance and shall not be placed in a manner devised to avoid the financial thresholds specified.

**Construction Industry Scheme**

10.65 The scheme is to be administered in accordance with guidance supplied by the H.M. Revenue and Customs guidance CIS340 or online at [www.hmrc.gov.uk/cis](http://www.hmrc.gov.uk/cis).

10.66 The General Manager Property and Support Services is responsible for ensuring that all necessary documentation is obtained from contractors/subcontractors and is supplied to the Finance Department in support of payment requests.

10.67 Before any payment is made for work carried out under CIS the subcontractor needs to be verified with HMRC, who will instruct NHS Lanarkshire how to pay them, which could be Gross, standard deduction (20%) or higher rate (30%).

10.68 The Director of Finance is responsible for remitting to the HMRC any tax deducted for payments made to sub-contractors. The Director of Finance must ensure that this is done in accordance with the timetable(s) set out in H.M. Revenue and Customs guidance CIS340 or online at [www.hmrc.gov.uk/cis](http://www.hmrc.gov.uk/cis).

## **SECTION 11 CAPITAL INVESTMENTS AND PRIVATE FINANCING**

### **Capital Investment**

11.1 The Director of Finance:

- (a) shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon financial plans for the Board;
- (b) shall ensure that the capital investment is not undertaken without full approval and the availability of resources to finance all revenue consequences, including capital charges.

11.2 The Director of Strategic Planning, Property and Performance is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost.

11.3 For every capital expenditure proposal the Director of Finance shall ensure:

- (a) That the appropriate procurement route is identified at the outset. The NHS is required to pursue the development of any community facilities with a cost of £3.5m or over through the "Hub Initiative".
- (b) That the appropriate guidance is followed for business case development (in line with the guidance contained within the Scottish Capital Investment Manual, with the Hub initiative guidance and Territory Partnering agreement and NHS Lanarkshire local procedures in respect of medical and other equipment purchases). At a minimum there should be a business case setting out:
  - (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
  - (ii) appropriate project management and control arrangements;
  - (iii) appropriate risk assessment and management.
- (c) that the costs and revenue consequences detailed in the business case can be accommodated within the Financial Plan.
- (d) that it is consistent with the Board's corporate objectives and Annual Operational Plan .



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- 11.4 On approval of a capital investment scheme, in accordance with the Scheme of Delegation, the Director of Finance shall issue the following to the manager responsible for the capital investment project:
- (a) specific authority to commit expenditure;
  - (b) authority to proceed to tender or proceed under the Frameworks Scotland contractual arrangements;
  - (c) approval to accept a successful tender or target price from preferred supply chain partner in respect of contracts let under Frameworks Scotland.
- 11.5 The Director of Finance shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures shall fully take into account the delegated limits for capital schemes.
- 11.6 In the case of large capital schemes a system shall be established for progressing the scheme and authorising necessary payments up to completion. Provision should be made for regular reporting of actual expenditure against authorised level of capital expenditure.
- 11.7 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). Where land and property is disposed of the requirements set out in the SGHSCD Property Transactions Handbook, together with any subsequent amendments, shall be followed.
- 11.8 There is a requirement to achieve best value when disposing of assets. Competitive tendering should normally be undertaken in line with the requirements of the tendering procedure.
- 11.9 Competitive Tendering or Quotation procedures shall not apply to the disposal of:
- Any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive or nominated office;
  - Obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy;
  - Items to be disposed of with an estimated sale value of less than £1,000, this figure to be reviewed annually;
  - Items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;

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- Land or buildings concerning which Scottish Office guidance has been issued but subject to compliance with such guidance.

**Third Party Funding**

11.10 NHS Lanarkshire shall follow SGHSCD guidance when considering third party funding sources for capital procurement. When NHS Lanarkshire proposes to use finance which is to be provided other than through its Capital Allocation, the following procedures shall apply:

- (a) The Director of Finance shall demonstrate that the capital procurement route 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 the Scottish Government Health and Social Care Directorate or in line with any current guidelines;
- (c) The proposal must be specifically agreed by the Board.

## **SECTION 12 ASSET REGISTERS AND SECURITY OF ASSETS**

### **Asset Registers**

- 12.1 The Director of Finance is responsible for the maintenance of registers of assets, taking account of the advice of the Director of Property and Support Services Department (PSSD), General Manager Procurement, Director of IM&T, Clinical Director Laboratories and Head of Medical Physics, concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year.
- 12.2 NHS Lanarkshire shall maintain an asset register recording fixed assets. The minimum data set to be held within the register shall be as specified in the Scottish Capital Accounting Manual as issued by the Scottish Government Health and Social Care Directorate.
- 12.3 The organisation shall maintain a register of assets held under operating leases or Private Finance Initiative contracts.
- 12.4 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;
  - (c) lease agreements in respect of assets held under a finance lease and capitalised.
- 12.5 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).
- 12.6 All assets are disposed of in accordance with MEL (1996) 7 'Sale of surplus and obsolete goods and equipment' taking any due account of any potential liabilities that could arise from the sale and the need to ensure no confidential data is stored. For medical equipment the approval of the Core Equipment Group is required before it can be sold. For all asset sales there must be written conditions of sale and signed documentation at the point of uplift and copies of that documentation must be passed to the debtors department so invoices can be raised and the proceeds secured.
- 12.7 The Director of Finance shall approve procedures for reconciling balances on fixed asset account in ledger against balances on fixed asset register.

- 12.8 The value of each asset shall be indexed to current values in accordance with methods specified in the Scottish Capital Accounting Manual issued by the Scottish Government Health and Social Care Directorate.
- 12.9 The value of each asset shall be depreciated using methods and rates as specified in the Scottish Capital Accounting Manual issued by Scottish Government Health and Social Care Directorate.
- 12.10 The Director of Finance shall calculate and account for capital charges as specified in the Scottish Capital Accounting Manual issued by the Scottish Government Health and Social Care Directorate.

### **Security of Assets**

- 12.11 The overall control of fixed assets is the responsibility of the Chief Executive advised by the Director of Finance and Director of Strategic Planning and Performance.
- 12.12 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:
- Recording managerial responsibility for each asset;
  - Identification of additions and disposals;
  - Identification of all repairs and maintenance expenses;
  - Physical security of assets;
  - Periodic verification of the existence of, condition of, and title to, assets recorded;
  - Identification and reporting of all costs associated with the retention of an asset;
  - Reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 12.13 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance.
- 12.14 Each employee has a responsibility to exercise a duty of care over the property of the Board and it shall be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to NHS property. Persistent breach of agreed security practices shall be reported to the Chief Executive.
- 12.15 Any damage to the NHS Lanarkshire's premises, vehicles and equipment or any loss of equipment, stores or supplies must be reported by staff in accordance with the procedure for reporting losses.
- 12.16 On the closure of any facility, a check shall be carried out and a responsible officer will certify a list of items held showing eventual disposal. The disposal of fixed assets (including donated assets) will only be permitted if appropriate procedures are followed.

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12.17 On the closure of any facility a check shall be carried out and a responsible officer will certify that all patient and other personally identifiable information has been removed from the facility under the NHS Lanarkshire policy for Information Governance.

12.18 Where practical, assets should be marked as NHS Lanarkshire property.

**SECTION 13      BANKING AND CASH HANDLING**

- 13.1. The Director of Finance shall be responsible for establishing bank accounts, as directed by the Scottish Government Health and Social Care Directorate.
- 13.2. All funds shall be held in the name of the Board. The Director of Finance shall report to the Board on the details of all accounts maintained, including the conditions under which they are operating.
- 13.3. The Director of Finance shall advise the Board's bankers of any alterations in the conditions of operation of the accounts that may be required by the financial regulations of the NHS in Scotland or by resolution of the Board from time to time.
- 13.4. The Director of Finance shall advise the bankers in writing of the officers authorised to release monies from, and draw cheques on each bank account of the Board and provide specimen signatures to the bank. The Director of Finance shall notify the bank promptly of any changes to such authorisations.
- 13.5. The Director of Finance shall ensure that bank accounts are operated in accordance with the agreed conditions and as specified to the bank from time to time, that minimum balances are achieved where appropriate, that accounts are not overdrawn.
- 13.6. All cheques (which shall be crossed with "Not Negotiable – Account Payee only") are to be treated as controlled stationery in the charge of a duly designated officer controlling their issue.
- 13.7. All cheques, postal orders, cash etc, shall be banked intact and promptly, in accordance with the Director of Finance approved procedures to the credit of the main account. Disbursements shall not be made from cash except under arrangements approved by the Director of Finance.
- 13.8. All arrangements for the receipt and payment of monies using the Clearing Houses Automated Payment System (CHAPS) and the Bankers Automated Clearing Services (BACS) will be made by or under arrangements approved by the Director of Finance.
- 13.9. All arrangements for payments to be made by Standing Order or Direct Debit from any NHS Lanarkshire bank account will be made by or under arrangements approved by the Director of Finance.

### **Security of Cash, Cheques and other Negotiable Instruments**

13.10. The Director of Finance is responsible for:

- (a) Approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording amounts 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;
- (d) Prescribing systems and procedures for handling cash and negotiable securities on behalf of NHS Lanarkshire.

13.11. All officers whose duty it is to collect or hold cash shall be provided with a safe or with a lockable cash box which will normally be deposited in a safe.

The officer concerned shall hold one key and all duplicates shall be lodged with the bank or such other officer authorised by the Director of Finance, and suitable receipts obtained.

The loss of any key shall be reported immediately to the Director of Finance/Head of Internal Audit.

The Director of Finance shall, on receipt of a satisfactory explanation, authorise the release of the duplicate key.

The Director of Finance shall arrange for all new keys to be despatched directly to him/her from the manufacturers and shall be responsible for maintaining a register of authorised holders of safe keys.

Keys should be held on the key holder's person or kept secure at all times. Keys should not be kept in, or on, desks (either hidden or otherwise).

13.12. All cash, cheques, postal orders and other forms of payments shall normally be received by more than one officer, neither of whom should be a cashier, and shall be entered immediately in an approved form of register, which should be signed by both. All cheques and postal orders shall be crossed immediately "Not negotiable – [appropriate account name]. The remittances shall be passed to the Cashier, from whom a signature shall be obtained.

13.13. The opening of coin-operated machines (including telephones) and the counting and recording of the takings shall normally be undertaken by two officers together, and the coin box keys shall be held by a nominated officer, The collection shall be passed to the Cashier, from whom a signature shall be obtained.

13.14. The Director of Finance shall prescribe the system for the transportation of cash and shall approve, where appropriate, the use of the services of a specialist security firm.

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- 13.15. Under no circumstances shall official monies be used for the encashment of private cheques or the making of loans of a personal nature.
- 13.16. All cheques, postal orders, cash, etc, shall be banked intact promptly, in accordance with the procedures established by the Director of Finance. All prepayment certificates and prescription pads should be subject to the same security precautions and controls as is applied to cash items.
- 13.17. The safe key-holder shall not accept unofficial funds for depositing in any safe unless such deposits are in sealed envelopes or locked containers. It shall be made clear to the depositor that the Board is not to be held liable for any loss, and written indemnity must be obtained from the organisation or individual absolving the Board from responsibility for any loss.
- 13.18. During the absence of the holder of a safe or cash box key, the officer who acts in their place shall be subject to the same controls as the normal holder of the key. There shall be written discharge for the safe and/or cash box contents on the transfer of responsibilities, and the discharge document must be retained for audit inspection.
- 13.19. All unused cheques, receipts and all other orders shall be subject to the same security precautions as are applied to cash: bulk stocks of cheques shall normally be retained by the Director of Finance or his nominated officers or agents, and released by them only against authorised requisitions.
- 13.20. In all cases where NHS Lanarkshire officers receive cash and/or cheques, empty telephone or other machine coin boxes etc, personal identity cards must be displayed prominently. On appointment staff shall be informed in writing, by the appropriate departmental or senior officers of their responsibilities and duties for the collection, handling or disbursement of cash, cheques etc.
- 13.21. Any loss or shortfall of cash, cheques or other negotiable instruments, or official controlled stationery, however occasioned, shall be reported immediately in accordance with the agreed procedure for reporting losses.



## **SECTION 14 INCOME, FEES AND CHARGES (incl. EU Income)**

### **Income Systems**

- 14.1. The Director of Finance shall be responsible for designing and maintaining and ensuring compliance with systems for the proper recording, invoicing and collection and coding of all income due and the prompt banking of all monies received.
- 14.2. Details of new leases, new contracts and tenancy agreements require to be formally registered.

### **Fees and Charges**

- 14.3. The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Scottish Government Health and Social Care Directorate or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.
- 14.4. All officers shall inform the Director of Finance of money due to the Board arising from all transactions which they initiate, including all contracts, service level agreements (SLA's), leases, tenancy agreements, private patient undertakings and other transactions.

### **Debt Recovery**

- 14.5. The Director of Finance shall take appropriate recovery action on all outstanding debts. The Director of Finance shall establish procedures for the write off of debts after all reasonable steps have been taken to secure payment. Where sums are to be written off to levels in line with the Scheme of Delegation, the Director of Finance, subject to national guidelines on delegated authority, shall seek the consent of the Chief Executive and the Board.

### **European Income**

- 14.6. The Director of Finance should be made aware of and authorise any arrangements to seek European funding prior to any agreements being finalised.
- 14.7. Article 38 of Council Regulation 1260/99, obliges Member States to take the necessary measures to:
- "verify on a regular basis that operations financed by the Community have been properly carried out;
  - prevent and take action against irregularities;
  - recover any amounts lost as a result of an irregularity or negligence".
- 14.8. The Scottish Government is responsible, for the proper implementation of the European Social Fund (ESF) where European funding can be claimed.

14.9. NHS Lanarkshire is required to make available all relevant documentation for examination during audit visits (of which there may be more than one audit by different auditors) to support the total project cost included in the claims. The following documentation should be maintained for both direct and apportioned costs:

- accounting policy;
- working papers to support the construction of the ESF claim, showing how the claim was compiled and, where appropriate, how costs were apportioned;
- invoices/ receipts to support the total project cost;
- sub-contracting and leasing agreements
- accounts and bank statements, for both expenditure and income;
- staff costs - including timesheets and payment/ payroll records. The timesheets should identify time spent on ESF activity and distinguish between direct project work and indirect assistance (support and guidance). For indirect assistance, the applicant organisation should specify the type of activity, demonstrate that it meets ESF criteria and show how it relates to the delivery of the project as outlined in the project plan;
- cost centre analyses which detail categorisation and allocation of costs included in the accounting system;
- documentary evidence of all match funding, including any private support or match funding in-kind; and
- the applicant organisation's audited accounts covering the life of the ESF project.

14.10. Relevant invoices or source documents or records must support all entries on the claims etc. Any item on the claim may be subject to verification checks. The auditors will verify that expenditure charged against the project is shown separately in the organisation's accounts or can be identified easily in its accounting system.

14.11. Lack of clear audit trails and working papers linking the claim to the annual returns, present severe problems, preventing the applicant organisation from demonstrating the propriety of ESF expenditure and beneficiary detail.

14.12. Where the auditors cannot trace items of expenditure through systems, they will carry out various exercises in an attempt to verify the actual expenditure. A lack of source documentation may result in an adjustment to the claim and a refund falling due.

14.13. All claims must be supported by detailed working papers with a visible audit trail linking the claim, the annual returns, financial summaries and analyses, BACs lists, bank statements and the source documentation.

**SECTION 15      VAT**

- 15.1. The Director of Finance is responsible for ensuring VAT is treated correctly within the Board and statutory returns to HMRC are completed accurately in line with the prescribed timetable.
- 15.2. NHS Lanarkshire must keep a record of all the supplies that are made and received. Namely these will be copies of sales invoices and purchase invoices.
- 15.3. VAT must be considered when entering into any agreement, prior to that agreement being finalised. It is the responsibility of the individual approving these agreements to consider the VAT implications.
- 15.4. As VAT can be highly technical in areas, NHS Lanarkshire has a dedicated VAT team within the Board and access to specialist advisors when required that should be contacted for advice in areas of uncertainty.
- 15.5. The Director of Finance must be consulted if there remains any doubt.

## **SECTION 16 STOCK CONTROL**

- 16.1. Stock, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- Kept to a minimum;
  - Subjected to annual or rolling stock take arrangement as appropriate;
  - Valued at the lower of cost and net realisable value.
- 16.2 The Chief Executive shall be responsible for the overall management of all Health Board stockholdings and shall delegate effective and efficient management to designated officers.
- 16.3 The Director of Finance shall be responsible for ensuring that the systems and internal controls in relation to stores are adequate.
- 16.4 The day to day management may be delegated to departmental officers and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance.
- 16.5 The control of other stocks such as pharmaceutical stocks shall be the responsibility of the relevant Department Head.
- 16.6 The control of fuel oil and coal shall be the responsibility of the General Manager Property and Support Services.
- 16.7 The responsibility for security arrangements and the custody of keys for all stockholding locations shall be clearly defined in writing by an officer delegated by the Chief Executive and agreed with the Director of Finance. Wherever practicable stocks held outwith Health Board locations shall be marked as health service property.
- 16.8 All stockholding and stock management records shall be in such form and shall comply with such system of control, as the Director of Finance shall approve. This shall include inventory management systems with high turnover and pharmacy stockholdings.
- 16.9 In addition, all items of re-usable equipment, as determined by an appropriate officer and 'equipment' or 'assets' shall be properly registered, receipted and controlled. This includes the following:
- Equipment held at departmental level;
  - Equipment on loan; and
  - All contents of furnished lettings.

Wherever practicable, items of equipment shall be marked as Health Board property.

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- 16.10 The level of stockholding (measured in absolute terms and by stock duration in days) should be set as a “just in time” level to be agreed in conjunction with procurement, finance and individual stock areas. This will be reviewed on a rolling basis in terms of appropriate levels. It is the responsibility of stockholders to control stock within the agreed level.
- 16.11 Stock management arrangements including requirements for validating stockholding during and / or at the end of each financial year shall be subject to approval and direction by the Director of Finance. Such physical stock checking covering all items held in stock shall be carried out on a rolling basis, the frequency of which shall be agreed with the external auditors. Physical checks will involve at least one officer other than the storekeeper and the Director of Finance, or his deputy, will have the right to attend. The stocktaking records will be numerically controlled and signed by the officers undertaking the check. Any surpluses or deficiencies revealed after stocktaking shall be investigated to identify the cause of the discrepancy and to initiate corrective action within limits specified and agreed with the Director of Finance who has the right to investigate as necessary.
- 16.12 Systems and procedures will be operated to ensure that:
- The quality and quantity of goods received is as required;
  - The goods are issued only for authorised use;
  - losses or other adjustments are accurately and promptly recorded and available for review or audit by the Director of Finance; and
  - the range and level of stockholdings held are reviewed regularly.
- 16.13 Where a complete system of stockholding and management of stock is not justified, alternative arrangements shall require the approval of the Director of Finance.
- 16.14 Stocks will be valued at the lower of cost or net realisable value. For this purpose cost will be ascertained on a consistent basis set by the Director of Finance. The cost of stock will be the purchase price without any overheads. The cost basis used must be clearly stated in any returns or accounts.
- 16.15 The General Manager, Procurement shall be responsible for a system approved by the Director of Finance for a review of slow-moving and obsolete items for condemnation, disposal, and replacement of all unserviceable articles. The designated Officer shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice. Procedures for the disposal of obsolete stock shall follow the procedures for the disposal of all surplus goods.
- 16.16 For goods supplied via centrally controlled stockholdings, the Director of Finance will identify those authorised to approve, minimum operational stock retention levels within approved budgets, those staff who can requisition top up replacement and those staff who can accept/receipt goods. Detailed Ward Product Management procedures that capture, channel and replenish regularly used products shall be developed.

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- 16.17 All goods received shall be checked as regards quantity and/or weight and inspected as to quality and specifications. A delivery note shall be obtained from the supplier at the time of delivery and shall be signed by the person receiving the goods. Instructions shall be issued to staff covering the procedure to be adopted in those cases where a delivery note is not available. Particulars of all goods received shall be entered on a goods received record or input to computer file on the day of receipt. Where goods received are seen to be unsatisfactory or short on delivery they shall be accepted only on the authority of the Designated Officer and the supplier shall be notified immediately.
- 16.18 All requirements shall be supported by an authorised requisition. Where a "topping-up" system is used, a record shall be maintained in a form approved by the Director of Finance. Regular comparisons shall be made of the quantities issued to wards/departments, etc. and explanations recorded of significant variations.
- 16.19 Requisitions whether for stock or non stock items may be transmitted electronically and not held in paper form providing always that appropriate procedures for such transmissions are agreed by the Director of Finance.
- 16.20 All transfers and returns shall be recorded on forms provided for the purpose and approved by the Director of Finance.
- 16.21 Breakages and other losses of goods in stores shall be recorded as they occur, and a summary shall be presented to the Director of Finance at regular intervals. Tolerance limits shall be established for all stores subject to unavoidable loss, e.g. shrinkage in the case of certain foodstuffs and natural deterioration of certain goods. These items shall be written down to their net realisable value. The write down shall be approved by the Director of Finance or such delegated officer(s) and recorded.
- 16.22 For goods supplied via the National Distribution Centre central warehouse, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the nominated officer who shall satisfy themselves that the goods have been received before accepting the recharge.
- 16.23 Instructions for stocktaking and basis of valuation will be issued at least once per year by the Director of Finance.

**SECTION 17 ACCEPTANCE OF FINANCIAL ASSISTANCE, GIFTS AND HOSPITALITY, AND DECLARATION OF INTEREST**

- 17.1 The Board is committed to ensuring that NHS Lanarkshire and its employees maintain strict ethical standards in the conduct of NHS business and are protected from allegations of conflict of interest, acting improperly or breach of impartiality.
- 17.2. The following policies and legislation should act as a guide for all staff –
- [Scottish Public Finance Manual \(SPFM\)](#);
  - [Standards of Business Conduct – Code of Conduct](#);
  - [Association of British Pharmaceutical Industry \(ABPI\) Code of Conduct](#);
  - The Legislative Framework is contained in the Prevention of Corruption Acts 1906 and 1916 and the Ethical Standards in Public Life (Scotland) Act 2000;
  - NHS Circulars - MEL (1994) 80 entitled Corporate Governance in the NHS, and MEL (2000) 13, entitled Fundraising, Income Generation and Sponsorship within the NHSiS, NHS Circular No 1989 (GEN) 32 entitled Acceptance of Financial Assistance, Gifts and Hospitality and Declaration of Interest;
  - Guidance contained in the Code of Accountability for Boards 1994 and A Common Understanding; Guidance on Joint working between NHS Scotland and the Pharmaceutical Industry 2003;
  - The Bribery Act 2010.
- 17.3. The responsibility for ensuring that a register is maintained for recording of interests in contracts or receipts of gifts/hospitality rests with the Chief Executive who may devolve responsibility for sections of it as set out in the Scheme of Delegation.
- 17.4. Managers and officers must ensure that they comply fully with the guidance and limits specified by the Director of Finance, and that no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to directors or employees.
- 17.5. The Director of Finance shall be responsible for ensuring there are detailed procurement procedures for dealing with potential conflicts of interest. Where an employee supplies services to a potential bidder or where they, or any family member, could be seen to benefit from the award of business to a particular supplier they must be excluded from the procurement decision. In other circumstances any potential interest in a particular supplier must be declared and recorded and there must be a written risk assessment establishing there is no risk to fair process and the benefits of including them outweigh any perceptual issues.
- 17.6. It is the responsibility of staff to ensure that they do not place themselves in a position which risks, or appears to risk, conflict between their private interests and their NHS duties. This primary responsibility applies to all NHS staff, but is of particular relevance to those who commit NHS resources directly (e.g. by

the ordering of goods) or those who do so indirectly (e.g. by the prescribing of medicines).

17.7. Under the Bribery Act 2010 it is an offence for Health Service employees to corruptly accept any gifts or consideration as an inducement or reward for –

- doing, or refraining from doing, anything in their official capacity
- showing favour or disfavour to any person in their official capacity

17.8. The NHS must be impartial and honest in the conduct of its business and its employees should remain beyond suspicion. Under the Bribery Act 2010, it is an offence to request, agree to receive or accept a bribe in return for improperly performing a function or activity.

17.9. It should be clearly understood therefore that:-

- a breach of the provisions of the Acts renders staff liable to prosecution, will lead to disciplinary action and may provide grounds for dismissal
- anyone convicted of corruption may forfeit their superannuation rights
- anyone holding qualifications which are subject to registration by a statutory body may be subject to removal from the register if convicted of corruption, forfeiting their right to practise professionally

17.10. The Standards of Business Conduct for NHS Staff [NHS Circular MEL (1994) 48] provide instructions to staff in maintaining strict ethical standards in the conduct of NHS business. All staff are therefore required to adhere to the Standards of Business Conduct for NHS Staff.

17.11. The key elements of the Standards of Business Conduct are that the employees of NHS Lanarkshire are expected to –

- ensure that the interest of patients remains paramount at all times;
- be impartial and honest in the conduct of their business;
- use the public funds entrusted to them to the best advantage of the service, always ensuring value for money.

Employees should not –

- abuse their official position for personal gain or to benefit their family and/or friends;
- seek to advantage or further their private business or other interests, in the course of their official duties.

17.12. If staff follow these principles, the Board should be able to demonstrate that it adheres to the three essential public sector values –

Accountability – all work undertaken by NHS Lanarkshire staff must be able to stand the test of scrutiny, public judgements on propriety and professional codes of conduct.



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Probity - there should be an absolute standard of honesty in dealing with the assets of the NHS: integrity should be the hallmark of all personal conduct in decisions affecting patients, staff and suppliers and in the use of information acquired in the course of NHS duties.

Openness - there should be sufficient transparency about NHS activities to promote confidence between NHS Lanarkshire, its staff and the public.

### 17.13. Acceptance of Gifts & Hospitality

The Standards of Business Conduct for NHS Staff include instructions on the acceptance of gifts and hospitality and these Standards are incorporated into the contract of employment of each member of staff. Practices which may be accepted in the private sector are not permitted under the Standards. The key points in the Standards are as follows.

#### 17.13.1. Anti-Bribery Policy

The Board will uphold all laws relevant to countering bribery and corruption, including the Bribery Act 2010 (the Act). This commitment applies to every aspect of the Board's activity, including dealings with public and private sector organisations and the delivery of care to patients.

The Act recognises a number of offences including the following:-

- The offering, promising or giving of a bribe (active bribery);
- The requesting, agreeing to receive or accepting of a bribe (passive bribery).

Any employee who commits active or passive bribery will be subject to disciplinary action. In addition, the matter will be referred to relevant authorities for criminal investigation. The maximum sentence for any individual convicted of bribery is 10 years.

The Act also recognises a further offence of corporate liability for failing to prevent bribery on behalf of a commercial organisation. The Board has put in place a range of measures intended to prevent bribery and these are subject to formal and regular review to ensure they remain fit for purpose.

Staff should therefore be very cautious if faced with the offer of a gift. Casual gifts offered by contractors or others (for example, at the festive season) may not be in any way connected with the performance of duties so as to constitute an offence under the Bribery Act 2010. Such gifts should nevertheless be declined. Articles of small intrinsic value such as calendars or diaries, may however be accepted, where this would not breach the Code of Conduct.

Small gifts from patients or their families, to express their gratitude to members of staff, can be accepted by members of staff without breaching the Code. The circumstances should allow sensible application of judgement. Such gifts will be of relatively low value, for example, biscuits, chocolates, flowers. These gifts do not need to be registered within the set financial limits.

However:

- staff must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision NHS Lanarkshire may be involved in determining, or who is seeking to do business with NHS Lanarkshire.
- staff must not accept any offer, by way of gift or hospitality, which could give rise to a reasonable suspicion of influence on their part to show favour, or disadvantage, to any individual, organisation or company.
- staff should consider whether there may be a reasonable perception that any gift received by their spouse or partner or by any company in which they have an interest, or by a partnership of which they are a partner, can or would influence their judgement.

Note - the term 'gift' includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public.

Where an unsolicited, inappropriate or high value gift is received and the individual is unable to return it or the donor refuses to accept its return, he/she should report the circumstances to his/her line manager/Head of Department/Director who will ensure that the donor is advised of the course of action.

Staff must never canvass or seek gifts or hospitality. Under no circumstances can staff accept personal gifts of cash. Financial donations to a department fund, which are to be used for the purposes of the Board (e.g. to support staff training) must be administered through the Board's Endowment Funds.

All unsolicited, inappropriate or high value gifts and hospitality, whether accepted or declined, must be entered on the Register of Interests, Gifts and Hospitality.

Gifts of equipment not for individual use may be accepted, provided that:-

- (i) they are in no way related to purchasing decisions and do not commit the Board to any obligations with the supplier;
- (ii) they are entered in the Register of Interests, Gifts and Hospitality;
- (iii) a risk assessment is carried out before acceptance of the Board's potential liabilities of accepting the asset;
- (iv) the budget holder's approval to accepting the gift is sought – particularly if there are any costs - recurrent or non-recurrent – associated with accepting the gift;
- (v) they are recorded under the procedures for accepting donated assets and details notified to the Head of Medical Physics.

#### 17.13.2. Hospitality

The Ethical Standards in Public Life etc. (Scotland) Act 2000 states the following:

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- As a general rule it is usually appropriate to refuse offers;
- You must not accept repeated hospitality from the same source;
- You must not accept any hospitality offer ... to show favour or disadvantage to any individual.

Modest hospitality may be acceptable provided it is normal and reasonable in the circumstances and within the set financial limits e.g. lunches in the course of a working visit. Any hospitality accepted should be similar in scale to that which the NHS as an employer would be likely to offer. All other offers of hospitality should be declined.

Hospitality in excess of what the NHS would be likely to provide should not normally be accepted. Such hospitality should be politely but firmly declined.

Should an individual wish to accept hospitality, then approval of the appropriate line manager/Head of Department/Director is required. All hospitality exceeding what the NHS would be likely to provide, whether accepted or declined, must be entered on the Register of Interests, Gifts and Hospitality.

It may not always be clear whether an individual is being invited to an event involving the provision of hospitality (e.g. formal dinner) in a personal/private capacity or as a consequence of the position which he/she holds with the Board.

- (i) If the invitation is the result of the individual's position within the Board, only hospitality which is modest and normal and reasonable in the circumstances should be accepted. If the nature of the event dictates a level of hospitality which exceeds this, then the individual should ensure that his/her line manager/Head of Department/Director is fully aware of the circumstances and approves their attendance. An example of such an event might be an awards ceremony involving a formal dinner. If the line manager/Head of Department/Director grants approval to attend, the individual should declare his/her attendance for registration in the Register of Interests, Gifts and Hospitality.
- (ii) If the individual is invited to an event in a private capacity (e.g. as result of his/her qualification or membership of a professional body), he/she is at liberty to accept or decline the invitation without referring to his/her line manager/Head of Department/Director. The following matters should however be considered before an invitation to an individual in a private capacity is accepted.
  - a. The individual should not do or say anything at the event that could be construed as representing the views and/or policies of the Board.
  - b. If the body issuing the invitation has (or is likely to have, or is seeking to have) commercial or other financial dealings with the Board, then it could be difficult for an individual to demonstrate that his/her attendance was in a private and not an official capacity. Attendance could create a perception that the individual's independence had been compromised, especially where the scale of hospitality is lavish. Individuals should therefore exercise caution before

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accepting invitations from such bodies and must inform their line manager/Head of Department/Director.

- (iii) Where suppliers of clinical products provide hospitality it should only be accepted in association with scientific meetings, clinical educational meetings or equivalent, which must be modest, normal and reasonable in the circumstances and in line with what the NHS would normally provide and held in appropriate venues conducive to the main purpose of the event, e.g. the sponsorship is clearly disclosed in any papers relating to the meeting; products discussed should be described in relation to the Scottish Medicines Consortium, Formulary or equivalent clinical product catalogue and the active promotion of clinical products is restricted to those in the Board's Formulary and equivalent clinical product catalogues.

#### Assessment and training visits for new equipment

It is not acceptable for individuals within NHS Lanarkshire to accept offers of travel or overnight accommodation except where such visits do not relate to the purchase of equipment but are rather to do with training or familiarisation of equipment which it has already been determined will be purchased. In these circumstances it is acceptable for the cost to be met by the manufacturer or supplier.

Whilst it will be necessary for staff advising on the purchase of equipment to inspect such equipment in operation in other parts of the country or exceptionally overseas, acceptance of an offer by the manufacturer to meet the costs of such visits may cast doubts on the integrity of subsequent purchasing decisions. NHS Lanarkshire will therefore meet the costs of any visits which are considered necessary. Any such visits will require to be authorised by the appropriate line manager.

### Record of Hospitality and Gifts

It is the responsibility of the recipients of gifts and hospitality to declare all reportable items received, whether accepted or declined, via the Declaration of Gifts, Hospitality & Interests system that can be accessed from First Port.

### Competitions/Prizes

Individuals should not enter competitions including free draws organised by bodies who have (or are seeking to have) financial dealings with the Board. Potential suppliers may use this as a means of giving money or gifts to individuals within the Board in an effort to influence the outcome of business decisions.

### Other Gifts/Promotional Offers

There will be instances where staff have the opportunity to accept a gift or some other promotional offer from a supplier, manufacturer or contractor without it being obvious that it is intended as an inducement. The offer may be described as 'without strings'. Acceptance of such offers may however create a sense of obligation which could affect the impartiality of a member of staff on some future occasion, and could in any event cast doubt on his/her integrity, with damaging effect on his/her reputation and that of the organisation.

### 17.13.3. Register of Staff Interests

To avoid conflicts of interest and to maintain openness and accountability, employees are required to register all interests that may have any relevance to their duties/responsibilities. These include any financial interest in a business or any other activity or pursuit that may compete for an NHS contract to supply either goods or services to the NHS or in any other way could be perceived to conflict with the interests of the Board. The test to be applied when considering appropriateness of registration of an interest is to ask whether a member of the public acting reasonably might consider the interest could potentially affect the individual's responsibilities to the organisation and/or influence their actions. If in doubt the individual should register the interest or seek further guidance from their line manager/Head of Department/Director.

Interests that it may be appropriate to register include:

- (i) Other employments;
- (ii) Directorships including Non-Executive Directorships held in private companies or public limited companies (whether remunerated or not);
- (iii) Ownership of, or an interest in, private companies, partnerships, businesses or consultancies.
- (iv) Shareholdings in organisations likely or possibly seeking to do business with the NHS (the value of the shareholdings need not be declared);
- (v) Ownership of, or interest in land or buildings which may be significant to, of relevance to, or bear upon the work of the Board;
- (vi) Any position of authority held in another public body, trade union, charity or voluntary body;

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- (vii) Any connection with a voluntary or other body contracting for NHS services.
- (viii) Any involvement in joint working arrangements with Clinical (or other) Suppliers

This list is not exhaustive and should not preclude the registration of other forms of interest where these may give rise to a potential conflict of interests upon the work of the Board. Any interests of spouses, partner or civil partner, close relative or associate, or persons living with the individual as part of a family unit, could also require registration if a potential conflict of interests exists.

All members of staff are responsible for entering their interests via the Declaration of Gifts, Hospitality & Interests system that can be accessed from First Port. Any changes to interests should be notified at the earliest opportunity, or within 4 weeks of the change occurring. A separate Register of Interests for NHS Board Members will be held by the Board Secretary.

The entries in the Register of Interests, Gifts and Hospitality will be retained in respect of any registration for a period of 5 years after the registration ceases or the member of staff leaves.

It is the responsibility of each individual to declare any relevant interest to the Chair of any Board Standing Committee/Professional Advisory Committee/decision making group that they sit on so that the Chair is aware of any conflict which may arise. These Declarations of Interest will be recorded in the Minutes of the meeting.

## **SECTION 18 ANNUAL ACCOUNTS AND REPORTS**

- 18.1. NHS Lanarkshire is required under the terms of Section 86(3) of the National Health Service (Scotland) Act 1978 to prepare and submit Annual Accounts by the date advised by SGHSCD to Scottish Ministers.
- 18.2. Scottish Ministers have issued Accounts Directions in exercise of the powers conferred by Section 86(1) of the National Health Service (Scotland) Act 1978 which contain the following provisions:

### **Basis of preparation**

- 18.3. Annual Accounts shall comply with:
- The accounting and disclosure requirements of the Companies Act;
  - International Financial Reporting Standards, insofar as they are appropriate to the NHS and remain in force for the financial year for which the accounts are to be prepared;
  - The historical cost convention modified by the inclusion of Property, Plant and Equipment at their fair value to the business by reference to current costs; and inventories at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

### **Form of Accounts**

- 18.4. The Annual Accounts shall comprise:

In accordance with the FReM, Boards are required to prepare an annual report and accounts to comprise:

- A. The Performance Report
- B. The Accountability Report
- C. The Financial Statements

- Such notes as may be necessary for the purposes referred to below.

- 18.5. The Annual Accounts shall give a true and fair view of the operating costs, changes in taxpayers equity, balance sheet and cash flow statement. Subject to the foregoing requirement, the Annual Accounts shall also contain any disclosure and accounting requirements which Scottish Ministers may issue from time to time.
- 18.6. The Director of Finance shall keep proper accounting records which allow the timeous preparation of Annual Accounts, in accordance with the timetable laid down by the Scottish Government Health and Social Care Directorate, and which give a true and fair view of NHS Lanarkshire and its financial position for the period in question.
- 18.7. The annual accounts and returns shall be prepared in accordance with all appropriate regulatory requirements and be supported by appropriate

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accounting records and working papers prepared to an acceptable professional standard.

- 18.8. Under the terms of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland has responsibility to appoint the external auditors to undertake the statutory audit of NHS Lanarkshire.
- 18.9. The Director of Finance shall agree with the External Auditor a timetable for the production, audit, adoption by NHS Lanarkshire and submission of annual accounts to the Auditor General for Scotland and the Scottish Government Health and Social Care Directorate. The timetable shall be consistent with the requirements of the Scottish Government Health and Social Care Directorate.
- 18.10. Annual Accounts shall be prepared in accordance with the relevant Accounts Direction and Accounts manual issued by the Scottish Government Health and Social Care Directorate.
- 18.11. The Chief Executive shall be responsible for preparing a Governance Statement in respect of NHS Lanarkshire and in so doing shall seek appropriate assurance, including that of the Chief Internal Auditor, with regard to the adequacy of internal control throughout the organisation.
- 18.12. The Annual Accounts of NHS Lanarkshire shall be reviewed by the Audit Committee, which has responsibility for recommending adoption of the annual accounts by Lanarkshire NHS Board.
- 18.13. Under the terms of the Public Finance and Accountability (Scotland) Act 2000, Annual Accounts may not be placed in the public domain, prior to them being formally laid before Parliament.
- 18.14. Following the formal approval of the motion to adopt the Accounts by Lanarkshire NHS Board the Annual Accounts and relevant certificates shall be duly signed on behalf of the Board and submitted to the External Auditor for completion of the relevant audit certificates.
- 18.15. Signed sets of the Annual Accounts shall then be submitted by Lanarkshire NHS Board to the Scottish Government Health and Social Care Directorate, and by the External Auditor to the Auditor General for Scotland.
- 18.16. The Chief Executive shall arrange for the production and circulation of an Annual Report for NHS Lanarkshire in such form and on such a timescale as may be determined by the Scottish Government Health and Social Care Directorate.



## **SECTION 19      LOSSES AND SPECIAL PAYMENTS**

- 19.1. The Director of Finance must prepare procedural instructions on the recording of and accounting for losses, and special payments.
- 19.2. Any officer discovering or suspecting a loss of any kind must directly notify his head of department, who will immediately, or without undue delay, dependent on the seriousness of the loss, inform the Director of Finance. Where a criminal offence is suspected, the Theft and Fraud Policy and Response Plan must be applied.
- 19.3. The Director of Finance shall notify SGHSCD of all discovered frauds and any loss arising from criminal or suspected offences perpetrated by the Board's employees; Circular CEL10(2010) refers. Enhanced Reporting of Fraud.
- 19.4. The Board must always pursue recovery of overpayments, irrespective of how they came to be made taking into account any factors as set out in SPFM, NHS Circulars and local partnership agreements.
- 19.5. There will be both practical and legal limits to how cases should be handled. Each case should therefore be dealt with on its merits. When deciding on appropriate action, taking legal advice, organisations should consider:
  - whether the recipient accepted the money in good or bad faith;
  - the cost-effectiveness of recovery action;
  - any relevant personal circumstances of the payee, including defences against recovery;
  - the length of time since the payment in question was made; and
  - the need to deal equitably with overpayments to a group of people in similar circumstances.
- 19.6. The SGHSCD has delegated authority to the Health Board to write-off losses and make special payments up to certain limits as set out in the CEL10(2010). For payments to be made above the levels specified SGHSCD authority must be obtained.
- 19.7. The Board in turn will delegate responsibility to the Chief Executive and Director of Finance to approve write-off and authorise special payments up to the units specified in the Scheme of Delegation.
- 19.8. The Director of Finance shall maintain a losses and compensation register in which details of all losses shall be recorded as they are known. Write-off action shall be recorded against each entry in the register. The Register will form the basis of the (SFR 18) return, which is included in the Annual Accounts.
- 19.9. The exercise of powers of delegation in respect of losses and special payments will be subject to the submission of regular reports to NHS Audit Committee identifying which powers have been exercised and the amount

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involved. These reports will subsequently be remitted to the Lanarkshire NHS Board for approval, in summary, on an annual basis. Losses will be recorded on the electronic risk management system (DATIX) that will enable trend analysis reporting.

19.10. The Director of Finance shall be authorised to take any necessary steps to safeguard the interests of the Board in bankruptcies, company liquidations and receiverships.

19.11. For any loss, the Director of Finance shall consider whether any insurance claim can be made against insurers.

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

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

19.14. All unserviceable articles shall be:

- Condemned or otherwise disposed of by an employee authorised for that purpose by the Director of Finance;
- Recorded by the Condemning Officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature or a second employee authorised for the purpose by the Director of Finance.

19.15 The Condemning Officer shall satisfy themselves as to whether or not there is evidence of negligence in use and shall report any such evidence to the Director of Finance who will take the appropriate action.

## **SECTION 20 FRAUD, BRIBERY AND CORRUPTION**

- 20.1. This section should be read in conjunction with the NHS Lanarkshire Fraud and Theft Policy and Response Plan, the Board members Code of Conduct, and the Bribery Act 2010.
- 20.2. Guidance on the approach to various forms of irregularities is contained in Scottish Government Health and Social Care Directorate Circular NHS HDL (2005) 5, as updated by DL (2016) 3, and CFS Partnership Agreement, which draws a clear distinction between treatment of suspected (a) theft and (b) fraud, embezzlement, corruption, and other irregularities (hereafter referred to as "fraud , etc"). For practical purposes fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. This includes bribery and theft where deception is involved. NHS Lanarkshire operates a zero tolerance approach to bribery committed by any person working for or providing services to NHS Lanarkshire. Any allegation of bribery will be investigated in accordance with relevant processes and procedures and may be reported to the authorities, as appropriate.
- 20.3. The Director of Finance shall, through staff briefings and intranet links ensure there is clear information to employees on what to do if they suspect fraud.
- 20.4. Where any officer has ground to suspect that fraud, etc. has occurred, they should notify their line manager without delay. If the employee feels unable to notify their line manager they should contact the Fraud Liaison Officer (FLO) direct, or contact an executive or non executive director or use a route outside the organisation such as the Counter Fraud Service
- 20.5. Any line manager or director receiving an allegation of fraud should immediately notify the FLO who should ensure that the Director of Finance (Fraud Champion) and Director of HR (if the allegation involves staff) is advised.
- 20.6. The FLO will carry out only such preliminary investigations, as deemed necessary to establish whether or not there is a prima facie case of fraud, etc. If the Director of Finance (Fraud Champion) agrees there is a prima facie case, the FLO will inform CFS and the Chief Executive as Accountable Officer. Restitution of funds or property is not a reason for not proceeding with an investigation.
- 20.7. The Counter Fraud Services (CFS) is a central resource for carrying out all fraud investigations, and a centre of expertise for investigations into potential frauds. The operations of CFS are outlined in the Partnership Agreement between NHS Lanarkshire and CFS.
- 20.8. With the permission of the Chief Executive, Director of finance or deputy director of finance CFS staff may require and receive access to:

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

20.9. Where the CFS is involved in the investigation of potential frauds, and where prima facie grounds exist for thinking that a criminal offence has been committed, CFS in consultation with the FLO and the Chief Executive will decide whether to report to the Procurator Fiscal.

20.10. It is not the duty of an employing authority or its officers to decide whether a suspected person should be prosecuted. The question of whether proceedings should be taken is a matter solely for the Crown Authorities. It follows that no suspected person should ever be told whether or not he will be prosecuted, except where a decision has already been made by the Crown authorities.

20.11. If however, CFS has referred a case to the Crown Office or the Procurator Fiscal in order to seek a Search Warrant, the decision, as to whether or not a criminal investigation of the case will proceed, will effectively pass to the Crown Office or the Procurator Fiscal concerned.

20.12. Whether or not the Crown authorities determine that there are sufficient grounds on which to institute criminal proceedings, it remains open to NHS Lanarkshire to consider pursuing disciplinary and other relevant proceedings.

20.13. Whether or not criminal proceedings are taken, or a criminal conviction is obtained, the public debt is not eliminated, and recovery of the debt should be pursued by any means available. Internal management action must not, of course, prejudice any criminal proceedings but should continue with reference to effect management of employee conduct policy. The systems of control should subsequently be evaluated to prevent recurrence.

20.14. The FLO shall also prepare a report for the Audit Committee, setting out the circumstances of the incident and any implications for management including changes to internal control systems which may require to be made.

20.15. Careful consideration should be given to payment and claims which arise from organisations or individuals who are under investigation or against whom proceedings are being taken for suspected fraud, etc. Legal advice shall be sought where necessary.

20.16. NHS Frauds will be reported to SGHSCD in line with the guidance in NHS Circular CEL10 (2010).

## **SECTION 21 PATIENTS' FUNDS AND PROPERTY**

- 21.1 The Board has a responsibility (NHS Circular 1976 (GEN) 68, Mental Health Act Scotland and Adults with Incapacity (Scotland) Act 2000 refer) to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious patients or patients with impaired capacity, or found in the possession of patients dying in hospital or dead on arrival.
- 21.2 The Chief Executive is responsible for ensuring that patients or their guardians, as appropriate, are informed before or at admission that the Board will not accept responsibility or liability for patients' monies and personal property brought into NHS premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt. Patients or their guardians will be informed before or on admission by the following methods:
- Notices and information booklets;
  - Hospital admission documentation and property records;
  - The oral advice of administrative and nursing staff responsible for admissions and recorded in the notes.
- 21.3 Under the Adults with Incapacity (Scotland) Act 2000, the manager of an authorised establishment (e.g. an NHS hospital) may only manage a resident's finances if a medical practitioner has issued a certificate of incapacity after examining the resident, the form of which is laid down in regulations. Managers will only be authorised to intervene in respect of a particular resident adult however where no other arrangements are in place for managing that adult's finances and also where it is suitable and appropriate that the manager intervenes.
- 21.4 The Board will be classed as a supervisory body under this Act. Protocols will be prepared by the Board and set out the necessary roles and responsibilities between them and the hospitals they have supervisory responsibility for.
- 21.5 In general, relevant officers in both supervisory bodies and authorised establishments must familiarise themselves with the detailed arrangements for handling patient affairs for those patients falling within the remit of the Adults with Incapacity (Scotland) Act 2000. This is covered principally in the Code of Practice.
- 21.6 Notwithstanding specific arrangements under the Adults with Incapacity (Scotland) Act 2000 the Director of Finance shall ensure that detailed written instructions are provided to cover the collection, custody, recording, safekeeping and disposal of patients' property (including instructions on the disposal of deceased patients' property and the property of patients transferred to other premises) for all staff whose duty it is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.

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- 21.7 Bank accounts for patients' monies shall be operated under arrangements agreed by the Director of Finance.
- 21.8 Staff will be informed, on appointment, by the appropriate officer, of their responsibilities and duties for the administration of the property of patients.
- 21.9 Where patients' property or income is received for specific purposes and held for safekeeping the property or income shall be used only for that purpose, unless any variation is approved by the donor or patient in writing.
- 21.10 The Director of Finance shall prepare an abstract of receipts and payments of patients' private funds in the form laid down in the Manual for Accounts. The abstract shall be audited independently and presented to the Audit Committee annually, with the auditor in attendance at the meeting.
- 21.11 The disposal of property of deceased patients is governed by the terms of NHS Circular GEN (1992) 33. All property including cash, watches, jewellery, clothing, etc. bank books, insurance policies and all other documents which the patient had in his/her possession in the hospital, will, as soon as practicable after his/her death, be collected together, identified as being his/her belongings and kept in safe custody until disposal.
- 21.12 Confirmation in favour of an executor or administrator must be exhibited before any funds are released where either:
- The estate of a deceased patient is of a value of more than the limit prescribed by the SGHSCD (currently £10,000); or
  - There is doubt as to the validity of claims being lodged for the residue of the estate.
- 21.13 In all cases where property of a deceased patient is of a total value in excess of £10,000, the production of Confirmation of Executors will be required before any of the property is released. Where the total value of property is £10,000, or less, forms of indemnity relieving the Health Board of any claims by third parties will be obtained.
- 21.14 Where a patient dies intestate and with no known next of kin, preferential claims on the estate may be disbursed. A report will be prepared to the Queen's and Lord Treasurer's Rembrancer (Crown) detailing all cash and property held on behalf of the deceased at date of death and specifying payments made out thereafter. The Queen's and Lord Treasurer's Rembrancer (Crown) will be informed of any information which might assist in tracing next of kin.

## **SECTION 22      INFORMATION MANAGEMENT AND TECHNOLOGY**

- 22.1. The Director of Finance shall be responsible for the accuracy and security of the financial data of the Board and shall:
- a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of NHS Lanarkshire data, programs and computer hardware for which the Director is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, after taking account of the, General Data Protection Regulation (GDPR) (EU) 2016/679, the Computer Misuse Act 1990, and any other relevant legislation or SGHSCD publications;
  - b) ensure that adequate (reasonable) controls exist over financial data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
  - c) Ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
  - d) Ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Director may consider necessary are being carried out.
- 22.2. The Director of Finance shall ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.
- 22.3. The Director of Finance will ensure compliance with the Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the Information Commissioner for the purposes of the release of financial data. A Publication Scheme is a complete guide to the information routinely published by a public body. It describes the classes or types of information about NHS Lanarkshire that we make publicly available.
- 22.4. The Director of Finance shall ensure that contracts for computer services for financial applications with another Health Organisation or any other agency shall clearly define the responsibilities of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, storage and transmission. The contract or agreement should also ensure rights of access for audit purposes.
- 22.5. Where the NHS Board of any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation.
- 22.6. Where computer systems have an impact on corporate financial systems the Director of Finance shall need to be satisfied that:

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- Systems acquisition, development and maintenance are in line with corporate policies such as the e-health strategy;
- Data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
- That Finance staff have access to such data;
- Such computer audit reviews as are considered necessary are being carried out.



**SECTION 23      RETENTION OF RECORDS**

- 23.1. The Chief Executive shall be responsible for maintaining archives for all documents required to be retained under the direction contained in the current guidance and the Board's Records Management Policy. This covers arrangements for both clinical and non-clinical records held by the Board.
- 23.2. The Chief Executive shall ensure that the rules contained within the General Data Protection Regulation (GDPR) (EU) 2016/679 are applied.
- 23.3. The documents held in archives shall be capable of retrieval by authorised persons.
- 23.4. Documents held shall only be destroyed at the express instigation of the Chief Executive; records shall be maintained of documents so destroyed and shall comply with CEL 31 (2010) which supersedes CEL 2008 (28) for clinical records and HDL 2006 (28) for administration records and any subsequent relevant circulars or guidance.
- 23.5. A detailed breakdown of the minimum retention periods for records, including finance records, is covered in the Retention and Destruction guidelines included in the Board's Records Management Policy.
- 23.6. Financial records shall be managed in accordance with the Board's record management plan submitted under the Public Records (Scotland) Act 2011

## **SECTION 24 RISK MANAGEMENT & INSURANCE**

- 24.1 The Chief Executive shall ensure that the Board has a programme of risk management which will be approved and monitored by the Board, Audit Committee and Corporate Management Team.
- 24.2 The programme of risk management shall include:
- a) a process for identifying and quantifying risks and potential liabilities;
  - b) engendering among all levels of staff a positive attitude towards the control of risk;
  - c) the implementation of a programme of risk awareness training;
  - d) management processes to ensure that all significant risks and potential liabilities are addressed, including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk; All significant risk and action taken to manage the risks will be reported to the Corporate Management Team;
  - e) the maintenance of an organisation wide risk register;
  - f) contingency plans to offset the impact of adverse events;
  - g) audit arrangements including internal audit, clinical audit, health and safety review;
  - h) arrangements to review and report the risk management programme;
  - i) a process whereby the risk management plans are measured against compliance with HIS standards;
  - j) a clear indication of which risks are/shall be insured.
- 24.3 The existence, integration and evaluation of the above elements will assist in providing a basis to make a statement on the effectiveness of risk management arrangements in the organisation as required by current guidance on the Governance Statement within the annual accounts.
- 24.4 In the case of Partnership Working with other agencies, the NHS Lanarkshire risk management framework will be shared to identify and quantify the individual risks, particularly where responsibility cannot be assigned to an individual partner. In the particular case of NHS Lanarkshire and North and South Lanarkshire Councils jointly managed services, each partners' risk management and insurance arrangements will be taken into account when identifying and quantifying risks associated with the provision of such jointly managed services and associated with the delegation of the management of a partner's financial resources. Where conflicts occur between these two sets of arrangements each partner's Director of Finance will be required to agree a course of action to resolve the conflict.
- 24.5 There are occasions where commercial insurance arrangements will be required e.g. motor vehicles owned by NHS Lanarkshire including third party liability arising from their use, Private Finance Initiatives were the consortium have a commercial insurance arrangement, income generation arrangements but the CNORIS coverage should be checked prior to entering into any commercial coverage.

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- 24.6 The Director of Finance shall ensure that insurance arrangements exist in accordance with the risk management programme and that the procedures are documented.

## **SECTION 25 FUNDS HELD ON TRUST (ENDOWMENTS)**

- 25.1. An endowment is money or property donated to a Health Board. These donations are held on Trust by, and used at the discretion of, the Trustees, for the charitable purpose defined in the National Health Service (Scotland) Act 1978 which is broadly summarised as the advancement of health.
- 25.2. The Trustees of the endowment fund are the Board members. The Trust is a registered charity. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. To meet the requirements of charitable status under the 2005 Act Trustees must act in the interests of the charity at all times.
- 25.3. The business of the endowment fund will be conducted separately from and independent of the business of the Board. However the Trustees of the endowment fund have adopted these Standing Financial Instructions (in so far as each section is applicable to Endowment Fund Transactions) to apply to the financial transactions of the endowment fund to ensure sound control is maintained.
- 25.4. The Director of Finance shall maintain such accounts and records as may be necessary to record and protect all transactions on behalf of the trustees of non-exchequer funds, including an Investments Register consistent with the current statutory requirements. The provisions of the Charities Accounts (Scotland) Regulations 2006 will apply.
- 25.5. The Director of Finance shall ensure that annual accounts are prepared as soon as possible after the year end and in accordance with the Charities Accounts (Scotland) Regulations 2006, and that proper arrangements are made for these to be subject to audit by a separately appointed External Auditor.
- 25.6. All share and stock certificates and property deeds shall be deposited either with the Endowment Fund's bankers or Investment Advisers, or in a safe, or a compartment within a safe, to which only the Director of Finance or his/her nominated deputy will have access. The ownership of all shares and stock certificates, if managed by a commercial concern, shall be periodically verified by the auditors appointed by the Board.
- 25.7. The Director of Finance (in their capacity as Trustee) shall prepare detailed procedural instructions concerning the receiving, recording, investment and accounting for endowment funds.
- 25.8. Only donations which can be spent in a way which meets the charitable purposes of the endowment fund can be accepted by the Trustees. Any such funds must be lodged in the endowment fund bank account. Where a donation could not be spent in a way that is consistent with the purposes of the endowment fund, this must be explained to the donor. If an alternative purpose is not acceptable the donation must be declined.

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- 25.9. It is not acceptable under any circumstances to receive the donation and hold the cash or lodge it in a bank account that has not been authorised by the Director of Finance.
- 25.10. The Director of Finance shall be required to advise the Board of Directors on the financial implication of any proposal for fund raising activities which the Board may initiate, sponsor or approve. Advice to the Board of Directors on the financial implications of fund raising activities by outside bodies or organisations shall be given only by the Director of Finance.
- 25.11. The Director of Finance (in their capacity as Trustee) shall be kept informed of all enquiries regarding legacies and shall keep an appropriate record. After the death of a testator, all correspondence concerning a legacy shall be dealt with on behalf of the Fund by the Director of Finance who alone shall be empowered to give an executor a good discharge.
- 25.12. Endowment funds shall be invested by the Director of Finance (In their capacity as Trustee) subject to the following considerations subject to statutory requirements:-
- a) The policy regarding the treatment of accumulated balances;
  - b) Division of funds between narrow and wide range investments as defined in the Investment Act 1962 (as amended by Charities and Trustees Investment Act 2005);
  - c) Agreement of the Trustees after considering any advice received from the Trustees' Investment Managers.
- 25.13. Expenditure of any endowment funds shall be conditional upon the item being within the terms of the appropriate fund and the procedures approved by the Trustees.
- 25.14. Where it becomes necessary for the Endowment Fund to obtain Grant of Probate, or to make application for grant of letters of administration, in order to obtain a legacy due to the Fund under the terms of a Will, the Director of Finance (In their capacity as Trustee) shall be the Fund's nominee for the purpose.