

**STANDING FINANCIAL INSTRUCTIONS**

Co-ordinator:  
Director Of Finance

Reviewer:  
Audit Committee

Approver:  
NHS Grampian Board

Identifier:  
11 March 2020

Review date:  
17March 2020

Implementation date:  
6 August 2020

**UNCONTROLLED WHEN PRINTED**

# **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

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# **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

## **PURPOSE**

These Standing Financial Instructions (SFIs) detail the financial responsibilities, policies and procedures to be adopted by NHS Grampian. They are designed to ensure that its financial transactions are carried out in accordance with the law and government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness.

These SFIs identify the financial responsibilities that apply to everyone working for NHS Grampian. They do not provide detailed procedural advice that can be found in separate procedures manuals. The Director of Finance must approve all financial procedures.

These SFIs apply to all areas of the Health Board's responsibility that are not specifically devolved to one of the three Statutory Integration Joint Board's (IJBs) in Grampian otherwise known as Health and Social Care partnerships (H&SCP). All devolved matters will be governed by the SFIs and scheme of delegation agreed by each H&SCP. For the avoidance of doubt all matters related to investment in property and other capital infrastructure are reserved to the authority of the NHS Grampian Board and must comply with the provisions of these SFIs.

Should any difficulties arise regarding the interpretation or application of any of the SFIs, personnel must seek the advice of the Director of Finance before any action is taken. Officers of NHS Grampian are expected to have a full knowledge of the responsibilities placed on them by the Standing Financial Instructions.

Failure to comply with the SFIs is a disciplinary matter that could result in dismissal.

# **NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 1: CORPORATE GOVERNANCE FRAMEWORK**

### **INTRODUCTION**

- 1.1 The guiding principles that inform the Corporate Governance Framework are contained in a number of documents that set out the way that NHS Grampian aims to conduct its business. Combined, these documents set out the standards, procedures and responsibilities that all employees must follow in order to comply with government regulations. The paragraphs below briefly describe the purpose of each of these documents, including the Standing Financial Instructions that form an integral element of the Governance Framework.

### **1 STANDING ORDERS AND CODE OF CONDUCT**

- 2.1 The Standing Orders and Code of Conduct for NHS Boards set out the rules for how meetings of the NHS Board and its committees should be conducted and the values of public service, leadership, integrity, objectivity, selflessness, openness, accountability, honesty, and respect that members should promote by their conduct. Each Standing Committee and designated Senior Employees of the Board has the authority to make decisions on specific matters that they have been asked to take responsibility for by the Board. Full details of this “delegated authority” are contained in the Scheme of Delegation.

### **2 SCHEME OF DELEGATION**

- 3.1 It is the responsibility of the Director of Finance to ensure that designated staff maintain the procedures manuals to comply with the law, codes of conduct, NHS guidance and relevant standards of accounting practice.
- 3.2 An operational scheme of delegation has been prepared separately from these SFIs and is available on the NHS Grampian Intranet. The Director of Finance is responsible for ensuring that appropriate procedures exist for the maintenance of the operational scheme of delegation. The structure including financial limits of the operational scheme of delegation will be reviewed annually or as appropriate by the Audit Committee after taking account of the advice of the Director of Finance.
- 3.3 The decisions that are reserved for the Senior officers of the Board, the Board itself and the committees that report to it are set out in NHS Grampian’s Schedule of Reserved Decisions, a copy of which is available on the NHS Grampian Intranet. The Board must approve the Schedule of Reserved Decisions, and any subsequent amendments.
- 3.4 When a delegated Officer is absent and alternative cover arrangements involve an officer who does not hold an equivalent level of authority then the Assistant Director of Finance must be notified of the temporary arrangements in writing, by an appropriate Officer of equivalent or higher authority.
- 3.5 When Officers are carrying out their duties under these delegated arrangements, they should not exceed their budgetary limits, and they should not use their budgets

for any purpose other than that provided. Expenditure that has not been budgeted for will only be incurred after the Chief Executive, Director of Finance or the Board has given authorisation as appropriate

#### **4 STANDING FINANCIAL INSTRUCTIONS**

- 4.1 These Standing Financial Instructions (SFIs) are issued for the regulation of the conduct of NHS Grampian, its directors, officers and agents in relation to all financial matters.
- 4.2 All employees must comply with rules for conducting financial business. These rules, called Standing Financial Instructions, are laid out in the attached sections.
- 4.3 The aims of the Standing Financial Instructions are to ensure that NHS Grampian acts within the law, that proper records are maintained and statements produced, that NHS Grampian seeks best value from its resources and that clear lines of control and accountability are in place.
- 4.4 They are also designed to protect NHS Grampian and its staff from the risk of fraud and financial irregularity including the new consolidated scheme of offences under the 2010 Bribery Act.  
  
<http://www.justice.gov.uk/downloads/legislation/bribery-act-2010-guidance.pdf>
- 4.5 The full range of NHS Grampian's financial activity is covered, from payment of salaries to contracting and purchasing, banking arrangements to endowment funds.
- 4.6 Three statutory Integration Joint Boards (IJBs), otherwise known as Health and Social Care Partnerships (H&SCPs) were established in Grampian effective 6 February 2016. Formal devolvement of functions and associated operational budgets took effect from 1 April 2016. All matters relating to budget setting and resource management for services devolved to the H&SCPs must now therefore comply with the SFIs and scheme of delegation agreed by each H&SCP. Each H&SCP will however commission services from NHS Grampian and the operational management of these services, provided by NHS Grampian to each H&SCP, including all treasury, cash management, procurement, payroll and other transactional financial activity will continue to be governed by these SFIs.

#### **5 STANDARDS OF BUSINESS CONDUCT FOR NHS STAFF**

There are standards of conduct that everyone who works for the NHS needs to follow. Employees are expected to put the interests of patients first at all times, be impartial and honest when doing their job and ensure value for money when spending public funds. It is each employee's responsibility to ensure that they do not misuse their position to benefit themselves, their family or their friends, take on another job that compromises their NHS duties or promote their private interests in the course of their job.

All staff must declare any private financial, or other relevant interests, where this would give rise to a conflict of interest. All such interests must be disclosed to their line

managers and formally recorded in the corporate register of Interests, Gifts and Hospitality.

**A ‘conflict of interest’ is defined as:**

“A set of circumstances by which a reasonable person would consider that an individual’s ability to apply judgement or act, in the context of delivering, commissioning, or assuring taxpayer funded health and care services is, or could be, impaired or influenced by another interest they hold.”

**What does this mean in practice?**

**Employees must:**

1. Declare all gifts or hospitality received in the course of their duties as an employee of NHS Grampian. The following principles apply :-
  - Articles of low intrinsic value, i.e. less than £25, such as diaries, pens or calendars need not be declared.
  - Staff should not accept personally, any gifts of cash or vouchers with a monetary face value. Such gifts, if offered, and with the agreement of the donor, may be paid in to the NHS Grampian Endowment Funds and used for the benefit of the service. For further guidance on how to process a donation to the Endowment funds please contact [nhsg.charities@nhs.net](mailto:nhsg.charities@nhs.net)
2. Obtain permission, in writing, from their manager before taking on outside work, including operating their own business. For the avoidance of doubt permission may be refused should a manager consider that a conflict of interest exists, although this permission should not be unreasonably withheld.
3. Obtain permission from their manager before accepting any commercial sponsorship. This includes any offers by outside companies to sponsor or part sponsor educational visits, invitations to speak at conferences or address meetings (Lunches in the course of working visits may be acceptable if they are similar to the scale of hospitality which the NHS as an employer would offer).
4. Declare an interest if you are placed in a position which risks, or might appear to others to risk, conflict between private interests and NHS duties. For members of staff involved in supporting procurement activity as a member of a category action group an opportunity for members to declare an interest will be allowed at the start of each meeting. If any doubt exists then you should ask to be excused from the decision process

Examples of situations to be avoided are:

- authorising the discharge of a patient into a nursing home in which you, your family, friend or business acquaintance has a financial interest.
- purchasing, or authorising or influencing another employee to purchase or authorise the purchase of, goods or services from an organisation in which you, your family, friends or business acquaintances have a financial interest. This need not be a controlling interest, for example a Doctor with a minor shareholding in a pharmaceutical Company will be required to declare this

interest should they actively prescribe medicines manufactured by that Company.

**Employees must not:**

- Misuse or make available confidential information.
- Accept any gifts, inducements or hospitality that might place them in a position of conflict between their private interest and that required by their NHS duties (articles of low intrinsic value, i.e. less than £25, such as diaries, pens or calendars need not necessarily be refused).
- Accept gifts of cash or vouchers with a monetary face value.
- Under any circumstances claim reimbursement for expenses incurred in the purchase of alcoholic beverages when on NHS Grampian business.
- Use their past or present position to make preferential private arrangements.
- Unfairly advantage one competitor over another or show favouritism in awarding contracts.

**6. CORPORATE REGISTER ON INTERESTS, GIFTS & HOSPITALITY**

All staff are required to record, in the Board's Corporate Register of Interests, Gifts and Hospitality:

- all relevant **interests or gifts** including hospitality and any other benefits received either directly or indirectly from external parties in the course of their duties and with a value exceeding £25. Benefits to be disclosed include, but are not limited to, material items, conference fees, meals, travel, sponsorship (including research), entrance to and attendance at events, entertainment of any sort and services such as free consultancy;
- **each instance where you consider a conflict of interest** may exist with your core NHS duties; and
- the details of any **offers which are declined**.

'Interests' can arise in a number of different contexts. A material interest is one which a reasonable person would take into account when making a decision regarding the use of taxpayers' money because the interest has relevance to that decision.

Interests requiring disclosure fall into the following categories:

- Financial interests - Where an individual may get direct financial benefit\* from the consequences of a decision they are involved in making.
- Non-financial personal interests - Where an individual may benefit\* personally in ways which are not directly linked to their professional career and do not give rise to a direct financial benefit, because of decisions they are involved in making in their professional career.



- Non-financial professional interests - Where an individual may obtain a non-financial professional benefit\* from the consequences of a decision they are involved in making, such as increasing their professional reputation or promoting their professional career.
- Indirect interests - Where an individual has a close association\*\* with another individual who has a financial interest, a non-financial professional interest or a non-financial personal interest who would stand to benefit\* from a decision they are involved in making.

\* A benefit may arise from the making of gain or avoiding a loss.

\*\* These associations may arise through relationships with close family members and relatives, close friends and associates, and business partners. A common sense approach should be applied to these terms. It would be unrealistic to expect staff to know of all the interests that people in these classes might hold. However, if staff do know of material interests (or could be reasonably expected to know about these) then these should be declared.

The standard disclosure form to be used to record all declarations is available on the intranet under Departments > **Register of Interests, gifts and hospitality**. The intranet page also includes more general guidance on the disclosure process and where a conflict of interest may exist.

Completed disclosure forms should be sent to the Board Secretariat at the following e-mail address: **[nhsg.corporateregister@nhs.net](mailto:nhsg.corporateregister@nhs.net)**.

## 7. FRAUD POLICY

- 7.1 It is the duty of all NHS employees who suspect that fraud, theft or corruption may be occurring to report it so that action may be taken.
- 7.2 There are a range of confidential routes available to staff who wish to ask for advice or to report suspected fraud activity :-
- Your Line manager
  - Your HR Manager
  - The Employee Director
  - Chief Internal Auditor, Mrs Lindsey Paterson, PricewaterhouseCoopers LLP on 0141 355 4005;
  - Security Officers on 01224 552945 or internal ext 52945
  - NHS Counter Fraud Services (CFS) Fraud Hotline on - 08000 15 16 28
  - NHS Grampian's Fraud Liaison Officer – Assistant Director Of Finance on 01224 556211 or internal ext 56211
- 7.3 All information provided is treated in the strictest of confidence and staff who raise genuine concerns are protected by law – regardless of the outcome of any investigation that they initiate.

7.4 NHS Grampian's policy for the Prevention, Detection and Investigation of suspected Fraud, theft and Corruption is available on the intranet under Departments > **Policies & Notes**

# **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 2: ROLES AND RESPONSIBILITIES**

### **All staff**

- 2.1 All staff have a responsibility for the security of the property of NHS Grampian, for avoiding loss, and for the application of economy and efficiency in the use of resources. All staff must also comply with the requirements of the Standing Orders, the SFIs, the Scheme of Delegation, and other financial procedures that may be issued.
- 2.2 It is the duty of the Chief Executive, and his nominated representatives, to ensure that existing staff and all new employees are informed of their responsibilities within these instructions. The nominated representatives will have a formal duty to pass on information contained in the SFIs, including departmental procedures based on these, to staff who have delegated responsibilities for carrying out operations covered by such instructions.

### **Accountable Officer and the NHS Board – general responsibilities**

- 2.3 The Principal Accountable Officer for the Scottish Government Health and Social Care Directorates has designated the Chief Executive of NHS Grampian as Accountable Officer. Accountable Officers must comply with the terms of the Memorandum to National Health Service Accountable Officers, and any updates issued to them by the Principal Accountable Officer for the Scottish Executive.
  - 2.3.1 The Accountable Officer is personally answerable to the Scottish Parliament for the propriety and regularity of the public finances for NHS Grampian for which he has responsibility. The Accountable Officer must ensure that the NHS Board takes account of all relevant financial considerations, including any issues of propriety, regularity or value for money, in considering policy proposals relating to expenditure, or income.
  - 2.3.2 It is incumbent upon the Accountable Officer to combine his duties as Accountable Officer with the duty to the NHS Board to whom he is responsible, and from whom he derives his authority. The NHS Board is in turn responsible to the Scottish Parliament in respect of its policies, actions and conduct.
  - 2.3.3 The Accountable Officer has a personal duty of signing the Annual Accounts of NHS Grampian. Consequently, he may also have the further duty of being a witness before the Audit Committee of the Scottish Parliament, and be expected to deal with questions arising from the Accounts, or, more commonly, from reports made to Parliament by the Auditor General for Scotland.

## **Accountable Officer and the NHS Board – general responsibilities**

- 2.3.4 The Grampian NHS Board will delegate its executive responsibility for the performance of its functions in accordance with its Scheme of Delegation. The NHS Board will exercise financial supervision and control by:
- ◆ Formulating the financial strategy;
  - ◆ Requiring the submission and approval of business plans and budgets that are within approved allocations;
  - ◆ Defining and approving the essential features of financial arrangements in respect of important procedures and financial systems, including the need to obtain value for money; and by
  - ◆ Defining specific responsibilities placed on officers. The NHS Board will also approve a Scheme of Delegation that specifies nominated officers, the area of responsibility and the scope of delegation.
- 2.3.5 The Accountable Officer must ensure that any arrangements for delegation promote good management, and that he is supported by the necessary staff with an appropriate balance of skills. This requires careful selection and development of staff and the sufficient provision of special skills and services.
- 2.3.6 In addition to the Accountable Officer for the Grampian NHS Board, each Integration Joint Board will also have an Accountable Officer. The Chief Officer of the IJB will be the Accountable Officer in all matters except finance. The IJB must make arrangements for the proper administration of its financial affairs and appoint an officer with this responsibility (the IJB Financial Officer). The IJB Financial Officer will act as the Accountable Officer for IJB financial matters.

## **Accountable Officer - Specific Responsibilities**

- 2.4 The Accountable Officer must, in relation to NHS Grampian:
- ensure that from the outset proper financial systems are in place and applied, and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability, especially at times of major changes;
  - sign the Accounts assigned to him, and in doing so accept personal responsibility for ensuring that they are prepared under the principles and in the format directed by Scottish Ministers;
  - ensure that proper financial procedures are followed incorporating the principles of separation of duties and internal check and that accounting records are maintained in a form suited to the requirements of the relevant Accounting Manual, as well as in the form prescribed for published accounts;
  - ensure that the public funds for which he is responsible are properly managed and safeguarded, with independent and effective checks of cash balances in the hands of any official;
  - ensure that the assets for which he is responsible, such as land, buildings or other property, including stores and equipment, are controlled and safeguarded with similar care, and with checks as appropriate;

- ensure that, in the consideration of policy proposals relating to expenditure, or income, for which he has responsibilities as Accountable Officer, all relevant financial considerations, including any issues of propriety, regularity or value for money, are taken into account, and where necessary brought to the attention of the Board;
- ensure that any delegation of authority is accompanied by clear lines of control and accountability, together with reporting arrangements;
- ensure that effective management systems appropriate for the achievement of the organisation's objectives, including financial monitoring and control have been put in place;
- ensure that risks, whether to achievement of business objectives, regularity, propriety, or value for money, are identified, that their significance is assessed and that systems appropriate to the risks are in place in all areas to manage them;
- ensure that best value from resources is sought, by making proper arrangements to pursue continuous improvement having regard to economy, efficiency and effectiveness, and in a manner which encourages the observance of equal opportunities requirements;
- ensure that managers at all levels have a clear view of their objectives, and the means to assess and measure outputs or performance in relation to those objectives;
- ensure managers at all levels are assigned well-defined responsibilities for making the best use of resources (both those assumed by their own commands and any made available to organisations or individuals outside NHS Grampian) including a critical scrutiny of output and value for money;
- ensure that managers at all levels have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.

## 2.5 Regularity and Propriety of Expenditure

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

2.5.2 All actions must be able to stand the test of parliamentary scrutiny, public judgements on propriety and professional codes of conduct.

## 2.6 Advice to the NHS Board

- 2.6.1 Accountable Officers have a duty to ensure that appropriate advice is tendered to the Board on all matters of financial propriety and regularity, and more broadly, as to all considerations of prudent and economical administration, efficiency and effectiveness.
- 2.6.2 If an Accountable Officer considers that, despite his advice to the contrary, the Board is contemplating a course of action which he considers would infringe the requirements of regularity or propriety, and that he would be required to take action that is inconsistent with the proper performance of his duties as Accountable Officer, he should, if possible, inform the Scottish Government Health Directorate's Accountable Officer, so that the Department, if it considers it appropriate, can intervene, and inform Scottish Ministers. If this is not possible, the Accountable Officer should set out in writing his objection to the proposal and the reasons for the objection. If his advice is overruled, and the Accountable Officer does not feel that he would be able to defend the proposal to the Audit Committee of the Scottish Parliament, as representing value for money, he should obtain written instructions from the Board for which he is designated, and send a copy of his request for instruction and the instruction itself as soon as possible to the External Auditor and the Auditor General for Scotland.
- 2.6.3 The Accountable Officer must ensure that his responsibilities as Accountable Officer do not conflict with those as Board member. He should vote against any action that he cannot endorse as Accountable Officer, and in the absence of a vote, ensure that his opposition as a Board member, as well as Accountable Officer is clearly recorded.

## 2.7 Absence of Accountable Officer

- 2.7.1 The Accountable Officer should ensure that he is generally available for consultation, and that in any temporary period of unavailability due to illness or other cause, or during the normal period of annual leave, a senior officer is identified to act on his behalf if required.
- 2.7.2 In the event that an Accountable Officer would be unable to discharge his responsibilities for a period of four weeks or more, NHS Grampian will notify the Principal Accountable Officer of the Scottish Executive, in order that an Accountable Officer can be appointed pending his return.
- 2.7.3 Where an Accountable Officer is unable by reason of incapacity or absence to sign the Accounts in time for them to be submitted to the Auditor General, the Board may submit unsigned copies, pending the return of the Accountable Officer.

**NHS GRAMPIAN  
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**SECTION 3: FINANCIAL PLANNING, BUDGETS AND BUDGETARY CONTROL**

- 3.1 NHS Grampian is directly accountable to the First Minister of Scotland, through the Scottish Government Health and Social Care Directorates SGHSCD, for the performance of its functions within the total funds allocated. The organisation also has a responsibility to prepare and submit financial plans in accordance with the requirements of the SGHSCD. All plans, financial approvals and control systems are therefore designed to meet these obligations.
- 3.2 The three key instruments of control through which NHS Grampian will be held accountable are:
- the Annual Operational Plan setting out NHS Grampian's plans for the next year;
  - the annual report of last year's performance which will be presented by the end of September each year;
  - the annual accounts which will be presented to the SGHSCD by the end of June each year.

In addition, the organisation will also be required to provide such other information as the First Minister of Scotland and the SGHSCD may request.

- 3.3 The Director of Finance will, on behalf of the Chief Executive, compile such financial estimates and forecasts, on both revenue and capital expenditure, as may be required from time to time. The Director of Finance will also, in advance of the financial year to which they refer, prepare and submit operating budgets and programmes to the Grampian NHS Board for approval. These will be within the forecast limits of available resources, and planning and manpower policies. The Board will consider and approve, with or without amendment, the overall financial plan for NHS Grampian, which will comprise of:-
- The annual revenue budget as recommended to the Board by the Budget Steering Group.
  - The five-year financial plan which forms part of the Annual Operational Plan.
  - The overall Capital Plan as recommended by the Asset Management Group.
- 3.4 The Director of Finance will review the bases and assumptions used to prepare the financial plans and budgets, and advise the Board whether these are realistic. The Director of Finance will also ensure that the plans reconcile to budgets. As a consequence, the Director of Finance will have right of access to all budget holders on budget related matters.
- 3.5 Any reference to a "budget" means an allocation of resources expressed in financial terms by NHS Grampian for the purpose of carrying out, over a specified period, a function or functions of the organisation.
- 3.6 The Chief Executive is responsible to the Board for the management of the budget. The Chief Executive may delegate management of a budget or part of a budget to officers to

permit the performance of defined activities. The terms of delegation will include a clear definition of individual and group responsibilities for the level and control of expenditure, exercise of virement, achievement of planned levels of service and the provision of regular reports upon the discharge of those delegated functions to the Chief Executive. Appointed Budget Holders will strictly observe any budgetary limits and other restrictions as defined in the annual Budget Guidance or other financial guidance and protocols issued by the Director of Finance.

3.7 The Director of Finance will devise and maintain systems of budgetary control. All officers whom the organisation empowers to engage staff, incur expenditure or collect or generate income will comply with the requirements of those systems, including the requirement to follow laid down procedures for the recruitment of staff. The systems of budgetary control will incorporate the reporting, and investigation into, financial, activity, or workforce variances from budget within 15 working days after the end of the month under review. The Director of Finance will be responsible for providing budgetary information and advice to enable the Chief Executive and other officers to carry out their budgetary responsibilities.

3.8 The Director of Finance, on behalf of the Chief Executive, will monitor the use of delegated budgets to ensure that financial control is maintained and that NHS Grampian's plans and policies are implemented.

3.9 The Director of Finance will ensure that:

3.9.1 the system of internal financial controls is sufficient and adequate to ensure the achievement of business objectives and compliance with standards and regulations;

3.9.2 adequate statistical and financial systems are in place to monitor and control all Service Agreements for patient services and facilitate the compilation of estimates, forecasts and investigations as may be required from time to time;

3.9.3 officers provide all financial, statistical and other relevant information as necessary for the compilation of estimates and forecasts; and

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

3.10 In carrying out their duties:

- the Chief Executive may not exceed the budgetary or virement limits set by the Grampian NHS Board;

- officers may not exceed the budgetary limits set for them by the Chief Executive in the current financial year nor by commitments for future years;

- officers may not use non-recurring budgets on recurring expenditure;

- officers must comply with the requirements of the budgetary control systems and will strictly observe any budgetary limits set by the Board;



- the Chief Executive may vary the budgetary limit of any officer within the Chief Executive's own budgetary limit.
- 3.11 Expenditure for which no provision has been made in an approved budget will only be incurred after authorisation by the Chief Executive on the advice of the Director of Finance.
- 3.12 The Director of Finance will provide the Grampian NHS Board with regular reports giving details of the current financial position each month and a forecast of the organisation's expected out-turn at the year-end.
- 3.13 The NHS Grampian Operational Management Board will monitor delegated budgets to ensure that financial control is maintained and that the organisation's plans and policies are implemented.
- 3.14 The Director of Finance has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage budgets successfully.
- 3.15 Except where otherwise approved by the Chief Executive, taking account of advice of the Director of Finance, budgets will be used only for the purposes for which they were provided. Any budgeted funds not required for their designated purpose will revert to the immediate control of the Chief Executive, except where the funds have been allocated to an Integration Joint Board where unused funding may be retained in the form of a reserve.
- 3.16 Where material underspends arise during the course of a financial year on NHS Grampian budgets and their recognition is confirmed, budget holders must discuss any plans to use the under-spend to support funding in other areas with the Director of Finance in order to prevent instances of underspends being used to support areas that are not a priority for investment. Where material underspends arise during the year on budgets for services delegated to Integration Joint Boards, the Integration Joint Board will decide on how these underspends are used.
- 3.17 Any virement between budget heads must not conflict with Health Board priorities i.e. should be in line with the Annual Operational Plan priorities.
- 3.18 Any substantial surpluses arising from the failure or delay in the implementation of plans approved by the organisation will be reported to the NHS Grampian Operational Management Team by the Director of Finance, except where surpluses relate to services delegated to Integration Joint Boards.
- 3.19 The Chief Executive will submit major capital plans for Board approval. The Chief Executive will prepare business cases for major capital expenditure that will be approved by the Board prior to submission to the SGHSCD, in line with the delegated limits laid down for approval of business cases by the SGHSCD. All business cases for major capital projects will follow the format as laid down by the Scottish Capital Investment Manual (SCIM).
- 3.20 Service Agreements exist where the Board purchases services from another health body or where another health body provides services to the Board. In these cases, those budget holders who are the end user and purchaser of the service have no authority to

use sources of supply or service other than with the provider unless exceptional circumstances prevail and written Chief Executive approval is given.

3.21 Where services are operated on a trading account basis, the users will effectively hold the budgets and the trading account should be cleared at the end of the financial year.

3.22 Some support services will be provided on an inter-departmental basis without recharges being made to the users. The host department will hold the budget for such a service and will be responsible for its budgetary control.

3.23 Integration Joint Boards (IJBs) otherwise known as Health and Social Care Partnerships (H&SCPs)

3.23.1 The arrangements governing the three H&SCPs established by Grampian NHS Board, Moray Council, Aberdeen City Council and Aberdeenshire Council to oversee the Integration provision of health and social care services to local communities are incorporated within the three Integration Schemes and accompanying guidance for each IJB (H&SCP).

Integration H&SCPs have a strategic planning role and will not directly employ the operational staff who are responsible for the delivery of health and social care. H&SCPs will be responsible for a pooled budget devolved to them by the Grampian NHS Board and local authority partners. The H&SCP will prepare a Strategic Plan and then allocate resources back to Grampian NHS Board and local authority partners for the delivery of services.

3.23.2 Each H&SCP is responsible for their own framework for governance and accountability. All matters relating to budget setting and resource management for services devolved to the H&SCPs must comply with the financial regulations and scheme of delegation agreed by each H&SCP. Each H&SCP will however commission services from NHS Grampian and the operational management of these services, provided by NHS Grampian to each H&SCP, including all treasury, cash management, procurement, payroll and other transactional financial activity will continue to be governed by these SFIs

To facilitate these arrangements the scheme of delegation will allow, where appropriate, for an employee of one of the other partner organisations, to be formally appointed to the position of manager of a designated service under an agreed joint management structure. For example it may be appropriate to combine a community nursing team with the social work care management budget and appoint a single service manager. For transactional processing, including ordering of goods and services and authorisation of payroll, this single service manager would carry the delegated authority of a nursing team leader within Health and of a care manager within the Local Authority scheme of delegation.

3.24 Primary Care Contractors

3.24.1 NHSG discharges its responsibility under Part II of the NHS (Scotland) Act 1978 by contracting the provision of Family Health Services to doctors, dentists, pharmacists and optometrists who are independent contractors. The responsibility for this function is devolved to the three H&SCPs who are required to ensure that appropriate governance arrangements exist. The

following arrangements will remain in place for the administration and verification of payments to primary care contractors.

- 3.24.2 In line with Scottish Government arrangements, the Practitioner Services Division (PSD) of National Services Scotland is the payment agency for payments to all independent Family Health Services (FHS) contractors.
- 3.24.3 The Director of Finance and Designated IJB Chief Officer will conclude a 'Service Level Agreement' with the PSD covering validation, payment, monitoring and reporting and the provision of an audit service by National Services Scotland Internal Audit.
- 3.24.4 The Director of Finance will ensure that PSD systems are in place to provide assurance that :
- Only contractors who are included on the Board's approved lists receive payments:
  - All valid contractors' claims are paid correctly, and are supported by the appropriate documentation and authorisations;
  - All payments to third parties are notified to the General Practice Independent Contractors on whose behalf payments are made;
  - Ensure that regular independent post payment verification of claims is undertaken to confirm that:
    - a) Rules have been correctly and consistently applied;
    - b) Overpayments are prevented wherever possible; if, however, overpayments are detected, recovery measures are initiated;
    - c) Fraud is detected and instances of actual and potential fraud are followed up.
  - Exceptionally high/low payments are brought to his/her attention;
  - Payments made via National Services Scotland are reported to the PCIMG;
  - Payments made on behalf of the Board by National Services Scotland are pre-authorised;
  - Payments made by National Services Scotland are reconciled with the cash draw-down reported by the Scottish Government to Health Boards.
- 3.24.5 The Director of Finance will issue operating procedures to cover all payments made by National Services Scotland (both payments made directly or payments made on behalf of the Board).

3.24.6 The Designated IJB Chief Officer and Director of Finance will ensure that payments made to all Primary Care independent contractors and community pharmacists will comply with their appropriate contractor regulations.

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**SECTION 4: COMMISSIONING HEALTHCARE**

- 4.1 The Chief Executive, in conjunction with the Director of Finance, will be responsible for ensuring that all services required or provided are covered by a series of service agreements or other appropriate arrangements. They must ensure that adequate funds are retained or recovered to cover the cost of such services, all within the context of the approved Annual Operational Plan and Financial Plan. They will be responsible for ensuring that the total service framework is affordable within the overall Revenue and Capital Resource Limits set by the Scottish Government Health Directorate.
- 4.2 The Chief Executive or designated deputy Chief Executive or designated Deputy on behalf of the Chief Executive will be responsible for ensuring that service agreements are placed with due regard to the need to achieve best value. The Chief executive or designated deputy Chief Executive or designated Deputy, in conjunction with the Director of Finance, will ensure that all service agreements and other arrangements for health care purchases are supported by appropriate documentation and authorisation procedures. All service agreement variations must be approved in accordance with the scheme of delegation.
- 4.3 The Director of Finance will be responsible for agreeing to the financial details contained in those service agreements agreed by the Grampian NHS Board.
- 4.4 The Chief Executive will be responsible for establishing robust financial arrangements, in accordance with guidance from the Scottish Government Health Directorate, for the treatment of Grampian residents by other NHS systems, or by the private sector.
- 4.5 The Director of Finance will be responsible for maintaining a system for the rendering and payment of appropriate charges in accordance with the terms of the arrangements, or otherwise in accordance with national guidance.
- 4.6 The Medical Director, in his capacity as Caldicott Guardian, will be responsible for ensuring that all systems operate in a way to maintain confidentiality of patient information as set out in the Data Protection Act 1998 under Caldicott guidance.

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**SECTION 5: RECEIPT OF INCOME AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

- 5.1 NHS Grampian's income includes funds from the following sources:
- ◆ private patients and/or their insurance companies;
  - ◆ medical and dental education and research; and
  - ◆ education and training of health care professionals.
- 5.2 All Officers will inform the Director of Finance of monies due to NHS Grampian arising from transactions which they initiate involving all contracts, leases, tenancy agreements, private, overseas or amenity patient undertakings, and other activities. Responsibility for arranging the level of rentals for property and for the annual review of other charges will rest with the Director of Finance, who may take into account independent professional advice on matters of valuation. The Director of Finance will be consulted about the pricing of goods and services that relate to NHS none-core activity. The Director of Finance is responsible for ensuring that appropriate costing protocols are observed.
- 5.3 All officers with responsibility for income generation must ensure that due diligence is carried out as appropriate on all companies or individuals with whom NHS Grampian has a commercial customer relationship prior to contract signature. All potential income generation contracts with a value in excess of £150k must be referred to the Assistant Board Secretary who will ensure that professional support is available to support the due diligence process. For income generation contracts of less than £150k the Director of Finance will issue guidance to operational managers in the form of a simplified "due diligence" questionnaire to aid local assessment of the key issues.
- 5.4 Contracts should be priced at the level that the market will bear, subject to the need to make a minimum return on assets.
- 5.5 The Director of Finance will take appropriate recovery action on all outstanding debts. The Director of Finance will establish procedures for the write off of debts after all reasonable steps have been taken to secure payment. Where sums to be written off exceed the amount specified in the schedule of financial limits, the Director of Finance will seek the consent of the SGHSCD.
- 5.6 Where income is considered to be irrecoverable, it will be dealt with in accordance with the losses and special payments procedures.
- 5.7 Disposal of scrap material and items surplus to requirements will be dealt with in accordance with the losses and special payments procedures.
- 5.8 The Director of Finance will be responsible for establishing and maintaining systems, and ensuring compliance with the systems, for the proper recording invoicing, collection and prompt banking of all monies due. These systems will incorporate the principles of internal control and segregation of duties.

- 5.9 Whilst each employee has a responsibility for the security of the property of NHS Grampian, it will be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to NHS property. Any breach of agreed security practices must be reported to the Director of Finance.
- 5.10 All unused cheques and other orders will be subject to the same security precautions as are applied to cash.
- 5.11 Staff will be informed in writing on appointment by the appropriate departmental or Senior Officers of their responsibilities and duties for the collection, handling or disbursement of cash and cheques.
- 5.12 All receipt books, tickets, or other means of officially acknowledging or recording amounts received or receivable will be in a form approved by the Director of Finance. Such stationery will be controlled by him and subject to the same precautions as are applied to cash in accordance with the Director of Finance's requirements.
- 5.13 It is the responsibility of each line manager to ensure that there are adequate process controls and procedures in place for the security of cash in his area of responsibility.
- 5.14 Each line manager is responsible for ensuring that all officers under his responsibility, whose duty it is to collect or hold cash, will be provided with a safe or a lockable cash box that will normally be deposited in a safe. All cash must be kept in the safe or locked cash box, which should be located in an area of minimal through traffic. Each line manager must ensure that this is adhered to in his area of responsibility. Wherever possible, the amount of cash held on site should be minimal.
- 5.15 In the interest of security, combinations for locks giving access to areas where cash or other negotiable instruments are held should be changed at least annually and on every occasion where there are changes to personnel who require access.
- 5.16 For safes and cash boxes, the officer concerned will hold only one key and all duplicates will be lodged with another officer, as authorised by the relevant line manager. The loss of any key will be reported immediately to the relevant line manager. The line manager will, on receipt of a satisfactory explanation, authorise the release of the duplicate key. Each line manager will be responsible for maintaining a register of authorised holders of safe keys in his area of responsibility.
- 5.17 All cash, cheques, postal orders and other forms of payment received will be entered into an approved form of register. The register will be passed to a second individual to check and a signature will be obtained. All cheques and cash must be banked intact at the earliest opportunity and on a regular basis in accordance with the rules and procedures laid down by the Director of Finance. All funds deposited should be to the credit of the NHS Grampian account under the Government Banking Service held with the Royal bank of Scotland (RBS). Disbursements will not be made from cash received.

- 5.18 The Director of Finance will prescribe the system for the transporting of cash and pre-signed payable orders. Wherever required, the services of a specialist security firm will be employed.
- 5.19 Official monies will under no circumstances be used for the encashment of private cheques.
- 5.20 All cash received should be recorded and reconciliations carried out between records of cash received and the cash. This control is also applicable to till takings. Whenever cash is handled, two officers must be present, with the required segregation of duties in place.
- 5.21 For all payments received by Debit or Credit card through the Streamline System the automated reconciliation print must be extracted from the system and, with a corresponding income analysis sheet, forwarded to the Head Cashier in the Finance Department at the end of each working day.
- 5.22 The custodian of a safe/cash box will not accept unofficial funds for depositing in his safe unless such deposits are in special sealed envelopes or locked containers. It will be made clear to the depositor that NHS Grampian is not to be held liable for any loss and a written indemnity must be obtained from the organisation or individual absolving NHS Grampian from responsibility for any loss.
- 5.23 During the absence (e.g. on holiday) of the custodian of a safe or cash box, the officer who acts in his place will be subject to the same controls as the normal custodian. There will 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.
- 5.24 All payable orders will be in a form approved by the Director of Finance. All unused payable orders will be ordered and controlled by him and subject to the same security precautions as are applied to cash.
- 5.25 Any loss or shortfall of cash, cheques or other negotiable instruments, however occasioned, will be reported immediately in accordance with the agreed procedure for reporting losses (See also Section 22 – Condemnations, Losses and Special Payments.)



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**SECTION 6: ANNUAL ACCOUNTS AND REPORTS**

- 6.1 The Director of Finance will keep proper books and records for the purpose of preparing annual accounts and reports complying with the requirements of the Manual for Accounts issued by the SGHSCD, as amended from time to time by the Scottish Ministers.
- 6.2 The Director of Finance, on behalf of the NHS Board, will prepare, certify and submit Annual Accounts to the Chief Executive in respect of each financial year in such a form as the SGHSCD may with the approval of the Treasury direct.
- 6.3 The Director of Finance will submit the annual accounts and returns to the external auditor appointed by Audit Scotland. The Grampian NHS Board will adopt the annual accounts at a public meeting.
- 6.4 On receipt of the audited Annual Accounts and associated Management Letter, the Chief Executive will present these to the Audit Committee for review. The Audit Committee will then recommend acceptance and approval – or otherwise – of the Audited Annual Accounts to the Board. This will be done in accordance with the required time scales for reporting to the Treasury on the NHS in Scotland.
- 6.5 The Director of Finance will prepare and submit financial returns, as directed, by the First Minister of Scotland in respect of each financial year.
- 6.6 The Chief Executive will prepare and submit to the First Minister of Scotland an Annual Report in such a form as may be determined by the First Minister of Scotland. This document will include information outlined in guidance provided by the SGHSCD.

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**SECTION 7: BANKING ARRANGEMENTS**

- 7.1 The Director of Finance will prepare procedural instructions on the operation of the Boards bank accounts for the approval of the NHS Grampian Audit Committee. These instructions will set out the procedures and related internal controls to be implemented to ensure that transactions are completely and accurately recorded and assets are safeguarded.
- 7.2 The operation of NHS Grampian's banking arrangements will be in accordance with SGHSCD guidance and subsequent updates.
- 7.3 The Chief Executive or Director of Finance will be the only officers permitted to open bank accounts or to authorise the setting up of a trust deed for ownership of a bank account in the name of NHS Grampian. They will advise the bankers in writing of the conditions under which such accounts will be operated, the limits to be applied to any overdraft and the limitation on single signatory payments. All funds will be held in accounts in the name of NHS Grampian, other than such monies as may from time to time be legally required to be held in a joint interest bearing deposit account or in joint project bank accounts for major capital schemes progressed under the Frameworks Scotland regulations as mandated by the SGHSCD. The Grampian NHS Board will be responsible for approving NHS Grampian's banking arrangements.
- 7.4 As directed by the SGHSCD, the Government Banking Service (GBS) will be the main banker for the NHS in Scotland (with the exception of Endowment and patients private funds). With effect from January 2016, following a competitive tendering exercise the GBS service was contracted to NatWest bank for a period of 7 years. NHS Grampian may also appoint a commercial bank to provide services that the GBS is unable to offer. Following guidance from the SGHSCD NHS Grampian's commercial bank service is operated by Royal Bank of Scotland.
- 7.5 The Director of Finance will advise the GBS and the commercial bank, as required, of any alterations in the conditions of operation of accounts that may be required by financial regulations of the Health Service or by resolution of the Board.
- 7.6 The Director of Finance will advise the GBS and the commercial bank in writing on the limit to be applied to any overdraft and of the officers or directors authorised to release money from, and draw cheques on, each bank account of NHS Grampian. The Director of Finance will also be responsible for the prompt notification of the cancellation of any such authorisation. The letter will indicate that the mandate instructions have been reviewed and agreed by the Grampian NHS Board.
- 7.7 The Director of Finance is responsible for the prompt banking of all monies received.
- 7.8 In the operation of the GBS and commercial bank accounts, the Director of Finance will ensure:

- ◆ that payments made from the GBS or the commercial bank accounts do not exceed the amount credited to the account except where prior arrangements have been made; and
  - ◆ the authorisation by the Grampian NHS Board of a panel of officers, who are empowered to authorise the issue of orders payable from the GBS, and to sign BACS and payable order authorisation schedules.
- 7.9 Any person authorised to sign BACS or payable order schedules will be responsible for ensuring that properly documented evidence is available before the schedule is signed. No officer will sign or be obliged to sign any banking instrument until he is fully satisfied that it is properly evidenced and authorised.
- 7.10 The GBS and the commercial bank will be advised in writing of those officers authorised to instruct payment of money:
- ◆ all payments will be made by either BACS or payable orders drawn on the authorised GBS account, with the exception of Patients Funds and Endowments Funds; and
  - ◆ all payable orders are to be treated as controlled stationery, and are to be in the charge of a duly designated officer who is responsible for controlling the issue of these orders.
- 7.11 Contracts for commercial bank accounts will be in accordance with guidance issued by the SGHSCD and the Government Banking Service as appropriate.
- 7.12 The Director of Finance is responsible for:
- all GBS and commercial bank accounts;
  - establishing separate bank accounts for NHS Grampian's non-exchequer funds; and
  - reporting to the Board all arrangements made for accounts to be overdrawn.
- 7.13 A GBS account will be used for the receipt of all main sources of income.
- 7.14 The Royal Bank of Scotland commercial account will be used for the receipt of any other NHS Grampian income, whether by transfer from the GBS Account, or received from external bodies.
- 7.15 All CHAPS payments made by NHS Grampian will be processed through the main GBS account.
- 7.16 At the end of each month, surplus cash in the Royal Bank of Scotland commercial account will be transferred to the GBS account.
- 7.17 Transfers between bank accounts will normally be made by an electronic on-line banking system.

7.18 The only exception to the provisions contained in the above instructions is in relation to Patients Fund Accounts (see Part 16 – Patients Funds and Property) or arrangements for the administration of joint project bank accounts for major capital projects under the frameworks Scotland Regulations.

# **NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 8: INVESTMENTS**

8.1 In line with SGHSCD Banking Policy NHS Grampian no longer invests temporary surplus funds. All exchequer funds are managed through the GBS and any balances managed centrally by HM Treasury.

# **NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 9: EXTERNAL BORROWING AND BROKERAGE**

- 9.1 In line with SGHSCD Banking policy NHS Grampian no longer has the authority to request external borrowing in the form of a loan or overdraft. Any application for brokerage will only be made by the Director of Finance or by an officer so delegated by the Director of Finance.
- 9.2 All brokerage must be consistent with the plans outlined in the financial pro-formas and within the limits authorised by the SGHSCD .

# **NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 10: CAPITAL INVESTMENT, ALTERNATIVE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS**

- 10.1 The purpose of these instructions is to ensure that adequate control exists for the management of assets by NHS Grampian and to protect the security of NHS Grampian assets.
- 10.2 Capital expenditure comprises expenditure, in excess of £5,000 (including VAT where this is not recoverable) on the following:
- acquisition of land and premises, lump sum payment for related rights (including capitalised rents), payments made under the relevant acts and associated fees;
  - individual works schemes (i.e. buildings, external works, elements of building including engineering services and plant) for the initial provision, improvement, adaptation (including upgrading), renewal or replacement;
  - pay and related expenses of personnel who are directly engaged on expenditure attributed to the acquisition of specific fixed assets or capital schemes e.g. project managers but not including staff employed to administer the capital expenditure programme of NHS Grampian. These latter costs should be charged to revenue; and
  - individual items of equipment or groups of items as defined for the purposes of the capital charging system. The term equipment covers all categories e.g. medical, dental, computer, printing or other equipment (technical and non-technical) not associated with works schemes described above. This also includes all vehicles. Assets with a value of lower than £5,000 may be capitalised if they form part of a group, with a group value in excess of £20,000.
- 10.3 The Chief Executive will ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal on business plans. He is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost. He will ensure that the capital investment is not undertaken without confirmation of purchaser support and the availability of resources to finance all revenue consequences, including capital charges.
- 10.4 For every major capital expenditure proposal the Chief Executive will ensure that:
- a business case is produced setting out an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs and also setting out appropriate project management and control arrangements;
  - the Director of Finance has certified professionally to the costs and revenue consequences detailed in the business case.

- 10.5 The Director of Finance will issue procedures for regular reporting of expenditure and commitment against authorised expenditure.
- 10.6 The approval of a capital programme will not constitute approval for expenditure on any scheme. The relevant project directors will be formally notified of the approval of the scheme and thereafter the project directors must ensure that the schemes progress in accordance with the procedures and authorisation limits detailed in the Standing Financial Instructions and the Scheme of Delegation.
- 10.7 The Scheme of Delegation for capital investment management will be in accordance with the Schedule of Reserved Decisions and SGHSCD guidance.
- 10.8 The Director of Finance will issue procedures governing the financial management, including variations to contract and stage payments, of capital investment projects and valuation for accounting purposes.
- 10.9 When NHS Grampian proposes to use finance which is to be provided other than through the SGHSCD for example lease arrangements with the commercial sector or through the HUB Initiative and Scottish Futures Trust, the Director of Finance will satisfy himself and NHS Grampian that the use of alternative finance represents value for money and an appropriate level of risk transfer. Where the sum involved exceeds the limits of approval delegated to NHS Grampian, a business case must be prepared by the Director of Finance and approved by the Grampian NHS Board for referral to the SGHSCD.
- 10.10 A capital asset is a tangible asset as defined in 10.2. It must be capable of being used in NHS Grampian's activities for a period exceeding one year. Expenditure on replacing items not counted as capital assets must be regarded as a revenue cost in the year in which the expenditure is incurred. All capital assets rank as assets for capital charging purposes.
- 10.11 Donated assets are non-Exchequer funded assets acquired after the establishment of the NHS in 1948 for which no consideration has been given. Some assets are jointly funded by donation and NHS funding. Sources of funding will be properly recorded in the asset register in such a way that the capital charge is correctly calculated.
- 10.12 The effectiveness of the capital charging scheme relies on the successful compilation and maintenance of asset registers. NHS Grampian is required to maintain an asset register, which records all assets costing more than £5,000 each. The Assistant Director of Finance is responsible for the maintenance of a register of assets, taking account of the requirements of the Chief Executive and Director of Finance on the form, the method of updating, and the arrangement of an annual physical check of assets against the asset register. Depreciation is levied on the current value of all assets, or parts of assets, which are owned by NHS Grampian, including those assets which were acquired by gift. The asset register will clearly identify those assets for which depreciation is chargeable.
- 10.13 The data to be held within the asset register will be specified in the Capital Accounting Manual issued by the SGHSCD to ensure the proper management of NHS Grampian's fixed assets. Assets that meet the criteria for capital charging, but are excluded because they are fully depreciated or donated, must still be



recorded in the asset register. When items are purchased that meet the definition of a capital asset, a Capital Asset Addition Form should be prepared as a notification of this purchase. An Asset Transfer Form must be completed when an asset is moved from one location to another. The onus is on the receiving Asset Manager to notify the Director of Finance that responsibility for the asset has moved into his control.

10.14 All assets in the asset register will be identified as being under the responsibility of a named Asset Manager. Asset Managers are designated with certain responsibilities for assets within their operational control. They will have the following duties:

- to ensure the security of assets;  
  
to ensure that all assets, including any hired or leased assets such as vehicles that fall within the operational area of responsibility of the asset manager, are used solely to support the delivery of health and social care services and not for personal benefit e.g. vehicles are not used for home to base travel unless there is a specific business need;
- to duly notify the appropriate officer of maintenance or repairs required; and
- to ensure the completion of forms notifying the Assistant Accountant (Capital) of amendments to be made to the asset register arising from the purchase, sale or transfer of the assets under their control.

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

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

10.16 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices where appropriate.

10.17 Disposals of premises and land are governed by the NHS Scotland Property Transactions Handbook.

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

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

- 10.20 The value of each asset will be depreciated using methods and rates as specified in the Capital Accounting Manual issued by the SGHSCD.
- 10.21 Overall control of capital assets is the responsibility of the Chief Executive. The Board's asset management procedures will make provision for:
- recording managerial responsibility for each asset;
  - identification of additions and disposals;
  - identification of all repairs and maintenance expenses;
  - physical security of assets;
  - periodic verification of the existence of, condition of, and title to assets recorded; and
  - identification and reporting of all costs associated with the retention of an asset.
- 10.22 All discrepancies revealed by the verification of physical assets to the fixed asset register will be notified to the appropriate departmental head and to the Assistant Director of Finance, who may also undertake such other independent checks as either they or the Director of Finance considers necessary. On the closure of any premises, a check will be carried out and a responsible Officer will certify a list of items held pending eventual disposal.
- 10.23 Registers will also be maintained and receipts obtained for equipment on loan and all contents of furnished lettings.
- 10.24 Whilst each employee has a responsibility for the security of the property of NHS Grampian, it will be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to NHS property. Any breach of agreed security practices will be reported to the Chief Executive.
- 10.25 Wherever practicable, items of equipment will be marked as NHS Grampian property and, where appropriate, cross-referenced to the Fixed Asset Register or Equipment Register.
- 10.26 Any damage to NHS Grampian's premises, vehicles and equipment or any loss of equipment or supplies will be reported by staff in accordance with the procedure for reporting losses. (See also Section 22 – Condemnations, Losses and Special Payments)
- 10.27 Disposal of scrap and items surplus to requirements will be dealt with in accordance with the losses and special payments procedures.
- 10.28 The retention of benefit from asset disposals is subject to agreement with the SGHSCD on a case by case basis. Receipts from NHS Grampian's asset disposals will form part of its net cash requirement. The Profit or loss on disposal of assets is part of net expenditure charged to the Revenue Resource Limit, NHS Grampian is required to notify the SGHSCD of planned property disposals in its three-year

estimate of property transactions including the forecast impact of property transactions on the Revenue Resource Limit.

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

## **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

### **SECTION 11: TERMS OF SERVICE AND PAYMENT OF DIRECTORS AND EMPLOYEES**

- 11.1 A Staff Governance Committee, of which there will be a Remuneration Sub-Committee, will be appointed by the full Grampian NHS Board to which it is answerable to advise the Board about appropriate remuneration and terms of service for the Chief Executive, Executive Directors and other senior officers as appropriate.
- 11.2 The main function of the Committee will be to:
- make such recommendations to the Board on the remuneration and terms of service of the Chief Executive, Executive Directors and officers of NHS Grampian on performance related pay to ensure they are fairly rewarded for their individual contribution to NHS Grampian. The Committee will have proper regard to NHS Grampian's circumstances and performance and to the provisions of national arrangements for such staff, where appropriate;
  - monitor and evaluate the performance of individual Executive Directors;
  - advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking into account such national guidelines as is appropriate.
- 11.3 The Committee will comprise of the Chairman and Non-Executive members of the Board. The Chief Executive, and other Directors of the Board may be invited to attend the meeting of the Committee, but will not be present when their own remuneration and terms of service are being discussed. However, they may attend meetings of the Committee to discuss other officers' terms.
- 11.4 The Committee should report in writing to the Board the basis of its recommendations. The Board will use the report as the basis for its decisions on the remuneration and terms of service of Executive Directors. Minutes of the Board's meetings should record such decisions.
- 11.5 The Board will approve proposals presented by Members of the Committee for setting of remuneration and conditions of service for those employees not covered by the Committee.
- 11.6 NHS Grampian will remunerate the Chairman and Non-Executive Board members in accordance with instructions issued by the First Minister of Scotland.
- 11.7 Each employee will be issued with a statement of terms and conditions of employment that will comply with current employment legislation and be in a form approved by the Director of Workforce. The Director of Workforce will maintain up to date records of NHS Grampian's pay and conditions of service.
- 11.8 The Board will approve procedures for the determination of commencing pay rates and conditions of service for employees.

- 11.9 No officer may engage, re-grade staff or hire agency staff unless it is in accordance with NHS Grampian's policies and procedures and is within the approved budget and financed staff establishment for that department. In addition, the approval of both the budget holder and other officers is required, where applicable, as detailed in NHS Grampian's procedures.
- 11.10 Immediately upon the appointment of staff, the appropriate internal documentation should be completed by the relevant manager or head of department. A signed copy of the appointment form and such other documents as may be required will be sent to the Payroll Manager immediately upon the employee commencing duty. Where placing on a scale is dependent upon the employee holding certain certificates or having completed some specified service, payment should initially be in accordance with the minimum of the relevant salary scale until such time as the relevant certification of qualification/previous service has been confirmed.
- 11.11 A termination of employment form and such other documents as the Director of Workforce may require will be submitted by the employee, manager or head of department to the Payroll Manager in the prescribed form immediately upon the effective date of an employee's resignation, retirement or termination of employment being known. Where an employee fails to report for duty in circumstances that suggest that they have left without notice, the Payroll Manager will be informed immediately. The Director of Workforce will make every effort to ensure the recovery from leavers of money and property due to NHS Grampian.
- 11.12 The Payroll Manager will be notified immediately in the prescribed form by the employee, manager or head of department concerned upon the effective date of any change in the state of employment or relevant personal circumstances of an employee being known.
- 11.13 All time records, pay sheets, and other pay records and notifications will be in a form approved by the relevant line manager in accordance with the Scheme of Delegation and will be certified and submitted in accordance with its instructions. A file of specimen signatures will be held by the Director of Finance for officers who have the authority to approve pay returns. This file must be kept fully up to date by notification from Hospital/Departmental Managers of changes to authorised signatories. A copy of this will be retained on the NHS Grampian Intranet, for reference by the Payroll Department.
- 11.14 The Director of Workforce will be responsible for the final determination of pay, including the verification that the rate of pay and relevant conditions of service are in accordance with current agreements, the proper compilation of the payroll and for payments made.
- 11.15 The Director of Workforce will determine the dates on which payment of salaries and wages are to be made. Payments will not be made in advance of normal payday except:
- to cover a period of authorised leave involving absence on the normal pay day;

- in special cases authorised by the Director of Workforce and limited to the net pay due at the time of payment;
- other advances in accordance with national or NHS Grampian agreements.

11.16 All new employees will be paid as follows:

Monthly: by BACS credit transfer or by cheque only for the first two months of employment if necessary

Weekly: by BACS credit transfer

11.17 The Director of Workforce will ensure that adequate records are maintained for superannuation, income tax, social security and other authorised deductions from pay.

11.18 The Director of Workforce will ensure that the payroll service is supported by appropriate terms and conditions, adequate internal controls, audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies within prescribed or statutory timescales as appropriate.

11.19 The Director of Workforce will issue instructions regarding:

- the security and confidentiality of payroll information and will make arrangements for the release of payroll data under the Data Protection Act and the Freedom of Information Act;
- the timetable for receipt and preparation of payroll data;
- the verification and documentation of data;
- the methods of payment available to various categories of staff;
- the procedures for payment of cheques or bank credits to staff;
- the procedures for dealing with unclaimed wages;
- the procedures for authorising advances of pay and the recovery of them;
- The procedures which must be followed when processing overtime including the documentation and level of approvals required;
- checks to be applied to completed payroll before and after payment; and
- maintenance of regular and independent reconciliation of payroll control accounts.

11.20 Where the Director of Workforce decides a method of payment other than by credit transfer, instructions will be issued for handling cheques that ensure the separation of duties of preparing records and handling cheques.

- 11.21 Requests for annual leave must be notified to authorising officers within a reasonable period prior to the commencement date. Other leave (maternity leave, sick leave, study leave etc.) will be in accordance with the appropriate agreements, policies and procedures of NHS Grampian.
- 11.22 An appropriate procedure for time recording, including flexible working, where operated, and parental leave, will be drawn up for each department in a form approved by the appropriate Manager with advice from the Director of Workforce if necessary. The appropriate level of management staff should sign the staff return forms and duty rotas as authorisation of temporary amendments and hours worked before sending these for processing by the appropriate department.
- 11.23 All applications for premature retirement or voluntary redundancy must be approved by both the Director of Workforce and the Director of Finance.

# **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 12: PAYMENT OF ACCOUNTS**

- 12.1 The Director of Finance will be responsible for the prompt payment of all accounts and claims. The term payment includes any arrangements established to settle payment on a non-cash basis. Payment of contract invoices will be in accordance with the contract terms, or otherwise in accordance with national guidance.
- 12.2 All officers will inform the Director of Finance promptly of all money payable by NHS Grampian arising from transactions which they initiate, including contracts, leases, tenancy agreements and other transactions.
- 12.3 The Director of Finance will be responsible for designing and maintaining a system for the verification, recording and payment of all amounts payable by NHS Grampian. The Operational Scheme of Delegation (OSOD) including a list of officers authorised to certify invoices will be maintained by the Assistant Director of Finance (ADOF) and accessible by all staff on the NHS Grampian Intranet. The ADOF will also maintain a list of specimen signatures for all those with delegated authority in the OSOD, accessible to all accounts payable, payroll and procurement staff to allow verification of payment authorisation.
- 12.4 The Director of Finance will provide for the certification of invoices and provide instructions to directorates and departments to ensure that:
- goods have been duly received, examined, are in accordance with the 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, and where applicable, the materials used are of the requisite standard and the charges are correct;
  - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality and price and the charges for the use of vehicles, plant and machinery have been examined;
  - where appropriate the expenditure is in accordance with regulations and all necessary authority or management authorisations have been obtained, and competitive tendering requirements have been followed;
  - the account is arithmetically correct;
  - the account is a proper charge against exchequer, endowment or research funds as appropriate and is in order and due for payment; and
  - the account is within the authorising officer's authority level (as per the Scheme of Delegation)
- 12.5 A timetable and system for submission to the Director of Finance of accounts for payment will be issued to managers. Provision will be made for the early



submission of accounts subject to prompt payment discounts or otherwise requiring early payment.

- 12.6 The Director of Finance will ensure that instructions are issued to employees regarding the handling and payment of accounts within the Finance Department.
- 12.7 The Director of Finance will ensure that where it is necessary for NHS Grampian to pay in advance for goods and services that:
- the appropriate manager must provide a justification for the purchase. Generally the only circumstances where an advance payment is deemed acceptable is where it is part of an agreed contract that has been subject to the required due diligence and relates to a service where industry standard practice is payment in advance e.g. an insurance policy or a maintenance contract. In exceptional circumstances however, advance payment may be unavoidable or deliver significant financial savings, and in these circumstances the responsible manager must set out a full case for the consideration of the Director of Finance, including the effects on NHS Grampian if the supplier is at some time during the course of the prepayment agreement, unable to meet their commitments
  - managers must not enter in to any contractual agreement that commits the Board to pre payment without the prior approval of the Director of Finance;
  - the budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the Director of Finance if problems are encountered.
- 12.8 Where an officer certifying invoices relies on other officers to do preliminary checking, he will wherever possible, ensure that those who check the delivery or execution of work act independently to those who have placed the order and negotiated prices and terms.
- 12.9 In the case of contracts for building or engineering works which require payment to be made on account during the progress of the works, the Director of Finance will make payment on receipt of a certificate from an appropriate technical consultant or officer. A contractor's account will be subjected to such financial examination by the relevant officer as may be considered necessary, before the person responsible to NHS Grampian for the contract issues the final certificate. To assist financial control a contracts register will be maintained.
- 12.10 The Director of Finance may authorise advances on the imprest system for petty cash and other purposes as required. The use of petty cash and the circumstances in which it may be used will be determined by the Director of Finance in the appropriate Operating Procedures. Individual payments must be restricted to the amounts, and only for the uses, authorised by the Director of Finance. Petty cash records must be maintained in a form as determined by the Director of Finance.
- 12.11 Every invoice rendered to NHS Grampian for payment will be in the form in normal usage by the relevant contractor or supplier. Payment must not be made on either statements, delivery notes or other similar documentation without supporting invoices. Exceptions to this requirement must be specifically agreed by the Director of Finance for each and every payment.

- 12.12 Officers of NHS Grampian must ensure that, where appropriate, VAT is identified and correctly accounted for in accordance with VAT regulations. VAT should not be paid if no VAT registration number is shown on the invoice.
- 12.13 Officers' expenses should be supported by a valid authorisation.

# NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS

## SECTION 13:           PROCUREMENT OF PRODUCTS AND SERVICES

- 13.1 All officers of NHS Grampian will comply with the requirement justification, sourcing strategy, specification, authorisation, external commitment, tendering and contracting procedures set out in these SFIs.
- 13.2 NHS Grampian procurement policies and procedures as laid out in these standing financial instructions (SFIs) have regard to all relevant policies and procedures for public procurement as set out by the European Union Procurement Directives, the UK Government and Scottish Parliaments legislative framework which implement these and the specific regulation and policy requirements that apply to the public sector in Scotland under the Procurement Reform (Scotland) Act 2014. NHS Scotland Health Board procurement policy is further underpinned by the key procurement principles detailed in CEL 05 2012 and replicated below. Notwithstanding the foregoing, NHS Grampian's SFIs detailed herein will have precedence except where superseded by Scots law or new relevant regulations.

### 2.1 State Aid

State aid law is the means by which the European Union regulates funding or subsidies granted by the State to commercial entities to ensure that such State assistance does not adversely affect trade between Member States and undermine the functioning of the European common market. An award of State funding or subsidy is unlawful unless it is granted under the terms of an exemption authorised by the European Commission or has been individually assessed and approved by the European Commission through its notification process. The potential consequences of awarding unlawful State aid are that the aid payments and schemes can be suspended, the entity receiving the aid may require to repay it with interest and a competitor could sue the State and the aid recipient for damages.

It shall be each managers responsibility to ensure that NHS Grampian fully complies with State Aid Law in respect of any funding or subsidy granted by NHS Grampian to a third party. Each manager shall ensure that a State Aid Risk Assessment is undertaken where he or she considers that such funding or subsidy could potentially be subject to State Aid Law.

Where any funding or subsidy granted by NHS Grampian to a third party is considered to be State Aid and is administered under Commission Regulation (EC) No 1998/2006 (relating to de minimis aid), the relevant manager shall ensure that details of the grant of funding or subsidy (including a copy of the de minimis declaration signed by the third party) is notified to the Assistant Director of Finance who will maintain a central database.

*Further guidance on state Aid is available on the Scottish Government Web Site at the following [link](#)*

- 13.3 Where national, regional or local contracts exist (including framework arrangements) the overriding principle is that use of these contracts is mandatory. Only in exceptional circumstances and only with the authority of the Head of Strategic Procurement or the Director of Finance, based on the scheme of delegation, shall goods or services be ordered outwith such contracts. The Head of Strategic Procurement shall maintain a record of exceptions for review.
- 13.4 Within NHS Grampian's Procurement Management Framework, the role of the Strategic Procurement Performance Group (SPPG) and Category Action or Technical User Groups (CAG's/TUG's) has been formally established with Management and Clinical Leads in these groups having decision making powers on a pan Grampian basis, including through the scheme of delegation for supplier award and product selection decision making for local contracts. These groups shall also provide representation to national Clinical/Commodity Advisory Group (CAP) panels for national or regional contracting activities. The decisions made through the CAG/TUGs shall be mandatory across NHS Grampian.
- 13.5 National CAP panels will have a membership consistent with the principle of decision making based on the consensus of the majority. NHS Grampian CAG/TUG's shall therefore ensure appropriate representation, based on the clinical or products and services area concerned and CAP members provided with the appropriate authority to input on behalf of NHS Grampian and/or clinical specialism.
- 13.6 CAP panels and CAG/TUG groups will work to the principle of seeking to award Commitment based contracts. This means where possible a supplier(s) will be selected for an agreed volume of business by each Board and such volumes aggregated to provide a national commitment level. Where commitment cannot be provided, CAP and CAG/TUG groups will support the principles of reduced variation and increased consistency, commensurate with clinical and operational requirements.
- 13.7 To support governance and transparency the adoption and use of Scottish Government national eCommerce solutions and associated business processes shall apply for all procurement activity. These solutions include Public Contracts Scotland, Public Contract Scotland Tender (PCS-Tender), Pecos Content Manager and Pecos. Use of alternative or local systems for procurement activity must be approved by the Head of Procurement or the Director of Finance, based on the scheme of delegation. The associated business processes shall include the adoption of Scottish Government Procurement Journey (the level depending on the complexity and value of the requirement) and use of the associated template documents unless modified and approved by NHSScotland's Procurement Steering Group or NSS National Procurement or NHS Grampian's Board secretary. This shall ensure consistency in the approach to the external market across the public sector in Scotland, regulation and governance compliance and ensure that appropriate consideration and application of sustainable procurement principles, whole life costs and the use of community benefit or other relevant clauses or requirements, where appropriate, are applied at the correct stage in the process.
- 13.8 Tender thresholds will be set by Grampian NHS Board with regard to guidelines set by the Scottish Government Procurement Commercial Directorate (SPCD) and will be modified from time to time in compliance with EU Procurement regulations and/or national public sector procurement policies. The new Procurement (Scotland) Regulations 2016 requirements effectively lower the threshold for both advertising and the formal processes required for putting in place regulated procurement arrangements

for all external trade expenditures by NHS Grampian which are >£50k p.a. or contract value, whichever is lower.

- 13.9 The updated Public Contracts (Scotland) Regulations 2015 which implement the EU Procurement Regime is also applicable to all public sector organisations in Scotland. These requirements are very prescriptive and these SFIs and the procedures to be undertaken are designed to ensure NHS Grampian's full compliance.
- 13.10 The Freedom of Information Act (2000) is applicable to public sector procurements where specific provisions and requirements with regard to disclosure of information apply and may override commercial sensitivities in some circumstances if deemed in the public interest. Given the potential for commercial prejudice therefore, and the risks to NHS Grampian associated with compliance or non-compliance with the FOI Act, a structured and disciplined tender and contract award process taking into account FOI requirements will apply in most circumstances. Please refer to s14.1 for further information on this area. These SFIs set out appropriate responsibilities for designated officers with external commitment authority, who in turn will ensure that tender and contract award processes meet the provisions and requirements of this regulation
- 13.11 The Equality Act 2010 outlaws discrimination, including any potential discrimination through the provision of goods and services. All public authorities therefore have a duty to take into account the provisions of the Equality Act 2010 when procuring goods, works, or services from external providers. These SFIs set out appropriate responsibilities for designated officers with external commitment authority, who in turn will ensure that tender and contract award processes meet these legal provisions and requirements.
- 13.12 These SFIs set out the fundamentals for ensuring that all NHS Grampian officers involved in specifying, tendering, approving and committing public monies for external works, products and services comply with public sector procurement regulations. In addition, NHS Grampian and its staff must demonstrate openness, transparency, objectivity, equity and consistency in all their activities associated with procurement and that they conduct their activities in accordance with NHS Grampian's standards of business conduct detailed under section 22 of these Standing Financial Instructions. All awards whether from existing framework contracts or local tender processes will be established following the general principles of objectivity, equity, openness, fairness and transparency. This requires clear specifications of need and pre publication of award criteria against which competing offers shall be assessed. All members of staff must also confirm they have no pecuniary or other potential conflict of interest relative to the potential suppliers that may be selected. Any individual wishing to challenge an award decision must confirm this. Any member of staff who confirms a potential conflict of interest will not be able to be involved in such evaluation panels or challenges.
- 13.13 Detailed Procedures for obtaining specified works, products or services, incorporating the requirements specified in these SFIs, and set out in more detail in NHS Grampian's Procurement Protocol, shall be followed by all and any deviation shall be subject to approval by the Director of Finance.
- 13.14 This shall include procurement activity in Designated Procurement Departments in NHS Grampian which are:
- Pharmacy - All Drugs and Prescribed products;

- Medical Physics and Laboratory Services – Medical equipment purchase, rental and maintenance
- E-Health – Information technology requirements.
- Physical Planning and Estates Services – Capital/Project Works, Infrastructure Upgrade, Statutory compliance and Maintenance requirements.
- Strategic Procurement :-Responsible for undertaking the tendering process and procurement of all other product and service requirements on behalf of the service (unless delegated.- See below.)

13.15 The development of business cases and associated procurement strategies along with the development and approval of specifications for externally sourced products or services requirements and the approval of charges against specified budgets for all externally purchased products or services will, unless delegated, be the responsibility of budget holders. Limits on budget holders' individual budget approval levels are specified in NHS Grampian's Scheme of Delegation (SOD).

These Standing Financial Instructions and NHS Grampian's Procurement Protocol also mandate that the Scottish Governments Procurement Journey processes and associated templates (as modified for use in NHS Grampian) and the PCS-Tender system is used for all contract development requirements which are >£50k contract value. This will ensure that NHS Grampian and the staff concerned fully comply with the procurement regulations and associated statutory guidance which includes but are not limited to compliance with :-

- Contract advertising and contract notice requirements
- NHS Grampian Sustainable Procurement Duty, which includes consideration of evidence of alignment with the Scottish Government and NHS Grampians wider economic, health, social and environmental wellbeing objectives, facilitation of the involvement of SMEs, third sector and supported businesses and the promotion of innovation.
- Consideration of community benefit requirements
- Proper application of criteria for Selection of tenderers and Award of contracts
- Procurement for health or social care services (as defined and listed in Annex XIV in the regulations) where a separate tendering regime applies and which have a tendering threshold of £663,540

Full use of the PCS Tender system shall also ensure that NHS Grampians requirement under the regulations to publish a register of all of its regulated procurements is complied with.

Staff in budget areas delegated to produce business cases, procurement strategies and tender specification document requirements will be held accountable for adhering to the procurement process. Finance and Strategic Procurement staff shall provide advice, guidance and assistance where necessary.

The Strategic Head of Procurement shall be responsible for approving all Procurement Strategy and tender documents to ensure proposed tendering and contract activity address procurement regulation and policy requirements and support compliance with Standing Financial Instructions and NHS Grampians overall Procurement Strategy and Objectives.

Under the regulations NHS Grampian is also required to produce an annual overall Procurement Strategy and annual Procurement Report. This overall procurement strategy underpins NHS Grampian's strategic plan and will set out how NHS Grampian will work to ensure that its procurement delivers value for money and directly contributes to the achievement of its broader aims, objectives and, where relevant, those of the Community Planning Partnership. The overall procurement strategy will set out how NHS Grampian will consider the wider social, economic and environmental aims of procurement and how it will meet the requirements of its functions and the regulations. The annual Procurement Report shall report performance against the annual procurement strategy. The content of the annual Procurement Strategy will be informed by the Asset Management Plan (AMP) for major Capital and Infrastructure procurements and the annual Strategic Procurement Savings Plan (SPSP) for revenue based procurements. The Head of the Property Asset Management and the Head of Strategic Procurement are responsible for the collation and production of the AMP and SPSP respectively and will provide appropriate procurement strategy content for approval by the Asset Management Group and Budget Steering Group prior to performance reporting to NHS Grampian Board and the Scottish ministers in accordance with the regulations and publication on NHS Grampian's public website all in accordance with the regulations.

- 13.16 Budget holder approval of specifications for certain externally supplied products or services may be delegated to Clinical Heads of Service or Managers of designated specialist support departments and specific responsibilities for this on a pan Grampian basis may be assigned through the role and remit of designated Category Action or Technical User Groups (CAGs or TUGs). Within the CAG/TUG management framework Clinical Heads of Service or designated specialist support managers will be responsible for ensuring that NHS Grampian input to the setting of objective specification criteria for product or service specifications under national contract developments. They will also be responsible for ensuring that NHS Scotland and/or NHS Grampian peer selection decision making processes are applied to the process for determining relevant fit for purpose product or service specifications in their area of clinical or technical expertise. This should take account of clinical and other risk factors and should include consideration and input to the management of risk in product or service specification use or change. Given the foregoing, Clinical Heads of Service or designated specialist support managers are responsible for influencing and securing peer compliance with relevant product or service selection under national or local contracts.
- 13.17 Budget holders approval of charges against specified budgets for externally purchased products or services may also be delegated to nominated Project or other NHS Grampian executive or senior managers as specified in the Scheme of Delegation.
- 13.18 Approval of all external commitments with suppliers and contractors through the issue of authorised Purchase Orders or Contract Documents is in accordance with the Schedule of Reserved Decisions and the Operational Scheme of Delegation. This external commitment authority, which is separate from budget approval authority, defines designated officers in NHS Grampian who are responsible for ensuring that all externally purchased and contracted products and services are executed in accordance

with these SFIs, including appropriate procurement regulations, policies and detailed procedures. These designated officers will also be responsible for ensuring all external commitments undertaken within their area of responsibility have been properly approved for specification and charging against specified budget prior to issuing purchase orders or contract and that NHS Grampian's liabilities are minimised through the inclusion of approved terms and conditions of contract and commercial terms.

- 13.19 External Commitment Authority may be delegated to designated budget holders by prior agreement for transactional procurement activity only, and only where such procurement is covered by national, regional or local contract agreements put in place in conjunction with designated external commitment officer approvals. All specified requirements not covered by national, regional or local contract must be referred to the appropriate designated procurement department for value for money intervention. Such intervention will include identifying appropriate contract item alternatives for specification approval and/or securing best terms for supply to NHS Grampian where these do not already exist.
- 13.20 All external commitments for the supply of products or services with suppliers and contractors must be made through the issue of a validated purchase order or call off against contract. The key procurement principles included in NHS circular CEL 05 2012 require NHS Grampian to develop a policy where no payment will be made to any supplier where there is no pre-let purchase order. At the time of writing there remains a legal obligation on NHS Grampian to settle all invoices where deliveries are made by suppliers in good faith and where no supplier agreement exists not to accept orders other than in the official form. The no order no payment principle cannot therefore be included in these SFIs as a mandatory requirement regarding settlement of invoices. The requirement to ensure that all orders for goods and services are in accordance with a valid contractual agreement is however mandatory and all NHS Grampian staff with delegated authority for procurement of goods/services must comply with this requirement.
- 13.21 Designated Officers, with external commitment authority as detailed in the SOD, will be responsible for ensuring that all procurement undertaken in their area of responsibility adheres to the procurement policies and procedures as detailed in these SFIs. This will include all relevant procurement regulations issued by the European Union and the Scottish government with regard to free competition between member states for the supply of Works, Products and Services.
- 13.22 Products and services will be purchased through national or regional procurement contracts where these are available. Only in exceptional circumstances, and subject to the authorisation by the Head of Strategic Procurement, will products and services available on contract be tendered and ordered outside of these contracts. All relevant order transactions after tendering processes have been undertaken will be processed using the Pecos electronic order transaction system in accordance with the detailed procedures contained in these Standing Financial Instructions. If products or services are not available under an existing contract, the procedures for competitive tendering and quotations detailed below will be followed in order to maximise value for money:

**a) Competitive Tendering**

- i) Except where other arrangements have been approved in writing by the Chief Executive, Director of Finance or the Head of Strategic Procurement and where the purchase price, annual cost or the contract



duration cost exceeds £50,000, formal tenders processed in accordance with Scottish Government's Procurement Journey Level 2 or 3 (as applicable to each requirement) and utilising the Public Contracts Scotland (PCS) Tendering system and functionality will be used for the following categories:

- the supply of all products, materials and manufactured articles;
- the supply of all externally provided services;
- building and engineering works of construction and maintenance; and
- disposals.

A minimum of three formal tenders in each case must be obtained. If insufficient tenders are received, the tender opening process may be deferred. Where fewer than three tenders/quotations are received, the Chief Executive or delegated Director, will as far as is practicable, ensure that the price to be paid is fair and reasonable.

- ii) Specific requirements regarding advertising in the Official Journal of European Union, utilising the Public Contracts Scotland Portal, will be followed where the threshold value of the Contract exceeds the level determined from time to time by the European Union Procurement Directives. This is currently £ £122,976 excl VAT. for Supplies and Services, and £ £4,733,252 for requirements covered under Works.

## **b) Competitive Quotations**

Except where existing national, regional or local contracts already exist or where other arrangements have been approved in writing by the Chief Executive, the Director of Finance or Head of Strategic Procurement, competitive quotations will, wherever possible, be obtained in writing via the Public Contracts Scotland (PCS) Portal from three suppliers or contractors, where the estimated values of the contract are less than <£50,000 but >£5,000. Suppliers or Contractors invited to submit competitive quotations will be subject to a minimum set of qualifying criteria in accordance with Scottish Government pre-qualification standards set up through the PCS Portal. Process, selection and submission of competitive quotations will be in accordance with Scottish Government Procurement Journey level 1 processes as embedded within the PCS Portal 'Quick Quote' functionality.

Except where existing national, regional or local contracts already exist or where other arrangements have been approved in writing by the Chief Executive, the Director of Finance or Head of Strategic Procurement, prices will be obtained, wherever possible, from three suppliers or contractors, where the estimated value or the purchase or contract is < £5,000. Vendor use and approval and submission of pricing should, where possible, be solicited through the Public Contracts Scotland (PCS) portal and associated detailed written procedures in designated procurement departments, and will be subject to approval by the Director of Finance.

Except where existing national, regional or local contracts already exist or where other arrangements have been approved in writing by the Chief Executive, the

Director of Finance or Head of strategic Procurement, where the estimated value of the purchase or contract is <£1,000, the designated officer should be able, by price comparison to demonstrate that value for money is being obtained. Details of this should be evidenced on the approved requisition and/or retained in the Purchase approval workflow and electronic file in the Pecos order transaction system or alternatively in accordance with detailed written procedures in the budget area concerned and will be subject to approval by the Director of Finance.

**c) Measured Term Contracting**

Measured Term Contracts will be tendered for in accordance with (a) above. Once a contract has been awarded, the works or services contained therein shall be called off, subject to specification and budget approvals by contract call offs utilising the Pecos order transaction system under the scheme of delegation. For call offs above £200,000 for any individual project, written authority must be obtained in advance from either the Chief Executive or the Director of Finance.

**d)** NHS Grampian must comply with the procurement principles and requirements detailed in CEL 05 2012, National or Regional Contract arrangements and EU and Scottish Government Public Procurement Regulations, including the issue of Periodic Indicative Notices (PINs). These requirements are designed to ensure that the majority of NHS Grampian and other public sector organisations product and service requirements can be contracted for timeously and in accordance with regulatory requirements. However, in exceptional circumstances, or in cases of emergency where it is neither practicable, or would put patients at risk or where delay would result in significant additional expense to NHS Grampian, external commitments outwith these processes may be made, subject to budget holder financial approvals. However, budget holders must report such exceptional cases prior to or, where this is not possible, immediately thereafter to the Chief Executive. A written waiver of compliance to the SFIs should be sought and recorded in accordance with procedures set out by the Director of Finance.

**e)** Exceptional circumstances include the decision-making process for supply of pharmaceutical product. Particular detailed procedures and arrangements for approval and procurement of pharmaceutical products apply and are managed by the Pharmacy Department on behalf of NHS Grampian in conjunction with Clinical Heads of Service. It is therefore recognised by the Chief Executive that in many circumstances, that it may not be appropriate to obtain competitive tenders for pharmacy product, and where the issue arises, advice will be sought from the Medical Director and the Director of Finance.

13.23 Notwithstanding the above, the Pharmacy Directorate will ensure, where appropriate, that national, regional or local contracts for the provision of pharmaceutical product are utilised. The specifying officers must ensure NHS Grampian input to the objective specification criteria for product or specifications under national contract developments and/or by ensuring that NHS Grampian's pharmaceutical or relevant clinical staff are involved and advised of national product selection decision making processes. This advice should also take account of clinical, patient and other risk factors and should include consideration and input to the management of risk in product or service specification use or change and the impact on patient care.

13.24 Other exclusions from competitive tender or competitive quotation procedures may include the following:-

Repairs, where the repair of a particular item of equipment can only be carried out by the manufacturer.

Where the supply of goods or services is of an exceptional nature, whereby it can be clearly demonstrated that there are no market alternatives.

Where goods or services are to be procured on the above basis and the value is >£5,000 and < £100,000 the written authorisation of the Head or Deputy Head of Strategic Procurement is required in advance of external commitment.

Where goods or services are to be procured on the above basis and the value is > £100,000 the written authorisation of the Director of Finance is required in advance of external commitment.

Written justification and authorisation will be retained on electronic file for audit purposes. This file will be submitted to the Audit Committee on a quarterly basis for their information.

13.25 The Head of Strategic Procurement will maintain a register of all contracts awarded by virtue of the circumstances detailed at paragraphs a), b, c), d) and e) above with designated procurement departments and the Board Secretary required to provide the Head of Strategic Procurement with quarterly updates of their section of the contract register. This register will be open to audit on an annual basis under the direction of the Finance Directorate or Chief Executive.

13.26 Standard or model conditions of purchase or contract appropriate to each class of products and services, of for the execution of Works, will be utilised for all purchase orders of contracts. Such standard terms and conditions will be based on national public sector and/or national procurement model forms where appropriate. The NHS Grampian Board Secretary will be responsible for prior approval of proposed terms and conditions of purchase prior to their use for tendering purposes and any material exceptions prior to contract award should be referred to the Board Secretary for approval. All purchase orders or contracts entered into will incorporate the appropriate set of agreed conditions.

13.27 Consultants appointed by NHS Grampian to be responsible for the supervision of a contract on its behalf will comply with these SFIs as though they were officers of NHS Grampian.

13.28 Any Board Member or member of staff concerned with specifying or budget approval or external commitment authority, who has a pecuniary or other interest with any particular tenderer or any incumbent contractor will declare his interest in writing to the Chief Executive or his nominated delegate. The Chief Executive, or his nominated delegate, will be responsible for maintaining a register of all such declarations. The Board Member or member of staff concerned must withdraw from all tender/contract/purchasing processes or arrangements concerning the pecuniary interest. Staff should also be made aware of the requirements of NHS Grampian's policy on the Standards of Business Conduct.

13.29 Payment under a contract or purchase order will be made by the Director of Finance on the certificate of the Chief Executive or such authorised budget holder as may have been

delegated authority for the contract. The Director of Finance will have the right to carry out such financial examinations and checks as may be considered necessary before making payment.

- 13.30 The procedures and conditions for building and engineering works other than those specified in 13.4 will be in accordance with the regulations and guidance issued from time to time by the SGHSCD.
- 13.31 Except where products or services are supplied under national contract (where different review and approval processes will apply) approval for increases in prices allowed under an appropriate variation of prices clause in a contract for supplies and services will be subject to tolerances approval as specified under the SOD.
- 13.31 Where consultancy advice and services are being requested, the specification, authorisation and external commitment authority for procurement of such skills must be in accordance with the guidance issued by the SGHSCD.
- 13.33 Purchase orders raised on the award of a tender or contract agreement will be subject to the detailed procedural and control elements detailed in these SFIs or Procurement department procedures. All Purchase Orders should, where possible, be issued electronically through E-Procurement systems. Where there is no access to an E-Procurement system it is the responsibility of the budget holder to ensure that orders are supported by an agreed contract.
- 13.34 Placing or amending orders by telephone should only occur where, it is not practical to generate a separate purchase order for each transaction and where this facility is specified in the contractual agreement for supply of the goods or services.
- 13.35 No goods, services or works other than minor purchases from petty cash, will be ordered except on an official electronic order, or where the purchase is supported by an agreed contract, which has been duly approved through the workflow set up for budget and procurement approvals. Wherever possible, contractors will be notified that they should not accept an order unless on an official form. Verbal orders may be issued by officers with external commitment authority as specified in these SFIs but only in cases of emergency or urgent necessity and only where the contract specifies this. These will be confirmed by an official order issued no later than the next working day and clearly marked "confirmation order".
- 13.36 Official electronic orders are consecutively numbered, in a form approved by the Director of Finance and will include such information concerning prices, discounts, delivery terms, documentation, contract terms and reference as applicable. The order will incorporate an obligation on the contractor to comply with the full terms and conditions contained therein. Where an electronic order is not generated the budget holder must ensure that there is an agreed contract in place and that any goods or services procured are supported by official correspondence cover the information concerning prices, discounts, delivery terms, documentation, contract terms and reference as applicable.
- 13.37 Officers with specifying and budget approval authority will approve electronic requisitions in accordance with their delegated authority per the SOD and embedded within the workflow for the electronic order transaction system Officers with external commitment authority will approve electronic purchase orders and contracts, in

accordance with their delegated authority per the SOD and as set up within the workflow for electronic order transactions. The Finance Directorate will maintain the list of authorised officers. A copy of this list will be available on the NHS Grampian Intranet.

Requisitions for products or services should not be authorised by budget holders or their delegates and passed onto procurement departments for external commitment action when there is no budget provision or allowance within exchequer, endowment or research funds, as appropriate, unless authorised by the Director of Finance. Requisition thresholds for non-pay budgets are as set out in the Scheme of Delegation.

Requisitions and Purchase Orders will not be placed in a manner devised to avoid financial thresholds, as set by NHS Grampian within the SOD.

- 13.38 Retained files, of all authorised requisitions, purchase orders, contracts and associated correspondence, either in paper or in electronic form will be kept by each designated procurement department in accordance with audit and HM Revenue and Customs requirements.
- 13.39 Official Purchase Orders or Contracts will under no circumstances be issued for personal use or benefit.
- 13.40 Products (e.g. medical equipment) will not be taken on trial or loan from suppliers or contractors unless authorised in accordance with these SFIs and the SOD and/or approved by the appropriate procurement department and/or Category or Technical User Group (CAG or TUG). This will ensure that any arrangements are consistent with purchasing policy and do not commit NHS Grampian to a future uncompetitive purchase.
- 13.41 No purchase orders or contracts will be placed for any products or services with any supplier or contractor that has made an offer of gifts, reward or benefit to directors or members of staff of NHS Grampian.
- 13.42 Any member of staff receiving such an offer will notify his line manager as soon as is practicable. Visits, at suppliers expense, to inspect equipment etc. must not be undertaken without the prior approval of the Chief Executive in accordance with the guidance contained in the Standards of Business Conduct.
- 13.43 Service Level Agreements (SLAs) will operate for services provided to NHS Grampian from other NHS bodies. Similarly SLAs will dictate the conditions under which services are provided by NHS Grampian to other NHS bodies.
- 13.44 All goods received will be checked as regards quantity and/or weight and inspected as to quality and specification. A delivery note will be obtained from the supplier at the time of delivery and will be signed by the person receiving the goods. Instructions will be issued to staff covering the procedure to be adopted in those cases where a delivery note is not available or when items delivered are otherwise different from those ordered. Particulars of all goods received will be entered on a goods received record on the day of receipt and if goods received are unsatisfactory, the goods received record will be marked accordingly. Further, where goods received are seen to be unsatisfactory or short on delivery they will only be accepted on the authority of the designated line manager and the supplier will be notified immediately.

# NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS

## SECTION 14: TENDERING PROCEDURES

### 14 Competitive Tendering

- 14.1 All invitations to tender on a formal competitive tendering basis will be conducted in accordance with this procedure.

#### A Advertisement

To comply with Procurement (Scotland) Regulations 2016 , Scottish Government Procurement and Commercial Directorate (SPCD) Policy requirements and Freedom of Information Act provisions, NHS Grampian and its members of staff responsible for specifying, financially approving or externally committing requirements will ensure that all requirements for Works, Products or Services with an annual or contract term value exceeding £50,000 will be procured by sourcing the requirement through the Public Contracts Scotland (PCS) Portal ([www.publiccontractsscotland.gov.uk](http://www.publiccontractsscotland.gov.uk)) and by using the PCS Tender system.

For all requirements for ‘Products and Services’ with an annual or contract term value in excess of the European Public Contracts Directive (EPCD) threshold ( £122,976 for 2020), sourcing the requirement through the PCS Portal and following the instructions for advertising in the European Journal shall also ensure the requirement will also be submitted electronically in the required format for Advertisement in the Official Journal of the European Community (OJEC) in accordance with the regulated timescales and procedures.

For all requirements for ‘Works’ with an annual or contract term or value in excess of the EPCD threshold ( £4,,733,252 for 2020), sourcing the requirement through the PCS Portal and following the instructions for advertising in the European Journal shall also ensure the requirement will also be submitted electronically in the required format for Advertisement in the Official Journal of the European Union (OJEU) in accordance with the regulated timescales and procedures.

#### B Qualification

All external parties who wish to be considered for supplying NHS Grampian’s Works, Product or Services requirements will be subject to meeting minimum qualification criteria in line with the European Single Procurement Document (ESPD) and any additional NHS Grampian specific requirements which will vary depending on the nature and value of the requirement must be included in the Contract Notice. These minimum qualification criteria in the ESPD include a minimum acceptable level of Financial Standing, Technical Competence and Operational Capability.

The Specifying member of staff, Budget Holder or where delegated, the Clinical Head of Service or Manager of designated specialist support will be responsible for ensuring that NHS Grampian’s standard requirements for Technical Competence are applied where relevant to processes for tendering for specific requirements and for the completion and issue of any supplementary technical competence requirements specific to any particular need.

The Specifying member of staff, Budget Holder or where delegated, the Clinical Head of Service or Manager of designated specialist support will be responsible for ensuring that NHS Grampian's standard requirements for Operational Capability are also included where relevant for tendering for specific requirements and for the completion and issue of any supplementary operational capability requirements specific to any particular need.

Designated members of staff with external commitment authority are required to ensure that specific requirements referred to them by Specifying and Budget approval officers are processed in accordance these tendering requirements utilising the Scottish Government Procurement Journey processes and PCS-Tender system as detailed in these Standing Financial Instructions and NHS Grampian's Procurement Protocol. Access to these shall be made available through the PCS Portal for all tenders >£50,000 utilising the PCS Portal e-tendering system or by contacting the Strategic Procurement department.

Prior to issuing Tender documents the criteria for Selection of contractors should have the pre-determined and a scoring template set up, along with the scoring cut-off point. The minimum basis for selection of contractors will be their compliance with the minimum mandatory requirements of the European Single Procurement Document (ESPD) along with specific requirements included within the Contract Notice. All completed returns by interested external parties should have their submissions scored accordingly by the NHS Grampian members of staff responsible for the requirement. The relative position of each interested external parties submission, compared to others should be made available to that interested external party if requested under Freedom of Information, but without revealing the names of the other interested parties, to protect their commercial interests.

Noting interest in NHS Grampian's requirements for Works, Products and Services through the Selection process and any submission of details requested to evidence Financial Standing, Technical Competence and Operational Capability must be carried out in accordance with the new provisions in the Public Contracts (Scotland) Regulations 2015 and does not guarantee the interested party being invited to Tender for specific requirements. Relative comparisons of submitted details received from all external parties will be conducted by NHS Grampian's designated members of staff and each noted interest will have their details scored against the pre-determined qualification scoring template criteria. Pre-determined criteria may, subject to EU Procurement regulations and/or manageability, include NHS Grampian stating that a suitable cut-off point in scoring and/or a maximum number of 'qualified' external parties will be Invited to Tender for each specific requirement.

## **C Invitations to Tender**

All Invitations to Tender will be submitted to qualified interested parties under the Procurement regime Selection process by staff suitably trained to undertake the activity under the direction of officers with external commitment authority utilising the PCS Portal and PCS-Tender system and the SPCD or NHS Grampian's standard template Invitation to Tender, including standard appendices\*, as the base documents. Each Invitation to Tender pack should also include as a minimum:

- A Specification or Statement of Requirements document, a Pricing Schedule and the Model Terms and Conditions of Purchase applicable for the requirement;

Access to these documents is provided through the PCS Portal for all tenders >£50,000 utilising the PCS Portal e-tendering system or by contacting the Strategic Procurement department.

Prior to submission of Tenders, a pre-formatted scoring template for weighting and scoring all tender submissions will be compiled and retained securely by the assigned member of staff responsible for leading the tender process for use in the analysis of tenders. This pre-formatted scoring template should not be altered at anytime after Invitations to Tender have been issued, unless approved by the Chief Executive.

\* Standard appendices may include but are not limited to areas such as NHS Grampian policies and procedures relative to Contractors responsibilities under Health and Safety and Security, Equality and Diversity, Sustainable Procurement and Corrupt Practices.

All invitations to potential contractors to tender will also include a notice warning tenderers of the consequences of engaging in any corrupt or anti competitive practices or any corrupt practice involving NHS Grampian employees and seek written assurance of compliance through signed declarations.

Use of the PCS Portal e-tendering system (for requirements >£50,000) enables electronic receipt and embedded control in the opening of tenders in accordance with 'sealed' tender protocols. Use of the PCS Portal e-tendering system (for requirements >£50,000) also enables first pass tender analysis utilising the pre-formatted scoring template and a fully auditable track of tender correspondence and clarifications including evidence provision for dealing with tender exceptions. In the exceptional event that the Invitation to Tender pack is not issued utilising the PCS Portal – e-tendering system, the following requirements should apply:

All tenders received must be received in a plain, sealed package bearing a pre-printed label supplied by NHS Grampian addressed to the NHS Grampian Board Secretary, bearing the word 'Tender' followed by the subject to which it relates and the latest date and time for the receipt of such tender. Unopened tenders will be date stamped and stored unopened in a secure place until after the closing date or time.

14.2 The formal opening of tenders at designated locations by designated members of staff throughout NHS Grampian may be delegated to designated Procurement departments as part of their responsibilities to ensure that NHS Grampian's procurement policies and procedures are adhered to. Each designated procurement department will retain a written or electronic e-tender record, approved by The Board Secretary, of all sealed tenders received. This will also detail the designated officers (minimum total of 3 NHS Grampian staff to be present) who witness the opening and the certification of sealed tenders at specified times, and record summary details to evidence original tender documents. The tender opening witnesses will include the presence of a senior member of staff from both the originating department and the Finance Directorate.

The three designated members of staff present at the opening must initial and date each tender received on the front page and the page detailing the final contract price.

As a minimum a register will be maintained of all invitations to tender, where the estimated value of the products/services is in excess of £50,000. This permanent record



will be maintained to show for each set of competitive tender invitations despatched and received:

- the names of firms/individuals invited;
- the names of and the number of firms/individuals from which tenders have been received;
- the total price(s) tendered;
- closing date and time; and
- date and time of opening;

and the persons present at the opening will sign the register.

14.3 Every tender for building and engineering works will follow the recommendations embodied within the current version of Prococode. The Form of Contract selected will be the most appropriate for the works concerned and will incorporate all latest amendments. The Joint Contracts Tribunal (JCT) Forms will incorporate the latest version of the Scottish Building Contract Committee (SBCC) contract. When the content of the works is primarily engineering, tenders will embody or be in the terms of the General Conditions of Contract, recommended by the Institutions of Mechanical Engineers, the Institution of Electrical Engineers and the Association of Consulting Engineers (Form MF/1 – latest revision). For civil engineering work, tenders will embody or be in the terms of the General Conditions of Contract recommended by the Institution of Civil Engineers. In all cases, the standard documents should be amended to ensure all Forms of Contract are subject to Scots law. Tendering based on other forms of contract may be used only after prior consultation with the Scottish Government Health Directorate.

14.4 Every tender for goods, materials, services (including consultancy services) or disposals will embody the NHSS Standard Contract Conditions of Purchase or Service as far as this is practical. The advice of the NHS Grampian Legal Adviser, National Procurement and the Central Legal Office must be sought where alternative contract conditions are used.

All original certified tender documents from all tenderers will be retained by the designated procurement department after opening of the tenders, will be properly filed and archived after contract award and be retained for audit for a period of 7 years, in accordance with HDL (2006) 28.

14.5 Except as in Section 14.6.8 below, a record will be maintained of all price alterations on tenders, i.e. where a price has apparently been altered, and the final price shown will be recorded. The three present at the opening should initial every price alteration appearing on a tender and the record.

A report will be made in the record if, on any one tender, price alterations are so numerous as to render the procedure in Section 14.2 unreasonable.

14.6 Admissibility and Acceptance of Formal Tenders

14.6.1 In considering which tender to recommend for acceptance, if any, the designated members of staff will have regard to whether value for money will be obtained and whether the number of tenders received provides adequate competition. In cases of doubt they will consult the Chief Executive.

- 14.6.2 In exceptional circumstances deemed ‘force majeure’ on the part of the tenderer and with the approval of the Chief Executive, a tender may be received and accepted after the closing date, provided that none of the tenders available for opening at the appointed time have been opened. Where the available tenders have been opened, a late tender will be opened solely to identify the sender and returned with a letter of explanation. This would include where it is considered that significant financial, technical or delivery advantages may accrue to NHS Grampian, and the Chief Executive or nominated officer must be satisfied that there is no reason to doubt the bona fide nature of the tender(s) concerned. The Chief Executive or nominated officer will decide whether such tenders are admissible and/or whether re-tendering is desirable.
- 14.6.3 In the event of an extension of time for receipt of tenders being approved by the Chief Executive or a senior member of staff from the originating department, all invited tenderers will be advised of the extension and the revised closing date.
- 14.6.4 Incomplete and amended tenders should be dealt with in the same way as late tenders under Section 14.6.2. Incomplete tenders are deemed to be those from which information necessary for the adjudication of the tender is missing and amended tenders as those that have been amended by the tenderer upon his own initiative, either orally or in writing after the due time for receipt.
- 14.6.5 The examination of the tenders received will include a technical assessment, and a written report on the result containing a recommendation on the preferred tenderer, should be made in accordance with the NHS Grampian Schedule of Reserved Decisions. At the same time, staff responsible for making this recommendation will declare, in writing, if they have any pecuniary or other interest in any of the companies invited to tender. Reference should also be made to NHS Grampian’s Standards of Business Conduct with regard to employees’ outside interests and employment.
- 14.6.6 Where examination of tenders reveals errors that would affect the tender figure, the tenderer is to be given details of such errors and afforded the opportunity of confirming or withdrawing the offer.
- 14.6.7 Necessary discussions with a tenderer of the contents of their tender, in order to clarify technical points etc., before the award of a contract, are quite acceptable but must be appropriately recorded.
- 14.6.8 While decisions as to the admissibility of late, incomplete, or amended tenders are under consideration and while re-tenders are being obtained, the tender documents will remain strictly confidential and kept in safekeeping by a member of staff designated by the NHS Grampian Board Secretary.
- 14.6.9 Where only one tender/quotation is received, NHS Grampian must ensure, as far as practicable, that the price to be paid is fair and reasonable or consider re-tendering.
- 14.6.10 Demonstrating value for money in the public interest is critical within the acceptance criteria. The apparent lowest tendered price may not necessarily be value for money and this should become evident from the scoring of each

tender comparatively against the pre-determined tender evaluation criteria which will be completed by the tender review panel.

- 14.6.11 Where the form of contract includes a fluctuation clause, all applications for price variations, which are within the NHS Grampian approved project allocation, should be approved in accordance with the Scheme of Delegation. Fluctuations that will result in a variance from the approved project allocation must be approved in accordance with the Schedule of Reserved Decisions.
- 14.6.12 All Tenders should be treated as confidential and should be retained for inspection in accordance with the NHS Grampian Records Management Policy.
- 14.6.13 An Authorisation of Tender Report should be approved in accordance with the Scheme of Delegation for every contract, relating to building and engineering services, resulting from an invitation to tender.
- 14.6.14 Agreement with the preferred contractor with regard to all of the commercial terms, contractual terms and conditions, detailed specifications and performance standards, all as specified and detailed in a formal contract document is fundamental to the contract award process. Only in exceptional circumstances will any letter of acceptance signed by the member of staff with appropriate external commitment authority be issued prior to issue of the formal contract. Such 'conditional' letter of acceptance will clearly specify those terms and conditions already agreed and those requirements still outstanding and subject to mutual agreement. Such letter of acceptance must be followed by issue of the formal contract document duly authorised by a member of staff with external commitment authority and thereafter where appropriate, each call off for products or services against the contract will be covered by issue of a duly authorised purchase order.

Designated procurement departments shall maintain a contract register that as a minimum, details:

The Contract reference number

The products or services covered by the contract agreement.

The Contractors details

The Contract value

The start date and expiry date of the contract, including any extension options available.

The estimated value of the contract

The name and job title of the member of staff responsible for managing the contract.

A standard template for this is available from the Strategic Procurement Department. Strategic Procurement shall be provided with an updated copy of each contract register for each procurement area on a quarterly basis to enable NHS Grampian to provide a complete contract register return to Scottish Government.

## 14.7 Post-Tender Negotiations

Public Procurement regulations and requirements strictly govern the circumstances and process whereby post tender negotiations may be applicable. Therefore only those

members of staff with external commitment authority and who are authorised within the scheme of delegation to do so can enter into post tender negotiations on NHS Grampian's behalf. Only in the circumstances where the public procurement regulations allow and where the process followed complies with such regulations will such authorised members of staff carry out post tender negotiations. The negotiations must be fully documented and clearly indicate:

- the justification for the use of post-tender negotiation;
- the aim of the negotiations and the methods used;
- a precise record of all exchanges, both written and oral;
- management approval for the award of contract; and
- the approval of the NHS Grampian Board Secretary or Director of Finance, as applicable

## 14.8 Unsuccessful Tenders

14.8.1 Following completion of the tender evaluation, unsuccessful bidders must firstly be notified in writing, utilising the template letters available in the Scottish Government Procurement Journey documentation and for tenders subject to OJEU tendering regulation process, have regard to the 10 day standstill period. A letter of contract award should then be drafted and signed by the appropriate Director or senior member of staff with the appropriate level of external commitment authority. For requirements subject to OJEU tendering requirements this process will be managed by designated members of staff in the Strategic Procurement Department.

14.8.1.1 In advising the unsuccessful tenderers, it should be drawn to their attention that their tender documentation will be retained in accordance with the time limits set out in the NHS Grampian Records Management Policy. However, they should also be advised that they may collect any additional copies of the documentation they may have supplied.

## 14.9 Electronic E-Tendering

The EU Procurement Directives require all requirements for Works, Products or Services that fall within the appropriate tender thresholds for each to be submitted to the OJEU in a pre-determined electronic format. This mandatory stipulation is supported by Scottish Government procurement policy to promote transparency, fairness, equity and opportunity (for SMEs), and is extended by requiring all public sector organisations to utilise the Public Contracts Scotland (PCS) Portal – e-tendering system to advertise all tender requirements that are >£50,000. Timescales for advertising and receiving noted interests are also prescribed in the Procurement regulations but can be reduced subject to setting out and making requirements accessible electronically. The full regulatory and policy requirements as detailed in sections 13 and 14 above are also administered more effectively and efficiently by utilisation of the PCS e-tendering system and these processes will be administered by designated members of staff in NHS Grampian's procurement departments. All NHS Grampian's specifying and budget holding officers are therefore required to ensure that their Works, Products and Services requirements are directed accordingly.

## 14.10 Ability to waive formal Tendering arrangements

The Chief Executive and Director of Finance can authorise the waiving of formal tendering procedures for the design, construction and maintenance of building and engineering works when the supply is proposed under special arrangements negotiated by the Scottish Government. In these circumstances the terms of the special arrangements must be complied with.

These special arrangements include the Frameworks Scotland methodology and the HUB initiative under the Scottish Futures Trust. The Director of Finance will issue detailed instructions on the appointment process to be followed in each case.

Both of these procurement routes avoid the requirement for a formal tendering process for each project as this has already been undertaken in arriving at the key principal supply chain partners (PSCPs) and Professional Services Contractors (PSCs) for Frameworks Scotland and the appointment of Private Sector Partners in the HUB initiative.

In both instances an invitation to tender was made through the Official Journal of the European Union (OJEU) and appointments made following a rigorous selection process incorporating price, quality of design and workmanship, experience within the sector etc. In addition a full cost benchmarking exercise was undertaken to ensure that pricing for individual projects followed an agreed process and will achieve value for money from the building contractors and professional service contractors.

## **NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS**

### **SECTION 15: STOCKHOLDING AND STOCK MANAGEMENT**

- 15.1 The Chief Executive will be responsible for the overall management of all NHS Grampian stockholdings and will delegate effective and efficient management to designated officers. The Director of Finance will be responsible for ensuring that the systems and internal controls in relation to stock are adequate. The appropriate designated senior officer in each department will be charged with responsibility for day to day physical safeguarding and management of the stock in accordance with approved written procedures, subject to such delegation being entered in a record available to the Director of Finance. The control of pharmaceutical stocks will be the responsibility of a designated pharmaceutical officer. The control of fuel oil and coal will be the responsibility of the General Manager Facilities & Estates.
- 15.2 The responsibility for security arrangements and the custody of keys for all stockholding locations will be clearly defined in writing by an officer delegated by the Chief Executive and agreed with the Director of Finance. Wherever practicable, stock will be marked as NHS Grampian property.
- 15.3 All stockholding and stock management records will be in such form and will comply with such a system, as the Director of Finance will approve. This will include inventory management systems with high turnover such as those supplied through pharmacy stockholdings. In addition, all items of re-usable equipment, or medical or other equipment as defined by the Medical and Physics and/or Estates and/or e-Health and/or the Finance and/or the Planning departments as 'equipment' or 'assets' will 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 will be marked as NHS Grampian property.

- 15.4 The level of stockholding (measured in absolute terms and by stock duration in days) will be set annually by the Director of Finance as part of the annual budget setting exercise. It is the responsibility of stockholders to control stock within the agreed level.
- 15.5 Stock management arrangements including requirements for validating stockholding during and/ or at the end of each financial year will be subject to approval and direction by the Director of Finance. Such physical stock checking covering all items held in stock will be carried out either continuously or at least once a year. 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 will 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.
- 15.6 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
  - That the range and level of stockholdings held in are reviewed regularly.
- 15.7 Any alternative arrangements for stockholding and management of stock will require the approval of the Director of Finance.
- 15.8 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 stated either on the basis of the average purchase price or on the basis of FIFO (first in first out). The cost basis used must be clearly stated in any returns or accounts.
- 15.9 The designated officer will be responsible for a system approved by the Director of Finance for a review of slow moving and obsolete items and for condemnation, disposal and replacement of all unserviceable articles. The designated officer will report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice. Procedures for the disposal of obsolete stock will follow the procedures for the disposal of all surplus goods.
- 15.10 For goods supplied via the National Distribution Centre (NDC), the Director of Finance will identify those authorised to requisition and accept goods from the NDC. The authorised person will check receipt against the delivery note and satisfy himself that the order is complete before accepting the recharge.
- 15.11 All goods received will be checked as regards quantity and weight and inspected as to quality and specification. A delivery note will be obtained from the supplier at the time of delivery and will be signed after due examination of the goods by the person receiving them. Instructions will be issued to staff covering the procedures to be adopted in those cases where a delivery note is not available. Particulars of all goods received will be entered on a goods received record on the day of receipt, and if the goods received are seen to be unsatisfactory, the goods received record will document the reasons. Further, where goods received are seen to be unsatisfactory or short on delivery, they will only be accepted on the authority of the designated officer and the supplier will be notified immediately.
- 15.12 An authorised requisition note must support all stock issues. Except where other arrangements approved by the Director of Finance have been made, a receipt for the stock issued will be returned to the designated officers who should be independent of the officers responsible for ordering the goods. Where a “topping up” system is used, a record should be maintained as approved by the Director of Finance. Regular comparisons will be made of the quantities issued to wards and departments and explanations recorded of significant variations.
- 15.13 In exceptional circumstances (eg for emergency supplies), stock may be issued without a requisition. In these cases, a requisition note must be prepared retrospectively and marked ‘confirmation requisition’.

- 15.14 All transfers and returns will be recorded on forms provided for the purpose and approved by the Director of Finance.
- 15.15 Breakages, losses of goods or other adjustments to stockholding will be recorded as they occur and will be available for inspection and audit as required by the Director of Finance at regular intervals. Known losses of stock items, not in stores control, will also be reported to the Director of Finance, using the NHS Grampian loss report/claim form.
- 15.16 Stocks that have deteriorated, or are not useable or have become obsolete will be written down to their net realisable value. The Director of Finance, or such delegated officer(s), will approve and record the write down.



# **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 16: PATIENTS FUNDS AND PROPERTY**

- 16.1 NHS Grampian has a responsibility to provide safe custody for money and other personal property either:
- handed in by patients (or guardians as appropriate);
  - in the possession of mentally disordered, confused, disorientated, unconscious patients, or found in the possession of patients dying in hospital, dead on arrival or severely incapacitated for another reason.
- 16.2 The Director of Finance will provide detailed written instructions on the collection, custody, investment, recording, safekeeping and disposal of patients' property for all staff whose duty it is to administer in any way the property of patients. The instructions will cover the necessary arrangements for withdrawal of cash or disbursement of money held in accounts of patients who are incapable of handling their own financial affairs. Due care should be exercised in the management of a patient's money in order to maximise the benefits to the patient.
- 16.3 Staff will be informed, on appointment, by the appropriate departmental or senior officers of their responsibilities and duties for the administration of the property of patients.
- 16.4 The Chief Executive or designated Deputy is responsible for informing patients or their guardians, either before or at admission, that NHS Grampian will not accept responsibility or liability for patients' monies and personal property brought into NHS Grampian premises. Responsibility will only be accepted if it is handed in for safe custody and a copy of an official patient's 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.
- 16.5 A Property Register and Property Withdrawal Book, in a form determined by the Director of Finance, will be completed for all personal property received from patients as described in 16.1. For persons in the latter category a nil return will be completed if no property is taken into custody.
- 16.6 Additional provisions apply where either:
- the patient is detained in hospital under the Mental Health (Scotland) Act 1984 or the Criminal Procedure (Scotland) Act 1975;

- the patient is receiving treatment for mental disorder as a patient in hospital where the medical staff have given their opinion that the person is incapable of managing their own affairs.

In these cases the aggregate value of money and valuables held on behalf of a person must not exceed £10,000 in the case of cash or funds. If the amounts are to exceed these limits, managers must first obtain the consent of the Director of Finance.

- 16.7 The patients' property record will be completed by a member of staff in the presence of a second member of staff and personal representative where practicable. It will then be signed by both members of staff and by the patient, except where the latter is restricted by physical or mental incapacity. Any alterations will be validated by signatures as required for the original entry on the record.
- 16.8 Property handed over for safe custody will be placed in to the care of the Nurse Director or their nominee, or the most senior member of the nursing staff as appointed by the Director of Finance.
- 16.9 Except as provided in paragraphs 16.11 to 16.15, refunds of cash handed in for safe custody will be dealt with in accordance with written instructions issued by the Director of Finance. Property other than cash that has been handed in for safe custody will be returned to the patient as required by the officer who has been responsible for its security. The return will be receipted by the patient or guardian as appropriate and witnessed.
- 16.10 The Director of Finance will make proper arrangements, detailed in a Standing Financial Procedure to ensure that patients' funds are controlled and administered in an efficient and effective manner and in accordance with SGHSCD instructions.
- 16.11 The Nurse Director will ensure that in the case of accident and emergency admissions, the receipt of patients' property will be recorded in the admission notes.
- 16.12 Where SGHSCD instructions require the opening of separate accounts for patients' money, these will be opened and operated under arrangements agreed by the Director of Finance. However, within the hospital, patients funds handed over to the General Office will be banked in a centralised account, where the amount deposited will be returned in due course, along with any interest that may have been earned, subject to 16.13 below.
- 16.13 Interest received on the centralised account is apportioned to individual patients' balances on a proportional basis, automatically calculated by the system, once all bank charges incurred have been covered by the interest earned.
- 16.14 Bank reconciliations are carried out monthly agreeing the centralised account to the ledger and to a list of individual patients' balances.
- 16.15 Annual records of cash movement for each location are completed in accordance with the guidance contained in the Accounts Manual and are subject to external audit.

- 16.16 Patients fund accounts will be opened by the Head Cashier acting with the Hospital Administrator as required, under the general direction of the Director of Finance.
- 16.17 The disposal of the property of deceased patients will be effected by the officer who has been responsible for its security. Such disposal will be in accordance with the written instruction issued by the SGHSCD . In particular where cash or valuables have been deposited for safe custody prior to death, they will only be released after a disclaimer has been obtained.
- 16.18 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.
- 16.19 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 NHS Grampian of any claims by third parties will be obtained.
- 16.20 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 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 will be informed of any information which might assist him in tracing next of kin.
- 16.21 Any funeral expenses necessarily borne by NHS Grampian are a first charge on a deceased person's estate. Where arrangements for burial or cremation are not made privately, any cash of the estate held by the hospital may be appropriated towards the funeral expenses, upon the authorisation of the Director of Finance. No other expenses or debts will be discharged out of the estate of a deceased patient.
- 16.22 Where patients' property or income is received for specific purposes and held for safekeeping, the property or income will be used only for that purpose, unless any variation is approved by the donor in writing.

## **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

### **SECTION 17: e-HEALTH**

- 17.1 The Director of Finance will be accountable to the Chief Executive for the accuracy and security of the computerised financial data of NHS Grampian. The Chief Executive or designated Deputy will be responsible for ensuring the design, implementation and documentation of effective non-financial information systems.
- 17.2 The Director of Finance will ensure the systems offer good value for money and are consistent with the sound stewardship of public funds.
- 17.3 All computer applications and developments will be in accordance with NHS Grampian's policy as formulated by a Committee appointed by the Chief Executive or designated Deputy to co-ordinate NHS Grampian's IT systems.
- 17.4 The Chief Executive or designated Deputy will devise and implement the necessary procedures to protect NHS Grampian's data, programs or computer hardware, for which he is responsible, from the following:
- accidental or intentional disclosure to unauthorised persons;
  - deletion, modification, theft or damage; and
  - inappropriate use or misuse after taking account of the Data Protection Act 1998, the Computer Misuse Act 1990 and the Human Rights Act 1998.
- 17.5 The Chief Executive or designated Deputy will ensure that adequate controls exist such that computer operation is separated from development, maintenance and amendment.
- 17.6 The Director of Finance will ensure that contracts for computer services for financial applications with other bodies will clearly define the responsibilities of all parties for the security of data processing and transmission.
- 17.7 The Director of Finance will ensure that adequate data controls exist to provide for security of financial applications during data entry processing, storage, transmission and output to ensure security, privacy, accuracy, completeness and timeliness of data, as well as the efficient and effective operation of the system. This will include the use of any external agency arrangements and data transferred in networks via telephone lines.
- 17.8 Where another NHS body or any other agency provides a computer service for financial applications, the Director of Finance will periodically seek assurances that adequate controls as outlined in 17.2, 17.4 and 17.7 are in operation.
- 17.9 The Director of Finance will satisfy himself that such computer audit checks as he may consider necessary are being carried out and that adequate audit trails exist through the computerised finance system.

- 17.10 The Director of Finance will ensure that contracts for computer services for financial applications with another organisation will ensure the rights of access required for audit purposes.
- 17.11 The Director of Finance will satisfy himself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, the Director of Finance must obtain assurances of adequacy from them prior to implementation.
- 17.12 Where computer systems have an impact on corporate financial systems, the Director of Finance will satisfy himself that:
- 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 clear audit trail exists;
  - finance staff have access to such data; and
  - such computer audit reviews, as are considered necessary, are performed.
- 17.13 A properly documented disaster recovery plan and business continuity plan should be available for all key systems and should be understood by the staff responsible for their implementation. The recovery plan should include all aspects of standby and recovery. The occasions when these procedures should be invoked will be clearly laid down, identifying who has the final responsibility for making decisions.

## **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

### **SECTION 18: INTERNAL AND EXTERNAL AUDIT**

18.1 In accordance with Standing Orders (and as set out in guidance issued in MEL(1994)80, Corporate Governance in the NHS, and subsequently amended in HDL(2002)25), the NHS Board will establish an Audit Committee which will seek to provide assurance to the Board that an appropriate system of internal control is in place to ensure that:

- Business is conducted in accordance with law and proper standards;
- Public money is safeguarded and properly accounted for;
- Financial Statements are prepared timeously, and give a true and fair view of the financial position of the Board for the period in question; and
- Reasonable steps are taken to prevent and detect fraud and other irregularities.

The Audit Committee has authority to investigate any matters within its Constitution, and has access to all information and resources that it requires. The Committee should be able to obtain external professional advice and to invite outsiders with relevant experience to attend if necessary. The Chairman of the Audit Committee should be available to answer questions about its work at the Annual General Meeting.

18.2 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the chairman of the Audit Committee should raise the matter at a full meeting of the NHS Board. Exceptionally, the matter may need to be referred to the SGHSCD after reference to the Director of Finance in the first instance.

18.3 It is the responsibility of the Director of Finance to ensure an adequate internal audit service is provided and the Audit Committee will be involved in the selection process when an internal audit service provider is changed.

18.4 It is the responsibility of management to establish and maintain systems of internal control for operations, for which it is responsible, to ensure that these are properly run. Internal Audit assists the various levels of management in discharging their duties and responsibilities by carrying out appraisals and making the necessary appropriate recommendations to management for operations under its control.

18.5 The Director of Finance is responsible for:

- ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control by the establishment of an internal audit function;
- ensuring that the internal audit function is adequate and meets the NHS mandatory audit standards;

- deciding at what stage to involve the police in cases of fraud, misappropriation, and other irregularities. Reference should also be made to the NHS Grampian Fraud Policy and Action Plan;
- ensuring that an annual audit report is prepared for the consideration of the Audit Committee and the NHS Board. The report must cover:
  - progress against plan during the year;
  - major internal financial control weaknesses discovered;
  - progress on the implementation of internal audit recommendations;
  - strategic audit plan covering the coming three years; and
  - a detailed plan for the coming year.

18.6 The Director of Finance, or designated auditors, is entitled without necessarily giving prior notice to require and receive:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature (in which case there will be a duty to safeguard the confidentiality);
- access at all reasonable times to any land, premises or employee of NHS Grampian;
- the production of any cash, stores or other property of NHS Grampian under an employee's control; and
- explanations concerning any matter under investigation.

18.7 Internal Audit will review, appraise and report upon:

- the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures;
- the adequacy and application of financial and other related management controls;
- the suitability of financial and other related management data;
- the extent to which NHS Grampian's assets and interests are accounted for and safeguarded from loss of any kind, arising from:
  - fraud and other offences;
  - waste, extravagance, inefficient administration; and
  - poor value for money or other causes.
- the adequacy of follow-up action to Audit reports

18.8 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately

- 18.9 The Director of Finance, in liaison with the Chief Internal Auditor or NHS Counter Fraud Services as appropriate, will investigate cases of suspected fraud, misappropriation or other irregularities in conjunction, where necessary, with relevant staff and in consultation with the statutory authorities where appropriate. Reference should also be made to the NHS Grampian Fraud Policy.
- 18.10 The Chief Internal Auditor will normally attend Audit Committee meetings and has a right of access to all Audit Committee Members, the Chairman and Chief Executive.
- 18.11 The aim of the Internal Audit report is to prompt management action to implement recommendations for change leading to improvement in performance and control. The report will also provide a formal record of points arising from the internal audit assignment and, where appropriate, of agreements reached with management. The internal audit reporting policy will be as follows:
- The Chief Internal Auditor will prepare and submit a draft report of findings within three weeks of completion of the field work of each audit assignment. Prior to issue, it will be discussed with the appropriate manager or department head by a senior member of the Internal Audit staff.
  - The draft report will be distributed to the relevant line manager(s) who will make formal written comment on the report. The response will include an agreement to action the audit recommendations; or an explanation of why not and the acceptance of any resultant business risk. Responses will be made within three weeks of receiving the draft report.
  - The Chief Internal Auditor will issue the final report to the Chief Executive, within two weeks of the receipt and agreement of the management responses. The Chief Internal Auditor will also send copies to the Director of Finance, the Assistant Director of Finance for Financial Accounting and relevant line managers.
  - It is the responsibility of NHS Grampian management to ensure that proper consideration is given to the implementation of recommendations made in internal audit reports.
  - Both the Chief Internal Auditor and the Director of Finance will be responsible for ensuring that there is a formal follow up of the implementation of internal audit recommendations. The implementation status of recommendations will be reported on a quarterly basis to the Audit Committee.
  - Any financial irregularities or discrepancies discovered during an audit must be reported to the Director of Finance immediately.
  - The Chief Internal Auditor, or his agreed deputy, will present a quarterly report to the Audit Committee and be available to answer questions thereon. The quarterly report, as agreed with the Director of Finance, will contain summarised details of audits completed in the preceding quarter and senior management's responses.



- The Chief Internal Auditor will prepare and submit to the Audit Committee an annual report for each financial year, by the end of the succeeding quarter. This will contain a summary of the audit work done, the main issues arising, and analyses of the man-day input compared against the agreed budget input.
- 18.12 The external auditor is appointed by Audit Scotland and paid for by NHS Grampian. The Audit Committee will receive reports and correspondence from the External Auditor and review the action planned by NHS Grampian's Management to remedy weaknesses or criticisms of financial management made by the External Auditor. The NHS Grampian Audit Committee must ensure a cost-efficient service. Should there appear to be a problem, then this should be raised with the external auditor and referred to Audit Scotland if the issue cannot be resolved.

# NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS

## SECTION 19: ADDRESSING FRAUD

### Introduction

19.1 The following procedures should be followed, as a minimum, in cases of suspected theft, fraud, embezzlement, corruption, or other financial irregularities. This procedure also applies to any non-public funds, including endowments and patients funds. Further guidance is available within the NHS Grampian Policy for the Prevention, Detection and Investigation of suspected Fraud, Theft and Corruption which is available on the intranet under Departments > [Policies & Notes](#)

### Theft, Fraud, Embezzlement, Corruption and Other Financial Irregularities

19.2 The Chief Executive has the responsibility to designate an officer within the Board with specific responsibility for co-ordinating action where there are reasonable grounds for believing that an item of property, including cash, has been stolen.

19.3 It is the designated officer's responsibility to inform as he or she deems appropriate the police, NHS Counter Fraud Services (CFS), the appropriate director, the Appointed Auditor, and the Chief Internal Auditor where such an occurrence is suspected.

19.4 It is the duty of all NHS employees who suspect that fraud, theft or corruption may be occurring to report it so that action may be taken.

19.5 There are a range of confidential routes available to staff who wish to ask for advice or to report suspected fraud, theft or irregular activity :-

- Your Line manager
- Your HR Manager
- Employee Director;
- Chief Internal Auditor, Mrs Lindsey Paterson, PricewaterhouseCoopers LLP on 0141 355 4005;
- Security Officers on 01224 552945 or internal ext 52945
- NHS Counter Fraud Services (CFS) Fraud Hotline on - 08000 15 16 28
- NHS Grampian's Fraud Liaison Officer – Assistant Director Of Finance (Financial services) on 01224 556211 or internal ext 56211

19.6 All information provided is treated in the strictest of confidence and staff who raise genuine concerns are protected by law – regardless of the outcome of any investigation that they initiate

19.7 Where preliminary investigations suggest that *prima facie* grounds exist for believing that a criminal offence of fraud has been committed, the CFS will undertake the investigation, on behalf of, and in co-operation with, the Board. Where the case is one of theft or any other illegal activity then this will be taken forward in liaison with Grampian Police. At all stages the Director of Finance,

Chief Executive or designated Deputy and the Chief Internal Auditor will be kept informed of developments on such cases. All cases of fraud, attempted fraud, theft and any other irregular financial activity must be reported at least annually to the Audit Committee.

### **Remedial Action**

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

### **Reporting to the SGHSCD**

19.8 All cases of fraud and attempted fraud require to be reported annually to the SGHSCD.

### **Responses to Press Enquiries**

19.9 Where the publicity surrounding a particular case of alleged financial irregularity attracts enquiries from the press or other media, the Chief Executive should ensure that the relevant officials are fully aware of the importance of avoiding issuing any statements, which may be regarded as prejudicial to the outcome of criminal proceedings.

## **NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS**

### **SECTION 20:           ENDOWMENT FUNDS**

- 20.1 Funds received by way of endowments do not form part of the funds of NHS Grampian but form part of the funds of a separate legal entity which is also a registered charity, the NHS Grampian Endowment Fund (the Fund).
- 20.2 NHS Grampian, as a corporate body, acts as trustee in respect of endowments and all executive directors and non-executive directors are trustees of the Fund.
- 20.3 The Trustees have agreed a Charter and Operating instructions which form the key governance framework for the Fund as a registered Charity. The Charter and Operating instructions can be accessed on the Endowments page of the NHS Grampian intranet.
- 20.4 The Director of Finance will act as custodian of the Fund and is responsible for all endowment matters including the discharge of all normal bequests.
- 20.5 The Trustees must approve all strategy and policy matters relevant to the charity including investment strategy, reserves policy, approval of the annual accounts and report, appointment of external auditors and appointment investment advisors.
- 20.6 The Trustees delegate all other functions to an Endowment Sub Committee to manage performance and otherwise carry out the day to day business of the charity. The Endowment Sub Committee membership includes four Non-Executive Directors, The Director of Finance and the Board Secretary. This section of the SFIs will be interpreted and applied in conjunction with the rest of NHS Grampian's SFIs, subject to the modifications contained herein and the specific guidance included in the Endowment Charter and operating instructions. The most important modification is that expenditure from the Fund will be restricted to the purposes of the appropriate fund. Fund Stewards may approve all expenditure up to £5,000. Thereafter the Director of Finance must approve all expenditure requests up to £15,000. For sums above £15,000 and below £50,000, there must be approval from the Endowment Committee Chairperson, as well as the Director of Finance. For sums above £50,000, approval from the Endowment Committee is required.
- 20.7 The Director of Finance will have primary responsibility for ensuring that these SFIs are applied in close liaison with NHS Grampian's Legal Advisor.
- 20.8 The Director of Finance will maintain such accounts and documents as may be necessary to record and protect all transactions and funds of the Grampian NHS Board as trustee of the Fund, including an investment register.
- 20.9 The Director of Finance will arrange for the administration of all existing funds. He will ensure that terms of reference exist for every fund and produce detailed procedures covering every aspect of the financial management of funds held on trust, for the guidance of directors and officers. Such guidance will identify the restricted nature of certain funds.

- 20.10 All spend to be funded through endowments, whether this is to be funded from general or specific endowment funds, must be consistent with the overall charitable purpose of NHS Grampian Endowment Funds as specified below :
- The advancement of health, through:
    - (a) improvement in the physical and mental health of the Grampian Health Board's population;
    - (b) the prevention, diagnosis and treatment of illness;
    - (c) the provision of services and facilities in connection to the above; and
    - (d) the research into any matters relating to the causation, prevention, diagnosis or treatment of illness, or into such other matters relating to the health service as the Trustees see fit.
  - To observe any conditions attached to a donation or legacy prescribed by a donor to the charity, so far as is reasonably practicable, and consistent with the above purpose and the law.
- 20.11 The Trustees shall observe the following principles whilst discharging their responsibilities under the Charter and the law.
- The grant of endowment funds should not substitute for a core provision within the Grampian Health Board's Annual Operational Plan. Nor should endowment funds be used to cover a responsibility of the Grampian Health Board that is a direct requirement of health and safety or employment law or a ministerial policy direction.
  - An employee of the Grampian Health Board or the Trustees may only benefit from the charity, where the grant or award conferring the benefit satisfies the "public benefit" element of the charity test, as set out in the Charities and Trustee Investment ("Scotland") Act 2005, and the guidance on "Meeting the Charity Test" published by OSCR. The expenditure must be aimed at improving health, welfare or the prevention, diagnosis or treatment of illness for the Grampian Health Boards residents and any benefit to the employee must be incidental to (and necessary for) that public benefit to be realised.
  - Neither the charity's funds in totality, nor any individual fund (restricted or unrestricted) shall be permitted to go into deficit at any time.
- 20.12 The Director of Finance may recommend an increase in the number of funds where this is consistent with NHS Grampian's policy for ensuring the safe and appropriate management of restricted funds.
- 20.13 The Director of Finance will, in conjunction with the Legal Advisor, arrange for the creation of a new trust where funds and/or other assets, received in accordance with NHS Grampian's policies, cannot adequately be managed as part of an existing trust.
- 20.14 The Legal Advisor will present the governing document to the NHS Board for adoption as required in the Standing Orders for each new trust. Such a document will clearly identify, inter alia, the objects of the new trust, the capacity of NHS

Grampian to delegate powers to manage and the power to assign the residue of NHS Grampian to another fund contingent upon certain conditions e.g. discharge of original objects.

- 20.15 Expenditure from any endowment fund will be made subject to the above purpose and principles in line with the procedures documented in the detailed operating instructions.
- 20.16 All share and stock certificates and property deeds will be held by NHS Grampian's investment advisors.
- 20.17 All non-monetary donations will be accepted and held in the name of NHS Grampian and administered in accordance with NHS Grampian's policy subject to the terms of specific endowments. As NHS Grampian can accept non-monetary donations only for purposes relating to health services, research or its prescribed regulatory and statutory functions, officers will, in cases of doubt, consult the Director of Finance before accepting any non-monetary donation.
- 20.18 Any offer of a non-monetary donation whose possession will result in on going costs such as staffing, supplies or maintenance must be referred to the Director of Finance who will advise whether it can be accepted.
- 20.19 All gifts, donations and proceeds of fund raising activities which are intended for NHS Grampian's use will be handed to the Director of Finance, or an officer nominated by him for the purpose, to be banked directly to the Fund.
- 20.20 The Director of Finance will be required to advise the Grampian NHS Board on the financial implications of any proposal for fund raising activities that the Grampian NHS Board may initiate, sponsor or approve.
- 20.21 In respect of donations, the Director of Finance will provide guidelines to officers of NHS Grampian as to how to proceed when offered funds. These include:
- the identification of the donors' intentions;
  - the avoidance of new funds where possible;
  - the avoidance of impossible, undesirable or administratively difficult objects;
  - sources of immediate further advice;
  - provide secure and appropriate receipting arrangements which will indicate that funds have been accepted directly into endowment funds and that the donors intentions have been noted and accepted.

Where personal gifts are offered, reference should be made to the NHS Grampian Standards of Business Conduct.

- 20.22 The imputed costs of donations are taken into account when considering the costs of service delivery but the benefits of such donations are recognised by reducing the prices of services for all or some of NHS Grampian's NHS patients.
- 20.23 In respect of legacies and bequests, the Director of Finance will:

- be kept informed of all enquiries regarding legacies and will keep an appropriate record;
- provide guidelines to officers of NHS Grampian covering any approach regarding the wording of wills and the receipt of funds or other assets from executors;
- where necessary, obtain confirmation or grant of probate or make application for grant of letters of administration where NHS Grampian is the beneficiary;
- be empowered on behalf of NHS Grampian to negotiate arrangements regarding the administration of a will with executors and to discharge them from their duty;
- be directly responsible in conjunction with the NHS Grampian Legal Advisor for the appropriate treatment of all legacies and bequests; and
- after the death of a testator, deal with all relevant correspondence concerning a legacy on behalf of NHS Grampian. The Director of Finance alone will be empowered to grant an executor discharge.

20.24 In respect of investment income, the Director of Finance will be responsible for the appropriate treatment of all dividends, interest and other receipts from this source.

20.25 Endowment funds will be invested subject to the following considerations:

- the policy regarding the treatment of accumulated balances;
- the Investment Policy and strategy as approved by the Trustees

20.26 The Director of Finance will be responsible for all aspects of the management of the investment of funds held on trust. The issues on which he will be required to provide advice to the Trustees will include:

- the appointment of investment advisors. The Director of Finance will agree the terms of such appointments. Written agreements will be signed by the Chief Executive;
- pooling of investment resources and the preparation of a scheme for approval by the Inland Revenue;
- that the use of NHS Grampian's assets will be appropriately authorised in writing and charges raised within policy guidelines;
- the review of the performance of investment advisors; and
- the reporting of the performance of investment arrangements.

- 20.27 The exercise of NHS Grampian’s discretion will be managed by the Director of Finance in conjunction with the Endowment Committee. In so doing they will be aware of the following:
- the objects of various funds and designated objectives;
  - the availability of liquid funds within NHS Grampian Endowments;
  - the powers of delegation available to commit resources;
  - the need for avoidance of the use of exchequer funds to discharge endowment fund liabilities and to ensure that any indebtedness to the exchequer will be discharged by endowment funds at the earliest possible time;
  - the need for avoidance of the use of endowment funds to discharge NHS Grampian exchequer responsibilities;
  - that funds are to be spent rather than preserved, subject to the wishes of the donor and the needs of NHS Grampian; and
  - the definitions of “charitable purposes” as agreed by the SGHSCD with HM Revenue and Customs.
- 20.28 The Director of Finance will advise the Endowment Committee and, with its approval, will ensure that appropriate banking services are available to NHS Grampian Endowments. These bank accounts should permit the separate identification of liquid funds where this is deemed necessary by HM Revenue and Customs.
- 20.29 Assets in the ownership of or used by NHS Grampian as corporate trustee will be maintained along with the general estate and inventory of assets of NHS Grampian.
- 20.30 The Director of Finance will ensure that regular reports are made to the Endowment Committee with regard to the receipt of funds, investments and the disposition of resources.
- 20.31 The Director of Finance will prepare annual accounts, including the trustees report, in the required manner that will be submitted to an annual general meeting of the Trustees for approval within the agreed timescales.
- 20.32 The Director of Finance will maintain all financial records to enable the production of reports as above and to the satisfaction of internal and external audit.
- 20.33 The Director of Finance will ensure that internal audit review the records, accounts and returns on a regular basis and in situations where there is a requirement for a specific review.
- 20.34 The Director of Finance will advise the Trustees on the outcome of the annual audit.



20.35 The Director of Finance will identify all costs directly incurred in the administration of funds held on trust and in agreement with the Endowment Committee will charge such costs to the appropriate funds.

20.36 The Director of Finance will ensure that NHS Grampian's liability to taxation and excise duty is managed appropriately, taking full advantage of available concessions through the maintenance of appropriate records, the preparation and submission of the required returns and the recovery of deductions at source.

# **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 21: RISK MANAGEMENT AND INSURANCE**

21.1 The Chief Executive will ensure that NHS Grampian has a programme of risk management that will be approved and monitored by Grampian NHS Board.

The programme of risk management will include, inter alia:

- a) a process for identifying and quantifying risks and potential liabilities;
- b) a programme to develop among all levels of staff a positive attitude to 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 risks and actions taken to manage these risks will be reported to the NHS Board;
- 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, and health and safety review;
- h) arrangements to review the risk management programme; and
- i) a process whereby the risk management plans are measured against compliance with CNORIS standards.

21.2 The existence, integration and evaluation of the above elements will provide a basis for the NHS Grampian Performance Governance Committee to make a statement to the Grampian NHS Board on the effectiveness of risk management arrangements in the organisation.

21.3 In the case of Partnership Working with other agencies, the NHS Grampian risk management framework will be shared to identify and quantify the individual risks, particularly where responsibility cannot be assigned to an individual partner.

21.4 The Director of Finance will ensure that insurance arrangements exist in accordance with the risk management programme. This includes cover in respect of the following areas:

- property including buildings and contents;
- commercial and leased vehicles;
- public liability; and
- employers' liability

21.5 The NHS Grampian Assistant Board Secretary, acting for the Director of Finance, will ensure that detailed procedural instructions are adhered to for reporting the loss of or damage to properties and vehicles used by NHS Grampian or the injury

of NHS Grampian employees and members of the public whilst on NHS Grampian premises. These instructions must be in accordance with the broker's procedures for reporting incidents.

- 21.6 Each employee has a duty to report any incident or occurrence, either verbally or in writing, directly to the NHS Grampian Legal Advisor. It is the responsibility of the Director of HR to ensure that existing staff and all new employees are notified of their duties within these instructions, particularly with regard to the completion of report forms. A report form supplied by the insurance company will be completed by the individual discovering the incident. However, if the incident is reported verbally it will be completed by the member of staff to whom the incident is reported.
- 21.7 The NHS Grampian Legal Advisor is entrusted to report any incidences or occurrences to the insurance brokers using the standard documentation supplied by the brokers.
- 21.8 The NHS Grampian Legal Advisor is responsible for maintaining a register which records all incidents which may result in an insurance claim. The register is to be used to provide information that will be of assistance to NHS Grampian and the insurance brokers. The NHS Grampian Legal Advisor must ensure that there are internal controls in place to ensure that the register is kept up to date
- 21.9 NHS Grampian takes part in CNORIS (the Clinical Negligence and Other Risks Indemnity Scheme), a not for profit, mutual Scheme providing a pool of funds to meet financial claims on the NHSiS, which provides cover for both clinical and non-clinical claims brought against NHS Grampian.
- 21.10 NHS Grampian retains the services of legal advisors, primarily the Central Legal office who liaise with insurers regarding claims and inform NHS Grampian about the best course of action to take in each case.

# NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS

## SECTION 22: STANDARDS OF BUSINESS CONDUCT

- 22.1 It will be the responsibility of the Chief Executive to:
- ensure that NHS guidelines on Standards of Business Conduct are brought to the attention of all staff and are effectively implemented;
  - ensure that such policies and procedures are kept up to date.
- 22.2 Officers involved in the acquisition of goods and services should also adhere to the ethical code of the Institute of Purchasing and Supply.
- 22.3 There are standards of conduct that everyone who works for the NHS needs to follow. Employees are expected to put the interests of patients first at all times, be impartial and honest when doing their job and ensure value for money when spending public funds. It is each employee's responsibility to ensure that they do not misuse their position to benefit themselves, their family or their friends, take on another job that compromises their NHS duties or promote their private interests in the course of their job.

All staff must declare any private financial, or other relevant interests, where this would give rise to a conflict of interest. All such interests must be disclosed to their line managers and formally recorded in the corporate register of Interests, Gifts and Hospitality.

A 'conflict of interest' is defined as:

"A set of circumstances by which a reasonable person would consider that an individual's ability to apply judgement or act, in the context of delivering, commissioning, or assuring taxpayer funded health and care services is, or could be, impaired or influenced by another interest they hold."

What does this mean in practice?

### **Employees must:**

Declare all gifts or hospitality received in the course of their duties as an employee of NHS Grampian. The following principles apply :-

- Articles of low intrinsic value, i.e. less than £25, such as diaries, pens or calendars need not be declared.
- Staff should not accept personally, any gifts of cash or vouchers with a monetary face value. Such gifts, if offered, and with the agreement of the donor, may be paid in to the NHS Grampian Endowment Funds and used for the benefit of the service. For further guidance on how to process a donation to the Endowment funds please contact [nhsg.charities@nhs.net](mailto:nhsg.charities@nhs.net)

Obtain permission, in writing, from their manager before taking on outside work, including operating their own business, where there may be a conflict of interests.

For the avoidance of doubt permission may be refused should a manager consider that a conflict of interest exists, although this permission should not be unreasonably withheld

Obtain permission from their manager before accepting any commercial. This includes any offers by outside companies to sponsor or part sponsor educational visits, invitations to speak at conferences or address meetings (Lunches in the course of working visits may be acceptable if they are similar to the scale of hospitality which the NHS as an employer would offer).

- Declare an interest if you are placed in a position which risks, or might appear to others to risk, conflict between private interests and NHS duties. For members of staff involved in supporting procurement activity as a member of a category action group an opportunity for members to declare an interest will be allowed at the start of each meeting. If any doubt exists then you should ask to be excused from the decision process.

Examples of situations to be avoided are:

- authorising the discharge of a patient into a nursing home in which you, your family, friend or business acquaintance has a financial interest.
- purchasing, or authorising or influencing another employee to purchase or authorise the purchase of, goods or services from an organisation in which you, your family, friends or business acquaintances have a financial interest. This need not be a controlling interest, for example a Doctor with a minor shareholding in a pharmaceutical Company will be required to declare this interest should they actively prescribe medicines manufactured by that Company.

**Employees must not:**

- Misuse or make available confidential information
- Accept any gifts, inducements or hospitality that might place them in a position of conflict between their private interest and that required by their NHS duties (articles of low intrinsic value, i.e. under £25, such as diaries, pens or calendars need not necessarily be refused)
- Accept gifts of cash or vouchers with a monetary face value.
- Under any circumstances claim reimbursement for expenses incurred in the purchase of alcoholic beverages when on NHS Grampian business.
- Use their past or present position to make preferential private arrangements
- Unfairly advantage one competitor over another or show favouritism in awarding contracts.

## 22.5 Corporate Register of Interests, Gifts & Hospitality

All staff are required to record, in the Board's Corporate Register of Interests, Gifts and Hospitality:

- all relevant **interests or gifts** including hospitality and any other benefits received either directly or indirectly from external parties in the course of their duties and with a value exceeding £25. Benefits to be disclosed include, but are not limited to, material items, conference fees, meals, travel, sponsorship (including research), entrance to and attendance at events, entertainment of any sort and services such as free consultancy;
- **each instance where you consider a conflict of interest** may exist with your core NHS duties; and
- the details of any **offers which are declined**.

'Interests' can arise in a number of different contexts. A material interest is one which a reasonable person would take into account when making a decision regarding the use of taxpayers' money because the interest has relevance to that decision.

Interests requiring disclosure fall into the following categories:

- Financial interests - Where an individual may get direct financial benefit\* from the consequences of a decision they are involved in making.
- Non-financial personal interests - Where an individual may benefit\* personally in ways which are not directly linked to their professional career and do not give rise to a direct financial benefit, because of decisions they are involved in making in their professional career.
- Non-financial professional interests - Where an individual may obtain a non-financial professional benefit\* from the consequences of a decision they are involved in making, such as increasing their professional reputation or promoting their professional career.
- Indirect interests - Where an individual has a close association\*\* with another individual who has a financial interest, a non-financial professional interest or a non-financial personal interest who would stand to benefit\* from a decision they are involved in making.

\* A benefit may arise from the making of gain or avoiding a loss

\*\* These associations may arise through relationships with close family members and relatives, close friends and associates, and business partners. A common sense approach should be applied to these terms. It would be unrealistic to expect staff to know of all the interests that people in these classes might hold. However, if staff do know of material interests (or could be reasonably expected to know about these) then these should be declared.

The standard disclosure form to be used to record all declarations is available on the intranet under Departments > [Register of Interests, gifts and hospitality](#). The intranet page also includes more general guidance on the disclosure process and where a conflict of interest may exist.

Completed disclosure forms should be sent to the Board Secretariat at the following e-mail address: **[nhsg.corporateregister@nhs.net](mailto:nhsg.corporateregister@nhs.net)**.

## **NHS GRAMPIAN STANDING FINANCIAL INSTRUCTIONS**

### **SECTION 23: CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

- 23.1 This section of the SFIs should be read in conjunction with SGHSCD guidance on Losses and Special Payments, a copy of which is available from the Assistant Director of Finance.
- 23.2 The Director of Finance will prepare detailed procedures for the disposal of assets, including condemnations, and will ensure that these are notified to managers. The Director of Finance will also prepare procedural instructions on the recording and accounting for condemnations, losses and special payments.
- 23.3 When it is decided to dispose of a NHS Grampian 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.
- 23.4 All articles surplus to requirements or unserviceable will be condemned or otherwise disposed of for the best possible terms by an officer authorised for that purpose by the Director of Finance. The Condemning Officer will record the details in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of.
- 23.5 The Condemning Officer will satisfy himself as to whether or not there is evidence of negligence in use and will report any such evidence to the Director of Finance who will take appropriate action.
- 23.6 Any member of staff discovering or suspecting a loss of any kind will inform the head of department, who will immediately inform the Assistant Director Of Finance who is also the Fraud Liaison Officer. Where a criminal offence e.g. fraud or theft is suspected, the assistant Director Of Finance will inform NHS Counter Fraud Services and Grampian Police as appropriate.
- 23.7 For losses apparently caused by theft, fraud, arson, neglect of duty or gross carelessness, except if trivial and where fraud is not suspected, the Assistant Director of Finance will immediately notify the Director of Finance, Chief Executive, Chief Executive or designated Deputy and the Chief Internal Auditor.
- 23.8 NHS Grampian will approve the write off of losses within the limits delegated to it by the SGHSCD. The Director of Finance will prepare a schedule of losses and compensation payments for review annually by the Audit Committee.
- 23.9 The scheme of delegation requires that in all cases the authorisation of losses, write offs, ex gratia or any other irregular payments that do not fall within normal operating expenditure must be approved by the Director of Finance, Deputy Director of Finance, Assistant Director of Finance or Head of Financial Services and Accounting.
- 23.10 No special payments exceeding the delegated limits currently laid down by the SGHSCD will be made without the prior approval of the SGHSCD



- 23.11 The Director of Finance is authorised to take any necessary steps to safeguard NHS Grampian's interests arising from bankruptcies and company liquidations.
- 23.12 The Director of Finance will maintain a Losses and Special Payments Register in which details of all losses will be recorded as they are known. Write off actions will be recorded against each entry in the Register.
- 23.13 The Director of Finance will make appropriate arrangements for insurance in relation to NHS Grampian's assets and activities, for those areas where self-insurance is not applicable from a risk management perspective. For any loss, the Director of Finance will consider whether a claim may be made against NHS Grampian's insurers.

# **NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 24:       SCHEME OF DELEGATION AND FINANCIAL LIMITS**

24.1 It is the responsibility of the Director of Finance to ensure that designated staff maintain the procedures manuals to comply with the law, codes of conduct, NHS guidance and relevant standards of accounting practice.

24.2 A Scheme of Delegation is available separately from these SFIs and consists of the following parts, both of which are available on the NHS Grampian intranet:

- Schedule of Reserved Decisions; and
- An Operational Scheme of Delegation

The Schedule of Reserved Decisions is reviewed annually by the Audit Committee and any amendments subsequently approved by the Board on the recommendation of the Audit Committee.

The Assistant Director of Finance is responsible for the maintenance of the operational scheme of delegation (OSOD) in line with the structure and limits agreed by the audit Committee. All requests for amendments to the OSOD are submitted by the individuals line manager, checked by a member of the finance team for consistency and compliance with the agreed structure and limits of the scheme, including a sample signature, and then authorised by the Assistant Director of Finance prior to the amendment being processed.

The financial limits and structure of the scheme is reviewed as appropriate on the recommendation of the Audit Committee after taking account of the advice of the Director of Finance.

24.3 When a delegated Officer is not available, an Officer of equivalent or higher authority should provide cover for the “delegated” responsibilities, unless the Director of Finance has approved separate arrangements.

24.4 When Officers are carrying out their duties under these delegated duties, they must not exceed their budgetary limits, and they should not use their budgets for any purpose other than that provided. Expenditure that has not been budgeted for will only be incurred after the Chief Executive, Director of Finance or the Board has given authorisation as appropriate.

# **NHS GRAMPPIAN STANDING FINANCIAL INSTRUCTIONS**

## **SECTION 25: INTELLECTUAL PROPERTY RIGHTS POLICY**

- 25.1 NHS Grampian wishes to encourage the exploitation of inventions and intellectual property developed by members of staff to the mutual benefit of inventors and the organisation. The provisions of NHS HDL (2004) 09 dated 8 March 2004 entitled “Management of Intellectual Property in the NHS” are referred to for their terms and guidance. However, NHS Grampian must also bring to the attention of staff Section 39 of the Patents Act 1977 where ownership of intellectual property rights generated by an employee rests with the employer, where the idea was produced:
- a) In the normal course of the employee’s duties; and/or
  - b) In the course of duties specifically assigned to the employee
- 25.2 To ensure ideas for patenting are processed as quickly as possible, NHS Grampian has available an Intellectual Property Disclosure Form available from the NHS Grampian Board Secretary. This form should be completed prior to making public the nature of the idea by any means including publishing an article, giving a talk or poster presentation or disclosing to any outside organisation.
- 25.3 After receiving the Intellectual Property Disclosure Form, NHS Grampian will then decide whether the idea is worthy of patenting in which case an agreement is made between NHS Grampian, the inventor and the department in which the inventor works so that any resulting income arising from royalties or other income payable, after expenses incurred in exploiting the invention, will be shared on the following basis:
- a) one third to the inventor;
  - b) one third to the inventor’s department; and
  - c) one third to NHS Grampian
- 25.4 Should NHS Grampian decide not to support the idea, the ownership of the idea will revert to the inventor who may wish to pursue exploitation of the invention at their own expense in which case any income generated from the invention reverts to the individual.