

# Lothian NHS Board Standing Financial Instructions



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## Executive Summary

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The Standing Financial Instructions (SFIs), operating in conjunction with Board Standing Orders, the Scheme of Delegation and other policies and procedures, explain the financial responsibilities and duties to be observed by the Board and its employees. They apply to all activities, including when the Board is carrying out functions as directed by the Integration Joint Boards that it is a constituent authority of.

## CONTENTS

1	INTRODUCTION .....	2
2	KEY RESPONSIBILITIES FOR FINANCIAL GOVERNANCE .....	5
3	ROLE OF INTERNAL AUDIT .....	10
4	EXTERNAL AUDIT .....	11
5	FINANCIAL MANAGEMENT .....	12
6	PAY EXPENDITURE .....	18
7	NON-PAY EXPENDITURE .....	21
8	ADDITIONAL MATTERS FOR CAPITAL EXPENDITURE .....	25
9	ASSET REGISTERS AND SECURITY OF ASSETS .....	28
10	BANKING AND CASH HANDLING .....	29
11	STORES .....	31
12	INCOME, FEES AND CHARGES .....	32
13	SERVICE AGREEMENTS FOR PATIENT SERVICES .....	33
14	RISK MANAGEMENT & INSURANCE .....	35
15	INFORMATION TECHNOLOGY .....	36
16	RETENTION OF DOCUMENTS .....	38
17	PRIMARY CARE CONTRACTORS .....	39
18	LOSSES AND SPECIAL PAYMENTS .....	40
19	FRAUD, BRIBERY AND CORRUPTION .....	41
20	ANNUAL ACCOUNTS AND REPORTS .....	43
21	PATIENTS' PROPERTY .....	44
22	FUNDS HELD ON TRUST (Endowments) .....	45

# 1 INTRODUCTION

## General

- 1.1 These Standing Financial Instructions ('SFIs') form part of the NHS Lothian Standing Orders.
- 1.2 The SFIs explain the financial responsibilities to be observed by Lothian NHS Board ("the Board") and its employees. They cover all activities, including when the Board is carrying out functions as directed by the Integration Joint Boards that it is a constituent authority of. The SFIs should be used with the Board's Standing Orders and the Board's Scheme of Delegation.
- 1.3 The principles underlying this document are:-
  - 1.3.1 The Board shall carry out its functions in line with relevant law and shall also comply with any directions or guidance issued by the Scottish Ministers and comply with integration joint board directions.
  - 1.3.2 The Board shall conduct its activities in an open and accountable manner. Its activities and performance will be auditable.
  - 1.3.3 The Board shall perform its activities within the available financial resources.
  - 1.3.4 The Board shall conduct its activities in a manner that is cost effective and demonstrably secures value-for-money.
- 1.4 To achieve the above, ***all*** employees must observe these SFIs and the above principles.
- 1.5 For Budget Holders and their staff, this will mean:-
  - 1.5.1 Agreeing their Budget and performing their duties strictly within that Budget.
  - 1.5.2 Following all of the Board's approved policies and procedures.
  - 1.5.3 Acting within their levels of delegated authority.
- 1.6 Failure to comply with these SFIs is a disciplinary matter, which could result in dismissal.
- 1.7 The Director of Finance shall:-
  - 1.7.1 Approve all financial procedures and working practices.
  - 1.7.2 Provide advice and support where there are any difficulties regarding the interpretation or application of the SFIs.

## Terminology

- 1.7.3 "NHS Lothian" means all elements of the NHS under the auspices of Lothian NHS Board.
- 1.7.4 "Board" and "Health Board" mean Lothian NHS Board, the common name of Lothian Health Board.
- 1.7.5 "Budget" means a resource, expressed in financial terms, proposed by the Board for the purpose of carrying out, for a specific period, any or all of the functions of the Health Board.
- 1.7.6 "Budget Holder" means the director or employee with delegated authority to manage finances (Income and Expenditure) for a specific area of the organisation. A Budget Holder may also be a Local Authority Employee, as defined below.
- 1.7.7 "Employee" means an employee of the Board. Additionally, wherever the term "employee" is used, and where the context permits, it shall be deemed to include employees of third parties contracted to the Health Board when acting on behalf of the Health Board, e.g. agency staff, locums, employees of service providers.
- 1.7.8 "Local Authority Employee" means an employee of a local authority which is a party to an Integration Scheme with Lothian NHS Board, in circumstances where that employee carries out Directed Functions.
- 1.7.9 "Directed Functions" means a function which an Integration Joint Board has directed the Board to carry out under s.26 (1) of the Public Bodies (Joint Working) (Scotland) Act 2014.
- 1.7.10 "Chief Executive" means the chief officer of the Health Board.
- 1.7.11 "Director of Finance" means the chief financial officer of the Health Board.
- 1.7.12 "Legal Adviser" means the properly qualified person appointed by the Health Board to provide legal advice.
- 1.7.13 "Integration Joint Board" means a public body created under Section 9 of the Public Bodies (Joint Working) (Scotland) Act 2014, which the Board has delegated some functions to through an Integration Scheme.
- 1.7.14 "Integration Functions" mean the functions that the Health Board has delegated to an Integration Joint Board through the relevant Integration Scheme.
- 1.7.15 "Integration Scheme" means the scheme prepared by the Health Board and the local authority, and approved by the Scottish Ministers, for the local authority area under Section 1(2) of the Public Bodies (Joint Working) (Scotland) Act 2014.

- 1.7.16 “NHS Lothian Charity” (*previously Lothian Health Board Endowment Fund*) is a charity registered with the Office of the Scottish Charity Regulator under number SC007342. The Board is the corporate trustee of NHS Lothian Charity and all members of the Board act as trustees of the charity. NHS Lothian Charity is administered under the relevant sections of the National Health Service (Scotland) Act 1978 and in line with the Charities and Trustee Investment (Scotland) Act 2005. The trustees are responsible for the general control and management of the charity, and they do so at arms-length from the conduct of the business of the Board.
- 1.7.17 “Accountable Officer” is the individual who is appointed to this role for the Board under the terms of Section 15 of the Public Finance and Accountability (Scotland) Act 2000 and the Accountability section of the Scottish Public Finance Manual.
- 1.8 Wherever the title Chief Executive, Director of Finance, or other nominated officer is used in these instructions, it shall be deemed to include anyone who has been authorised to represent them.
- 1.9 All Budget Holders shall be provided with a summary of these SFIs with instructions as to where the full version can be located. Budget Holders are expected to comply with the SFIs whilst discharging their responsibilities and to ensure that employees in their area of responsibility are aware of the SFIs, and how the SFIs affect the conduct of their duties.
- 1.10 The Board shall review these SFIs annually, in line with the requirements of the NHS Scotland Blueprint for Governance second edition (December 2022).
- 1.11 Local Authority Employees will remain employees of the relevant Local Authority and will not become employees of the Board unless expressly agreed otherwise. Nonetheless, it is anticipated that for the limited purpose of delivering the relevant Directed Functions, such Local Authority Employees will require to comply with certain relevant Board policies, including these SFIs. Local management will identify such policies.

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

### The Board & The Audit & Risk Committee

- 2.1 The Board shall approve these SFIs and the Scheme of Delegation.
- 2.2 The Board shall ensure and be assured that the SFIs and Scheme of Delegation are complied with at all times.
- 2.3 The Board shall agree the terms of reference for the Board's Audit & Risk Committee which, amongst other things, shall include:-
  - 2.3.1 Overall assurance on corporate governance, internal control and risk management, including regularly reviewing these SFIs and the Scheme of Delegation, and make a recommendation to the Board for their approval.
  - 2.3.2 Financial reporting.
  - 2.3.3 The internal audit and external audit functions.
- 2.4 The Audit & Risk Committee's terms of reference shall conform with extant Scottish Government instructions and other guidance on good practice.
- 2.5 The Board shall perform its functions within the total funds allocated by the Cabinet Secretary (within the Scottish Government).

### The Chief Executive (Accountable Officer)

- 2.6 The Chief Executive is the Accountable Officer for the organisation. As such, the Chief Executive is responsible and accountable for funds entrusted to the Board and is accountable, through NHS Scotland's Principal Accountable Officer, to the Scottish Parliament. This responsibility is detailed in the Accountable Officer memorandum.
- 2.7 The Chief Executive has overall executive responsibility for the Board's activities and shall ensure that the Board's meets its financial targets.
- 2.8 The Chief Executive shall ensure that an integration joint board shall have such information as it may reasonably require for the purposes of:
  - a) Preparing its Strategic Plan or a replacement Strategic Plan
  - b) Carrying out a review of the effectiveness of its Strategic Plan
  - c) Preparing its Performance Report
  - d) Determining whether to give a direction to the Board, and what the content of that direction should be.
  - e) To provide information as may be required by the content of a particular direction.

- 2.9 The Chief Executive shall ensure that all directors and relevant employees and relevant Local Authority Employees are notified of and understand their responsibilities within these SFIs.

### The Director of Finance

- 2.10 The Director of Finance shall:-

- 2.10.1 implement the Board's financial policies and co-ordinate any action necessary to further those policies;
- 2.10.2 maintain an adequate and effective system of internal financial control. This shall include developing and implementing financial procedures that are consistent with the principles of internal control;
- 2.10.3 ensure that sufficient records are kept to show and explain the Board's transactions, and carry out its statutory duties;
- 2.10.4 be able to present the financial position of the Board, with reasonable accuracy, at any time;
- 2.10.5 provide financial advice to the Board and its directors and employees and relevant Local Authority Employees; and
- 2.10.6 propose accounting policies consistent with Scottish Government and Treasury guidance, financial reporting standards, and generally accepted accounting practice.

- 2.11 On behalf of the Chief Executive, the Director of Finance is also responsible for:-

- 2.11.1 ensuring arrangements are adequate to review, evaluate and report on the effectiveness of internal control including the establishment of an effective internal audit function (in accordance with the internal audit standards applicable to NHS bodies and the Scottish Government's Audit Committee Handbook); and
- 2.11.2 designating an officer as the Fraud Liaison Officer to work with NHS Scotland Counter Fraud Services and co-ordinate the reporting of frauds and thefts.

- 2.12 The Director of Finance is entitled without necessarily giving prior notice to require and receive:-

- 2.12.1 access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- 2.12.2 access at all reasonable times to any land, premises or employee of the health board or relevant Local Authority Employee;
- 2.12.3 the production of any cash, stores or other property of the health board under an employee's control or the control of a Local Authority Employee; and

2.12.4 explanations concerning any matter under investigation.

All Directors and Employees and Local Authority Employees

2.13 All directors and employees and Local Authority Employees, individually and working together, are responsible for:

2.13.1 Keeping the property of the Board secure, and to apply appropriate routine security practices as may be determined by the Board. This includes:-

- a. ensuring that the assets within their area of responsibility are included within the appropriate asset register (see Section 9 of these SFIs);
- b. ensuring that asset records/registers are kept up-to-date;
- c. performing verification exercises to confirm the existence and condition of the assets, and the completeness of the appropriate asset register; and
- d. following any prescribed procedures to notify the organisation of any theft, loss or damage to assets.

2.13.2 avoiding loss;

2.13.3 implementing the Duty of Best Value in Public Services (see the [Scottish Public Finance Manual](#)); and

2.13.4 following these SFIs and any other policy or procedure that the Board may approve.

2.14 All Budget Holders shall ensure that:-

2.14.1 the Director of Finance receives all information that is required to prepare Budgets;

2.14.2 Budgets are only used for their stated purpose; and

2.14.3 Budgets are never exceeded.

2.15 When a Budget Holder expects their expenditure will exceed their delegated budget, they must secure an increased Budget, or seek explicit approval to overspend before doing so.

2.16 All NHS Lothian staff and Local Authority Employees who commit NHS resources directly or indirectly must be impartial and honest in their conduct of business and all employees and Local Authority Employees must remain beyond suspicion.

2.17 All NHS Lothian employees and Local Authority Employees shall observe the requirements of MEL (1994) 48, which sets out the Standards of Business Conduct for

all NHS staff. There are 3 crucial public service values which underpin the work of the health service:-

**2.17.1 Conduct**

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

**2.17.2 Accountability**

Everything done by those who work in the NHS must be able to stand the test of parliamentary and public scrutiny, judgements on propriety and professional codes of conduct.

**2.17.3 Openness**

The Board should be open about its activities and plans so as to promote confidence between the component parts of NHS Lothian, other health organisations and its staff, patients and the public.

2.18 All employees and Local Authority Employees shall:-

2.18.1 ensure that the interest of patients remain paramount at all times;

2.18.2 be impartial and honest in the conduct of their official business;

2.18.3 use the public funds entrusted to them to the best advantage of the service, always ensuring value for money; and

2.18.4 demonstrate appropriate ethical standards of personal conduct.

2.19 Furthermore all employees and Local Authority Employees shall not:-

2.19.1 abuse their official position for the personal gain or to the benefit of their family or friends;

2.19.2 undertake outside employment that could compromise their NHS duties; or

2.19.3 seek to advantage or further their private business or interest in the course of their official duties.

2.20 The Director of Finance shall publish supplementary guidance and procedures to ensure that the above principles are understood and applied in practice.

2.21 The Board shall approve a Code of Conduct for Board members, in accordance with the Ethical Standards in Public Life Act (2000). An Integration Joint Board will also have its own Code of Conduct made under that Act, and any Board members or employees appointed to an Integration Joint Board shall be required to observe that Code.

- 2.22 The Chief Executive shall establish procedures for voicing complaints or concerns about misadministration, breaches of the standards of conduct, suspicions of criminal behaviour (e.g. theft, fraud, bribery) and other concerns of an ethical nature.
- 2.23 All employees and Local Authority Employees must protect themselves and the Board from any allegations of impropriety by seeking advice from their line manager, or from the appropriate contact point, whenever there is any doubt as to the interpretation of these standards.

### **3 INTERNAL AUDIT**

- 3.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Board's operations. It helps the Board accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.2 A panel chaired by a non-executive Board member, preferably the Chair of the Audit & Risk Committee, shall select and make a recommendation to the Board on whom to appoint as the Chief Internal Auditor. The Chair of the Audit & Risk Committee shall approve the composition of the panel. The Chief Internal Auditor shall lead the Board's internal audit function and be responsible for appointments to the internal audit team.
- 3.3 The Chief Internal Auditor shall ensure that the internal audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS), and shall provide assurance, at least annually, to the Audit & Risk Committee that this is being achieved.
- 3.4 While maintaining independence, the Chief Internal Auditor shall be accountable to the Director of Finance and, through them, to the Audit and Risk Committee. Every year, the Chief Executive, Director of Finance and Chief Internal Auditor will review the lines of accountability to assess whether the independence of the internal audit function remains intact. The Chief Internal Auditor shall report the results of this review to the Audit & Risk Committee. If necessary, the Chief Executive shall revise the Chief Internal Auditor's line of accountability to ensure independence is maintained.
- 3.5 All employees and Local Authority Employees shall, at the request from the Chief Internal Auditor or another member of the internal audit function:-
  - 3.5.1 provide access to all records, documents, correspondence or information relating to any transactions or matters, including documents of a confidential nature;
  - 3.5.2 provide access at all reasonable times to any land, premises or employee of the health board or Local Authority Employees;
  - 3.5.3 produce any cash, stores or other property of the health board under an employee's or Local Authority Employee's control; and
  - 3.5.4 provide explanations concerning any matter under review or investigation.
- 3.6 The Audit & Risk Committee shall normally invite the Chief Internal Auditor to attend Audit & Risk Committee meetings and any of its sub-committees. The Chief Internal Auditor shall have direct right of access to all Audit & Risk Committee members, the NHS Board Chair and the Chief Executive. The Chief Internal Auditor has the right to meet in private with any of these individuals.
- 3.7 The Chief Internal Auditor shall prepare a risk-based Strategic Internal Audit Plan and an Internal Audit Charter for consideration and approval by the Audit & Risk Committee before the start of the audit year.

- 3.8 The Chief Internal Auditor shall issue a draft terms of reference for consideration by the lead executive (Audit Sponsor) and the relevant operational staff for the area under review (key contacts) before each audit. These shall set out the scope, objectives, resources and timescales for the audit. The Chief Internal Auditor shall give the sponsor and key contacts adequate time to consider and respond to the draft terms of reference before it is finalised. After that time, the Chief Internal Auditor may elect to finalise the terms of reference. The Chief Internal Auditor shall issue the final terms of reference before the start of the audit fieldwork.
- 3.9 The Chief Internal Auditor shall issue the draft report for an audit to the audit sponsor, and the audit sponsor shall have two weeks to provide a response. The sponsor, or their representative, should respond either in writing or during a close-out meeting with Internal Audit. If an appropriate response is not received, the Chief Internal Auditor may elect to present the report without a response to the Audit & Risk Committee. The Chief Internal Auditor shall develop an operational procedure for the distribution of all final reports, which will ensure that the Board's external auditor receives a copy of every report.
- 3.10 Management are responsible for ensuring that appropriate internal control systems exist within their own area (or parts thereof), and for deciding whether or not to accept and implement internal audit findings and recommendations. Where internal audit recommendations are not accepted, the audit sponsor should provide a comprehensive explanation to the Audit & Risk Committee, normally as part of the management response within the associated internal audit report.
- 3.11 Management must address issues raised in audit reports by the agreed target dates. The Chief Internal Auditor shall follow-up on the completion of management actions, and provide the Audit & Risk Committee with a progress report at each meeting setting out completion rates. The Audit & Risk Committee may invite the audit sponsor to attend meetings to respond to queries relating to outstanding internal audit recommendations for their area.
- 3.12 The Chief Internal Auditor shall prepare an Annual Internal Audit Report, in line with Public Sector Internal Audit Standards and any relevant Scottish Government directions and present it to the Audit & Risk Committee to inform its review of the draft Governance Statement.

## 4 EXTERNAL AUDIT

- 4.1 The Auditor General for Scotland appoints the external auditor to the Board.
- 4.2 The appointed external auditor shall conduct their duties in line with what is required by law and Audit Scotland's Code of Audit Practice.
- 4.3 All employees and Local Authority Employees are to provide the external auditor:
- ❖ Access at all reasonable times to any documents or information that the Board holds; and
  - ❖ Any assistance, explanation, or information as the external auditor considers necessary
- 4.4 The Director of Finance shall prepare accounts and make arrangements to provide any information that the external auditor may require, so as to support the efficient conduct of the external audit.
- 4.5 It is important that the Board's external auditors are independent and seen to be independent in the work that they undertake. It is therefore not appropriate for them to undertake any non-audit work that might be perceived to create a conflict of interest with their role as external auditors.
- 4.6 The Board's external auditors may be engaged to undertake additional services only if Audit Scotland has previously confirmed that it would be appropriate for them to do so. These additional services include the external audit of patients' funds accounts. The NHS Lothian Charity trustees appoint the external auditor of the endowment fund accounts, and consequently that appointment is not regarded as additional services by the Board's external auditor. The Director of Finance shall notify the Audit & Risk Committee of any such engagement at its next available meeting.
- 4.7 The Audit & Risk Committee shall:
- ❖ Approve the remuneration of the external auditors within the range that Audit Scotland has set
  - ❖ Examine any reason for the resignation or dismissal of the external auditor
  - ❖ Review and confirm the external auditor's strategy and plans
  - ❖ Receive and review the outputs from the work of the external auditor.
  - ❖ Ensure that the external auditor has direct access to the Board's Chair and the Chair of the Audit & Risk Committee.
  - ❖ Meet the external auditor once a year without the presence of management
  - ❖ Determine the process to monitor the performance of the external auditor and reflect any such results from that process in the Audit & Risk Committee's annual report.
  - ❖ Receive assurance that the external auditor has arrangements in place to maintain their independence and objectivity. This should include consideration as to whether any of the audit staff have any business interest with Lothian Health Board, or personal relationships with any of the Board employees or Local Authority Employees, which could compromise independence and objectivity.
  - ❖ Set out in its annual report whether the external auditor has provided any additional services during the year.

4.8 In the event that there is a problematic working relationship between the external auditor and the Board, the Chair of the Audit & Risk Committee shall advise the Board of the circumstances.

## **5 FINANCIAL MANAGEMENT**

This section applies to both revenue and capital Budgets.

### **Planning**

- 5.1 The Scottish Government has set the following financial targets for all boards:-
  - 5.1.1 To operate within the revenue resource limit.
  - 5.1.2 To operate within the capital resource limit.
  - 5.1.3 To operate within the cash requirement.
- 5.2 The Chief Executive shall produce an operational plan in the form and for the period which the Scottish Government may prescribe. The Chief Executive shall submit an operational plan for approval by the Board that takes into account financial targets and forecast limits of available resources. The operational plan shall contain:-
  - 5.2.1 a statement of the significant assumptions within the operational plan; and
  - 5.2.2 details of major changes in workload, delivery of services or resources required to achieve the operational plan.
- 5.3 Before the financial year begins, the Director of Finance shall prepare and present a financial plan to the Board. The report shall:-
  - 5.3.1 show the total allocations received from the Scottish Government and their proposed uses, including any sums to be held in reserve;
  - 5.3.2 be consistent with the operational plan;
  - 5.3.3 be consistent with the Board's financial targets;
  - 5.3.4 identify potential risks;
  - 5.3.5 identify funding and expenditure that is of a recurring nature; and
  - 5.3.6 identify funding and expenditure that is of a non-recurring nature.
  - 5.3.7 identify the proposed payments to each Integration Joint Board for its Integration Functions; and
  - 5.3.8 identify the proposed amounts which are to be set aside for each Integration Joint Board for the Integration Functions carried out in large hospitals
- 5.4 The Director of Finance shall calculate the payments and set-aside for each Integration Joint Board in line with the process described in the relevant Integration Scheme.
- 5.5 The Health Board shall approve the financial plan for the forthcoming financial year.

- 5.6 The Health Board shall approve the payments and set-aside for each Integration Joint Board and the associated schedule of payments for the forthcoming financial year, in line with its financial plan.
- 5.7 Upon receipt of directions from the Integration Joint Boards, the Director of Finance shall assess whether the effect of those directions requires a change to the financial plan.
- 5.8 The Director of Finance shall continuously review the financial plan, to ensure that it meets the Board's requirements and the delivery of financial targets.
- 5.9 The Director of Finance shall regularly update the Board on significant changes to the allocations and their uses.
- 5.10 The Director of Finance shall monitor the expenditure incurred in carrying out integration joint board directions against the funding given with each direction. The Director of Finance shall follow the processes described in the finance section of each Integration Scheme for any issues that may arise, and the results will inform the financial planning process for the following year.
- 5.11 The Director of Finance shall establish the systems for identifying and approving how the Board's capital allocation will be used. The approval of business cases shall be as described in the Scheme of Delegation.
- 5.12 The Director of Finance shall release capital funds allowing for project start dates and phasing.

### **Budgetary Control**

- 5.13 The Board shall approve the opening Budgets for each financial year on an annual basis. The Director of Finance shall review the directions of the Integration Joint Boards. In the event that this review identifies a need to revise the opening Budgets, then the Director of Finance shall present the revised opening Budgets to the Board for approval.
- 5.14 The Chief Executive shall delegate the responsibility for budgetary control to designated Budget Holders. The Scheme of Delegation sets out the delegated authorities to take decisions and approve expenditure for certain posts. To support this process the Director of Finance shall administer a process to obtain evidence of their acceptance of the opening Budgets from the following Budget Holders:
  - The Chief Executive and their direct reports.
  - The direct reports to the Chief Officer (Acute Services).
- 5.15 Where one of the above officers wishes to delegate the role of "Budget Holder" to one of their team, then the officer should ensure that the prospective Budget Holder confirms their acceptance of the Budget, and confirms to observe the Board's policies and procedures which are relevant to discharge of their duties and to use whatever financial systems may be in place.

- 5.16 Where a Local Authority Employee is to be either a Budget Holder or is to be delegated authority to approve expenditure of any type, it is the responsibility of the relevant Director of Health & Social Care (Chief Officer) to ensure that the individual has the necessary access to the Board's policies & procedures and the relevant IT systems (e.g. procurement, payroll & expenses), and the capability to competently implement the Board's policies and procedures.
- 5.17 Employees and Local Authority Employees shall only act on their delegated authority when there is an approved Budget in place to fund the decisions they make.
- 5.18 Delegation of budgetary responsibility shall be in writing and be accompanied by a clear definition of:-
- 5.18.1 the amount of the Budget ;
  - 5.18.2 the purpose(s) of each Budget heading;
  - 5.18.3 what is expected to be delivered with the Budget in terms of organisational performance; and
  - 5.18.4 how the Budget Holder will report and account for their budgetary performance.
- 5.19 The Chief Executive may agree a virement procedure that would allow Budget Holders to transfer resources from one Budget heading to another.
- 5.20 If the Budget Holder does not require the full amount of the Budget delegated to them for the stated purpose (s), and virement is not exercised, then the amount not required shall revert back to the Chief Executive.
- 5.21 The Director of Finance shall devise and maintain systems of budgetary control. These will include:-
- 5.21.1 financial reports to each meeting of the Board in a form approved by the Board containing:-
    - a. net expenditure of the Board during the previous period and for the financial year-to-date; and on a quarterly basis, a forecast of the Board's expected net expenditure for the remainder of the year.
    - b. movements in working capital;
    - c. capital project spend and projected outturn against plan;
    - d. explanations of any material variances from plan;
    - e. details of any corrective action where necessary and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;

- 5.21.2 the issue of timely, accurate and comprehensible advice and financial reports to each holder of a Budget, including those responsible for capital schemes, covering the areas for which they are responsible;
- 5.21.3 investigation and reporting of variances from agreed Budgets;
- 5.21.4 monitoring of management action to correct variances; and
- 5.21.5 ensuring that adequate training is delivered on an on-going basis to Budget Holders.

### **Monitoring**

- 5.22 The Chief Executive shall submit any required monitoring forms to the Scottish Government.
- 5.23 The Director of Finance shall provide monthly reports in the form requested by the Cabinet Secretary showing the charge against the Board's resource limit on the last day of each month.

## **6 PAY EXPENDITURE**

### **Funded Establishment**

- 6.1 The workforce plans incorporated within the annual Budget will form the funded establishment.
- 6.2 The funded establishment of any department may not be varied without the approval of the Chief Executive, or without the application of any control procedure that the Board may put in place.
- 6.3 Only the Remuneration Committee can vary the establishment for posts directly accountable to the Chief Executive.
- 6.4 The Board shall follow national policy, procedures and guidance for the determination of commencing pay rates, conditions of service, etc, for employees.

### **Staff Appointments**

- 6.5 The term “staff appointment” can mean to engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or agree to changes in any aspect of remuneration. The engagement of agency staff shall only occur in accordance with procedures established by the Board.
  - 6.6 A director or employee or a Local Authority Employee may make a staff appointment if:-
    - 6.6.1 the organisation’s approved procedures permit the person to do so; or
    - 6.6.2 the Remuneration Committee has approved the appointment (for posts directly accountable to the Chief Executive)
- and***
- 6.6.3 the appointment is within the limit of their approved Budget and funded establishment.

### **Processing of Payroll**

- 6.7 The Director of Finance is responsible for:-
  - 6.7.1 specifying timetables for submission of properly authorised time records and other notifications;
  - 6.7.2 the final determination of pay;
  - 6.7.3 making payment on agreed dates; and
  - 6.7.4 agreeing method of payment.
- 6.8 The Director of Finance shall issue instructions regarding:-

- 6.8.1 verification and documentation of data;
  - 6.8.2 the timetable for receipt and preparation of payroll data and the payment of employees;
  - 6.8.3 maintenance of subsidiary records for superannuation, income tax, national insurance and other authorised deductions from pay;
  - 6.8.4 security and confidentiality of payroll information;
  - 6.8.5 checks to be applied to completed payroll before and after payment;
  - 6.8.6 authority to release payroll data under the provisions of the law relating to data protection, records management and information security;
  - 6.8.7 methods of payment available to various categories of employee;
  - 6.8.8 procedures for payment by cheque, bank credit, or cash to employees;
  - 6.8.9 procedures for the cancellation of cheques and recall of bank credits;
  - 6.8.10 pay advances and their recovery;
  - 6.8.11 verification, authorisation and payment of expenses;
  - 6.8.12 maintenance of regular and independent reconciliation of pay control accounts; and
  - 6.8.13 a system to ensure the recovery from leavers of sums of money and property due by them to the Health Board.
- 6.9 Nominated employees and local authority employees shall have delegated responsibility for:-
- 6.9.1 completing and submitting payroll documentation, and other notifications in accordance with agreed timetables and any instructions from the Director of Finance; and
  - 6.9.2 completing and submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee or Local Authority Employee fails to report for duty in circumstances that suggest they have left without notice, the Director of Finance, or relevant counterpart in the Local Authority which employs the Local Authority Employee, must be informed immediately.
- 6.10 Regardless of the arrangements for providing the payroll service, the Director of Finance shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

## **Contracts of Employment**

- 6.11 The Board shall delegate responsibility to the Director of People and Culture for:-
  - 6.11.1 ensuring that all employees are issued with a contract of employment in a form approved by the Board and which complies with employment legislation and any extant national NHS policies; and
  - 6.11.2 dealing with variations to, or termination of, contracts of employment.

## **7 NON-PAY EXPENDITURE**

7.1 This section shall apply to both revenue and capital expenditure.

### **Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services**

7.2 The Chief Executive shall designate a senior officer as the lead senior officer for procurement, and this person shall oversee the procurement of goods and services, to ensure there is an adequate approval of suppliers and their supplies based on cost and quality.

7.3 NSS National Procurement shall undertake procurement activity on a national basis on behalf of all NHS boards, and the Board shall implement these nationally negotiated contracts in line with CEL 2012 (05).

7.4 The Board shall operate within the processes established for the procurement of publicly funded construction work, utilising national and local contracts, including framework contracts.

7.5 The Board shall comply with The Public Contracts (Scotland) Regulations 2015 (and any subsequent relevant legislation) and the Procurement Reform (Scotland) Act 2014 (and any subsequent relevant legislation) for any procurement it undertakes directly.

7.6 The Director of Finance shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

7.7 All other aspects of procurement activity must follow the requirements of these Standing Orders and these SFIs. The Board must approve any decision to depart from the requirements of this section 7.

7.8 The lead senior officer for procurement shall:-

7.8.1 Advise the Board regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained in accordance with the Public Contracts (Scotland) Regulations (and any subsequent relevant legislation).

7.8.2 Prepare comprehensive procedures for all aspects of procurement activity.

7.9 The following basic principles shall be generally applied:-

7.9.1 procurement activity satisfies all legal requirements;

7.9.2 adequate contracts are in place with approved suppliers for the supply of approved products and services;

7.9.3 Segregation of duties is applied throughout the process;

7.9.4 Adequate approval mechanisms are in place before orders are raised;

- 7.9.5 All deliveries are checked for completeness and accuracy, and confirmed before approval to pay is made; and
- 7.9.6 All payments made are in accordance with previously agreed terms, and what the Board has actually received.
- 7.10 All procurement on behalf of the Board must be made on an official order. Official Orders must:-
  - 7.10.1 be consecutively numbered;
  - 7.10.2 be in a form approved by the lead senior officer for procurement;
  - 7.10.3 state the Board's terms and conditions of trade; and
  - 7.10.4 only be issued following the authorisation of the relevant officer or officers described in the Scheme of Delegation, or officers with the necessary delegated authority on the Authorised Signatory Database.
- 7.11 The Board shall not make payments in advance of need. However payment in advance of the receipt of goods or services is permitted in circumstances approved by the lead senior officer for procurement. Examples of such instances are:-
  - 7.11.1 Items such as conferences, courses and travel, foreign currency transactions, where payment is to be made at the time of booking, or where the use of the corporate purchasing card is deemed necessary.
  - 7.11.2 Where payment in advance of complete delivery is a legal or contractual requirement, e.g. maintenance contracts, utilities, rates.
  - 7.11.3 Where payment in advance is necessary to support the provision of services/delivery of a project by external providers (e.g. grants to local authorities or voluntary bodies.)
- 7.12 The Director of Finance shall issue procedures on the use of petty cash which all employees and Local Authority Employees shall follow. Access to petty cash facilities is subject to compliance with these procedures and with any additional conditions set at the time of funds being issued.

### **Tendering and Contracting**

- 7.13 Competitive Regulated Procurements for the supply and disposal of all goods and services shall be invited unless:-
  - 7.13.1 The Scheme of Delegation (Annex 4 of Standing Orders) permits otherwise.
  - 7.13.2 The supply or disposal has been arranged by the National Services Scotland – National Procurement, Scottish Government, Crown Commercial Service, Hubco, or any other agreed collaborative procurement which NHS Lothian is entitled to call off from.

- 7.13.3 The supply has been arranged under a framework agreement such as those noted in 7.13.2 above.
  - 7.13.4 The supply has been arranged under existing NHS Lothian Contract/Framework arrangements.
  - 7.13.5 The method of supply or disposal is subject to existing contractual obligations, and the Board is not free to put the matter out to tender.
  - 7.13.6 The supply value (excluding VAT) is not greater than £50,000, and paragraph 7.15 below applies.
  - 7.13.7 The supply value (excluding VAT) is greater than £50,000, and the Director of Finance has approved a decision to waive the requirement to tender (see paragraphs 7.16-7.19 below).
- 7.14 Tenders shall be issued when required in accordance with the Scheme of Delegation. The evaluation criteria and basis of scoring will be established prior to the issue of the tender. Normally, the Most Economically Advantageous Tender will be accepted. If it is proposed to accept a tender other than the lowest (or for disposals the highest) in the interests of Best Value, a formal record shall be retained of the reasons for doing so.

#### Supply of Value up to £50,000

- 7.15 Where the estimated expenditure is not greater than £50,000 (excluding VAT), then the following alternative arrangements should be followed by the Budget Holder:

<i>Value of Supply</i>	<i>Process to Follow</i>
£30,000 - £50,000	Competitive Quotation – at least <b>three</b> written quotations should be considered.
£15,000 - £30,000	Competitive Quotation – at least <b>two</b> written quotations should be considered.
£3,000 - £15,000	One written quotation should be considered.
Under £3,000	There is no requirement to get quotations.

In the event that it is not possible to satisfy the above requirements (e.g. it is not possible or practical to get two quotations), the lead senior officer (procurement) may waive the requirements. The lead senior officer (procurement) may waive the requirements, always having due regard to the circumstances used for the waiver of competitive tendering

#### Supply of Value greater than £50,000 - Waiver of Tender Requirements

This section must be read in conjunction with the Board's Scheme of Delegation, in particular *Section 4 – Requirements for Market Testing and Tendering (Capital and Revenue)*.

- 7.16 Budget Holders are expected to anticipate their procurement requirements in advance of when the supply is to be delivered, and routinely work with the Procurement

Department to undertake the appropriate tendering and contracting as is required by the law and 7.13 above. However, the Director of Finance may waive the requirement to undertake tendering in the following circumstances:-

- 7.16.1 The timescale (from identification of need to the time of required delivery) genuinely precludes the appropriate form of market testing. This provision cannot be used if the limited timescale is due to a failure to anticipate the need for the supply.
  - 7.16.2 The supply or disposal is for goods and services of a special nature or character in respect of which it is not possible or desirable to obtain competitive tenders.
  - 7.16.3 Specialist expertise is required and is available from only one source.
  - 7.16.4 The supply concerns a task that is essential to complete a piece of work and arises as a consequence of a recently completed assignment, and engaging different suppliers for the new task would be inappropriate.
  - 7.16.5 There is a clear benefit to be gained from maintaining continuity with an earlier project. However, in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering.
- 7.17 The lead senior officer for procurement shall prepare a standard form to be used on every occasion to set out the reasons for a proposal to waive Regulated Procurement procedures, and which of the above clauses at 7.16 is being used.
- 7.18 The lead senior officer for procurement must confirm within that form whether the proposed waiver taken together with other associated procurement actions will breach The Public Contracts (Scotland) Regulations 2015 (and any subsequent relevant legislation) or the Procurement Reform (Scotland) Act 2014 (and any subsequent relevant legislation). If the waiver would constitute a breach, then the waiver cannot proceed. (N.B. Para 1.3 of these SFIs requires the Board to follow the law.)
- 7.19 The Director of Finance must review the completed form before approving the waiver. The Director of Finance shall forward all waiver approvals to the lead senior officer for procurement. The lead senior officer for procurement shall maintain a waiver of tender register.

## **8 ADDITIONAL MATTERS FOR CAPITAL EXPENDITURE**

### **Overall Arrangements for the Approval of the Capital Plan**

- 8.1 The Board shall follow any extant national instructions on the approval of capital expenditure, such as the Scottish Capital Investment Manual (SCIM). The authorisation process is described in the Scheme of Delegation.
- 8.2 The Chief Executive shall ensure that:-
- 8.2.1 the Board's approach to asset management and capital prioritisation is informed by the contents of the integration joint boards' strategic plans and the Board's strategic plan;
  - 8.2.2 there is an adequate appraisal and approval process in place for determining capital expenditure priorities, which also considers the impact on revenue expenditure within the service arising from each proposal;
  - 8.2.3 all stages of capital schemes are managed, and are delivered on time and to cost;
  - 8.2.4 capital investment is not undertaken without confirmation that the necessary capital funding and approvals are in place; and
  - 8.2.5 all revenue consequences from the scheme, including depreciation, are recognised, and the source of funding is identified in financial plans.

### **Implementing the Capital Programme**

- 8.3 For every capital expenditure proposal the Chief Executive shall ensure:-
- 8.3.1 that a business case as required by the Scottish Capital Investment Manual (SCIM) is produced, setting out:-
    - a. an option appraisal of potential benefits and risks compared with known costs to determine the deliverable option with the highest ratio of benefits to costs in light of the risks; and
    - b. appropriate project management and control arrangements; and
    - c. that the Director of Finance has assessed the costs and revenue consequences detailed in the business case.
  - 8.3.2 The above conditions shall apply unless the requirement for a business case is waived by the Board (and where applicable, with agreement from Scottish Government) as detailed in the Scheme of Delegation.
  - 8.4 The approval of a business case, when required, and inclusion in the Board's capital plan shall not constitute approval of the individual elements of expenditure on any scheme. Authority to commit capital expenditure or to proceed to tender will be determined by the limits and specific delegations

set out within the NHS Lothian Scheme of Delegation. Authority to proceed to tender will be issued by the Director of Finance, following the approval of any business case.

- 8.5 The Scheme of Delegation shall stipulate where authority lies for:-
  - 8.5.1 approval to accept a successful tender; and
  - 8.5.2 where a national framework/ procurement process applies, authority to agree risks and timelines associated with a project in order to arrive at a target price.
- 8.6 The Director of Finance shall issue procedures governing the financial management of capital investment projects (e.g. including variations to contract, application of Frameworks Scotland) and valuation for accounting purposes.

### **Public Private Partnerships and other Non-Exchequer Funding**

- 8.7 When the Scottish Government or Scottish Futures Trust directs the Board to use finance which is to be provided other than through its allocations, the following procedures shall apply:-
  - 8.7.1 The Director of Finance shall demonstrate that the use of public private partnerships represents value for money and implements the risk transfer to the private sector as laid out in Scottish Government or Scottish Futures Trust documentation.
  - 8.7.2 Where the sum involved exceeds the Board's delegated limits (as detailed in the Scheme of Delegation – see **section 2** of the Scheme of Delegation), the business case must be referred to the Scottish Government for approval or treated as per current guidelines.
  - 8.7.3 The Board shall specifically agree the proposal and specify which officers are authorised to agree and sign the relevant contractual documentation.
  - 8.7.4 The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

### **Disposals of Assets**

- 8.8 The Director of Finance shall issue procedures for the disposal of assets including condemnations. All disposals shall be in accordance with MEL (1996)7: Sale of surplus and obsolete goods and equipment.
- 8.9 All transactions involving property will be conducted in accordance with the procedures set out in the NHSScotland Property Transactions Handbook.
- 8.10 There is a requirement to implement the Duty of Best Value (see 2.13.3) when disposing of assets belonging to the Health Board. Competitive tendering should normally be undertaken.

- 8.11 When it is decided to dispose of a Health Board asset, the head of department or authorised deputy will determine and advise the Director of Finance of the estimated market value of the item, taking account of professional advice where appropriate.
- 8.12 All unserviceable articles shall be:-
- 8.12.1 Condemned or otherwise disposed of by an employee or Local Authority Employee authorised for that purpose by the Director of Finance.
  - 8.12.2 Recorded by the Condemning Officer in a form approved by the Director of Finance which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Director of Finance.

### **Capital Accounting**

- 8.13 The Director of Finance shall be notified when capital assets are sold, scrapped, lost or otherwise disposed of, and what the disposal proceeds were. The value of the assets shall be removed from the accounting records. Each disposal must be validated by reference to authorisation documents and invoices (where appropriate).
- 8.14 The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 8.15 The value of each asset shall be indexed and depreciated in accordance with methods specified by the Scottish Government.

## **9 ASSET REGISTERS AND SECURITY OF ASSETS**

- 9.1 The Chief Executive is responsible for the control of all assets. The Chief Executive shall establish a fixed asset register. The register shall hold the minimum data set required by the Scottish Government.
- 9.2 The Director of Finance shall:-
- 9.2.1 devise the format of the fixed asset register and the methods for maintaining it; and
  - 9.2.2 arrange for a periodic physical check of assets against the asset register to be conducted and ensure that any discrepancies are reported – ensuring that all assets are subject to a physical check at least once every five years.
- 9.3 Additions to the fixed asset register must be clearly identified to an appropriate Budget Holder and be validated by reference to:-
- 9.3.1 authorised agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
  - 9.3.2 stores, requisitions and wages records for own materials and labour including appropriate overheads; and
  - 9.3.3 lease agreements in respect of assets held under a lease and capitalised.
- 9.4 The Director of Finance shall approve the systems of control and procedures for the general security of assets. These shall include:-
- 9.4.1 recording managerial responsibility for each asset;
  - 9.4.2 identification of additions and disposals;
  - 9.4.3 identification of all repairs and maintenance expenses;
  - 9.4.4 physical security of assets. Where practical, assets should be marked as Health Board property;
  - 9.4.5 periodic verification of the existence of, condition of, and title to, assets recorded; and
  - 9.4.6 identification and reporting of all costs associated with the retention of an asset.
- 9.5 The Chief Executive shall designate a senior officer as the Senior Information Risk Owner (SIRO). The SIRO shall ensure that an Information Asset Register entry for all Information Assets is compiled and maintained. The SIRO will ensure that all information assets are assigned to an identified Information Asset Owner (IAO) and that all IAOs understand their responsibilities.

## **10 BANKING AND CASH HANDLING**

- 10.1 The Director of Finance shall manage the Board's banking arrangements and advise the Board on the provision of banking services and operation of accounts. This advice shall take into account guidance/directions issued from time to time by the Scottish Government. The Director of Finance shall appoint a 'Project Bank Account' champion for project bank accounts on behalf of the Board who will facilitate the alignment and maintenance of organisational PBA processes involving a range of disciplines.
- 10.2 The Director of Finance shall ensure that the banking arrangements operate in accordance with the UK Government Banking Service (GBS), the Scottish Government Banking Services Framework (Commercial) and the Scottish Public Finance Manual.
- 10.3 The Board shall approve the banking arrangements. No employee or Local Authority Employee may open a bank account for the Board's activities or in the Board's name, unless the Board or a committee of the Board (which the Board has delegated authority to open bank accounts) has given explicit approval.
- 10.4 The Director of Finance shall:-
- 10.4.1 establish separate bank accounts for non-exchequer funds;
  - 10.4.2 ensure payments made from bank or GBS accounts do not exceed the amount credited to the account, except where arrangements have been made;
  - 10.4.3 ensure money drawn from the Scottish Government against the Cash Requirement is required for approved expenditure only, and is drawn down only at the time of need;
  - 10.4.4 promptly bank all monies received intact. Expenditure shall not be made from cash received that has not been banked, except under arrangements approved by the Director of Finance; and
  - 10.4.5 report to the Board all arrangements made with the Board's bankers for accounts to be overdrawn.
- 10.5 The Director of Finance shall prepare detailed instructions on the operation of bank and GBS accounts, which must include:-
- 10.5.1 the conditions under which each bank and GBS account is to be operated;
  - 10.5.2 ensuring that the GBS account is used as the principal banker and that the amount of cleared funds held at any time within exchequer commercial bank accounts is limited to a maximum of £50,000 (of cleared funds).
  - 10.5.3 the limit to be applied to any overdraft;

- 10.5.4 those authorised to sign cheques or other orders drawn on the Board's accounts; and
  - 10.5.5 the required controls for any system of electronic payment.
- 10.6 The Director of Finance shall:-
- 10.6.1 approve the stationery for officially acknowledging or recording monies received or receivable, and keep this secure;
  - 10.6.2 provide adequate facilities and systems for employees or Local Authority Employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
  - 10.6.3 approve procedures for handling cash and negotiable securities on behalf of the Board.
- 10.7 Money in the custody of the Board shall not, under any circumstances, be used for the encashment of private cheques.
- 10.8 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the Board is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the Board from responsibility for any loss.

## **11 STORES**

- 11.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use), should be:-
  - 11.1.1 kept to a minimum;
  - 11.1.2 subject to annual stocktake; and
  - 11.1.3 valued at the lower of cost and net realisable value.
- 11.2 The Chief Executive shall delegate the responsibility for the control of stores to officers throughout the Health Board. For pharmaceutical stocks, the delegation of the responsibility must legally always sit with the Director of Pharmacy or a named deputy.
- 11.3 The Director of Finance shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 11.4 The Director of Finance shall approve procedures for stocktaking, and there shall be a physical check covering all items in stock at least once a year.
- 11.5 The responsibility for security arrangements and the custody of keys for all stores and locations shall be clearly defined in writing by the designated manager/Director of Pharmacy or named deputy.
- 11.6 Where a complete system of stock control is not justified, alternative arrangements shall require the approval of the Director of Finance or the Director of Pharmacy or named deputy.
- 11.7 The designated Manager/Director of Pharmacy or named deputy shall 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 shall report to the Director of Finance any evidence of significant overstocking and of any negligence or malpractice. Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.
- 11.8 For goods supplied via central NHS warehouses, the Chief Executive shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the Director of Finance who shall be satisfied that the goods have been received, before accepting the recharge.

## **12 INCOME, FEES AND CHARGES**

### **General**

12.1 The Director of Finance shall design and implement systems for the recording and collection of all monies due.

### **Fees and Charges**

12.2 The Board shall follow the Scottish Government's guidance in setting prices for services.

12.3 The Director of Finance shall approve all fees and charges other than those determined by the Scottish Government or by statute.

12.4 All employees and Local Authority Employees must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

12.5 The Director of Finance shall approve the level of rentals for newly acquired property and shall regularly review rental and other charges.

12.6 The Director of Finance shall be consulted about the pricing of goods and services offered for sale and nationally negotiated rates shall be observed.

12.7 Independent professional advice on matters of valuation may be taken as necessary.

### **Debt Recovery**

12.8 The Director of Finance shall take appropriate recovery action on all outstanding debts, including write-off action after all reasonable steps have been taken to secure payments.

12.9 Income not received shall be dealt with in accordance with losses procedures.

12.10 Overpayments should be detected (or preferably prevented) by the Board's system of control and recovery initiated and taken to resolution.

## **13 SERVICE AGREEMENTS FOR PATIENT SERVICES**

### **General**

- 13.1 The role of the Board is to achieve long-term health gain for the resident population of Lothian. It pursues this through its strategic planning, public health and health promoting functions.
- 13.2 The Chief Executive shall negotiate service agreements for the provision of services to patients in accordance with any agreed plans, and for any non-contracted and unplanned activity.
- 13.3 The Director of Finance shall ensure all systems associated with service agreements operate in such a way as to maintain patient confidentiality, as agreed with the Board's Caldicott Guardian.
- 13.4 The Director of Finance shall ensure that all agreements satisfy the requirements of budgetary control and the Board's financial targets.

### **Where Lothian Health Board is the Provider**

- 13.5 The Chief Executive shall ensure that service agreements for provision of services recover the costs borne by the Board and minimise any risks to the Board.
- 13.6 The Director of Finance shall advise the Chief Executive regarding:-
  - 13.6.1 costing and pricing of services;
  - 13.6.2 payment terms and conditions; and
  - 13.6.3 amendments to agreements.
- 13.7 The Director of Finance shall set charges for services, including non-contracted activity (cross-border) and unplanned activity ('UNPACS') (cross-Health Board boundary), in accordance with national guidelines.
- 13.8 The Director of Finance shall produce regular reports to the Board detailing actual and forecast income, linked to activity, with a detailed assessment of the impact of the variable elements of income.

### **Where the Service Provider is any other Organisation**

- 13.9 The Director of Finance shall ensure that:-
  - 13.9.1 service agreements placed are within the resources available to the organisation; and
  - 13.9.2 providers are paid in accordance with the terms of the service agreement, and any relevant national guidance.

13.10 The Director of Finance shall review service concession agreements with third parties for elements containing leases. This is to ensure that the expenditure arising from these is properly accounted for under the requirements of the extant accounting standards.

## **14 RISK MANAGEMENT & INSURANCE**

- 14.1 The Chief Executive shall ensure that the Board has a programme of risk management which will be approved and monitored by the Board and which complies with the standards issued by NHS Healthcare Improvement Scotland.
- 14.2 The programme of risk management shall include:-
- 14.2.1 a process for identifying and quantifying risks and potential liabilities;
  - 14.2.2 engendering among all levels of staff a positive attitude towards the control of risk;
  - 14.2.3 management processes to ensure 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;
  - 14.2.4 contingency plans to offset the impact of adverse events;
  - 14.2.5 audit arrangements including: internal audit, clinical audit, health and safety review; and
  - 14.2.6 arrangements to review the risk management programme.
- 14.3 An annual risk management report shall be prepared confirming whether adequate and effective risk management systems were in place throughout the year, and will highlight any areas of material risk. This shall be used as a source of assurance and will inform the content of the Governance Statement.
- 14.4 The Director of Finance shall ensure that insurance arrangements exist in accordance with the risk management programme.
- 14.5 The NHS Lothian Charity is responsible for establishing its own risk management arrangements.

## **15 INFORMATION TECHNOLOGY**

- 15.1 The Chief Executive shall designate a senior officer as the lead senior officer for Digital. Digital functions support the use of information, computers and telecommunications in meeting the needs of patients and health of citizens. The lead senior officer for Digital is only responsible for those systems that are supported by the Digital Directorate.
- 15.2 The lead senior officer for Digital shall ensure that the Directorate's contributions and priorities are fully and appropriately reflected within NHS Lothian's organisational strategies. The lead senior officer for Digital shall also ensure that effective operational plans are in place to support the delivery of any relevant strategic priorities determined by the Board and that there is effective engagement with healthcare professionals to inform the development and implementation of Digital priorities.
- 15.3 Executive directors shall ensure that the Digital Directorate has planning input to all new/refurbishment build projects to ensure that they incorporate the latest technologies to design and deliver the required services, but also ensure their compatibility with the existing NHS Lothian infrastructure.
- 15.4 The lead senior officer for Digital shall ensure that on the acquisition of any new computer hardware, software or systems Health Board procurement guidelines have been adhered to and adequate option appraisals undertaken.
- 15.5 In the case of computer systems which are proposed general applications (i.e., normally those applications which the majority of NHS organisations wish to sponsor jointly) all responsible directors and employees and Local Authority Employees will send to the lead senior officer for Digital:-
  - 15.5.1 details of the outline design of the system;
  - 15.5.2 contract details and/or standard contract conditions; and
  - 15.5.3 in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement.
- 15.6 The lead senior officer for Digital shall draw up an IT Security Policy and Standards document and ensure that it is effectively communicated to all members of staff of the Health Board. This will require to be approved by the Board's Caldicott Guardian and the Senior Information Risk Owner.
- 15.7 The lead senior officer for Digital shall draw up business continuity plans to ensure minimal disruption to business operations in the event of an interruption in the operation of Health Board IT/IS systems that are supported by the Digital Directorate.
- 15.8 The Director of Finance shall be responsible for the accuracy and security of the financial data of the Board and shall:-
  - 15.8.1 devise and implement any necessary procedures to ensure adequate protection of the Board's data, programs and computer hardware for which

they are responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for law relating to data protection, records management and information security;

- 15.8.2 ensure that adequate controls exist over financial data entry, processing, storage, transmission and output to ensure the security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
  - 15.8.3 ensure that, in the appropriate environments, adequate controls exist such that the computer operation is separated from development, maintenance and amendment; and
  - 15.8.4 ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as they may consider necessary are being carried out.
- 15.9 The Director of Finance shall ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested before implementation. Where this is undertaken by another organisation, assurances of adequacy will be obtained from them before implementation.
- 15.10 The Director of Finance shall ensure that for contracts for computer services for financial applications with another body, the Health Board shall periodically seek assurances that adequate controls are in operation.
- 15.11 Where computer systems have an impact on corporate financial systems the Director of Finance shall ensure that:-
- 15.11.1 systems acquisition, development and maintenance are in line with corporate policies such as a Digital Strategy;
  - 15.11.2 data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
  - 15.11.3 Finance staff have access to such data; and
  - 15.11.4 such computer audit reviews as are considered necessary are being carried out.
- 15.12 For all other IT systems not currently supported by Digital or the responsibility of the Director of Finance (as defined above), the executive director with lead responsibility for the system shall ensure that the requirements of this section 15 of these SFIs are applied to that system.

## **16 RETENTION OF RECORDS**

- 16.1 The Chief Executive, as the Accountable Officer, shall be responsible, overall, for records management within NHS Lothian. Oversight of this area is further delegated to NHS Lothian's Senior Information Risk Owner (SIRO) who is the senior manager with named responsibility for records management under Element 1 of the NHS Lothian Records Management Plan. The SIRO will therefore provide assurance to the Accountable Officer and the Board that information risk is managed and that appropriate records management policies and protocols are maintained and implemented. This applies to both health records and corporate records held by the Board.
- 16.2 The records held in archives shall be capable of retrieval by authorised persons.
- 16.3 Records held shall be managed and disposed of in line with the Scottish Government's Records Management Code of Practice for Health and Social Care (2024). Records shall only be destroyed in line with agreed disposal procedures and accurate records shall be maintained of any records so destroyed.
- 16.4 A detailed description of the required retention periods for records, including finance records, is provided by the Records Retention Schedule contained within the Scottish Government's Records Management Code of Practice for Health and Social Care (2024). This may be supplemented with internal retention instructions relevant to specific records held by the Board and not fully addressed within the national schedule.
- 16.5 Financial records shall be managed in accordance with the Board's Records Management Policy and any associated policies, protocols or guidance issued by the Board.

## **17 PRIMARY CARE CONTRACTORS**

- 17.1 In these SFIs and all other Board documentation, Primary Care contractor means:-
- 17.1.1 an independent provider of healthcare who is registered to provide general dental, medical, ophthalmic or pharmaceutical services under the National Health Service in the United Kingdom (UK); or
  - 17.1.2 an employee of a National Health Service organisation in the UK who is registered to provide general dental, medical, ophthalmic or pharmaceutical services under the National Health Service in the UK.
- 17.2 The lead senior officer for primary care contracting shall devise and implement systems to control the registers of those who are entitled to provide general dental, medical, ophthalmic or pharmaceutical services under the National Health Service in Lothian. Systems shall include criteria for entry to and deletions from the registers.
- 17.3 The Director of Finance shall agree the Service Level Agreement (s) with NHS National Services Scotland for:-
- 17.3.1 the development, documentation and maintenance of systems for the verification, recording and receipt of NHS income collected by or on behalf of Primary Care Contractors; and
  - 17.3.2 the development, documentation and maintenance of systems for the verification, recording and payment of NHS expenditure incurred by or on behalf of Primary Care Contractors.
- 17.4 The agreements at paragraph 17.3 shall comply with guidance issued from time to time by the Scottish Government. In particular they shall take account of any national systems for the processing of income and expenditure associated with Primary Care Contractors.
- 17.5 The Director of Finance shall ensure that all transactions conducted for or on behalf of Primary Care Contractors by the Board shall be subject to these SFIs.

## **18 LOSSES AND SPECIAL PAYMENTS**

- 18.1 The Director of Finance shall issue procedures on the recording of and accounting for losses and special payments, to meet the requirements of the Scottish Public Finance Manual. These procedures shall include the steps to be taken where the loss may have been caused by a criminal act.
- 18.2 The Scheme of Delegation describes the process for the approval of the write-off of losses and making of special payments.
- 18.3 The Director of Finance shall be authorised to take any necessary steps to safeguard the Board's interests in bankruptcies and company liquidations.
- 18.4 For any loss, the Director of Finance should consider whether any insurance claim can be made.
- 18.5 The Director of Finance shall maintain a Losses and Special Payments Register in which write-off action is recorded.

## 19 FRAUD, BRIBERY AND CORRUPTION

- 19.1 This section should be read in conjunction with the NHS Lothian's Applying the Principles of Good Business Conduct, the Board Members' Code of Conduct, the Bribery Act 2010, the Economic Crime and Corporate Transparency Act 2023, and the national whistleblowing policy.
- 19.2 For practical purposes, fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party. This includes bribery and theft where deception is involved. NHS Lothian operates a zero-tolerance approach to bribery committed by any person working for or providing services to NHS Lothian. Any allegation of bribery will be investigated in accordance with relevant processes and procedures and may be reported to the authorities, as appropriate.
- 19.3 The Director of Finance shall, through staff briefings, intranet links and other methods of communication, ensure there is clear information available to employees on what to do if they suspect fraud.
- 19.4 Where any employee has grounds to suspect that fraud has occurred, they should notify their line manager without delay. If the employee feels unable to notify their line manager, they should contact the Fraud Liaison Officer (FLO) directly or contact Counter Fraud Services (CFS) directly on 0800 151 628 ([www.cfs.scot.nhs.uk](http://www.cfs.scot.nhs.uk)).
- 19.5 Any line manager receiving an allegation of fraud should immediately notify the FLO. The FLO will carry out such preliminary investigations as deemed necessary to establish whether or not there is a *prima facie* case of fraud. Where this is the case, the FLO will inform CFS.
- 19.6 CFS is a central resource for carrying out all fraud investigations, and a centre of expertise for investigations into potential frauds. The operations of CFS are outlined in the Partnership Agreement between NHS Lothian and CFS.
- 19.7 The partnership agreement includes the adoption of the Counter Fraud Standard across NHS Scotland from 1st April 2022, which further defines the roles of FLO, the Counter Fraud Champion (CFC) and the Director of Finance in managing the risk of fraud in each Health Board.
- 19.8 NHS Lothian will seek to adopt, as far as possible, the components of the [NHS Scotland Counter Fraud Standard](#).
- 19.9 All employees and Local Authority Employees shall, at the request of the CFS Head of Service, or a delegated, identified and authorised CFS member of staff, and only for the express purposes of the investigation, detection and prevention of fraud or other irregularities against the Scottish Health Service, provide:
- i. access to all records, documents, correspondence or information relating to any transactions or matters, including documents of a confidential nature.
  - ii. access at all reasonable times to any land, premises or employee of the health board or Local Authority Employees.

- iii. the production of any cash, stores or other property of the health board under an employee's or Local Authority Employee's control.
  - iv. explanations concerning any matter under review or investigation.
- 19.10 Where there is sufficient evidence, CFS will refer a case to the Crown Office and Procurator Fiscal Service (COPFS) as to whether a criminal investigation of the case will proceed.
- 19.11 Whether or not the COPFS determines that there are sufficient grounds on which to institute criminal proceedings, it remains open to NHS Lothian to consider pursuing disciplinary and other relevant proceedings.
- 19.12 Whether or not criminal proceedings are taken, or a criminal conviction is obtained, the public debt is not eliminated, and recovery of the debt should be pursued by any means available, subject to both financial viability and the likelihood of success. Internal management action must not, of course, prejudice any criminal proceedings but should continue with reference to any relevant employee conduct policies. The systems of control should subsequently be evaluated to prevent recurrence.
- 19.13 The FLO shall prepare a report for the Audit and Risk Committee, setting out the circumstances of the incident and any implications for management including changes to internal control systems which may require to be made.
- 19.14 All employees, local authority employees or an employee or volunteer of third parties contracted to NHS Lothian, when acting on behalf of the Board, must complete the Procurement Fraud Awareness module on TURAS.

## **20 ANNUAL ACCOUNTS AND REPORTS**

- 20.1 The Director of Finance shall prepare and submit financial returns and reports to the Cabinet Secretary. This will be consistent with any guidance issued by the Scottish Government and the Treasury, the Board's accounting policies, and generally accepted accounting practice.
- 20.2 The Audit & Risk Committee shall review the annual accounts prior to them being submitted to the Board for approval (in private session).
- 20.3 The Chief Executive shall ensure that there is a formal record of the presentation of the annual accounts to the Board. Once the annual accounts have been laid before the Scottish Parliament, the Board will publish the annual accounts on its website.
- 20.4 The Chief Executive shall arrange for the production and presentation of an Annual Report for NHS Lothian, in such format and via such channels as may be determined by the Scottish Government.

## **21 PATIENTS' PROPERTY**

- 21.1 The Board has a responsibility to provide safe custody for money and other personal property (hereafter referred to as "property") handed in by patients, in the possession of unconscious or confused patients, or found in the possession of patients dying in hospital or dead on arrival.
- 21.2 The Chief Executive shall ensure that patients or their guardians, as appropriate, are informed before or at admission, by:-
- 21.2.1 notices and information booklets;
  - 21.2.2 hospitals admission documentation and property records; and
  - 21.2.3 the oral advice of administrative and nursing staff responsible for admissions,
- that the Board will not accept responsibility or liability for patients' property brought into Health Board premises, unless it is handed in for safe custody and a copy of an official patients' property record is obtained as a receipt.
- 21.3 The Director of Finance shall issue procedures on the collection, custody, recording, safekeeping, and disposal of patients' property (including instructions on the disposal of the property of deceased patients and of patients transferred to other premises) for all staff whose duty is to administer, in any way, the property of patients. Due care should be exercised in the management of a patient's property in order to maximise the benefits to the patient.
- 21.4 The Executive Nurse Director shall issue additional procedures for staff on the governance, assurance, and operating processes in respect of NHS Lothian undertaking measures to safeguard and manage finances or property on behalf of a patient whose capacity to manage their financial matters is impaired.
- 21.5 Where patients' property is received for specific purposes and held for safekeeping the property shall be used only for that purpose unless any variation is approved by the donor or patient in writing.
- 21.6 The Director of Finance shall prepare an abstract of receipts and payments of patients' property in the form laid down by the Scottish Government. This abstract shall be audited independently and presented to the Audit & Risk Committee annually, with the auditor in attendance at the meeting. The Committee is delegated the responsibility to review and recommend the approval of the abstract and draft management representation letter, to the Board. The abstract, the management representation letter, and the associated audit report must be received and approved by the Board.

## **22 FUNDS HELD ON TRUST (ENDOWMENTS)**

- 22.1 Members of the Health Board become trustees of NHS Lothian Charity ex officio by reason of their Board appointment. The appointment as trustee is legally distinct from the appointment as a Board member. The trustees of NHS Lothian Charity, collectively, are an unincorporated body distinct from Lothian NHS Board.
- 22.2 The responsibilities of the trustees shall be discharged separately from the responsibilities of members of Lothian NHS Board and its employees. The trustees shall be accountable to the Office of the Scottish Charity Regulator for all charitable funds held on trust.
- 22.3 The overriding principle is that the integrity of each trust must be maintained and statutory and trust obligations met. Materiality must be assessed separately from Exchequer activities and funds. The Trustees shall separately approve a Charter and other policies and procedures as required to discharge their responsibilities as trustees.
- 22.4 These SFIs shall apply to the management of funds held on trust. However the trustees may adapt the provisions of the SFIs in order to best serve the requirements of the charity. The trustees may, in accordance with the NHS Lothian Charity Charter, issue instructions, procedures or internal control measures to support the discharge of the trustees' responsibilities. This includes the delegation of authority to individuals and committees.
- 22.5 The Director of Finance shall prepare annual accounts for funds held in trust, to be audited independently and presented annually to the Trustees.
- 22.6 The Chair of the trustees of the NHS Lothian Charity shall ensure that the trustees have a programme of risk management which will be approved and monitored by the trustees, and which complies with the standards set out by the Office of the Scottish Charity Regulator and the Charities SORP.