

Schedule 2.1

MODEL STANDING FINANCIAL INSTRUCTIONS FOR DIGITAL HEALTH AND CARE WALES

This Schedule forms part of, and shall have effect as if incorporated in the Digital Health and Care Wales Standing Orders (incorporated as Schedule 2.1 of SOs).

Foreword

These Model Standing Financial Instructions are issued by Welsh Ministers to Digital Health and Care Wales “DHCW” using powers of direction provided in section 23 (1) of the National Health Service (Wales) Act 2006. DHCW must agree Standing Financial Instructions (SFIs) for the regulation of their financial proceedings and business. Designed to achieve probity, accuracy, economy, efficiency, effectiveness and sustainability in the conduct of business, they translate statutory and Welsh Government financial requirements for the NHS in Wales into day to day operating practice. Together with the adoption of Standing Orders (SOs), a Scheme of decisions reserved to the Board and a scheme of delegations to officers and others, they provide the regulatory framework for the business conduct of DHCW.

These documents form the basis upon which DHCW's governance and accountability framework is developed and, together with the adoption of DHCW's Values and Standards of Behaviour framework, is designed to ensure the achievement of the standards of good governance set for the NHS in Wales.

All DHCW Board members and officers must be made aware of these Standing Financial Instructions and, where appropriate, should be familiar with their detailed content. The Director of Finance will be able to provide further advice and guidance on any aspect of the Standing Financial Instructions. The Board Secretary will be able to provide further advice and guidance on the wider governance arrangements within DHCW. Further information on governance in the NHS in Wales may be accessed at <https://nwssp.nhs.wales/all-wales-programmes/governance-e-manual/>

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Digital Health and Care Wales

1. INTRODUCTION

1.1 General

- 1.1.1 These Model Standing Financial Instructions are issued by Welsh Ministers to Digital Health and Care Wales “DHCW” using powers of direction provided in section 23(1) of the National Health Service (Wales) Act 2006. DHCW must agree Standing Financial Instructions (SFIs) for the regulation of their financial proceedings and business. They shall have effect as if incorporated in the Standing Orders (SOs) (incorporated as Schedule 2.1 of SOs).
- 1.1.2 These SFIs detail the financial responsibilities, policies and procedures adopted by DHCW. They are designed to ensure that DHCW's financial transactions are carried out in accordance with the law and with Welsh Government policy in order to achieve probity, accuracy, economy, efficiency, effectiveness and sustainability. They should be used in conjunction with the Schedule of decisions reserved to the Board and the Scheme of delegation adopted by DHCW.
- 1.1.3 These SFIs identify the financial responsibilities which apply to everyone working for DHCW. They do not provide detailed procedural advice and should be read in conjunction with the detailed financial control procedure notes. All financial procedures must be approved by the Director of Finance and Audit and Assurance Committee.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Board Secretary or Director of Finance must be sought before acting. The user of these SFIs should also be familiar with and comply with the provisions of DHCW's Standing Orders “SOs”.

1.2 Overriding Standing Financial Instructions

- 1.2.1 Full details of any non-compliance with these SFIs, including an explanation of the reasons and circumstances must be reported in the first instance to the Director of Finance and the Board Secretary, who will ask the Audit and Assurance Committee “Audit Committee” to formally consider the matter and make proposals to the Board on any action to be taken. All Board members and DHCW officers have a duty to report any non-compliance to the Director of Finance and Board

Secretary as soon as they are aware of any circumstances that has not previously been reported.

- 1.2.2 Ultimately, the failure to comply with SFIs and SOs is a disciplinary matter that could result in an individual's dismissal from employment or removal from the Board.**

1.3 Financial provisions and obligations of DHCW

- 1.3.1** The financial provisions and obligations for Special Health Authorities, which relate to DHCW are set out under Sections 171, 172 and 173 of the NHS (Wales) Act 2006. The Board as a whole and the Chief Executive in particular, in their role as the Accountable Officer for the organisation, must ensure DHCW meets its statutory obligation to perform its functions within the available financial resources.

2. RESPONSIBILITIES AND DELEGATION

2.1 The Board

2.1.1 The Board exercises financial supervision and control by:

- a) Formulating and approving the Medium Term Financial Plan (MTFP) as part of the developing and approving medium term plan, reflecting longer-term planning and delivery objectives;
- b) Requiring the submission and approval of balanced annual budgets within approved allocations/resource limits
- c) Defining and approving essential features in respect of important financial policies, systems and financial controls (including the need to obtain value for money and sustainability); and
- d) Defining specific responsibilities placed on Board members and DHCW officers, and DHCW committees and Advisory Groups as indicated in the 'Scheme of delegation' document.

2.1.2 The Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the 'Schedule of matters reserved to the Board' document. The Board, subject to any directions that may be made by Welsh Ministers, shall make appropriate arrangements for certain functions to be carried out on its behalf so that the day to day business of DHCW may be carried out effectively, and in a manner that secures the achievement of the organisations aims and objectives. This will be via powers and authority delegated to committees, sub-committees, joint committees or joint sub-committees that DHCW has established or to an officer of DHCW in accordance with the 'Scheme of delegation' document adopted by DHCW.

2.2 The Chief Executive and Director of Finance

2.2.1 The Chief Executive and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.

2.2.2 Within the SFIs, it is acknowledged that the Chief Executive is ultimately accountable to the Board, and as Accountable Officer, to the Welsh Government, for ensuring that the Board meets its obligation to perform its functions within the available financial resources. The Chief Executive has overall executive responsibility for DHCW's activities; is

responsible to the Chair and the Board for ensuring that financial provisions, obligations and targets are met; and has overall responsibility for DHCW's system of internal control.

- 2.2.3 It is a duty of the Chief Executive to ensure that Board members and DHCW officers, and all new appointees are notified of, and put in a position to understand their responsibilities within these SFIs.

2.3 The Director of Finance

- 2.3.1 The Director of Finance is responsible for:

- a) Implementing DHCW's financial policies and for co-coordinating any corrective action necessary to further these policies;
- b) Maintaining an effective system of internal financial control including ensuring that detailed financial control procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- c) Ensuring that sufficient records are maintained to show and explain DHCW's transactions, in order to disclose, with reasonable accuracy, the financial position of DHCW at any time; and
- d) Without prejudice to any other functions of DHCW, and Board members and DHCW officers, the duties of the Director of Finance include:
 - (i) the provision of financial advice to other Board members and DHCW officers, and DHCW Committees and Advisory Groups,
 - (ii) the design, implementation and supervision of systems of internal financial control, and
 - (iii) the preparation and maintenance of such accounts, certificates, estimates, records and reports as DHCW may require for the purpose of carrying out its statutory duties.

- 2.3.2 The Director of Finance is responsible for ensuring an ongoing training and communication programme is in place to effect these SFIs.

2.4 Board members and DHCW officers, and DHCW Committees and

Advisory Groups

2.4.1 All Board members and DHCW officers, and DHCW Committees and Advisory Groups, severally and collectively, are responsible for:

- a) The security of the property of DHCW;
- b) Avoiding loss;
- c) Exercising economy, efficiency and sustainability in the use of resources; and
- d) Conforming to the requirements of SOs, SFIs, Financial Control Procedures and the Scheme of delegation.

2.4.2 For all Board members and DHCW officers, and DHCW Committees and Advisory Groups who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board, Committees, Advisory Groups and employees discharge their duties must be to the satisfaction of the Director of Finance.

2.5 Contractors and their employees

2.5.1 Any contractor or employee of a contractor who is empowered by DHCW to commit DHCW to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Chief Executive to ensure that such persons are made aware of this.

3. AUDIT, FRAUD AND CORRUPTION, AND SECURITY MANAGEMENT

3.1 Audit Committee

- 3.1.1 An independent Audit Committee is a central means by which a Board ensures effective internal control arrangements are in place. In addition, the Audit Committee provides a form of independent check upon the executive arm of the Board. In accordance with SOs the Board shall formally establish an Audit Committee with clearly defined terms of reference. Detailed terms of reference and operating arrangements for the Audit Committee are set out in Schedule 3 to the SOs. This committee will follow the guidance set out in the NHS Wales Audit Committee Handbook.

<http://www.wales.nhs.uk/sitesplus/documents/1064/NHS%20Wales%20Audit%20Committee%20Handbook%20%28June%202012%29.pdf>

3.2 Chief Executive

- 3.2.1 The Chief Executive is responsible for:

- a) Ensuring there are arrangements in place to review, evaluate and report on the effectiveness of internal control including the establishment of an effective Internal Audit function;
- b) Ensuring that the Internal Audit function meets the Public Sector Internal Audit Standards and provides sufficient independent and objective assurance to the Audit Committee and the Accountable Officer;

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/641252/PSAIS_1_April_2017.pdf

- c) Deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption;
- d) Ensuring that an annual Internal Audit report is prepared for the consideration of the Audit Committee and the Board. The report must cover:
 - a clear opinion on the effectiveness of internal control in accordance with the requirements of the Public Sector Internal Audit Standards.

- major internal control weaknesses discovered,
- progress on the implementation of Internal Audit recommendations,
- progress against plan over the previous year, and
- a detailed plan for the coming year.

3.2.2 The designated internal and external audit representatives are entitled (subject to provisions in the Data Protection Act 2018 and General Data Protection Regulations 2016) without necessarily giving prior notice to require and receive:

- a) Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- b) Access at all reasonable times to any land or property owned or leased by the DHCW;
- c) Access at all reasonable times to Board members and DHCW officers;
- d) The production of any cash, stores or other property of the DHCW under a Board member or a DHCW official's control; and
- e) Explanations concerning any matter under investigation.

3.3 Internal Audit

3.3.1 The Accountable Officer Memorandum requires the Chief Executive to have an internal audit function that operates in accordance with the standards and framework set for the provision of Internal Audit in the NHS in Wales. This framework is defined within an Internal Audit Charter that incorporates a definition of internal audit, a code of ethics and Public Sector Internal Audit Standards. Standing Order 8.1 details the relationship between the Head of Internal Audit and the Board. The role of the Audit Committee in relation to Internal Audit is set out within its Terms of Reference, incorporated in Schedule 3 of the SOs, and the NHS Wales Audit Committee Handbook.

3.4 External Audit

3.4.1 Pursuant to the Public Audit (Wales) Act 2004 (C.23), the Auditor

General for Wales (Auditor General) is the external auditor of DHCW. The Auditor General may nominate his representative to represent him and to undertake the required audit work. The cost of the audit is paid for by DHCW. DHCW's Audit Committee should assure itself that a cost-efficient external audit service is delivered. If there are any problems relating to the service provided, this should be raised with the Auditor General's representative and referred on to the Auditor General if the issue cannot be resolved.

3.4.2 The objectives of the external audit fall under three broad headings, to review and report on:

- a) Whether the expenditure to which the financial statements relate has been incurred lawfully and in accordance with the authority that governs it;
- b) The audited body's financial statements, and on its Annual Governance Statement and remuneration report;
- c) Whether the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3.4.3 The Auditor General's representatives will prepare a risk-based annual audit plan, designed to deliver the Auditor General's objectives, for consideration by the Audit Committee. The Audit Committee should formally consider and review the plan. The plan will set out details of the work to be carried out, providing sufficient detail for the Audit Committee and other recipients to understand the purpose and scope of the defined work and their level of priority. The Audit Committee should review the plan and the associated fees, although in so doing it needs to recognise the statutory duties of the Auditor General. The Audit Committee should consider material changes to the plan.

3.4.4 The Auditor General's representative should be invited to attend every Audit Committee meeting. The cycle of approving and monitoring the progress of external audit plans and reports, culminating in the opinion on the annual report and accounts, is central to the core work of the Audit Committee.

3.4.5 The Auditor General's representatives will liaise with Internal Audit when developing the external audit plan. The Auditor General's representative will ensure that planned external audit work takes into account the work of Internal Audit to avoid duplication wherever possible and considers where Internal Audit work can be relied upon for opinion purposes.

- 3.4.6 The Auditor General and his representatives shall have a right of access to the Chair of the Audit Committee at any time.
- 3.4.7 The Auditor General has statutory rights of access to all documents and information, as set out in paragraph 3.2.2a of these SFIs that relate to the exercise of his audits, value for money examinations and improvement studies. The rights of access include access to documentation of a confidential nature or which contains personal information. The statutory access rights also require any person that the Auditor General thinks has information related to the discharge of his functions to give any assistance, information and explanation that he thinks necessary. They also require such persons to attend before the Auditor General and to provide any facility that he and his representatives may reasonably require, such as audit accommodation and access to IT facilities. The rights apply not just to DHCW and its officers and staff, but also to, among others, suppliers to DHCW.
- 3.4.8 The Auditor General's independence in the exercise of his audit functions is protected by statute (section 8 of the Public Audit (Wales) Act 2013), and audit independence is required by professional and ethical standards. Accordingly, DHCW (including its Audit Committee) must be careful not to seek to fetter the Auditor General's discretion in the exercise of his functions. While DHCW may offer comments on the plans and outputs of the Auditor General, it must not seek to direct the Auditor General.
- 3.4.9 The Auditor General will issue a number of reports over the year, some of which are specified in the Auditor General's Code of Audit and Inspection Practice and International Standards on Auditing. Other reports will depend on the contents of the audit plan.

The main mandatory reports are:

- Report to those charged with governance (incorporating the report required under ISA 260) that sets out the main issues arising from the audit of the financial statements and use of resources work
- Statutory report and opinion on the financial statements
- Annual audit report.

In addition to these reports, the Auditor General may prepare a report on a matter the Auditor General considers would be in the public interest to bring to the public's attention; or make a referral to the Welsh Ministers if significant breaches occur.

- 3.4.10 The Auditor General also has powers to undertake Value for Money Examinations and Improvement Studies within DHCW and other public sector bodies. At DHCW he also undertakes a Structured Assessment to help him assess whether there are proper arrangements for securing economy, efficiency and effectiveness in the use of resources. The Auditor General will take account of audit work when planning and undertaking such examinations and studies. The Auditor General and his representatives have the same access rights in relation to these examinations and studies as they do in relation to annual audit work.

3.5 Fraud and Corruption

- 3.5.1 In line with their responsibilities, DHCW Chief Executive and Director of Finance shall monitor and ensure compliance with Directions issued by the Welsh Ministers on fraud and corruption.

- 3.5.2 DHCW shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) as specified by Directions to NHS bodies on Counter Fraud Measures 2005.

<http://www.wales.nhs.uk/sitesplus/documents/1064/WHC%282005%2995%20%28Revised%29%20Directions%20to%20National%20Health%20Service%20bodies%20on%20Counter%20Fraud%20Measures%202005.pdf>

- 3.5.3 The LCFS shall report to the DHCW Director of Finance and the LCFS must work with NHS Counter Fraud Authority (NHSCFA) and the NHS Counter Fraud Service Wales (CFSW) Team in accordance with the Directions to NHS bodies on Counter Fraud Measures 2005.

- 3.5.4 The LCFS will provide a written report to the Director of Finance and Audit Committee, at least annually, on proactive and reactive counter fraud work within DHCW.

- 3.5.5 DHCW must participate in the annual National Fraud Initiative (NFI), which in Wales is led by Audit Wales and DHCW and must provide the necessary data for the mandatory element of the initiative by the due dates. The DHCW should participate in appropriate risk measurement or additional dataset matching exercise in order to support the detection of fraud across the whole public sector.

3.6 Security Management

- 3.6.1 In line with their responsibilities, DHCW Chief Executive will monitor and ensure compliance with Directions issued by the Welsh Ministers

on NHS security management.

- 3.6.2 The Chief Executive has overall responsibility for controlling and coordinating security.

4. ALLOCATIONS AND FINANCIAL DUTY

- 4.1 Revenue and Capital allocations are determined by the Welsh Ministers in accordance with its allotted health budget and distribution policy.
- 4.2 The Director of Finance of DHCW will:
- a) Prior to the start of each financial year submit to the Board for approval a report showing the total allocations received, assumed in-year allocations and other adjustments and their proposed distribution to delegated budgets, including any sums to be held in reserve;
 - b) Ensure that any ring-fenced or non-discretionary allocations are disbursed in accordance with Welsh Ministers' requirements;
 - c) Periodically review any assumed in-year allocations to ensure that these are reasonable and realistic; and
 - d) Regularly update the Board on significant changes to the initial allocation and the application of such funds.
- 4.3 DHCW is required by statutory provision not to breach its financial duty to secure that its expenditure does not exceed the aggregate of its resource allocations and income received. This duty applies separately to capital and revenue resource allocations. The Chief Executive has overall executive responsibility for DHCW's activities and is responsible to the Board for ensuring that it meets its financial duty as set out in section 172 of the National Health Service (Wales) Act 2006.

5. INTEGRATED PLANNING

- 5.1 DHCW will prepare appropriate plans as required by legislation and the Welsh Government.
- 5.2 An annual business plan will be submitted to the Welsh Government setting out how the organisation will meet the requirements of the Cabinet Secretary's Remit Letter. This plan must reflect planning and delivery objectives and should be continually reviewed based on latest Welsh Government policy and local priority requirements.
- 5.3 The Chief Executive will compile and submit to the Board, on an annual basis, the annual plan. The Board approved plan will be submitted to Welsh Government in line with the requirements it has set out.
- 5.4 The remit letter, and approved business plan will form the basis of the accountability arrangements between DHCW and Welsh Government.
- 5.5 The Board will:
 - a) Approve the annual business plan prior to the beginning of the financial year of implementation and in accordance with the guidance issued annually by Welsh Government. Following Board approval the Plan will be submitted to Welsh Government.
 - b) Approve a balanced annual budget as part of the annual business plan, which meets all statutory financial duties, probity and value for money requirements; and
 - c) Prepare and agree with the Welsh Government a robust and sustainable recovery plan in accordance with Welsh Ministers' guidance where DHCW plan is not in place or in balance.
- 5.6 The first full annual business plan will be required from the start of 2021/22 financial year, in accordance with Standing Orders.

6. FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

6.1 Budget Setting

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

- a) Include an annual budget for achieving compliance with DHCWs statutory financial balance to operate within its allocated resources
- b) Be in accordance with the aims and objectives set out in the Board approved annual business plan, medium term plan and Medium Term Financial Plan,
- c) Accord with Commissioning, Activity, Quality, Performance, Capital and Workforce plans contained within the Board approved plan;
- d) Take account of approved business cases and associated revenue costs and funding
- e) Be produced following discussion with appropriate Directors and budget holders;
- f) Be prepared within the limits of available funds;
- g) Take account of ring-fenced, specified and non-recurring allocations and funding;
- h) Include both financial budgets (£) and workforce establishment budgets (budgeted whole time equivalents)
- i) Be within the scope of activities and authority defined by the NHS (Wales) Act 2006, including pooled budget arrangements.
- j) Take account of the principles of Well-being of Future Generations (Wales) Act 2015 including the seven Well-being Goals and the five ways of working; and
- k) Identify potential risks and opportunities.

6.2 Budgetary Delegation

6.2.1 The Chief Executive may delegate, via the Director of Finance, the management of a budget to permit the performance of a defined range

of activities, including pooled budget arrangements under Regulations made in accordance with Section 33 of the NHS (Wales) Act 2006 (C.42). This delegation must be in writing, in the form of a letter of accountability, and be accompanied by a clear definition of:

- a) The amount of the budget;
- b) The purpose(s) of each budget heading;
- c) Individual or committee responsibilities;
- d) Arrangements during periods of absence;
- e) Authority to exercise virement;
- f) Achievement of planned levels of service; and
- g) The provision of regular reports.

The budget holder must sign the accountability letter formally delegating the budget.

6.2.2 The Chief Executive, Director of Finance and delegated budget holders must not exceed the budgetary total or virement limits set by the Board.

6.2.3 Budgets must only be used for the purposes designated, and any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement.

6.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive, as advised by the Director of Finance.

6.2.5 All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled and managed appropriately.

6.2.6 All budget holders will sign up to their allocated budgets at the commencement of the financial year

6.2.7 The Director of Finance has a responsibility to ensure that appropriate and timely financial information is provided to budget holders and that adequate training is delivered on an on-going basis to assist budget holders managing their budgets successfully.

6.3 Financial Management, Reporting and Budgetary Control

6.3.1 The Director of Finance shall monitor financial performance against budget and plans and report the current and forecast position on a monthly basis and at every Board meeting. Any significant variances should be reported to DHCW Board as soon as they come to light and

the Board shall be advised on any action to be taken in respect of such variances.

6.3.2 The Director of Finance will devise and maintain systems of financial management performance reporting and budgetary control. These will include:

- a) Regular financial reports, for revenue and capital, to the Board in a form approved by the Board containing sufficient information for the Board to:
 - Understand the current and forecast financial position
 - Evaluate risks and opportunities
 - Use insight to make informed decisions
 - Be consistent with other Board reports, as a minimum the reports will cover:
 - Current and forecast year end position on statutory financial duties
 - Actual income and expenditure to date compared to budget and showing trends and run rates
 - Forecast year end positions
 - A statement of assets and liabilities, including analysis of cash flow and movements in working capital.
 - Explanations of material variances from plan
 - Capital expenditure and projected outturn against plan
 - Investigations and reporting of variances from financial, activity and workforce budgets.
 - Details of corrective actions being taken, as advised by the relevant budget holder and the Chief Executive's and/or Director of Finance's view of whether such actions are sufficient to correct the situation;
 - Statement of performance against savings targets
 - Key workforce and other cost drivers
 - Income and expenditure run rates, historic trends, extrapolation and explanations
 - Clear assessment of risks and opportunities
 - Provide a rounded and holistic view of financial and wider organisational performance.
- b) The issue of regular, timely, accurate and comprehensible advice and financial reports to each delegated budget holder, covering the areas for which they are responsible;
- c) An accountability and escalation framework to be established for the organisation to formally address material budget variances

- d) Investigation and reporting of variances from financial, activity and workforce budgets;
- e) Monitoring of management action to correct variances;
- f) Arrangements for the authorisation of budget transfers and virements.

6.3.3 Each Budget Holder will

- be held to account for managing services within the delegated budget
- investigate causes of expenditure and budget variances using information from activity, workforce and other relevant sources
- develop plans to address adverse budget variances.

6.3.4 Each Budget Holder is responsible for ensuring that:

- a) Any likely overspending or reduction of income that cannot be met by virement is not incurred without the prior consent of the Chief Executive and Director of Finance subject to the Board's scheme of delegation;
- b) The amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised, subject to the rules of virement;
- c) No permanent employees are appointed without the approval of the Chief Executive other than those provided for within the available resources and workforce establishment as approved by the Board.

6.3.5 The Chief Executive is responsible for identifying and implementing cost and efficiency improvements and income generation initiatives in accordance with the requirements of the Annual and Medium Term Financial Plans and SFI 10.1.

6.4 Capital Financial Management, Reporting and Budgetary Control

6.4.1 The general rules applying to revenue Financial Management, Reporting and Budgetary Control delegation and reporting shall also apply to capital plans, budgets and expenditure subject to any specific reporting requirements required by the Welsh Ministers.

6.5 Reporting to Welsh Government - Monitoring Returns

6.5.1 The Chief Executive is responsible for ensuring that the appropriate

monitoring returns are submitted to the Welsh Ministers in accordance with published guidance and timescales.

- 6.5.2 All monitoring returns must be supported by a detailed commentary signed by the Director of Finance and Chief Executive. This commentary should also highlight and quantify any significant risks with an assessment of the impact and likelihood of these risks maturing.
- 6.5.3 All information made available to the Welsh Ministers should also be made available to the Board. There must be consistency between the, Annual Plan, Medium Term Financial Plan, budgets, expenditure, forecast position and risks as reported in the monitoring returns and monthly Board reports.

7. ANNUAL ACCOUNTS AND REPORTS

- 7.1 The Board must approve DHCW's annual accounts prior to submission to the Welsh Ministers and the Auditor General for Wales in accordance with the annual timetable.
- 7.2 The Chair and the Chief Executive (as Accountable Officer for DHCW) have responsibility for signing the accounts on behalf of DHCW. The Chief Executive has responsibility for signing the Annual Governance Statement and the Annual Quality Statement.
- 7.3 The Director of Finance, on behalf of DHCW is responsible for ensuring that financial reports and returns are prepared in accordance with the accounting policies, guidance and timetable determined by the Welsh Ministers, as per Welsh Government's Manual for Accounts, and consistent with Financial Reporting Manual (FReM) and International Financial Reporting Standards.
- 7.4 DHCW's audited annual accounts must be adopted by the Board at a public meeting and made available to the public.
- 7.5 DHCW must publish an Annual Report, and present it at its Annual General Meeting. The Board Secretary will ensure that the Annual Report is prepared in line with the Welsh Government's NHS Manual for Accounts. The Annual Report will include
- The Accountability Report containing:
 - Corporate Governance Report
 - Remuneration Report and Staff Report
 - Accountability and Audit Report
 - The Performance Report, which must include:
 - An overview
 - A performance Analysis

8. BANKING ARRANGEMENTS

8.1 General

8.1.1 The Director of Finance is responsible for managing DHCW's banking arrangements and for advising the Board on the provision of banking services and operation of accounts. This advice will take into account guidance/ Directions issued from time to time by the Welsh Ministers. DHCW is expected to use the Government Banking Service (GBS) for its banking services unless there is sound reasoning and value for money considerations to justify the use of commercial accounts.

8.1.2 The Board shall approve the banking arrangements.

8.2 Bank Accounts

8.2.1 The Director of Finance is responsible for:

- a) Establishing bank accounts and ensuring that the Government Banking Service is utilised for main DHCW business transactions;
- b) Establishing additional commercial accounts only exceptionally and where there is a clear rationale for not utilising the Government Banking Service;
- c) Establishing separate bank accounts for DHCW's non-exchequer funds;
- d) Ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made;
- e) Ensuring accounts are not overdrawn except in exceptional and planned situations.
- f) Reporting to the Board all arrangements made with DHCW's bankers for accounts to be overdrawn;
- g) Monitoring compliance with Welsh Ministers' guidance on the level of cleared funds.

8.2.2 With the exception of Project Bank Accounts, all bank accounts should be held in the name of DHCW. No officer other than the Director of Finance shall open any account in the name of DHCW or for the purposes of furthering DHCW activities.

8.2.3 Any Project Bank Account that is required may be held jointly in the name of DHCW and the relevant third party contractor.

8.3 Banking Procedures

8.3.1 The Director of Finance will prepare detailed instructions on the operation of bank accounts, that ensure there are sound controls over the day-to-day operation of bank accounts, which must include:

- a) The conditions under which each bank account is to be operated;
- b) Those authorised to sign payable orders or other orders drawn on DHCW's accounts.
- c) Effective divisions of duty for employees working within the banking and treasury management function to minimise the risk of fraud and error.
- d) Authorised signatories are identified with sufficient seniority, and in the case of e banking approvers, together with an appropriate payment approval hierarchy.
- e) Procedures are in place for prompt banking of money received.
- f) Ensure there are physical security arrangements in place for cheque stationery, e banking access devices and payment cards.
- g) Cheques and payable orders are treated as controlled stationery with management responsibility given to a duly designated employee.
- h) Frequent reconciliations are undertaken between cash books, bank statements and the general ledger so that all differences are fully understood and accounted appropriately.
- i) Commercial bank accounts should only be used exceptionally where there is a sound rationale and demonstrates value for money. Commercial accounts should be procured through a tendering exercise and the outcome reported to the Audit Committee on behalf of the Board.

8.3.2 The Director of Finance must advise DHCW's bankers in writing of the conditions under which each account will be operated.

8.3.3 The Director of Finance shall approve security procedures for any payable orders issued without a hand-written signature e.g.

automatically printed. All Payable Orders shall be treated as controlled stationery, in the charge of a duly designated officer controlling their issue.

8.4 Review

- 8.4.1 The Director of Finance will review banking arrangements of DHCW at regular intervals to ensure they reflect best practice and represent best value for money. The results of the review should be reported to the Audit Committee.

9. CASH, CHEQUES, PAYMENT CARDS AND OTHER NEGOTIABLE INSTRUMENTS

9.1 General

9.1.1 The Director of Finance is responsible for:

- a) Approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- b) Ordering and securely controlling any such stationery; ensuring all cash related stationery treated as controlled stationery with management responsibility given to a duly designated employee;
- c) The provision of adequate facilities and systems for officers whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
- d) Establishing systems and procedures for handling cash and negotiable securities on behalf of DHCW.
- e) Ensuring effective control systems are in place for the use of payment cards,
- f) Ensuring that there are adequate control systems in place to minimise the risk of cash/card misappropriation.

9.1.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs (informal documents acknowledging debt).

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

9.1.4 The holders of safe/cash box combinations/keys shall not accept unofficial funds for depositing in their safe/cash box unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that DHCW is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving DHCW from responsibility for any loss.

- 9.1.5 The opening of coin operated machines (including telephone, if applicable) and the counting and recording of takings shall be undertaken by two officers together, except as may be authorised in writing by the Director of Finance and the coin box keys shall be held by a nominated officer.
- 9.1.6 During the absence (for example, on holiday) of the holder of a safe/cash box combination/key, the officer who acts in their place shall be subject to the same controls as the normal holder of the combination/key. There shall be written discharge for the safe and/or cash box contents on the transfer of responsibilities and the discharge document must be retained for inspection.
- 9.2 Petty Cash**
- 9.2.1 The Director of Finance will issue instructions restricting the use and value of petty cash purchases.
- 9.2.2 Petty cash use should be minimised and be subject to regular cash balance reviews in order to minimise cash levels held.
- 9.2.3 Petty cash should be operated under an imprest system and be subject to regular checks to ensure physical and book cash levels are consistent.

10. INCOME, FEES AND CHARGES

10.1 Income Generation and Participation in/Formation of Companies

10.1.1 DHCW shall only generate income for those goods and services that are approved by the Welsh Ministers. Any income generating activities must be complementary to the provision of NHS services and must be in accordance with the Welsh Ministers' policy and powers to raise money as set out in section 169 of the NHS (Wales) Act 2006 (c.42).

10.1.2 DHCW can only form or participate in a company for income generation, improving health, healthcare care and health services, purposes with the consent and/or direction of Welsh Ministers. DHCW should obtain advice from Welsh Government officials prior to undertaking substantive work on formation or participation in any company.

10.2 Income Systems

10.2.1 The Director of Finance is responsible for designing and maintaining procedures to ensure compliance with systems for the proper recording, invoicing, and collection and coding of all monies due.

10.2.2 The Director of Finance is also responsible for ensuring that systems are in place for the prompt banking of all monies received.

10.3 Fees and Charges

10.3.1 The Director of Finance is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Welsh Ministers or by Statute. Independent professional advice on matters of valuation shall be taken as necessary.

10.3.2 All officers must inform the Director of Finance promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements and other transactions.

10.4 Income Due and Debt Recovery

10.4.1 Delegated budget holders and managers are responsible for informing the Director of Finance of any income due that arises from any contracts, service levels agreements, leases, activities such as private patients or other transactions.

10.4.2 Delegated budget holders and managers must inform the Director of Finance when overpayment of salary or expenses have been made, in

order that recovery can be made.

10.4.3 The Director of Finance is responsible for recovering income due and for ensuring debt recovery procedures are in place to secure early payment and minimise bad debt risk on all outstanding debts.

10.4.4 Income not received should be dealt with in accordance with losses procedures.

10.4.5 Overpayments should be detected (or preferably prevented) and recovery initiated.

10.4.6 The Chief Executive and the Director of Finance are responsible for ensuring the Welsh Ministers' guidance on disputed debt arbitration is strictly adhered to.

11. NON PAY EXPENDITURE

11.1 Scheme of Delegation, Non Pay Expenditure Limits and Accountability

11.1.1. The Board must agree a Scheme of Delegation in line with that set out in its Standing Orders Scheme of Reservation and Delegation of Powers.

11.1.2. The Chief Executive will approve the level of non-pay expenditure and the operational scheme of delegation and authorisation to budget holders and managers within the parameters set out in the DHCW scheme of delegation.

11.1.3. The Chief Executive will set out in the operational scheme of delegation and authorisation:

- The list of managers who are authorised to place requisitions for the supply of goods, services and works and for the awarding of contracts; and
- The maximum level of each requisition and the system for authorisation above that level.

11.2 The Director of Finance's responsibilities

11.2.1 The Director of Finance will:

- a) Advise the Board regarding the NHS Wales national procurement and payment systems thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in SOs and SFIs;
- b) Prepare procedural instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services;
- c) Ensure systems are in place for the authorisation of all accounts and claims;
- d) Ensure Directors and officers strictly follow NHS Wales system and procedures of verification, recording and payment of all amounts payable.
- e) Maintain a list of Executive Directors and officers (including specimens of their signatures) authorised to certify invoices.

- f) Be responsible for ensuring compliance with the Public Sector Payment policy ensuring that a minimum of 95 percent of creditors are paid within 30 days of receipt of goods or a valid invoice (whichever is later) unless other payment terms have been agreed.
- g) Ensure that where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Welsh Ministers and SFIs;
- h) Be responsible for Petty Cash system, procedures, authorisation and record keeping, and ensure purchases from petty cash are restricted in value and by type of purchase in accordance with procedures.

11.3 Duties of Budget Holders and Managers

11.3.1 Budget holders and managers must ensure that they comply fully with guidance and limits specified by the Director of Finance and that:

- a) All contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of both any commitment being made and NWSSP Procurement Services being engaged;
- b) Contracts above specified thresholds are advertised and awarded, through NWSSP Procurement Services, in accordance with HM Treasury rules on public procurement;
- c) Contracts above specified thresholds are approved by the Welsh Ministers prior to any commitment being made;
- d) goods have been duly received, examined and are in accordance with specification and order,
- e) 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,
- f) No requisition/order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to Board members or DHCW officers, other than:
 - (i) Isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars,

- (ii) Conventional hospitality, such as lunches in the course of working visits;

This provision needs to be read in conjunction with Standing Order 6.5. and 6.6.

- g) No requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Chief Executive;
- h) All goods, services, or works are ordered on official orders
- i) Requisitions are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- j) Goods are not taken on trial or loan in circumstances that could commit the DHCW to a future uncompetitive purchase;

11.3.2 The Chief Executive and Director of Finance shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance issued by the Welsh Ministers. The technical audit of these contracts shall be the responsibility of the relevant Director as set out in the DHCW's scheme of delegation.

11.4 Departures from SFI's

11.4.1 Departing from the application of Chapters 10 and 11 of these SFI's is only possible in very exceptional circumstances. DHCW must consult with NWSSP Procurement Services, Director of Finance and Board Secretary prior to any such action undertaken. Any expenditure committed under these departures must receive prior approval in accordance with the DHCW Scheme of Delegation.

11.5 Accounts Payable

11.5.1 NWSSP Finance, shall on behalf of the DHCW, maintain and deliver detailed policies, procedures systems and processes for all aspects of accounts payable

11.6 Prepayments

11.6.1 Prepayment should be exceptional, and should only be considered if a good value for money case can be made for them (i.e. that "need" can be demonstrated). Prepayments are only permitted where either:

- The financial advantages outweigh the disadvantages (i.e. cash flows must be discounted to Net Present Value (NPV) using the National Loans Fund (NLF) rate plus 2%);
- It is the industry norm e.g. courses and conferences;
- In line with requirements of Managing Welsh Public Money
- There is specific Welsh Ministers' approval to do so e.g. voluntary services compact.

11.6.2 In **exceptional** circumstances prepayments can be made subject to:

- a) The appropriate Executive Director providing, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the DHCW if the supplier is at some time during the course of the prepayment agreement unable to meet their commitments;
- b) The Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the Public Contracts Regulations where the contract is above a stipulated financial threshold); and
- c) The budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Chief Executive if problems are encountered.

12. PROCUREMENT AND CONTRACTING FOR GOODS AND SERVICES

General Information

12.1 Procurement Services

12.1.1 While the Chief Executive is ultimately responsible for procurement some aspects of the service are delivered by NWSSP Procurement Services.

12.1.2 Procurement staff are employed by NWSSP and provide a procurement support function to all health organisations in NHS Wales. Although NWSSP is responsible for the provision of a Procure to Pay service and provision of appropriate professional procurement and commercial advice, ultimate responsibility for compliance with legislation and policy guidelines remains with DHCW. Where the term NWSSP Procurement Services, Procurement staff or department is used in this chapter it should be read as equally applying to those departments where the procurement function is undertaken locally and outside of NWSSP Procurement Department, for example digital, pharmacy and works who undertake procurement on a devolved basis.

12.2 Policies and Procedures

12.2.1 NWSSP Procurement Services shall, on behalf of DHCW, maintain detailed policies and procedures for all aspects of procurement including tendering and contracting processes. The policies and procedures shall comply with these SFIs and the Procurement Manual and Revised General Consent to enter Individual Contracts included at **Schedule 1** of these SFIs.

12.2.2 The Chief Executive is ultimately responsible for ensuring that DHCW's Executive Directors, Independent Members and officers within the organisation strictly follow procurement, tendering and contracting procedures.

12.2.3 NWSSP Director of Procurement Services is responsible for ensuring that procurement, tendering and contracting policies and procedures:

- Are kept up to date;
- Conform to statutory requirements and regulations;
- Adhere to guidance issued by the Welsh Ministers;
- Are consistent with the principles of sustainable development;

12.2.4 All procurement guidance issued by the Welsh Ministers should have the

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effect as if incorporated in these SFIs.

12.3 Procurement Principles

12.3.1 The term "procurement" embraces the complete process from planning, sourcing to taking delivery of all works, goods and services required by DHCW to perform its functions, and furthermore embrace all building, equipment, consumables and services including health services. Procurement further embraces contract and/or supplier management, including market engagement and industry monitoring.

12.3.2 There are a range of statutory instruments governing public sector procurement, the primary statutory instrument being 'The Public Contract Regulations (2015, No. 102)' as well as Welsh Government policy frameworks. One of the key objectives of governing legislation is to ensure public procurement markets are open and that there is free movement of supplies, services and works. The main legal and governing principles guiding public procurement and which are incorporated into these SFIs are:

- Transparency: public bodies should ensure that there is openness and clarity on procurement processes and how they are implemented;
- Non-discrimination: public bodies may not discriminate between suppliers or products on grounds of their origin;
- Fair treatment: suppliers should be treated fairly and without discrimination, including in particular equality of opportunity and access to information;
- Legality: public bodies must conform to European Community and other legal requirements;
- Integrity: there should be no corruption or collusion with suppliers or others;
- Effectiveness and efficiency: public bodies should meet the commercial, regulatory and socio-economic goals of government in a balanced manner appropriate to the procurement requirement;
- Efficiency: procurement processes should be carried out as cost effectively as possible and secure value for money.

12.4 Procurement Regulations and Legislation Governing Public Procurement

12.4.1 The primary statutory instrument governing public sector procurement is 'The Public Contract Regulations (2015, No. 102)', in addition public sector procurement policy issued include the Welsh Government policy framework, Wales Procurement Policy Statement (WPPS). These Regulations

incorporate EU Directives and other legislation governing public procurement and the Regulations implementing such legislation and setting out procedures for awarding all forms of regulated contracts shall have effect as if incorporated in DHCW's SFIs.

12.4.2 The Regulations (the Public Contracts Regulations (2015, No. 102) cover the whole field of procurement, including thresholds above which special and demanding procurement protocols and legal requirements apply... All Directors and their staff are responsible for seeing that those Regulations are understood and fully implemented. The protocols set out in the Regulations, and any Procurement Policy Notices, are the model upon which all formal procurement shall be based.

12.4.3 Procurement advice should be sought in the first instance from Procurement Services. The commissioning of further specialist advice shall be jointly agreed between DHCW and Procurement Services e.g. Engagement of NWSSP Legal and Risk Services or 3rd party Legal Service providers.

12.4.4 Other relevant legislation, regulations, codes and policies include:

- The Well-being of Future Generations (Wales) Act 2015
- Welsh Language (Wales) Measure 2011
- Modern Slavery Act 2015
- Bribery Act 2010
- Equalities Act 2010
- Welsh Government's Code of Practice for Ethical Employment in Supply Chains.
- The Producer Responsibility Obligations (Packaging Waste) Regulations 2007
- Welsh Government 'Towards zero waste: our waste strategy'

12.5 Procurement Procedures

12.5.1 To ensure that DHCW is fully compliant with Procurement Regulations, EU Directives, UK and Welsh Ministers' guidance, DHCW shall, through NWSSP Procurement Services, ensure that it shall have procedures that set out:

- a) Requirements and exceptions to formal competitive tendering requirements;
- b) Tendering processes including post tender discussions;
- c) Requirements and exceptions to obtaining quotations;
- d) Evaluation and scoring methodologies
- e) Approval of firms for providing goods and services.

12.5.2 All procedures shall reflect the Welsh Ministers' guidance and DHCW's

delegation arrangements and approval processes.

12.6 Procurement Consent/Notification

12.6.1 As a Special Health Authority, DHCW may:

- Acquire and dispose of property (Section 22);
- Enter into contracts, para 53, Schedule 5 of the NHS (Wales) Act 2006, and
- Accept gifts of property (including property to be held on trust) para 8, Schedule 5 of the NHS (Wales) Act 2006.

12.6.2 Contracts exceeding the value of £1 million in each case, with the exception of those contracts specified in SFI 12.6.4, all acquisitions and disposals of land of any limit, and the acceptance of gifts of property, must be notified to the Welsh Ministers before being entered into.

12.6.3 The guidance process for DHCW to notify their intent to enter into contracts exceeding £1 million is at **Schedule 2**. This requirement also applies to contracts that are to be let through a mini-competition under a public sector contract framework, such as National Procurement Service, NHS Supply Chain or Crown Commercial Services. The use of suitable Welsh frameworks where access is permissible shall take precedence over frameworks led by Public Sector Bodies outside of Wales. Further detailed guidance is incorporated within the Procurement Procedures.

12.6.4 The requirement for notification does not apply to any contracts entered into pursuant to a specific statutory power, and therefore does not apply to:

- i) Contracts of employment between DHCW and their staff;
- ii) Transfers of land or contracts effected by Statutory Instrument following the creation of DHCW;
- iii) All NHS contracts, that is where one health service body contracts with another health service body.

12.6.5 The process of notification of contracts to the Welsh Ministers does not remove the requirement for DHCW to comply with SOs, SFIs or to obtain any other consents or approvals required by law for the transactions concerned.

12.6.6 Further detail in relation to fair and adequate competition is set out in the Procurement Manual.

Planning

12.7 Sustainable Procurement

12.7.1 To further nurture the Welsh economy, in support of social, environmental and economic regeneration, DHCW must also be mindful to structure requirements ensuring Welsh companies have the opportunity to transparently and fairly compete to deliver services regionally or across Wales where possible. The principles of the Well Being and Future Generations Act (2015) should be adopted at the earliest stage of planning. Procurement solutions must be developed embracing the five ways of working described within the Act and capture how they will deliver against the seven goals set out in the Act.

12.7.2 The Well Being of Future Generations Act (2015) requires that bodies listed under the act must operate in a manner that embraces sustainability. The Act requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, and to prevent persistent problems such as poverty, health inequalities and climate change.

12.7.3 The 7 Wellbeing goals are

- a prosperous Wales
- a resilient Wales
- a healthier Wales
- a more equal Wales
- a Wales of cohesive communities
- a Wales of vibrant culture and thriving Welsh language
- a globally responsible Wales.

These goals have been put in place to improve the social, economic, environmental, and cultural well-being of Wales

12.7.4 Public sector organisations in Wales not listed in the act are expected to operate to those principles. DHCW is not specifically listed in the Act.

12.7.5 Public bodies need to make sure that when making their decisions they take into account the impact they could have on people living their lives in Wales in the future. The Act expects them to:

- work together better
- involve people reflecting the diversity of our communities
- look to the long term as well as focusing on now
- take action to try and stop problems getting worse - or even stop them happening in the first place.

12.7.6 DHCW is required to consider the Welsh Government Guidance on Ethical Procurement and the new Code of Practice on ethical employment in supply chains which commits public, private and third sector organisations to a set of actions that tackle illegal and unfair employment practices including blacklisting, modern slavery and living wage.

12.7.7 DHCW shall make use of the tools developed by Value Wales in implementing the principles of the WBFGA (2015). DHCW shall benchmark its performance. For all contracts over £25,000, DHCW shall take account of social, economic and environmental issues when making procurement decisions using the Sustainable Risk Assessment Template (SRA).

12.8 Small and Medium Sized Enterprises (SMEs), Third Sector Organisations (TSOs) and Supported Factories and Businesses (SFBs)

11.8.1 In accordance with Welsh Government commitments policy set out in the current Wales Procurement Policy Statement (WPPS) and subsequent versions of this statement DHCW shall ensure that it provides opportunities for these organisations to quote or tender for its business.

12.9 Planning Procurements

12.9.1 DHCW must ensure that all staff with delegated budgetary responsibility or who are part of the procurement process for goods, services and works are aware of the legislative and policy frameworks governing public procurement and the requirement of open competition.

12.9.2 Depending on the value of the procurement, a process of planning the procurement must be undertaken with the Procurement Services and appropriate representative from the service and other appropriate stakeholders. The purpose of a planning phase is to determine:

- the likely financial value of the procurement, including whole life cost
- the likely 'route to market' which will consider the legislative and policy framework set out above.
- The availability of funding to be able to award a contract following a successful procurement process.
- That the procurement follows current legislative and policy

frameworks including Value Based Procurement.

12.9.3 The procurement specification should factor in the 4 principles of prudent procurement

- Equal partners through co-production
- Care for those with the greatest health need first
- Do only what is needed
- Reduce inappropriate variation

Value based outcome/experience/delivery principles must also be included where appropriate ensuring best value for money, sustainability of services and the future financial position. Value for money is defined as the optimum combination of whole-life cost and quality to meet the requirement.

12.9.4 Where free of charge services are made available to DHCW, NWSSP Procurement Services must be consulted to ensure that any competition requirements are not breached, particularly in the case of pilot activity to ensure that DHCW does not unintentionally commit itself to a single provider or longer term commitment. Regular reports on free of charge services provided to DHCW should be submitted by Board Secretary to Audit Committee.

12.9.5 DHCW is required to participate in all-Wales collaborative planning activity where the potential to do so is identified by the procurement professional involved in the planning process. Cross sector collaboration may also be required.

Joint or Collaborative Initiatives

12.9.6 Specialist advice should be obtained from Welsh Government and the opinions of NWSSP Procurement Services and NWSSP Legal and Risk prior to external opinion being sought where there is an undertaking to commence joint or collaborative initiatives which may be deemed as novel or contentious.

12.10 Procurement Process

12.10.1 Where there is a requirement for goods or services, the manager must source those goods or services from DHCW's approved catalogue. Where a required item is not included within the catalogue, advice must be sought from the Procurement Services on opportunities to source those goods or services through public sector contract framework, such as National Procurement Service, NHS Supply Chain or Crown Commercial Services. The use of suitable

Welsh frameworks where access is permissible shall take precedence over frameworks led by Public Sector Bodies outside of Wales.

12.10.2 In the absence of an existing suitable procurement framework to source the required item, a competition must be run in accordance with the table below. DHCW must ensure the value of their requirement considers cumulative spend across DHCW for like requirements and opportunity for collaboration with other Health Boards and Trusts:

12.10.3 Agreements awarded are required to deliver best value for money over the whole life of the agreement. Value for money is defined as the optimum combination of whole-life cost and quality to meet the requirement.

Competition Requirements

12.11 Procurement Thresholds

12.11.1 The following table summarises the minimum thresholds for quotes and competitive tendering arrangements. The total value of the contract, whole life cost, over its entire period is the qualifying sum that should be applied (except in specific circumstances relating to aggregation and contracts of an indeterminate duration) as set out below, and in Procurement Regulations and EU Directives and UK Regulations.

Goods/Services/Works Whole Life Cost Contract value (excl. VAT)	Minimum competition¹	Form of Contract
<£5,000	Evidence of value for money has been achieved	Purchase Order
>£5,000 - <£25,000	Evidence of 3 written quotations	Simple Form of Contract/Purchase Order
>£25,000 – Prevailing OJEU threshold	Advertised open call for competition. Minimum of 4 tenders received if available.	Formal contract and Purchase Order
>OJEU threshold	Advertised open call for competition. Minimum of 5 tenders received if available or appropriate to the procurement route.	Formal contract and Purchase Order
Contracts above £1	Welsh Government approval	Formal contract and Purchase Order

Goods/Services/Works Whole Life Cost Contract value (excl. VAT)	Minimum competition¹	Form of Contract
million	required ²	

¹ subject to the existence of suitable suppliers

² in accordance with the requirements set out in SFI 12.6.3.

12.11.2 Advice from the Procurement Services must be sought for all requirements in excess of £5,000.

12.11.3 The deliberate sub-dividing of contracts to fall below a specific threshold is strictly prohibited. Any attempt to avoid these limits may expose the Board to risk of legal challenge and could result in disciplinary action against an individual[s].

12.11.4 Deliberate re-engagement of a supplier, where the value of the individual engagement is less than £5,000, must not be undertaken where the total value of engagements taken as a whole would exceed £5,000 and require competition.

12.11.5 The approval of award of contracts must follow the Board's Scheme of Delegation.

12.12 Designing Competitions

12.12.1 The budget holder or manager responsible for the procurement is required to engage with the Procurement team to ensure:

- Required timescales are achievable
- Specifications are drafted which have the following qualities:
 - fit for inclusion in competition documents;
 - drafted in a manner encouraging innovation by the market;
 - capable of being responded to and do not narrow competition;
 - deliver in line with legislative and policy frameworks.
 - include robust performance measures to effectively measure and manage supplier performance
 - considers ability of market to deliver

12.12.2 Appropriate performance measures are included in agreements awarded, thus ensuring best value for money decisions taken that return maximum benefit for the organisation and ultimately the improvement of patient outcomes and wider health and social care

communities.

12.12.3 Criteria for selecting suppliers and achieving an award recommendation must be:

- appropriately weighted in consideration of quality/price
- considers cost of change where relevant
- is transparent and proportionate
- delivers value for money outcomes
- fully explores complexity/risk
- considers whole life cost

12.13 Single Quotation Application or Single Tender Application

12.13.1 In exceptional circumstances, there may be a need to secure goods/services/works from a single supplier. This may concern securing requirements from a single supplier, due to a special character of the firm, or a proprietary item or service of a special character. Such circumstances may include:

- Follow-up work where a provider has already undertaken initial work in the same area (and where the initial work was awarded from open competition);
- A technical compatibility issue which needs to be met e.g. specific equipment required, or compliance with a warranty cover clause;
- a need to retain a particular contractor for genuine business continuity issues (not just preferences)
- When joining collaborative agreements where there is no formal agreement in place. Request for such a departure must be supported by written evidence from the Procurement Service confirming local agreements will be replaced by an all Wales competition/National strategy

12.13.2 Procurement Services must be consulted prior to any such application being submitted for approval. The Director of Finance must approve such applications up to £25,000, the Chief Executive or designated deputy, and Director of Finance, are required to approve applications exceeding £25,000. A register must be kept for monitoring purposes and all single tender actions must be reported to the Audit Committee.

12.13.3 In all applications, through Single Quotation Application or Single Tender Application (SQA or STA) forms, the applicant must demonstrate adequate consideration to the Chief Executive and Director of Finance, as advised by the Head of Commercial Services, that securing best value for money is a priority. The Head

of Commercial Services will scrutinise and endorse each request to ensure:

- Robust justification is provided;
- A value for money test has been undertaken;
- No bias towards a particular supplier;
- Future competitive processes are not adversely affected;
- No distortion of the market is intended;
- An acceptable level of assurance is available before presentation for approval in line with DHCW Scheme of Delegation
- An “or equivalent” test has been considered proving the request is justified

12.13.4 Under no circumstances will Procurement Services endorse a retrospective SQA/STA, where the DHCW has already entered into an arrangement directly.

12.13.5 As SQA or STA are only used in exceptional circumstances DHCW, through the Chief Executive, must report each, including the specifics of the exceptional circumstances and the total financial commitment, in sufficient detail to its Audit Committee. The report will include any corrective action/advice provided by the Chief Executive, Director of Finance or NWSSP Director of Procurement Services to prevent recurrence by DHCW.

12.13.6 The Audit Committee may consider further steps to be appropriate e.g.

- Instruct a representative of DHCW to attend Audit Committee;
- Escalate to the Board;
- Request an internal Audit Review;
- Request further training or
- Take internal disciplinary action.

12.13.7 No SQA/STA is required where the seeking of competition is not possible, nor would the application of the SQA/STA procedure add value to the process/aid the delivery of a value for money outcome. Procurement Manual details schedule of departures from SQA/STA where competition not possible.

12.13.8 For performance monitoring purposes, the NWSSP Procurement Service will retain a central register of all such activity including SQA/STA's not endorsed by Procurement or any exceptional matters.

12.14 Disposals

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12.14.1 Disposal of surplus, obsolete equipment/consumables is also subject to the competition rules.

12.14.2 Obsolete or condemned articles and stores, which may be disposed of in accordance with applicable regulations and law at the prevailing time (e.g. WEEE) and the procedures of DHCW making use of any agreements covering the disposal of such items.

12.14.3 DHCW must obtain the best possible market price.

Approval & Award

12.15 Evaluation, Approval and Award

12.15.1 The evaluation of competitions via quotation or tender, must be undertaken by a minimum of 2 evaluators from within the operational service of DHCW. Evaluation Teams for competitions of greater complexity and value must be multi-disciplinary and reach a consensus recommendation for internal approval.

12.15.2 The internal approval of any recommendation to award a competition must follow the Board's Scheme of Delegation.

12.15.3 The communication of the external notification to the market to award the contract must be managed by the Procurement Service.

12.15.4 Information throughout the process must be handled and retained as 'commercial in confidence' and not shared outside of staff directly involved in the competition process

12.15.5 All associated communication throughout the competition process must also be managed by the Procurement Service

Implementation & Contract Management

12.16 Contract Management

12.16.1 Contract Management is the process which ensures that both parties to a contract fully meet their respective obligations as effectively and efficiently as possible, in order to deliver the business and operational objectives required from the contract and in particular, value for money. The relevant budget holder shall oversee and manage each contract on behalf of DHCW so as to ensure that these implicit obligations are met. This contract management will include:

- Retaining accurate records

- Monitoring contract performance measures
- Engaging suppliers to ensure performance delivery
- Implementing contractual sanctions in the event of poor performance in conjunction with advice from Procurement Services.
- Stage payments are permissible as part of a formally agreed implementation/delivery plan and must be supported by written evidence issued by the budget holder.

12.16.2 Contract management on All Wales contracts will be provided by NWSSP Procurement Services

12.16.3 Advice on best practice on Contract Management is available from NWSSP Procurement Services.

12.17 Extending and Varying Contracts

12.17.1 Extending, modifying or varying the scope of an existing contract is possible, if the provision to do so was included as an option in the original awarded contract, e.g. scope of requirement, further expenditure due to unforeseen circumstances e.g. change in regulatory requirements etc.

12.17.2 If there is no such provision, the Public Contract Regulations (2015) defines such limitations.

12.17.3 The Public Contract Regulations 2015 provide further constraints in this matter, under which modifications/variations/extensions are capped at 50% of the original award value.

12.17.4 Further approval is not required to extend an agreement beyond the original term/scope where prior approval was granted as part of the procurement process.

12.17.5 If there was no provision to extend, further approvals are required from the DHCW budget holder and the local Head of Commercial Services. Budget holders must also be mindful of the threshold under which the original contract was awarded. Any increase in the contract value may require a more senior level of approval in line with the Scheme of Delegation.

12.17.6 This ensures an appropriate identification and assessment of potential risks to the DHCW compliance of approvals being granted within the Scheme of Delegation and assurance that value for money continues to be delivered from public funds.

12.17.7 The budget holder must seek advice from NWSSP Procurement

Services in advance of committing further expenditure to ensure the contract is reflective of requirements. The budget holder must assess there is sufficient evidence to support the justification and the budget is available to support the additional requirements.

Transactional Processes

12.18 Requisitioning

- 12.18.1 The budget manager in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the DHCW. The budget holder will source those goods or services from the approved catalogue. Where a required item is not included within the catalogue, advice must be sought from the Procurement Services on opportunities to source those goods or services through public sector contract framework, such as National Procurement Service, NHS Supply Chain or Crown Commercial Services.
- 12.18.2 Where a required item is not on catalogue or on framework contract the budget manager shall request the NWSSP Procurement Services to undertake quotation / tendering exercises on their behalf in line with SFI 12.11 thresholds.
- 12.18.3 All orders for goods and services must be accompanied by an official order number, available from NWSSP Procurement Services. In no circumstances must a requisition number be used as an order number.

11.19 No Purchase Order, No Pay

- 12.19.1 DHCW will ensure compliance with 'No Purchase Order, No Pay' policy, The All Wales policy was introduced to ensure that Procure to Pay continues to provide world-class services on a 'Once for Wales' basis.
- 12.19.2 The policy ensures that a purchase order is raised at the beginning of a purchase in circumstances where a purchase order is required under the policy. This follows industry standard best practice as it provides a commitment as to what is likely to be spent. The supplier must obtain a purchase order number for their invoice in order for it to be processed for payment.

12.20 Official orders

- 12.20.1 Official Orders, issued following approved requisition and sourcing, must:

- a) Be consecutively numbered;
- b) State the DHCWs terms and conditions of trade.

12.20.2 Official Orders will be issued on behalf of DHCW by NWSSP
Procurement Services

13 AGREEMENTS AND CONTRACTS FOR ALL WALES DIGITAL SOLUTIONS & SERVICES

13.1 Digital Solution Agreements

13.1.1 The Chief Executive is responsible for ensuring DHCW enters into suitable agreements for its provision of all Wales digital and information solutions.

13.1.2 All agreements should aim to implement the agreed priorities contained within the agreed plans. In discharging this responsibility, the Chief Executive should take into account:

- The standards of service quality expected;
- The standards required to be achieved by health professionals' regulatory bodies;
- The provision of reliable information on quality, volume and cost of service.

13.1.3 All agreements must be in accordance with the functions conferred on DHCW by the Welsh Ministers.

13.1.4 For all agreements entered into in the form of a contract, the process for notifying the Welsh Ministers of NHS contracts set out in section 12 and Schedule 2 of these SFIs must be followed.

13.1.5 For all agreements entered into they must be approved in accordance with delegations set out in Standing Orders:

- Schedule 1 Scheme of Reservation and Delegation of Powers – Schedule of Matters Reserved for Board.
- Schedule 1 Scheme of Reservation and Delegation of Powers – Scheme of Delegation to Executive Directors, Other Directors and Officers
- Schedule 1 Scheme of Reservation and Delegation of Powers – Delegated Financial Limits

13.2 Statutory provisions

13.2.1 The Digital Health and Care Wales (Establishment and Constitution) Order 2021 sets out the functions of DHCW.

13.2.2

13.2.2 Article 3 of the order requires DHCW to undertake such functions in relation to:

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- (a) the provision, design, management, development and delivery of digital platforms, systems and services;
- (b) the collection, analysis, use and dissemination of health service data;
- (c) the provision of advice and guidance to the Welsh Ministers about improving digital platforms, systems and services;
- (d) supporting bodies and persons identified in directions given by the Welsh Ministers to DHCW in relation to matters relevant to digital platforms, systems and services;
- (e) any other matter so as to secure the provision or promotion of services under the Act

13.3 Application of Delegated Financial Limits

13.3.1 All Wales Agreements & Contracts will be subject to the delegated limit thresholds as set out in Schedule 1 of the Standing Orders.

14 GRANT FUNDING

It is a matter for DHCW to determine whether individual activities should be procured, or be eligible to receive grant funding, seeking legal advice as necessary. (Grants are defined as all non-procured payments to external bodies or individuals for activities which are linked to delivering policy objectives and statutory obligations. Payments are made to fund or reimburse expenditure on agreed items or functions in accordance with legally binding conditions.)

14.1 Legal Advice

14.1.1 Before the award of funding is made, legal advice where necessary must be sought to ensure that:

- The award does not breach the DHCW regularity of expenditure duty. That is, the activities for which the grant is made are within the scope of activities that the DHCW has a legal remit to undertake.
- That the activities would not be deemed to be normally subject to procurement legislation and policy.
- That a legally binding agreement is made with all delivery organisations.

See attached toolkit for grants v procurement:



Grant v
Procurement.doc

14.2 Policies and procedures

14.2.1 DHCW shall maintain detailed policies and procedures for all aspects of grant funding. The policies and procedures shall comply with these SFIs, and where appropriate the Welsh Minister's Code of Practice to funding the third sector:

<https://gov.wales/sites/default/files/publications/2019-01/third-sector-scheme-2014.pdf>

14.2.2 The Chief Executive is ultimately responsible for ensuring that DHCW's grant procedures:

- Are kept up to date;
- Conform to statutory requirements;
- Adhere to guidance issued by the Welsh Ministers;
- Are consistent with the principles of sustainable development; and

- Are strictly followed by all Executive Directors, Independent Members and staff within the organisation.

14.2.3 That the award of grant funding must comply with the policy and principles set out in the Procurement section of these SFIs and ensure that the award meets the requirements of regularity, propriety and value for money.

14.2.4 All grant guidance issued by the Welsh Ministers should have the effect as if incorporated in these SFIs.

14.3 Corporate Principles underpinning Grants Management

14.3.1 While there is a need to make the financial arrangements for awarding funding as simple and streamlined as possible, DHCW should also ensure that taxpayers' money is spent appropriately and that it provides good value for money.

14.3.2 The overarching principles for managing public resources in Wales are set out in Managing Welsh Public Money. The document states that the award of funding should be made in accordance with the law and the requirements of propriety, regularity and value for money.

14.3.3 Regularity requires compliance with appropriate authorities, regulations and legislation. Propriety requires both public authorities and funded bodies to deliver appropriate standards of conduct, behaviour and corporate governance. In addition, the public expects official decisions to be made fairly and impartially with public money spent wisely and appropriately, delivering value for money and ensuring that best use is made of resources.

14.3.4 The **corporate principles** of grants management are:

- The development of grant management processes and procedures that are transparent, accountable, proportionate and consistent;
- Delivery of a high quality regulatory framework that responds to demands but does not place unnecessary administrative burdens on DHCW or funded bodies;
- A regulatory framework that will take into consideration the need for proportionality; balancing the need for governance with the burden of administration. Thus striking an appropriate balance between accountability and simplicity;
- An effective grant management process to ensure funded bodies spend the funding efficiently, transparently and for the purpose intended, with a view to maximising the impact and outcome from budgets;

- Appropriate evidence-based approach to underpin the design and development of all new funding programmes to ensure efficient and effective use of public funds. Ensuring that the funding programme is the optimal solution and that funding is targeted where it is most needed and where it can have most impact;
- A consistent framework that will reinforce respect and effectiveness of the rules for both administrators and funded bodies.
- Grant funding must comply with the requirements of state aid regulation.

14.4 Grant Procedures

14.4.1 It is vital that money is put to use in a way that delivers the maximum benefit to the people of Wales. Grants funding programmes need to be managed as efficiently and cost effectively as possible to make sure that every penny is spent appropriately and in an accountable manner. When establishing grant funding programmes, DHCW should ensure principles of good practice available from a number of external sources are considered and reflected in grant programmes. Information on grants management is available on the Audit Wales website at:

<https://www.audit.wales/our-work/good-practice/grants-management-mini-guides>

14.4.2 DHCW must agree a clear purpose for each grant and how it will measure the delivery organisation's success in delivering those purposes. It should also agree appropriate targets with the delivery organisation.

14.4.3 For grant programmes that span a number of financial years, DHCW is responsible for evaluating the programmes to ensure they are fit for purpose, are achieving required outcomes and continue to provide value for money.

14.4.4 DHCW is responsible for ensuring that appropriate procedures exist in relation to all the grants and funding for which they are accountable. **They are also responsible for ensuring that any grant provided to an entity that engages in economic activity complies with the State aid rules.**

14.4.5 DHCW is required to undertake due diligence checks on all potential delivery organisations to determine the economic and financial viability of any organisation(s) to administer public funds, and the reliability of the organisation(s). These checks are important in order to identify any risks or issues that could expose DHCW to potential financial loss,

fraud or reputational damage. A proportionate level of due diligence should be carried out, both prior to the award of any grant funding and throughout the life of the award.

14.4.6 DHCW must enter into legally binding funding agreements with all delivery organisations. When developing funding agreements, DHCW should ensure principles of good practice available from a number of external sources are considered and reflected.

14.4.7 DHCW is responsible for ensuring that all third party delivery organisations comply with and adhere to the terms and conditions of the Funding Agreement.

15. PAY EXPENDITURE

15.1 Remuneration and Terms of Service Committee

- 15.1.1 In accordance with SOs the Board shall establish a Remuneration and Terms of Service Committee, with clearly defined terms of reference and operating arrangements that specify which posts fall within its area of responsibility. This Standing Financial Instruction should be read in conjunction with Standing Order 3.3.
- 15.1.2 The Committee shall report in writing to the Board the basis for its recommendations. The Board shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of Directors and other senior employees, in accordance with the framework set by the Welsh Ministers. Minutes of the Board's meetings should record such decisions.
- 15.1.3 The Board will after due consideration and amendment if appropriate approve proposals presented by the Chief Executive for the setting of remuneration and terms of service for those employees and officers not covered by the Committee.
- 15.1.4 DHCW will remunerate the Chair, Chief Executive, Executive Directors and Independent Members of the Board in accordance with instructions issued by the Welsh Ministers. Welsh Ministers approval will be required in the exceptional event that remuneration needs to be above the maximum of the salary band range, administratively this approval will be exercised by the Director General HSSG.
- 15.1.5 The Remuneration and Terms of Service Committee will consider cases of redundancy and Voluntary Early Release applications. The Remuneration and Terms of Service Committee will consider any novel employment and pay cases, such as compromise agreements and non-disclosure agreements, ensuring Welsh Government advice has been sought and considered.

15.2 Funded Establishment

- 15.2.1 The workforce plans incorporated within agreed plans will form the funded establishment, i.e., the budget for all approved posts. (The financial budgets (£) and workforce establishment budgets (budgeted whole time equivalents) as per SFI 6.1.1 h).
- 15.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive as set out in the Scheme of

Delegation contained within SO's.

15.3 Staff Appointments

15.3.1 Staff must only be engaged by authorised managers, in accordance with the Board's Scheme of Delegation. The engagement must be within the approved budget and funded establishment.

15.3.2 No Board member or DHCW official may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration outside the limit of their approved budget and funded establishment unless authorised to do so by the Chief Executive.

15.4 Pay Rates and Terms and Conditions

15.4.1 The Board will approve procedures presented by the Chief Executive for the determination of commencing pay rates, condition of service, etc, for employees in accordance with pay, terms and conditions set out in contractual arrangements in Ministerial directions on Agenda for Change and Medical and Dental pay, and any staff with pre-existing terms and conditions of service, following a TUPE transfer into employment or ad hoc salaried staff.

15.4.2 The Remuneration Committee will determine pay rates and conditions of services for board members, and other senior employees, in accordance with ministerial instructions.

15.5 Payroll

15.5.1 The Executive Director with responsibility for workforce and organisational development, has responsibility for securing an efficient, well-controlled payroll service from NHS Wales Shared Services Partnership (NWSSP) that:

- pays the correct staff with the correct amount
- all payments are supported by properly authorised documentation

15.5.2 The Executive Director with responsibility for workforce and organisational development is responsible for:

- a) The control framework and detailed procedures are in place to:
 - To ensure all payments comply with HMRC, Pensions Agency and other regulation in relation to the deduction and payment of tax, national insurance, pension or other payments.
 - reduce the risk of fraud and error within the payroll function

- b) Specifying timetables for submission of properly authorised time records and other notifications;
- c) The final determination of pay and allowances including verification that the rate of pay and relevant conditions of service are in accordance with current agreements;
- d) Agreeing the timing and method of payment with the payroll service;
- e) Authorising the release of payroll data where in accordance with the provisions of the Data Protection Legislation;
- f) Verification and documentation of data;
- g) The timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- h) Maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- i) Security and confidentiality of payroll information;
- j) Checks to be applied to completed payroll before and after payment;
- k) A system to ensure the recovery from those leaving the employment of DHCW of sums of money and property due by them to DHCW.

15.5.3 The Chief Executive is responsible for:

- a) Ensuring that arrangements for a payroll service from NWSSP is supported by appropriate Service Level Agreements, terms and conditions, adequate internal controls and internal audit review procedures;
- b) Ensuring a sound system of internal control and audit review of any internally provided payroll service;
- c) Maintenance and/or the authorisation of regular and independent reconciliation of pay control accounts.

15.5.4 Appropriately nominated managers have delegated responsibility for:

- a) Submitting time records, and other notifications in accordance with agreed timetables;
- b) Completing time records and other notifications in accordance with the Service Level Agreements; and
- c) Submitting termination forms in the prescribed form immediately upon knowing the effective date of an employee's or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, the Executive Director with responsibility for workforce and organisational development and/or Chief Executive must be informed immediately. In circumstances where fraud is suspected, this must be reported to the Director of Finance.

15.6 Contracts of Employment

15.6.1 The Executive Director with responsibility for workforce and organisational development must:

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

16. CAPITAL PLAN, CAPITAL INVESTMENT, FIXED ASSET REGISTERS AND SECURITY OF ASSETS

16.1 Capital Plan

- 16.1.1 Capital plans, and annual capital programmes, must be approved by the Board before the commencement of a financial year and should be in line with the objectives set out in the approved Plan for the organisation. The capital plan and programmes must be delivered within Welsh Government capital finance resource limits.
- 16.1.2 The Executive Director with responsibility for workforce and organisational development will develop a capital plan, and detailed capital programme, for the organisation that sets out a detailed capital investment plan to support the objectives set out in the Plan. The capital programme must be affordable and within the capital allocations, as set out in the Welsh Government (WG) Capital Resource Limit for the year, and the DHCW must not exceed the allocation resource limit. There must be an approved revenue funding plan in place to support any revenue costs associated with the capital plan. Regular updates must be provided to the Board, and relevant Board Committees, during the financial year.
- 16.1.3 The Board must approve a Capital Plan, and an annual Capital Programme.

16.2 Capital Investment Decisions

- 16.2.1 Robust business case and capital investment appraisal must be undertaken prior to formal submission to Welsh Government, the level of detail within the appraisal commensurate with the value and risk of the investment. Capital investment decisions should be undertaken in line with Welsh Government requirements and guidance for the development of business cases as set out in
- NHS Wales Infrastructure Investment Guidance (Welsh Health Circular WHC (2018) 043)
<https://gov.wales/nhs-wales-infrastructure-investment-guidance>
 - Better business cases: investment decision-making framework
<https://gov.wales/better-business-cases-investment-decision-making-framework>
- 16.2.2 The Director of Finance must provide a professional opinion on the financial elements of the business case. Capital investment decisions will be taken by the organisation in line with the financial thresholds specified by Welsh Government and in the DHCWs Scheme of

Delegation.

16.3 Capital Projects

16.3.1 The Chief Executive shall ensure that any capital investment above the Welsh Ministers' delegated limit is not undertaken without approval of the Welsh Ministers and that confirmation of capital resources has been received.

16.3.2 When capital investment decisions are taken and a Capital Programme approved the Project cannot be initiated until the authority to commit expenditure is formally delegated to a manager, in line with the organisation's Scheme of Delegation. The capital project must then be procured in line with normal procurement procedures or the Designed for Life or other approved procurement framework and in line with Welsh Government requirements and guidance. Management control and financial reporting systems must be established to ensure that the project is:

- delivered on time
- on budget
- within contractual obligations.

16.3.3 Project management controls and financial reporting systems must be established to ensure these objectives are met. Reporting requirements to Welsh Government will be set out in the approval letter provided post Ministerial approval.

16.3.4 Regular updates must be provided to the Board, and relevant Board Committees, during the financial year

16.4 Capital Procedures and Responsibilities

16.4.1 The Chief Executive:

- a) Shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon plans;
- b) Is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
- c) Shall ensure that any capital investment above the Welsh Ministers' delegated limit (i.e. other than discretionary capital) is not undertaken without approval of the Welsh Ministers and that confirmation of capital resources has been received;

- d) Shall ensure that the Capital Plan, and detailed annual capital programme is approved by the Board, as part of the Plan, prior to the commencement of the financial year;
- e) Shall ensure the availability of resources to finance all revenue consequences of the investment, including capital charges; and
- f) Shall ensure that any 3rd party use of NHS estate is properly controlled, reimbursed and reported. This will include ensuring that appropriate security, insurance and indemnity arrangements are in place and that there is a written agreement as to each party's responsibilities and liabilities.

16.4.2 For every capital expenditure proposal the Chief Executive shall ensure:

- a) That a business case is produced in line with Welsh Ministers' guidance and where appropriate the 5-case Model;
- b) That the Director of Finance has sought appropriate professional advice from DHCW and external agencies in the preparation of capital expenditure costs, and on that basis professionally certifies the capital costs and revenue consequences detailed in the business case.

16.4.3 For capital schemes where the contracts stipulate stage payments, the Chief Executive will issue procedures for their management in accordance with the Welsh Ministers' guidance.

16.4.4 The approval of a capital programme by DHCW Board shall not constitute approval for the initiation of expenditure on any scheme.

16.4.5 The Chief Executive shall issue to the manager responsible for any scheme:

- a) Specific authority to commit expenditure;
- b) Authority to proceed to tender;
- c) Approval to accept a successful tender.

16.4.6 The Chief Executive will issue a scheme of delegation for capital investment management in accordance with the Welsh Ministers' guidance and DHCW's SOs.

16.4.7 The Executive Director with responsibility for Planning and Director of Finance shall issue detailed procedures governing the project, financial and contractual management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures shall fully take into account the requirements and delegated limits for capital schemes set out in Welsh Ministers' guidance and approval letters. The Director of Finance shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure – and where applicable, provide returns to the Welsh Government.

16.5 Capital Financing with the Private Sector

16.5.1 DHCW must not enter into any new capital financing arrangements with the private sector, including Private Financing Initiatives, Mutual Investment Model and 3rd Party Developments, without the consent of the Welsh Ministers.

16.6 Asset Registers

16.6.1 The Chief Executive is responsible for the maintenance of registers of assets, taking account of the advice of the Executive Director with responsibility for Planning and Director of Finance concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted periodically.

16.6.2 DHCW shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be in accordance with the Welsh Ministers' guidance and to satisfy the financial disclosure requirements for the Annual Accounts.

16.6.3 Additions to the fixed asset register must be clearly identified to the operational or departmental manager or delegated budget holder and be validated by reference to appropriate documentation to provide evidence of the financial value recorded, including:

- a) Properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
- b) Stores, requisitions and wages records for own materials and labour including appropriate overheads; and
- c) Lease agreements in respect of assets held under a finance lease

and included on DHCW's balance sheet.

16.6.4 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). Disposal receipts are to be treated in accordance with the Welsh Ministers' guidance.

16.6.5 The Director of Finance shall apply accounting policies for fixed assets in line with Welsh Government guidance and accounting standards and values recorded in the asset register, including depreciation and revaluations. The Director of Finance shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.

16.6.6 The value, and depreciation, of each asset shall be considered annually in accordance with valuation guidance and methods specified by the Welsh Ministers. Assets should be considered for early revaluation where there is the likelihood of impairment as a result in a change of valuation or asset life.

16.7 Security of Assets

16.7.1 The overall control of fixed assets is the responsibility of the Chief Executive.

16.7.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance. This procedure shall make provision for:

- a) Recording managerial responsibility for each asset;
- b) Identification of additions and disposals;
- c) Identification of all repairs and maintenance expenses;
- d) Physical security of assets;
- e) Regular verification of the existence of, condition of, and title to, assets recorded;
- f) Identification and reporting of all costs associated with the retention of an asset; and
- g) Reporting, recording and safekeeping of cash, cheques, and

negotiable instruments.

16.7.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Planning and Director of Finance.

16.7.4 Whilst individual officers have a responsibility for the security of property of DHCW, it is the responsibility of Board members and senior DHCW officers in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with agreed procedures.

16.7.5 Any damage to DHCW's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Board members and DHCW officers in accordance with the procedure for reporting losses.

16.7.6 Where practical, assets should be marked as DHCW property.

17 STORES AND RECEIPT OF GOODS

17.1 General position

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

- a) Kept to a minimum;
- b) Subjected to annual stock take;
- c) Valued at the lower of cost and net realisable value.

17.2 Control of Stores, Stocktaking, condemnations and disposal

17.2.1 Subject to the responsibility of the Director of Finance for the systems of financial control, overall responsibility for the control of stores shall be delegated to a senior officer by the Chief Executive. The day-to-day responsibility may be delegated by them to departmental officers/managers and stores managers/keepers, subject to such delegation being entered in a record available to the Director of Finance. The control of any fuel oil and coal of a designated estates manager.

17.2.2 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager. Wherever practicable, stocks should be marked as health service property.

17.2.3 The Director of Finance is responsible for developing financial control systems and procedures for the regulation and operation of the stores, to include the accounting arrangements for receipt, issues, and returns of goods to stores and losses.

17.2.4 Stocktaking arrangements shall be agreed with the Director of Finance and there shall be a physical check covering all items in store at least once a year.

17.2.5 Where a complete system of controlled stores is not justified, alternative stores arrangements shall require the approval of the Director of Finance.

17.2.6 The designated officer/manager 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/manager shall report to the Director of Finance any evidence of significant overstocking and of

any negligence or malpractice (see also overlap with SFI 18, Disposals and Condemnations, Losses and Special Payments). Procedures for *the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

17.3 Goods supplied by an NHS supplies agency

17.3.1 For goods supplied via NWSSP – Procurement Services or any other NHS purchasing and supplies agency central 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 or authorised officer who shall satisfy himself that the goods have been received before accepting the recharge.

18. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

18.1 Disposals and Condemnations

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

18.1.2 When it is decided to dispose of a DHCW asset and goods, 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.

18.1.3 All unserviceable assets and goods shall be:

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

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

18.2 Losses and Special Payments

18.2.1 Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for NHS Wales or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments, and special notation in the accounts to draw them to the attention of the Welsh Government.

18.2.2 The Director of Finance is responsible for ensuring procedural instructions on the recording of and accounting for losses and special payments are in place; and that all losses or special payments cases are properly managed in accordance with the guidance set out in the Welsh Government's Manual for Accounts.

- 18.2.3 Any officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Chief Executive and/or the Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Director of Finance and/or the Chief Executive.
- 18.2.4 Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the Local Counter Fraud Specialist (LCFS) and the CFS Wales Team accordance with Directions issued by the Welsh Ministers on fraud and corruption.
- 18.2.5 The Director of Finance or the LCFS must notify the Audit & Assurance Committee, the Auditor General's representative and the fraud liaison officer within the Welsh Government's Health and Social Services Group Finance Directorate of all frauds.
- 18.2.6 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must notify:
- a) The Audit & Assurance Committee on behalf of the Board, and
 - b) An Auditor General's representative.
- 18.2.7 The Director of Finance shall be authorised to take any necessary steps to safeguard DHCW's interests in bankruptcies and company liquidations.
- 18.2.8 The Director of Finance shall ensure all financial aspects of losses and special payments cases are properly registered and maintained on the centralised Losses and Special Payments Register and that 'case write-off' action is recorded on the system (i.e. case closure date, case status, etc.).
- 18.2.9 The Audit Committee shall approve the writing-off of losses or the making of special payments within delegated limits determined by the Welsh Ministers and as set out by Welsh Government in its Losses and Special Payments guidance as detailed in Schedule 3 of the SOs.
- 18.2.10 For any loss or special payments, the Director of Finance should consider whether any reimbursement claim could be made from the Welsh Risk Pool or from other commercial insurance arrangements.

- 18.2.11 No losses or special payments exceeding delegated limits shall be authorised or made without the prior approval of the Health and Social Services Group Director of Finance.
- 18.2.12 All novel, contentious and repercussive cases must be referred to the Welsh Government's Health and Social Services Group – Finance Directorate, irrespective of the delegated limit.
- 18.2.13 The Director of Finance shall ensure all losses and special payments are reported to the Audit & Assurance Committee at every meeting.
- 18.2.14 DHCW must obtain the Health and Social Services Group Director General's approval for special severance payments.

19. DIGITAL, DATA and TECHNOLOGY

19.1 Digital Data and Technology Strategy

19.1.1 The Board shall approve a Digital Data and Technology Strategy which sets out the development needs of DHCW for the medium term based on an appropriate assessment of risk. The agreed plans shall include costed implementation plans of the strategy. The Board shall also ensure that a Director has responsibility for Digital Data and Technology.

19.1.2 DHCW shall publish and maintain a Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the Information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about DHCW that are made publicly available.

19.2 Responsibilities and duties of the responsible Director

19.2.1 The responsible Director for Digital Data and Technology has responsibility for the accuracy, availability and security of DHCW digital systems and data and shall:

- a) Devise and implement any necessary procedures to ensure adequate (reasonable) protection and availability of DHCW's digital systems and data for which they are responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Network and Information Systems Regulations 2018, UK General Data Protection Regulations and any relevant domestic law considerations via the Data Protection Act 2018;
- b) Ensure that, following risk assessment of threats, adequate (reasonable) controls exist over access to systems, data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
- c) Ensure that an adequate management (audit) trail is maintained of access to digital systems and data and that such audit reviews as the Director may consider necessary to meet the organisational requirements under the NIS-Regulations 2018 are being carried out.
- d) Shall ensure that policies, procedures and training arrangements

are in place to ensure compliance with information governance law and NIS-Regulations 2018.

- e) Shall ensure comprehensive incident reporting

19.3 Responsibilities and duties of the Director of Finance

19.3.1 The Director of Finance shall need to ensure that new financial data and systems and amendments to current financial data and systems are developed in a controlled manner and thoroughly tested prior to implementation and business as usual phases. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation and business as usual phases.

19.4 Contracts for data and digital services with other health bodies or outside agencies

19.4.1 The responsible Director for Digital Data and Technology shall ensure that contracts for data and digital services for clinical, management and financial applications with another health organisation or any other agency shall clearly define the responsibility of all parties for

- the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage, and
- the availability of the service including the resilience required to maintain continuity of the service.

The contract should also ensure rights of access for audit purposes.

19.4.2 Where another health organisation or any other agency provides a data or digital service for clinical, management and financial applications, the responsible Director for Digital Data and Technology shall, to maintain the confidentiality, integrity and availability of the service provided, periodically seek assurances that adequate controls, based on risk assessment, are in operation.

19.5 Risk assurance

19.5.1 The responsible Director for Digital Data and Technology shall ensure that the risks to DHCW arising from the use of data, information and IT are effectively identified and considered and that appropriate action is taken to mitigate or control risk. This shall include the preparation and testing of appropriate resilience plans, including both a business continuity and disaster recovery plan.

20. RETENTION OF RECORDS

20.1 Responsibilities of the Chief Executive

20.1.1 The Chief Executive shall be responsible for maintaining archives for all records required to be retained in accordance with the Welsh Ministers' guidance, the General Data Protection Regulations and any relevant domestic law considerations via the Data Protection Act 2018 and the Freedom of Information Act 2000 (c.36).

20.1.2 The records held in archives shall be capable of retrieval by authorised persons.

21.1.3 Records held in accordance with regulation shall only be destroyed at the express instigation of the Chief Executive. Details shall be maintained of records so destroyed.

SCHEDULE 1

REVISED GENERAL CONSENT TO ENTER INDIVIDUAL CONTRACTS

Y Grŵp Iechyd a Gwasanaethau Cymdeithasol
Health & Social Services Group



Llywodraeth Cymru
Welsh Government

Directors of Finance
Deputy Directors of Finance
Local Health Boards, NHS Trusts Wales & HEIW

Our Ref: SE&IG/

Date: 30 November, 2020

Dear All

RE: PROCESSES FOR LOCAL HEALTH BOARDS AND NHS TRUSTS CONTRACTS, AND INTERESTS IN PROPERTY EXCEEDING £0.5M

Paragraph 13(3) of Schedule 2 to the National Health Service (Wales) Act 2006 places a requirement on Local Health Boards (LHBs) to obtain the consent of Welsh Ministers before:

- Acquiring and disposing of property;
- Entering into contracts; and
- Accepting gifts of property (including property to be held on trust).

Acquiring and disposing of property

WHC (2018) 043 NHS Wales Infrastructure Investment Guidance issued 22 October 2018 sets out at section 10.1:



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Model Standing Orders, Reservation and Delegation of Powers for DHCW
Schedule 2.1: Standing Financial Instructions

Status: Final Version 2
22 March 2021

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LHBs and HEIW

Contract approvals over £1m for individual schemes will be sought as part of the normal business case submission process where funding from the NHS Capital Programme is required. For schemes funded via discretionary allocations, a request for approval will need to be submitted to Chief Executive NHS Wales, copying in the Deputy Director of Capital, Estates & Facilities Division.

Detailed arrangements in respect of approval process linked to the acquisition and disposal of leases, where consent does not form part of the business case process will be included in a Welsh Health Circular WHC(2015)031. Organisations should ensure that the monitoring arrangements and the requisite forms and returns are included as part of their own assurance arrangements.

NHS Trusts

Whilst formal Ministerial consent is not required for Trusts as detailed above, general consent arrangements are still applicable in terms of relevant transactions. Detailed requirements in terms of appropriate notifications were sent in the Welsh Health Circular referenced above.

Guidance on disposals is contained in Section 11

WHC (2015) 031 issued 22 June 2015 clarified the approval process linked to the acquisition or disposal of a lease, where approval does not form part of a business case process. A lease being a property right requires the consent of the Welsh Ministers in accordance with paragraph 13(2) (a). The WHC set out for NHS Trusts and LHBs a notification and consent process mirroring the contract processes noted below.

Entering into contracts

Guidance was issued to NHS Wales bodies on 27th January 2017 in a letter to Directors of Finance issued jointly by the Deputy Directors of Finance and Capital Estates and Facilities. This letter now updates that guidance to reconfirm to all NHS Wales bodies that the authorisation and consideration of notified contracts and applications for the acquisitions or disposals of a lease or any interest in property are delegated to the Director General, Health and Social Services Group.

The Director General may, as with any other matter relating to the operation of the NHS in Wales, brief the Minister for Health and Social Services on any arrangement of particular policy note, or with a novel, contentious or innovative nature.

Accordingly any issues relevant to the exercise of the Minister for Health and Social Service's consent will, as a matter of course, be drawn to his attention.

The process which NHS Wales bodies entering into contracts must follow is:

- All NHS contracts (unless exempt) >£1m in total to be notified to the Director General HSSG prior to tendering for the contract;
- All eligible LHB and HEIW contracts >£1m in total to be submitted to the Director General HSSG for consent prior to award;
- All eligible NHS Trust contracts >£1m in total to be submitted to the Director General HSSG for notification prior to award; and
- All eligible NHS contracts >£0.5m in total to be submitted to the Director General HSSG for notification prior to award.

The requirement for consent does not apply to any contracts entered into pursuant to a specific statutory power, and therefore does not apply to:

- (i) Contracts of employment between LHBs and their staff;
- (ii) Transfers of land or contracts effected by Statutory Instrument following the creation of LHBs;
- (iii) Out of Hours contracts; and
- (iv) All NHS contracts; that is where one health services body contracts with another health service body.

For non- capital contracts requiring DG approval, the request for approval or notification should be sent to Rob Eveleigh in the Financial Control and Governance team : Robert.Eveleigh@gov.wales

Kind regards,



Steve Elliot & Ian Gunney

Diprwy Cyfarwyddwr Cyllid - Deputy Director of Finance

Dirprwy Gyfarwyddwr, Cyfalaf Ystadau a Cyfleusterau - Deputy Director
Capital Estates & Facilities

Finance Directorate / Cyfarwyddiaeth Cyllid

Y Grwp Iechyd a Gwasanaethau/Health and Social Services Group