



NOT PROTECTIVELY MARKED

Audit Committee Meeting

November 2019

Item No 09

THIS PAPER IS FOR APPROVAL

**AMENDED STANDING FINANCIAL INSTRUCTION FOR DELEGATED LIMITS
AND CAPITAL POLICY – CAPITAL INVESTMENT PROJECTS**

Lead Director Author	Julie Carter, Director of Finance, Logistics and Strategy Melanie Barnes, Head of Capital and Costing
Action required	The Board is asked to approve the amended Standing Financial Instructions for publication.
Key points	<p>Scottish Government issued a revised DL (2019) 5 which updates the Service's delegated limits for capital investment projects contained with CEL 32 (2010).</p> <ul style="list-style-type: none">• The revised delegated limit has increased to £3million from £1 million.• These limits apply with immediate effect and will include projects that are midway through the business case process.• Only projects that are over £3 million are required to be approved by the Capital Investment Group by Scottish Government.• This increase does not affect the ability to request earmarked capital funding from Scottish Government for projects below £3 million. <p>The Standing Financial Instructions have been updated to reflect the change in the Delegated Limit.</p> <p>In addition, the Capital Policy has been updated to reflect the revised governance process with the Service for capital projects. A Capital Programme Governance Group (CPGG) has been established to review and approve all requests for capital funding. Projects are required to submit a mini business case outlining the requirements, benefits, risks and costs of each proposed investment for scrutiny and approval at the CPGG.</p>

Timing	<p>These revised limits apply with immediate effect.</p> <p>The Audit Committee reviewed the amended SFI at its meeting on 2 October 2019 and recommended these to the Board for approval at its meeting in November.</p>
Link to Corporate Objectives	The Corporate Objective this paper relates to is 6.2 which aims to improve efficiency and effectiveness
Contribution to the 2020 vision for Health and Social Care	This change is intended to support the Board's need to achieve savings to re-invest in patient care.
Equality and Diversity	Not applicable.



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Dear Colleague

DELEGATED LIMITS – CAPITAL INVESTMENT PROJECTS

Delegated Limits

This letter updates the delegated limits for capital investment projects which are contained in CEL 32 (2010) and are detailed in Annex A. The limits will again reflect each Board's size operating on a stepped basis.

These limits apply with immediate effect and will include projects that are midway through the business case process. The limits are not impacted by whether the project is funded through Board's formula capital or by way of an additional allocation from Scottish Government.

NHS Capital Investment Group

While any capital investment project that is within a Board's delegated limit does not need to be submitted to the NHS Capital Investment Group (CIG) for review, it is recognised that for some Boards, particularly ones that do not undertake many capital projects, that the additional review and scrutiny that the CIG can provide could be helpful. If a Board would like to explore that option, they should contact the Chair of the CIG to discuss.

If you have any questions please contact Alan.Morrison@gov.scot on 0131 244 2436.

Your sincerely

Christine McLaughlin
Chief Finance Officer NHS Scotland, and Director of Health Finance, Corporate Governance and Value

DL(2019) 5
12 September 2019

Addresses

For action

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Executives
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For information

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Annex A

Delegated Limits – Capital Investment Projects

NHS Board	Delegated Limit
	£million
NHS Ayrshire and Arran	5.0
NHS Borders	3.0
NHS Dumfries and Galloway	3.0
NHS Fife	5.0
NHS Forth Valley	5.0
NHS Grampian	10.0
NHS Greater Glasgow and Clyde	10.0
NHS Highland	5.0
NHS Lanarkshire	7.5
NHS Lothian	10.0
NHS Orkney	3.0
NHS Shetland	3.0
NHS Tayside	5.0
NHS Western Isles	3.0

NHS Board	Delegated Limit
	£million
Golden Jubilee Foundation	3.0
Healthcare Improvement Scotland	1.0
NHS 24	1.0
NHS Education for Scotland	1.0
NHS Health Scotland	1.0
NHS National Services Scotland	3.0
Scottish Ambulance Service	3.0
The State Hospital	3.0

SCOTTISH AMBULANCE SERVICE

STANDING FINANCIAL INSTRUCTIONS

Owner: Financial Services Manager	Issue No 1 Revision No 6	Doc & page: Page 42 of 77	Review arrangements: Tri-annually or on introduction of new system
Date of Release: June 2018	Date of Intranet Posting: August 2018	Implementation: Immediate	Approved by: Audit Committee and Board

Equality & Diversity Impact Assessment: no adverse outcome has been identified

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SECTION 11

CAPITAL INVESTMENT AND HUB FINANCING

Capital Investment

1. These instructions define the procedures for capital planning, authorisation, reporting and control to be adopted by the Board for all capital schemes.

They cover the initiative and progress of capital schemes, both individually and collectively.

Capital Plan

2. The form of reporting for the Capital Plan will be specified by the Director of Finance and Logistics. The Capital Plan will be approved by the Capital Programme Governance Group, Executive Team and the Board. The plan will include:
 - (a) details of ~~all~~ individual schemes in excess of £5,000, distinguishing between capital and revenue implications ~~and will be broken down into the following areas:~~

~~building fabric;~~
~~building development and upgrades;~~
~~replacement equipment; development equipment; information technology.~~
 - (b) the projected cost of each scheme over the current and subsequent financial years;
 - (c) in respect of schemes authorised in prior years and not yet completed, actual expenditure to date and the estimated cost still outstanding projected forward, as necessary as in (b) above;
 - (d) the priority placed on each scheme; and
 - (e) an estimate of sale proceeds from properties surplus to the Board's requirements, showing an anticipated year of sale.

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Scheme Approval

3. The undernoted approval limits will apply:

Schemes Costing ~~between £250,000 up to to £1,000,000~~ and funded from the Service's Core Capital Allocation:

All individual schemes estimated to cost ~~up to £250,000 to £1,000,000~~ and funded from the Service's Core Capital Allocation will ~~require a mini business case to~~ be individually presented ~~to the Capital Programme Governance Group by the Planning Manager or Responsible Officer by the Director of Finance and Logistics to the Board for approval at:~~

- (a) Pre-design Cost Limit Stage;
- (b) Pre-tender Stage, but only where estimated costs have increased since the Pre-Design Cost Limit Stage; and
- (c) Tender Acceptance Stage.

The Planning Manager will ensure the Procurement Department is involved at an early stage to ensure the correct Procurement Route is followed and the relevant requirements are met ~~three tenders are received for each scheme.~~

4. Where a scheme pre-design cost estimate is exceeded by 10% at pre-tender acceptance stage, then it must be reported to the Capital Programme Governance Group ~~Board in the report format specified below.~~

Authority to proceed to tender, or to accept tenders must in such cases be granted by the Executive Team ~~Board~~, following consideration of the reports from the Capital Programme Governance Group ~~Director of Finance and Logistics.~~

5. In presenting schemes for approval by the Capital Programme Governance Group ~~Board~~, the Mini Business Case ~~report~~ will indicate:

- (a) The Scheme Title;
- (b) the recommendations made to the Board ~~Group~~;
- ~~(c)~~ (c) the Scheme Detail and Statement in Support, giving reason for investment along with the benefits and risks;

~~(e)~~ (d) List of options considered along with the evaluation of each option;

~~(d)~~ (e) the Scheme Financial Code Number, the financial appraisal of each option which must include capital and revenue implications, both recurring and non-recurring along with the depreciation impact ;

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~~(e)(f) the preferred option along with the reasons why; Capital Plan annual phasing and estimated total costs;~~

~~(f)(g) the project management and implementation arrangements Project Manager;~~

~~(g) the investment proposed identifying:~~

~~(h) —~~

- ~~- building/engineering costs~~
- ~~- design team fees~~
- ~~- movable equipment costs~~
- ~~- other capital costs~~
- ~~- VAT implications~~
- ~~- total capital investment~~
- ~~- reason(s) for variation from approved capital plan;~~

~~(+)(h) the procurement route and method of funding;~~

~~(+)(i) the Scheme Timetable showing start on site date and anticipated completion date;~~

~~(k) the indicative cash flow, explaining, where appropriate, reasons for variation(s) from the Capital Plan; and~~

~~(l) the Revenue Implications.~~

~~6. Accompanying each scheme proposal to the Board will be an independent report by the Director of Finance and Logistics, validating the proposal and providing such further advice as is thought to be required for the Board to properly consider the proposal.~~

Schemes Costing ~~£1,000,000~~5,000 and up to ~~£3,000,000~~250,000:

~~6. All capital schemes estimated to cost between £1,000,5,000 and £3,000,250,000 will be approved by the Capital Programme Governance Group, Executive Team and Board Director of Finance and Logistics and one other Executive Director.~~

A Standard Business Case will be required to be submitted and must include the following information:

- (a) The purpose of the Project and details of what is in scope
- (b) How the Project will contribute to the Service's strategy and achievement of its objectives along with how it will support any wider national objectives
- (c) Details of the Case for Change, i.e, business needs, issues with the status quo, the main drivers for investment
- (d) Details of the benefits and risks
- (e) Details of all options considered along with a value for money assessment and financial appraisal of each option

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- (f) Details of the preferred option
- (g) Details of the procurement method
- (h) Details of how the capital and revenue costs, both recurring and non-recurring, will be funded along with any affordability gap and options for closing the gap
- (i) Details of how the project will be delivered successfully, including project management arrangements, personnel implications, benefits realization and risk management arrangements
- (j) Implementation and project plan

Exceptions to this are:

- ~~(a) The purchase of medical equipment will be approved by the Director of Finance and Logistics and the Medical Director; and~~
- ~~(b) Estate type capital schemes will be approved by the Director of Finance and Logistics, and the Director of Service Delivery.~~

~~The Estates Manger will ensure that three tenders are received for each scheme.~~

~~7. Following approval, all such schemes will be managed by a nominated Project Manager in their progress through the three scheme stages referred to in paragraph 4 above.~~

Schemes Costing over £3,000,000:

~~7. All capital schemes estimated to cost over £3,000,000 will be subject to the procedures detailed in the Scottish Capital Investment Manual (SCIM) and all stages must be approved by the Capital Programme Governance Group, Executive Team, Board and Scottish Government's Capital Investment Group~~

~~The 4 stage process detailed in the SCIM must be followed and this entails:~~

- ~~(a) A Strategic Assessment to be developed as part of the annual Property and Asset Management~~
- ~~(b) Initial Agreement~~
- ~~(c) Outline Business Case~~
- ~~(d) Full Business Case~~

~~8.~~

~~9. Acceptance of tenders for such schemes will be authorised by the Estates Manager.~~

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Reporting

8. Progress reports on all schemes will be submitted to the Capital Programme Governance Group~~Board~~ on a monthly basis:

An update on the financial expenditure to date will be submitted to the Executive Team and Board on a monthly basis.

Quarterly Updates on the progress of all projects along with approvals for new projects made by the Capital Governance Group will be submitted to the Executive Team

For projects with a cost over £1m, dedicated project teams will be set up and additional governance routes agreed at the initiation of the project. These projects will be subject to stricter reporting requirements which will include highlight reports detailing the following information:

~~For all projects costing £250,000 or over, a monthly progress report will require to be submitted by the Estates Manager in the following format:~~

- (a) the approved financial allocation;
- (b) the expenditure to date;
- (c) the works progress made;
- (d) any delay or problem encountered, the associated cost implications and the corrective action taken or proposed;
- (e) any change in the estimated completion date; and
- (f) any change to the original project.

10.9. Following completion, a final project report will be submitted which shows the following:

- (g) the approved financial allocation;
- (h) the final cost, including retention monies still to be paid;
- (i) the actual revenue implications;
- (j) the estimated and actual time taken to completion; and

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- (k) other material factors.

HUB Initiatives

11.10. When the Board proposes to use finance which is to be provided other than either through its Core Capital Allocation or from an earmarked capital allocation from SG, the following procedures shall apply:

- (a) the Director of Finance and Logistics shall demonstrate that the use of schemes like NPD or HUB finance represents value for money and genuinely transfers risk to the private sector.
- (b) Early consultation with Scottish Government Health & Social Care Directorate must be undertaken to discuss the proposal and to seek support where the sum involved exceeds delegated limits, the business case may be referred to the NHS Scottish Government Health Directorate.
- (c) the proposal will be subject to SCIM guidance and the 4 stage Business Case process must as detailed in Section 7 above must be followed must be specifically agreed by the Board.

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SECTION 18

SCHEME OF DELEGATION

WHAT	WHO	ACTING ARRANGEMENTS	SCOPE (EXCL VAT)
<u>Tenders:</u>			
Issue of:	Head of Procurement	Snr Procurement Spec	£50K+
Receipt of:	Receptionist		All
Opening of:	Head of Corporate Affairs & Engagement & Head of Procurement		All
Post-tender negotiation:	Head of Procurement		All
Approval of:	Snr Procurement Specialist	D of F & Logistics	<£50,000
	Head of Procurement		£50K-£100
	Director of Finance and Logistics		£100K-£499,999
	Chief Executive		£500K-£1m
	Board		>£1m
Authorisation of Orders:	Buyer	D of F & Logistics	<£5,000
	Snr Procurement Specialist		£5k - £50k
	Head of Procurement		£50k - £100k
	Director of Finance and Logistics		£100k - £499,999
	Chief Executive		£500k - £1m
	Board		>£1m
Quotations:	Procurement		£10,000+
Sealing of Documents:	Chief Exec or Director of Finance and Logistics	Director of Finance and Logistics and other Director	Reported to Board

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WHAT	WHO	ACTING ARRANGEMENTS	SCOPE (EXCL VAT)
Delegation of Budgets	Divisional Officer or equivalent		Staff costs and consumables
Virement	Budget holders		Between budget headings with their control
Approval of SAS services to other organisations	Director of Finance and Logistics	GM-Finance	£10,000+
	Budget holders		<£10,000
Operation of detailed financial matters including bank accounts and banking procedures	Director of Finance and Logistics	GM-Finance	
Management of endowment funds	Director of Finance and Logistics	GM-Finance	
Expenditure of endowment funds	Board		£15,000+
	Chief Executive and Director of Finance and Logistics	GM-Finance	£5,000 to £15,000
	Director of Finance and Logistics		0 to £5,000
IT Systems Development	Director of Finance and Logistics	GM-ICT	Within ICT strategy
IT Systems controls and Security	Director of Finance and Logistics	IT Security Officer	
Health & safety strategy approval	Board		

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Health & Safety Management	Director of Human Resources Divisional/Departmental Managers	H + S Manager	
Caldicott Guardian	Medical Director		
Insurance Arrangements	Director of Finance and Logistics	GM-Finance	
Risk Management	Director of Finance and Logistics Divisional/Departmental Managers	Risk Manager	
Recruitment & Selection of Staff	Director of Human Resources	Recruitment and Selection Manager	
Control of Stocks	Director of Finance and Logistics	GM-Finance	
Day to day management of stocks	Budget holders		
Management of land and buildings	Director of Finance and Logistics	GM-PPU	
Management of Assets	Budget holders		
Approval of annual accounts and report	Board		
Preparation of Health Plan and Performance Assessment Framework	Chief Executive		
Authorisation of write-offs and special payments	Chief Executive Director of Finance and Logistics	GM-Finance	

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WHAT	WHO	ACTING ARRANGEMENTS	SCOPE (EXCL VAT)
Approval of Business Cases	Scottish Government		Property Schemes- £5m+ IM + T Schemes £2m+Capital Schemes above £3m
	<u>Board</u>		<u>Capital schemes above £1m</u>
	<u>Executive Team</u> <u>Beard</u>		<u>Capital schemes below £1m</u> 0k <u>Capital schemes</u>
	<u>Executive Team</u> <u>Capital Programme Governance</u> <u>Group</u>		Capital schemes below <u>£1m</u> 250k
Approval of Foreign Travel	Chairman and Chief Executive The Vice Chair will be consulted on any foreign visits involving the Chair and Chief Executive	<i>Vice Chair</i>	Foreign visits for any purpose

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