

What are SFIs and why do you need to know about them?

Local Health Boards in Wales 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 the LHB.

All LHB 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 the LHB.

How to use the Financial Scheme of Delegation

Description - sets out the area of responsibility where the authority has been delegated via the Board to Committees, Executive Directors or other officers to undertake certain actions on behalf of the Board. In some instances the authority is reserved by the Board.

Specific - provides more detail about the area for which delegated authority is given and what other considerations may need to be taken into account.

More information - provides links to associated policies and procedures.

The remaining columns set out at which level decisions can be made/expenditure committed. It is a cumulative process and should be read from right to left with limits progressively increasing until the final decision rests with approval from the Board. WG approval will also be required in some circumstances.

| Description | Specific | More information | Any expenditure approval must be within funding limits of approved budgets. Budget holders are responsible for providing services within the available financial resources delegated to them and are held accountable for managing within the budget. | | | | | | | | | | | | | |
|--------------------------------|---|---|---|---|----------------------------|--------------------------------|-----------------------|---|-----------------------------|-------------------------------|--|--|---------------------|--|--|--|
| | | | Welsh Government | Board (following CEO/ET approval) | Charitable Funds Committee | Charitable Funds Sub-Committee | Capital Sub-Committee | Chief Executive (and Executive Team) | CEO (or Deputy CEO) and DoF | Chief Executive Officer (CEO) | Director of Finance (DoF) | Director of Strategic Development and Operational Planning | Executive Directors | Other Officers as delegated by Executive Directors | Notes | |
| Budget Changes | Transfers between budget managers | Budgetary Control Procedure | | >£1m | | | | >£0.5m≤£1m | ≤£0.5m | ≤£0.5m | | | | | | |
| General Non -pay Expenditure | The values refer to individual orders / requisitions (for the total life of the contract) Goods or services should be sourced from the approved catalogue or if this is not possible via a public sector contract framework. Where an item is not on catalogue or framework Procurement Services should be requested to undertake quotation / tendering exercise. All orders for goods and services must be accompanied by an official order number in accordance with the No PO, No Pay policy. | Purchase to Pay Procedure | > £1m | > £1m | | | | >£0.5m≤£1m | >£0.5m≤£1m | ≤£0.5m | ≤£0.5m | | ≤£0.1m | Refer to Cost Centre Structure Purchasing Approval | In addition to delegated limits competition requirements apply when procuring goods. Advice should be sought from Procurement before entering into or extending existing contracts as the ability to extend is not automatic. | |
| Healthcare agreements | NHS - These are agreements that the UHB will enter into to commission healthcare services for its resident population from other NHS providers. | New contract or variation to existing contract | | >£10m (below £10m retrospectively reported) | | | | >£0.5m≤£10m | >£0.5m ≤£5m | ≤£0.5m | ≤£0.5m | | | | | |
| Healthcare agreements | Private sector For contracts >£1m WG must approve before contract is awarded | New contract or variation to existing contract | > £1m | > £1m | | | | >£0.5m≤£1m | | ≤£0.5m | ≤£0.5m | | | | | |
| Healthcare agreements | Primary Care Contracts (General Medical Services and Community Pharmacy) Dental follows competitive procurement process | via the Primary Care Applications Committee | | ✓ | | | | | | | | | | | | |
| Leases | Property or equipment leases | | | >£0.5m (plus any that need signing under seal) Reservation of Power | | | | >£0.25m≤£0.5m | | >£0.1m≤£0.25m | >£0.1m≤£0.25m | | | | | |
| Consultancy | External consultancy | Use of Consultancy Financial Procedure | > £1m | >£0.025m≤£1m | | | | >£0.025m≤£1m | | ≤£0.025m | ≤£0.025m | | ≤£0.025m | | | |
| Special (ex-gratia) payments | Ex-gratia payments are payments which a Health Body is not obliged to make or for which there is no statutory cover or legal liability. These limits are for ex gratia payments for personal property claims relating to both patients and staff. | Losses and Special Payments Procedure | >£0.05m | | | | | | | | | | >£250≤£0.05m | Directorate Managers ≤ £100 General Managers ≤ £250 | | |
| Losses/special payments | Different limits apply dependent on category of claim with approval required from WG. For Personal Injury/Clinical Negligence refer to the Claims Management Policy. https://hduhb.nhs.wales/about-us/governance-arrangements/policies-and-written-control-documents/policies/claims-management-policy/ | Losses and Special Payments Procedure | | ✓ | | | | >£0.5m≤£1m | | | | | ≤£0.5m | | Terminations to £50k DW&OD else to WG; VERS RATS Committee Limits relate to items below referral to WG thresholds | |
| Single Tender/Quotation Action | Goods and services should be procured through fair and open competition to secure value for money and ensure propriety and regularity. However, there may be situations where it is more appropriate to approach a single provider through the use of a single tender/quotation action (STA/SQA). A STA/SQA should only be undertaken when there is no feasible alternative and due process is followed. | Single tender action procedure | | | | | | | >£0.025m | | | | ≤£0.025m | | Single Tender Action must be approved by DoF (and CEO for spend >£25k) following scrutiny by Board Secretary, Retrospective Reporting to Audit & Risk Assurance Committee | |
| Staffing | Increase in establishment | | | | | | | | | Can approve posts across HB | Can approve posts within own structure in line with delegated budget and limits | | | | | |
| | Agency and waiting list initiatives | | | | | | | | | Can approve posts across HB | Must be agreed in advance within the limit of their approved budget and funded establishment unless authorised to do so by the Chief Executive | | | | | |
| Charitable Funds | Expenditure from charitable funds is exclusively for charitable purposes. The expenditure shall satisfy both the objects of the relevant registered charity and the deed of trust of the specific fund. A 'Request for charitable funds expenditure' form needs to be completed in the first instance detailing the item of expenditure and justification for spend, ensuring spend is eligible. All items of expenditure, will need to be approved prior to the expenditure being incurred by the appropriate authorisation level. The procedure for requisitioning any items or service using money held in charitable funds is identical to that for exchequer funds, therefore all procurement policies apply equally. | Charitable Funds Policy and Procedure | | >£0.1m | >£0.05m<£0.1m | >£0.01m<£0.05m | | | | | | | | Refer to Charitable Funds authorised signatory list | Expenditure over £0.1m will be approved by the Board acting as the Corporate Trustee | |
| Capital | Property, Plant and Equipment should be capitalised if the cost of the item is ≥ £5,000. This includes assets which individually may be less than £5,000 but together form a single collective asset (grouped asset) with a group value of ≥ £5,000 (including VAT where this is not recoverable) that fulfil the following criteria - the items are functionally interdependent; the items are acquired at about the same date and are planned for disposal at about the same date; the items are under single managerial control; and each individual asset thus grouped has a value of at least £250, however this de minimus value does not apply in dealing with the initial equipping of hospitals. IT Assets - IT hardware may be considered interdependent if it is attached to a network, even if capable of stand-alone use. In effect all IT equipment purchases, where the final three criteria above apply, will be capitalised. | Strategic Development and Operational Delivery Committee consider proposals from the Capital Sub Committee on the allocation of capital and agree recommendations to the Board. | Approval required for projects outside Discretionary Capital Programme (DCP) and schemes >£1m in DCP | Overall Strategy and schemes >£1m | | | | Capital projects/ schemes must be approved by the Sub-Committee before sign off via the Scheme of Delegation. | >£0.5m≤£1m | | | | ≤£0.5m | Refer to Capital Cost Centre Structure Purchasing Approval | Requisitions up to £1m for schemes that have already been agreed via the Capital approval process and pre-approved by the Head of Capital Planning for assurance of their validity will be approved by the Assistant Director of Finance (Financial Planning & Statutory Reporting). All requisitions in excess of £1m require one-off limit increase approval by the Director of Finance. | |
| Income | All funding bids to Welsh Government or other organisations require approval by the Director/Deputy Director of Finance prior to submission. | | | | | | | | | | | | All | | The Health Board welcomes additional sources of funding to help deliver services and improve patient care. Good governance would suggest that bids should be reviewed by the relevant Finance Business Partners in the first instance and that all bids for funding are forwarded for review by the Director/Deputy Director of Finance for sign-off before submission. | |

10.3 Duties of Budget Holders and Managers

10.3.1 Budget holders and managers must ensure that they comply fully with the Scheme of Delegation, guidance and limits specified by the Chief Executive and 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 EU and 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 LHB 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 8.5, 8.6 and 8.7.

- 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/orders 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 LHB to a future uncompetitive purchase;

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11.11 Procurement Thresholds

11.11.1 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 | Minimum competition ¹ | Form of Contract |
|----------------------|----------------------------------|------------------|
|----------------------|----------------------------------|------------------|

| Whole Life Cost Contract value (excl. VAT) | | |
|--|---|--|
| <£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 million | Welsh Government approval required ² | Formal contract and Purchase Order |

¹ subject to the existence of suitable suppliers

² in accordance with the requirements set out in SFI 11.6.3.

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

11.11.3 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].

11.11.4 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.

11.17 Extending and Varying Contracts

11.17.1 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.

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

11.17.3 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.

11.17.4 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.

11.17.5 If there was no provision to extend, further approvals are required from the Health Board budget holder and the local Head of Procurement. 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.

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

11.17.7 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.

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12. HEALTH CARE AGREEMENTS AND CONTRACTS FOR HEALTH CARE SERVICES

12.1 Health Care Agreements

12.1.1 The Health Board will commission healthcare services for its resident population both internally, from its own LHB provided services, and externally, from other LHBs, Trusts and other providers. The Chief Executive is responsible for ensuring the LHB enters into suitable Health Care Agreements (or Individual Patient Commissioning Agreements, where appropriate) for the provision of health care services from external providers.

12.1.2 All Health Care Agreements should aim to implement the agreed priorities contained within the Integrated Medium Term Plan and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive should take into account:

- The standards of service quality expected;
- The relevant quality, governance and risk frameworks and plans;
- The relevant national service framework (if any);
- The provision of reliable information on quality, volume and cost of service; and
- That the agreements are based on integrated care pathways.

12.1.3 All agreements must be in accordance with the functions conferred on the LHB by the Welsh Ministers.

12.2 Statutory provisions

- The NHS (Wales) Act 2006 (C.42), sets out the responsibilities of LHBs in establishing contracts for healthcare services and in particular Section 7 which sets out the definition of an NHS contract being the arrangement between one health service body and another and the definitions of such bodies;
- Section 9 which sets out arrangements to be treated as NHS contracts for ophthalmic and pharmaceutical services;
- Sections 32 and 33 in relation to services provided by or jointly with local authorities;
- Part 4 in relation to primary medical services;
- Part 5 in relation to primary dental services;
- Part 6 in relation to general ophthalmic services;
- Part 7 in relation to pharmaceutical services;
- Section 188 which sets out the arrangements with the prison service;
- Section 194 which sets out the powers to make payments towards expenditure on community services; and
- Section 195 which sets out arrangements with voluntary organisations.

12.3 Reports to Board on Health Care Agreements (HCAs)

12.3.1 The Chief Executive will need to ensure that regular reports are provided to the Board detailing performance, quality and associated financial implications of all health care agreements with external providers. These reports will be linked to, and consistent with, other Board reports on commissioning and financial performance.

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APPENDIX 1 - DELEGATED LIMITS

The delegated limits relate to the requirement for NHS Wales health bodies to obtain approval for write-off of the loss or special payment.

| <u>CATEGORY OF LOSS/SPECIAL PAYMENT</u> | <u>DELEGATED LIMITS (£)</u> |
|--|---|
| Losses (except in respect of primary care provider services) | |
| 1) Loss of cash due to: | |
| a. theft, fraud, etc | 50,000 |
| b. overpayment of salaries, wages, fees and allowances | 50,000 |
| c. other causes, including un-vouched or incompletely vouched payments, overpayments other than those included under 1(b); physical losses of cash and cash equivalents e.g., stamps due to fire (other than arson), accident and similar causes | 50,000 |
| 2) Fruitless payments (including abandoned capital schemes) | 250,000 |
| 3) Bad debts and claims abandoned: | |
| a. private patients (Sections 65 and 66 NHS Act 1977) | 50,000 |
| b. overseas visitors (Section 121 NHS Act 1977) | 50,000 |
| c. cases other than a-b | 50,000 |
| 4) Damage to buildings, their fittings, furniture and equipment and loss of equipment and property in stores and in use due to: | |
| a. culpable causes eg, theft, fraud, arson or sabotage whether proved or suspected, neglect of duty or gross carelessness | 50,000 |
| b. other causes | 50,000 |
| Special payments (except in respect of primary care provider services) | |
| 5) Compensation payments made under legal obligation | FULL * |
| 6) Extra contractual payments to contractors | 50,000 |
| 7) Ex-gratia payments | |
| a. to patients and staff for loss of personal effects | 50,000 |
| b. for clinical negligence (negotiated settlements following legal advice) where the guidance relating to such payments has been applied | 1,000,000 including plaintiff's costs * |
| c. for personal injury claims involving negligence where legal advice obtained and relevant guidance has been applied | 1,000,000 including plaintiff's costs * |
| d. other clinical negligence cases and personal injury claims | 50,000 * |

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| | | |
|---|--|--------|
| e. | other, except cases for maladministration where there was <u>no</u> financial loss by claimant | 50,000 |
| f. | maladministration where there was <u>no</u> financial loss by claimant | NIL |
| g. | patient referrals outside the UK and EEA guidelines | NIL |
| * For all clinical negligence and personal injury cases (including court cases) the use of periodical payments should be considered for any settlement (exclusive of legal costs) involving costs to the NHS of £250,000 or more, or for lower awards when this represents good value for money. <u>Proposed out of Court periodical payment awards require approval from the WG DHSS&C D&D&FD [WHC(97)7 refers].</u> | | |
| 8) | Extra statutory and extra regulatory payments | NIL |

Losses and special payments in respect of provision of primary care provider services

| Losses | | Limit £ |
|--------|--|------------|
| 9) | a. Losses due to overpayments to practitioners of fees, allowances or salary | |
| | i. involving fraud | 1,000 |
| | ii. other | 1,000 |
| | b. unvouched or incompletely vouched payments | 1,000 |
| 10) | Claims abandoned | 1,000 |

Special Payments

| | | |
|-----|--|--|
| 11) | Ex gratia payments | 1,000 |
| 12) | Extra statutory and extra regulatory payments | |
| | a. to pharmacist contractors for drugs supplied in good faith in respect of forged, etc, prescriptions forms | 1,000 |
| | b. excusal of statutory charges for replacement dentures in certain circumstances | up to appropriate maximum statutory charge |
| | c. other | NIL |

Losses: Fraud cases under investigation

| | | |
|-----|--|-------|
| 13) | a. Losses in cases investigated by the health body in respect of prescription fraud. | 1,000 |
| | b. Losses in cases investigated by the health body in respect of dental fraud. | 1,000 |
| | c. Losses in cases investigated by the health body in respect of ophthalmic fraud. | 1,000 |

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