

# NHS EDUCATION FOR SCOTLAND FRAMEWORK DOCUMENT

SCOTTISH GOVERNMENT  
HEALTH AND SOCIAL CARE DIRECTORATE

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## Model Framework Document – Executive NDPBs

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Approved	Version	Next Review	Signed by
18/09/2024	1.0	As required, but before 2027	Mr Gray, Cabinet Secretary for Health and Social Care

## Introduction

1. This framework document is agreed between NHS Education for Scotland (NES) and the Scottish Ministers. It summarises how NES and Scottish Government (SG) will work together, and the key roles and responsibilities of:

- the Board
- the Chief Executive and Accountable Officer of NES;
- the Scottish Ministers; and
- the Portfolio Accountable Officer within the SG whose remit includes NES.

2. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and as a live document it should be reviewed by SG and NES regularly, and at least every 2-3 years. Any changes will be agreed between the Board and the Scottish Ministers.

3. Any question regarding the interpretation of the document will be determined by the SG after consultation with NES. Legislative provisions take precedence over any part of the document.

4. Copies of the document will be published on NES's website.

## Purpose

5. NES was established as a Special Health Board under section 2 of the [National Health Service \(Scotland\) Act 1978](#) by the [NHS Education for Scotland Order 2002 \(SSI No. 103/2002\)](#) (as amended by [SSI No. 79/2006](#) and [SSI No. 330/2021](#)).

6. It exercises functions on behalf of the Scottish Ministers and is responsible to them through the Scottish Government Health and Social Care Directorates. For policy/administrative purposes NES is a Non Departmental Public Body (NDPB) classified as a Health Body.

7. NES is to contribute to the achievements of the SG's purpose which is to:

- Create a more successful country
- Give opportunities to all people living in Scotland
- Increase the wellbeing of people living in Scotland
- Create sustainable and inclusive growth
- Reduce inequalities and give equal importance to economic, environmental and social progress.

8. The affairs of NES are managed by the NES Board which is in turn supported by the following committees:

- Audit and Risk
- Technology and Information
- Education and Quality
- Staff Governance
- Remuneration (sub-committee of the Staff Governance Committee)

9. As a Special Health Board, it is the statutory duty of NES to promote the improvement of the physical and mental health of the people of Scotland under [section 2A of the Act](#). Further statutory functions of NES are broadly defined in the [NHS Education for Scotland Order 2002 \(SSI No. 103/2002\)](#) (as amended by [SSI No. 79/2006](#) and [SSI No. 330/2021](#)). These are set out in summary as follows:

- Functions in relation to the education and training relating to the health service including making available facilities for education, research and training;
- The provision of assistance to any voluntary organisations whose activities include the provision of a service similar or related to a service provided by NES under the Act;
- The provision of funding to voluntary organisations limited to assistance to such organisations whose activities consist of or include the provision of services similar to services provided by NES for the purpose of co-ordinating, developing and advising on education and training;

- The leasing and purchase of moveable property and land for NES purposes;
- Administrative functions in relation to the payment of remuneration and allowances to NES members; and;
- Introduces elements concerning information, data and digital.

10. NES also acts as the General Medical Council's (GMC) agent in Scotland in terms of quality assurance and oversight of medical education and training, ensuring such training is delivered in line with established regulatory standards. Further, the NES Medical Director holds the "Responsible Officer" role under [The General Medical Council \(Licence to Practise and Revalidation\) Regulations Order of Council 2012](#) and so is accountable for making recommendations to the GMC for trainee doctor revalidation. NES performs quality assurance functions for other professions including nursing, dentistry, healthcare science and pharmacy on behalf of the relevant regulatory bodies.

11. The [NES Corporate Strategy 2023-2026](#) (approved by Scottish Ministers) sets out that NES provides education, training, workforce development, data and technology for health and social care in Scotland. Its goal is to create a workforce that meets people's needs, as well as the needs of staff, carers, and the people of Scotland by working in partnership with our staff, learners and stakeholders. NES helps people who work in health and social care to get the education and skills they need to provide good quality care for people in Scotland. The overall purpose of NES is to be a collaborative, innovative and inclusive learning organisation providing high quality education, training, workforce development, workforce data and technology for Scotland's health and social care workforce. This is intended to deliver the organisation's strategic vision which is to support better rights-based quality care and outcomes for every person in Scotland through a skilled, capable and resilient health and social care workforce.

12. The NES annual delivery plan (ADP) represents NES's agreement with the Scottish Government on the key work to be undertaken in a given financial year and the subsequent two years. It focuses on key strategic policy areas and is accompanied by a Financial Plan which enables its delivery. Alongside the ADP, NES will produce detailed operational and financial plans covering the full range of its activity, their desired outcomes, performance targets and budgets.

### **Governance and Accountability**

13. NES was established as a Special Health Board under section 2 of the [National Health Service \(Scotland\) Act 1978](#) by the [NHS Education for Scotland Order 2002 \(SSI No. 103/2002\)](#) (as amended by [SSI No. 79/2006](#) and [SSI No. 330/2021](#)), and established on 31 March 2002.

14. NES does not carry out its functions on behalf of the Crown. NES is not permitted to establish any subsidiaries or enter into any joint ventures with out the express approval from sponsors and SG Finance.

15. The remainder of this section summarises the specific responsibilities and accountabilities of the key people involved in the governance of NES.

#### The Board

16. Members of the Board of NES, including the Chairing member ("the Chair") are non-executives and executives appointed by the Scottish Ministers in line with the [Code of Practice for Ministerial Public Appointments in Scotland](#). The Chair and Board Members are accountable to the Scottish Ministers and also to the Scottish Parliament and may be required to give evidence to Parliamentary Committees. All Board members are responsible for conduct expected of those who serve on the Boards of public bodies in Scotland in line with the [Code of Conduct](#) (May 2021) embracing the [Ethical Standards in Public Life etc. \(Scotland\) Act 2000 \(the "Act"\)](#).

17. The Board has overall responsibility for the delivery of the functions of NES, as set out at paragraph 4 above, in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for those activities listed under section 3 of the [NHS Scotland Blueprint for Good Governance: Second Edition](#) (December 2022). In fulfilling this responsibility, individual Members, under the leadership of the chair, will be responsible for:

- setting up an [audit committee](#) chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems;
- (in reaching decisions) taking into account relevant guidance issued by the Scottish Ministers;
- approving the annual accounts and ensuring Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The Chief Executive as the Accountable Officer of the public body is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions;
- ensuring that the board receives and reviews regular financial information concerning the management and performance of the NDPB and is informed in a timely manner about any concerns regarding the activities of the NDPB;
- awarding a contract of employment to the NES Chief Executive following their appointment by the Scottish Ministers. New contracts for Chief Executives should include a notice period of no more than 3 months. Where a business case can be made, the notice period may be set at a maximum of 6 months. In consultation with the SG, appropriate performance objectives should be set which give due weight to the proper management and use of resources within the stewardship of NES and the delivery of outcomes.
- setting strategic and operational plans to deliver the functions of NES, focusing on how the work of the NES can most effectively contribute to the achievement of the outcomes in the [National Performance Framework](#), the [Programme for Government](#) and [Scotland's National Strategy for Economic Transformation](#) [Scotland's Economic Strategy](#) in collaboration with the SG and other public bodies;
- regularly scrutinising current and projected performance against the aims, objectives and targets set out in plans and take decisions on remedial action where required;
- ensuring that effective governance is established and maintained, including ensuring that decision-taking is open and transparent and, with support from the Accountable Officer and the Audit and Risk Committee, ensure that key risks are identified and managed;
- approving the annual report and accounts and ensure these are provided to the Scottish Ministers to be laid before the Scottish Parliament;
- promoting the efficient, economic and effective use of resources consistent with the principles of [Best Value](#), and regularly scrutinise financial performance and compliance with financial guidance issued by the SG;
- promoting the wellbeing, learning and development of staff, provide support and challenge to the Chief Executive on staffing matters and ensure that NES meets the **NDPB staff management responsibilities** described in the section below.

18. The Chair will be responsible for:

- leading the Board, ensuring that all Board members have suitable induction to understand the role and their responsibilities, that the skills and experience of all Board Members are used effectively and that the Board undertakes regular self-assessment of its performance;
- appointing Board Members to Standing Committees, and other roles within the NHS Board and partner organisations.
- ensuring that the performance of each Board member is reviewed at least once per year and that the Board and/or individual Board members undertake development activity when required to ensure the effectiveness of the Board;
- ensuring that the Board reviews its effectiveness annually;

- ensuring that a [Code of Conduct](#) (aligned to the Model Code of Conduct for Board Members) is in place, that corporate actions are taken to implement it as required and that Members understand their responsibilities, using the guidance provided by the Standards Commission;
- working with the Portfolio Accountable Officer or their delegate(s) and the Public Appointments Team in SG on succession planning for the Board, action necessary to fill vacancies as they arise, skills requirements and promoting diversity by encouraging applications from less represented groups, including younger people, people from minority ethnic backgrounds and people with disabilities;
- Attend each Annual Review meeting; Annual Reviews will lead by the responsible Minister at least once in the period covered by Board Medium Term Plans (current plan: 2023-26);
- developing the capability and capacity of the NES Board by advising on the appointment of NES Board Members; appraisal and reporting on their performance; identifying appropriate training and development opportunities; and ensuring effective succession planning is in place;
- ensuring the NES Board, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing its business and in terms of protected characteristics under the Equality Act and the [Gender Representation on Public Boards Act](#) and [Guidance](#), where these apply;
- providing performance management and development opportunities for the Chief Executive;
- representing the organisation in links with Ministers, the Scottish Parliament and other key stakeholders. (Dual responsibility with the Chief Executive.); and
- ensuring that the NES Board, in reaching decisions, takes proper account of guidance issued by the Scottish Ministers.

19. The Chair is accountable to the Scottish Ministers and may be held to account by the Scottish Parliament. Communications between the NES Board and the Scottish Ministers should normally be made through the Chair. He or she is responsible for ensuring that the NES's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.

20. Specific guidance on how the Chair and Board Members should discharge their duties will be provided in their appointment letters and in [On Board – A Guide for Members of Statutory Boards](#). Guidance on governance good practice is available in the [Scottish Public Finance Manual](#) from the sponsor team, who may consult the SG Governance and Risk Team. A list of key aspects of governance to consider is included in the section on Governance and Risk below.

### The Chief Executive

21. The Chief Executive is employed and appointed by the Board with the approval of the Scottish Ministers and is the principal adviser to the Board on the discharge of its functions and is accountable to the NES Board. The Chief Executive's role is to provide operational leadership to staff working in NES and to ensure that its aims and objectives are met, its functions are delivered, and its targets are met through effective and properly controlled executive action.

22. The specific duties of the Chief Executive will be set out in a job description, and annual objectives will be agreed with the Chair and used in appraisal of the Chief Executive's performance.

23. In addition to any other specific duties, the Chief Executive will:

- advise the Board on the discharge of its responsibilities – as set out in this Framework Document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers;
- advise the NHS Board on the performance of NES compared with its aims (or mission) and objectives.

- implement or oversee implementation of the decisions of the Board;
- work with the Board on preparation of the Corporate Plan, including liaising with the Senior Sponsor and/or Sponsor Team on key points which need to be addressed and the timetable for preparation and review, and work with the Board to ensure that business plans are put in place to meet the Corporate Plan aims, objectives and performance measures;
- lead and manage the staff of NES, ensuring their wellbeing, learning and development are prioritised, and ensuring that the **NDPB staff management responsibilities** set out in the section below are addressed;
- manage the budget for NES in line with Scottish Government Finance guidance, policies and procedures, including the Scottish Public Finance Manual, and advise the Board on financial implications of all Board decisions, ensuring that appropriate financial appraisal and evaluation techniques are followed (see the [Appraisal and Evaluation](#) section of the SPFM);
- agree with the Board and the Portfolio AO or Senior Sponsor what information is required to enable the Board and SG to scrutinise the performance of NES and progress against overall strategic and business plan aims and objectives, and ensure that the agreed information is provided and that is both accurate and timely;
- have oversight of the day-to-day relationship with the Senior Sponsor and/or Sponsor Team, with other SG officials who have an interest in the work of NES and other key stakeholders, including staff of other public bodies;
- ensure that NES adheres, where appropriate, to the SG's Programme and Project Management (PPM) Principles; and
- ensure that timely forecasts and monitoring information on performance and, where appropriate, finance are provided to the SG; that the SG is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion.

24. In advising the Board, the Chief Executive will ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

#### The Accountable Officer

25. The Principal Accountable Officer for the Scottish Administration will designate a senior official in NES, usually this will be the Chief Executive unless there are specific reasons not to, as the Accountable Officer. The Accountable Officer is personally responsible for the propriety and regularity of the public finances of NES and ensuring that its resources are used economically, efficiently and effectively, as required by section 15 of the Public Finance and Accountability (Scotland) Act 2000 and may be called to give evidence to the Public Audit Committee of the Scottish Parliament. The responsibilities of the Accountable Officer are set out in full in the [Memorandum to Accountable Officers for Other Public Bodies](#) in the Scottish Public Finance Manual. These include financial accountability; operational oversight; appraisal and evaluation; governance and compliance; audit and assurance; risk management; and best value.

26. It is important for the Chair and Board members to recognise that one aspect of these duties is the requirement under [section 15\(8\) of the Public Finance and Accountability \(Scotland\) Act 2000](#), where the Accountable Officer considers that any action they are required to take is not consistent with their Accountable Officer responsibilities, they must obtain written authority from the Board and send a copy of the written authority to the Auditor General for Scotland as soon as possible and sent to the Clerk of the Public Audit Committee. The Accountable Officer should consult the Portfolio Accountable Officer before seeking written authority from the Board in these circumstances and should always notify the Portfolio Accountable Officer when such a written authority has been issued.

27. Where the duties of the Accountable Officer and the Chief Executive are not combined in one person, the Accountable Officer will work closely with the Chief Executive on governance, and in

particular to ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

### The Scottish Ministers

28. The Scottish Ministers appoint the Chair and Board Members and hold the Board to account for the performance of NES and its use of resources. Ministers are ultimately accountable to the Scottish Parliament for ensuring that the Board is discharging its duties effectively, although the Parliament will scrutinise the performance of NES directly as it does with all public sector bodies. The Scottish Ministers are not directly responsible for the operation of NES and founding legislation prevents them from directing the Board in relation to specific statutory functions.

29. The Scottish Ministers will:

- a. agree the strategic aims, objectives and key targets of NES as part of the corporate planning process;
- b. provide information to the Scottish Parliament about the performance of NES;
- c. agree the budget for NES, and secure the necessary Parliamentary approval;
- d. approve the Code of Conduct of NES Board;
- e. approve pay remits or proposals and superannuation arrangements for the staff, Chief Executive, Chair and Board members; lay the accounts of NES before the Scottish Parliament;
- f. carry out responsibilities specified in the Act such as appointments to the NES Board, determining the terms and conditions of Board members, and approving the appointment of the principal officer (“Chief Executive”); and
- g. address other matters such as approving NES’s Chief Executive and staff pay remit in line with SG [Pay Policy](#) and laying the accounts (together with the annual report) before the Parliament;

### SG Portfolio Accountable Officer

30. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) has designated the Director General for Health and Social Care as the Portfolio Accountable Officer (AO) for the SG portfolio budget which will provide funding for NES.

31. The Portfolio AO’s duties are to establish a framework for the relationship between SG and a public body, oversee the operation of that framework, ensure the public appointments to the body are made appropriately and ensure that appropriate assurance is provided on the performance and governance of the body. These activities are known collectively as ‘**sponsorship**’. In practice, the Portfolio AO is likely to delegate some or all sponsorship duties to a Director or Deputy Director as Senior Sponsor and/or to other SG officials in a ‘Sponsor Team’. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#).

32. The Portfolio AO will:

- a. make sure the framework document is agreed between the Scottish Ministers and the Board of NES, reviewed regularly and oversee the operation of the roles and responsibilities set out;
- b. ensure that financial and other management controls being applied by NES are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
- c. in line with [Code of Practice for Ministerial Appointments](#), ensure that public appointments are made in good time and secure appropriate skills, experience and diversity amongst Board members, working with the Chair on succession planning; that there is effective



induction for new appointees; and ensure that there is regular review and a formal annual appraisal of the performance of the Chair;

- d. support regular and effective engagement between NES and the relevant Scottish Minister(s);
- e. make sure there is clear, documented delegation of responsibilities to a Senior Sponsor and/or Sponsor Team and that the Board and senior officials of NES are aware of these delegated responsibilities; and

33. The Portfolio AO remains personally answerable to the Scottish Parliament for the effectiveness of sponsorship activity.

### **Relationship between Scottish Government and NHS Education for Scotland**

34. Strategic engagement between the SG and NES is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Specific governance and accountability roles are described in the section above, but more generally, both the SG and NES will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on [‘Strategic Engagement between the Scottish Government and Scotland’s NDPBs’](#). This emphasises the need for cooperation and good communication, and particularly early warning from either side about any emerging risk or issue with significant implications for the operation or governance of NES.

35. The Sponsor Team’s primary function is to carry out the responsibilities delegated to it by the Portfolio AO, directly or via the Senior Sponsor, as described above. In addition to ensuring that the arrangements in this framework document operate effectively, managing public appointments and providing assurance to the Portfolio AO, the Sponsor Team will usually be the first point of contact for the body on any issue with SG. As part of the assurance they provide to the Portfolio AO, they must ensure that key actions and decisions agreed are documented and implemented. This includes ensuring that SG teams implement any agreed actions.

36. In order to facilitate this, a rolling programme of engagements will be maintained, the purpose of which will be to:

- ensure effective co-ordination and communication of the range of policy interests in SG which are relevant to NES business;
- ensure NES is kept apprised of key policy and strategy developments, forthcoming consultations, new guidance, legislation etc.;
- support delivery of strategic planning and reporting activity within NES, ensuring necessary alignment with Ministerial priorities;
- recognise the role of NES working as part of the UK regulatory environment within which much health professional education must operate;
- discuss the overall performance of NES in relation to delivery of its Annual Delivery Plan
- horizon scan and review the wider strategic engagement in the Scottish and UK contexts by both SG and NES to ensure congruence of approach;
- highlight any emerging corporate risks impacting on the effective functioning of NES and delivery of its three-year strategy and Annual Delivery Plan;
- consider the organisational (including financial and workforce) implications associated with any additional activity (i.e. beyond that contained in the Annual Delivery Plan) being commissioned from NES;
- discuss the relative prioritisation of activity being taken forward by NES with reference to Ministerial commitments and priorities;
- consider any other matters relevant to the SG and NES sponsorship relationship and associated engagement arrangements.

37. Discussion on the above will be taken forward through an agreed schedule of meetings involving, where reasonably possible:

- Director for Health Workforce

- Deputy Director for Health and Social Care Workforce planning and Development
- Representatives of the SG NES Sponsor Team
- NES Chair
- NES Chief Executive
- NES Executive Team Members

38. There may also be a requirement on occasion to extend an invitation to other Scottish Government officials and/or NES representatives.

39. The outcome of the meetings will be an agreed minute and a note of rolling actions which will be reviewed at the next meeting. These should be used to keep internal interests in SG informed of issues arising from these discussions. Likewise, the agreed minutes and actions can be used to ensure the NES Board, its Committees and Executive Team are updated on a regular basis. Any confidential matters will be handled separately as necessary.

### **NDPB staff management responsibilities**

#### Broad responsibilities for NDPB staff

40. The Chief Executive, challenged and supported by the Board, has responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward staff are to ensure that:

- it complies with its duty in relation to the governance of staff as set out in the NHS Reform (Scotland) Act 2004 and complies with the Staff Governance Standard <http://www.staffgovernance.scot.nhs.uk/what-is-staff-governance/staff-governance-standard/> and all other relevant legislation;
- in complying with the Staff Governance Standard the NES Board establishes a Staff Governance Committee and a Remuneration Committee as standing committees of the NES Board;
- it complies with requirements set out in national workforce policies including the extant Partnership Information Network(PIN) policies <http://www.staffgovernance.scot.nhs.uk/partnership/partnership-information-network/>, and the and the Once for Scotland Workforce Policies '[Once for Scotland' Workforce Policies — NHS Scotland Staff Governance](#);
- HR policies, practices and systems comply with employment and equalities legislation and standards expected of public sector employers;
- the level and structure of staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG [Pay Policy for Staff Pay Remits](#));
- the performance of staff at all levels is regularly appraised and performance management systems are reviewed from time to time;
- staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the body's objectives;
- proper consultation with staff takes place on key issues affecting them, as appropriate, including working in partnership with trade unions;
- effective grievance and disciplinary procedures are in place and ensures that staff know where to access and how to use them;
- effective whistle-blowing policy and procedures consistent with the [Public Interest Disclosure Act 1998](#) are in place and ensures that staff know where to access and how to use; and
- a code of conduct for staff is in place.

### Performance management and escalation

41. NES shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic outcomes, objectives, targets and milestones set out in its operational and financial plans. The results of such reviews should be reported on a regular basis to the NES Board and copied to the SG. The SG shall assess NES's performance in helping to deliver Ministers' policies, including the achievement of agreed key objectives, supported by the submission of reports in accordance with a timetable to be agreed with the sponsor unit.

42. NES's performance in assisting in the delivery of Ministers' policies shall be formally reviewed each year at the "Annual Review" of NES. Ministerial attendance at the NES Board's Annual Reviews will occur periodically and in these instances the Review shall be Chaired by the appropriate Cabinet Secretary/Minister. In addition, the performance of NES will be reviewed at official level (led by either the Director for Health Workforce, Leadership and Service Reform or Deputy Director for Health and Social Care Workforce Planning and Development) in the form of an annual "Mid-Year Review".

43. NES has its own internal escalation process to manage risk and ensure consistent performance in line with key performance indicators.

44. NES continues to report performance into SG on a monthly basis with their sponsor team, and any issues regarding performance is reported to Senior Management within SG and Ministers as appropriate.

45. As well as regular reporting, NES has regular engagement with its sponsor team both formally through annual/mid-year reviews and formal sponsorship meetings and less formally through regular operational catch ups. This regular engagement allows the sponsor team to work collaboratively with Board colleagues on any issues affecting performance, workforce, finance or any other concerns impacting service delivery. This engagement will continue to be the avenue used for the sponsor team to engage appropriately with internal colleagues within SG, as well as with partners within the Board to make decisions on any required escalation of issues and any decision required to be made regarding additional support which needs to be made available to the Board.

### Pay and conditions of service

46. NES will comply with SG Pay Policy in relation to staff and the Chief Executive. The Chief Executive will ensure that a pay remit, in line with the SG [Pay Policy for Staff Pay Remits](#), is submitted to the SG for approval in line with the timetable notified and negotiate a pay settlement within the terms of the approved remit. This should normally be done annually, unless a multi-year deal has been agreed. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](#) section of the SPFM. Proposals on non-salary rewards will comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM.

47. NES will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the chief executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

### Pensions, redundancy and compensation

48. Superannuation arrangements for staff are subject to the approval of the Scottish Ministers. NES staff will normally be eligible for a pension provided by its own scheme. Staff may opt out of the occupational pension scheme provided, but the employers' contribution to any personal pension arrangement, including stakeholder pension, will normally be limited to the national insurance rebate level.

49. Any proposal by NES to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the Scottish Ministers. Proposals on compensation payments will comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the Scottish Ministers of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment.

In all instances, a body should engage with the Sponsor Team prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

### **Corporate and business plans**

50. NES will prepare a draft strategic or corporate plan every 3-5 years setting out its strategic aims, objectives and targets over that period, for consideration by the Scottish Ministers. When a new plan is to be prepared, the Chief Executive or their delegate will liaise with the Sponsor Team to agree the key points to be addressed and the timetable for preparation and review. The final, agreed version of the strategic or corporate plan will be published on the NES's website.

51. The corporate plan will include NES's:

- purpose and principal aims;
- contribution to the national outcomes set out in the [National Performance Framework](#), the Programme for Government and Scotland's Economic Strategy in collaboration with the SG and other public bodies;
- analysis of the environment in which it operates;
- key objectives and associated key performance targets for the period of the plan, and the strategy for achieving those objectives;
- indicators against which its performance can be judged;
- details of planned efficiencies, describing how better value for money will be achieved, including through collaboration and use of shared services; and
- other key points agreed with the Sponsor Team as described above.

52. The corporate plan will inform the development of a separate annual business plan for each financial year, which will include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of the business plan will be provided to the sponsor unit prior to the start of the relevant financial year.

### **Annual report and accounts**

53. NES will publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report and accounts will cover the activities of any corporate, subsidiary or joint ventures under the control of NES. It will comply with the Government [Financial Reporting Manual](#) (FReM) and outline the NDPB's main activities and performance against agreed objectives and targets for the previous financial year. It is the responsibility of the Chief Executive, as Accountable Officer, to sign the accounts.

54. The accounts will be prepared in accordance with relevant statutes and the specific accounts direction and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by NES shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

55. The SG Sponsor Team should receive a copy of the annual report for comment, and a copy of the draft accounts for information, by a date as notified to NES by Scottish Government each year. NES is responsible for the publication of the annual report and accounts after they have been laid by the Scottish Ministers. Whilst the statutory deadline for laying and publishing accounts audited by the AGS is 31 December after the end of the relevant financial year, the Scottish Ministers expect that accounts will be laid before the Scottish Parliament and published as early as possible. NES shall be responsible for the publication of the annual report and accounts on its website.

## External audit

56. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, NES's annual accounts and passes them to the Scottish Ministers who then lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. The AGS, or examiners appointed by the AGS, may also carry out examinations into the economy, efficiency and effectiveness with which the body has used its resources in discharging its functions and/or carry out examinations into the arrangements made by NES to secure Best Value.

57. The AGS, or the AGS's appointed auditors or examiners, have a statutory right of access to documents and information held by relevant persons including any contractors to or recipients of grants from NES. NES will ensure that this right of access to documents and information is made clear in the terms of any contracts issued or conditions of any grants awarded and will also use its best endeavours to secure access to any other information or documents required which are held by other bodies.

## Internal audit

58. NES will:

- establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;
- set up an Audit Committee (or an equivalent committee that includes the audit function plus other responsibilities, e.g. Risk) of its Board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the board and the Accountable Officer;
- notify SG timeously of any key risks or key failings in terms of internal audit;
- ensure that the Sponsor Team and the Portfolio AO/Senior Sponsor receive promptly after they are produced or updated: the audit charter, strategy, periodic audit plans and annual audit assurance report, including the Head of Internal Audit (or equivalent position if this service is contracted out) opinion on risk management, control and governance – and provide any other relevant audit reports as requested by sponsors;
- keep records of, and prepare and forward promptly to the SG an annual report on fraud and theft suffered by NES and notify the Portfolio AO or Senior Sponsor immediately of any unusual or major incidents.

59. The SG's Internal Audit and Assurance Directorate has a right of access to all documents held by NES's internal auditor, including where the service is contracted out in relation to Audit. The SG has a right of access to all NDPB records and personnel for any purpose.

## Annual Delivery Plan (ADP)

60. NES must ensure an ADP, agreed with the Scottish Ministers, is in place and published on the NES website. The plan represents NES's agreement with the Scottish Government on the key work to be undertaken in the coming financial year and the subsequent two years and will be accompanied by a financial plan to support its delivery. The content of the plan and the timetable for its preparation and review will be agreed with the SG. The plan must reflect the statutory duties of NES and detail key activity planned by the Board to support the delivery of safe and accessible treatment and care in line with ministerial priorities. The Plan will demonstrate how NES contributes to the achievement of the SG's purpose and supports the realisation of those outcomes contained in Scotland's **National Performance Framework** (NPF). The ADP should include:

- the purpose and principal aim (or mission) of NES;
- an analysis of the environment in which NES operates;
- key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's purpose and realisation of the outcomes contained in Scotland's [National Performance Framework](#) (NPF);
- details of any planned efficiencies, describing how NES proposes to achieve better value for money, including through collaboration and shared services;

- other matters as agreed with the SG Health and Social Care Directorates.

61. Alongside the NES ADP which describes **key** planned activity, NES will produce detailed operational and financial plans covering the full range of its activity, their desired outcomes, performance targets and budgets. Again, NES shall agree with the SG the issues to be addressed in the plans and the timetable for its preparation and review. NES's annual planning will take account both of its approved budgetary provision and of any forecast income, and will include a budget of estimated payments and receipts together with a profile of expected expenditure/consumption of resources and of draw-down and other income over the year.

62. The NES ADP, detailed operational plan and financial plans will be underpinned by a corporate [Strategy](#) setting out the strategic ambitions and key areas of focus for the organisation over a 3-5 year period. The content of the Strategy will be agreed with SG to ensure it properly reflects Scotland's National Performance Framework and wider ministerial priorities. A copy of the agreed Strategy should be published on the NES website. The ADP should also be published on the NES website on an annual basis.

### **Budget management and delegated authority**

63. Each year the Scottish Government Health Finance Directorate or Sponsor Team will send the Board a Budget Allocation and Monitoring letter, notifying NES of the budget provision, any related matters and details of the budget monitoring information required. NES will comply with the format and timing of the monitoring information requested and with any requests for further information.

64. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL) – and, where applicable, Annually Managed Expenditure (AME). These categories are explained in [Annual Budget Processing](#) in the SPFM, and NES will not transfer budgetary provision between the categories without the prior approval of the SG Finance Directorate, which should be sought via the Sponsor Team. Transfers within the categories are at the discretion of the Board or, subject to delegated authority, the Chief Executive or relevant senior manager, if these do not breach any other constraints, for instance the approved pay remit.

65. Where budgetary provision includes projected income, including any income from disposal of non-current assets, the Chief Executive will ensure that the SG Health Finance Directorate and Sponsor Team are made aware promptly of any forecast changes in income – usually via the monthly Financial Performance Return (FPR). The Scottish Ministers expectation is that any shortfall in income will be offset by a matching reduction in gross expenditure, and prior approval from the SG Finance Directorate and the Sponsor Team must be sought for any alternative arrangement. Similarly, if income is higher than originally projected, this may only be used for additional spending or to meet pressures with the prior approval of the SG Finance Directorate and Sponsor Team. Failure to obtain prior approval for the use of excess income to fund additional expenditure may result in corresponding reductions in budgets for the following financial year. The only exception is where the income is from gifts, bequests and donations but this must be spent within the same financial year as the receipt.

66. NES's specific delegated financial authorities - as agreed in consultation between the Board and the Scottish Ministers - are set out in Annex A. The Board will obtain the prior written approval from sponsors and SG Finance before entering into any undertaking to incur any expenditure that falls outside these delegations, and before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

### **Governance and Risk**

67. Guidance on governance requirements is available in several documents referred to earlier in this framework document:

- [the Scottish Public Finance Manual](#) (SPFM)
- [the Audit and Assurance Committee Handbook](#)

- [On Board – A Guide for Members of Statutory Boards](#)

68. If in any doubt about a governance issue, the Chair or Chief Executive should consult the Senior Sponsor or Sponsor Team in the first instance, and sponsors may in turn consult the SG Public Bodies Unit, the SG Governance and Risk Branch and/or other teams with relevant expertise.

69. The Board and Chief Executive are advised to pay particular attention to guidance on the following issues.

#### Risk management

70. NES must develop an approach to **risk management** consistent with the Risk Management section of the Scottish Public Finance Manual and establish reporting and escalation arrangements with the Portfolio AO or Senior Sponsor.

71. NES audit committee is also required, at the earliest opportunity, to notify the relevant SG Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

72. The Board should have a clear understanding of the key risks, threats and hazards it may face in the personnel, accommodation and cyber domains, and take action to ensure appropriate **organisational resilience**, in line with the guidance in: [Having and Promoting Business Resilience](#) (part of the Preparing Scotland suite of guidance) and [The Scottish Public Sector Action Plan on Cyber Resilience](#).

#### Internal control

73. The Board should establish **clear internal delegated authorities** with the Chief Executive, who may in turn delegate responsibilities to other members of staff and establish an **assurance framework** consistent with the [internal control framework](#) in the SPFM.

74. Counter-fraud policies and practices should be adopted to safeguard against fraud and theft - see the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud action plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud. In addition, NES should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which it intends to enter into a contract or to provide funding.

75. Any **major investment programmes or projects** undertaken should be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and in line with delegated authorities. The Sponsor Team must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. **ICT investment plans** must be reported to the SG's Office of the Chief Information Officer.

76. NES must comply with the requirements of the **Freedom of Information (Scotland) Act 2002** and ensure that information is provided to members of the public in a spirit of openness and transparency. NES must also register with [Information Commissioners Office](#) and ensure that it complies with the **Data Protection Act 2018** and the General Data Protection Regulations, commonly known as **GDPR**.

#### Budget and finance

77. Unless covered by a specific delegated authority, **financial investments** are not permitted without the prior approval of sponsors and SG Finance. This includes equity shares in ventures which further a body's objectives. Public bodies should not invest in any venture of a speculative nature.

78. Non-standard **tax management** arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the Portfolio AO and SG Finance. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. NES must comply with all relevant rules on taxation, including **VAT**, recover input tax where it is entitled to do so. The implications of VAT in relation to procurement and shared services should be considered at an early

stage to ensure that financial efficiency is achieved. NES must also ensure that it accounts properly for any output tax on sales or disposals.

79. **Optimising income** (not including grant-in-aid) from all sources should be a priority, and sponsors should be kept informed about any significant projected changes in income. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by sponsors and SG Finance. Fees or charges for any services supplied must be determined in accordance with the [Fees & Charges](#) section of the SPFM.

80. **Gifts, bequests or donations** received score as income and should be provided for in the agreed resource DEL and capital DEL budgets, updated as necessary in consultation with the SG, but should not fund activities or assets normally covered by SG grant-in-aid, trading or fee income, and conflicts of interest must be considered – see the principles in the [Gifts](#) section of the SPFM. Note that this relates to gifts to the body - gifts to individuals are covered in the Model Code of Conduct. NES shall keep a written record of any such gifts etc and what happened to them.

81. **Borrowing** cannot be used to increase NES's spending power. All borrowing - excluding agreed overdrafts - must be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

82. Any lending must be in line with the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit NES must not **lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability** (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form, without the prior approval of sponsors and SG Finance. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

83. NES shall comply with CEL (35) 2010 "A Policy for Property and Asset Management in NHS Scotland and its successors. An accurate and up-to-date record of **current and non-current assets** should be maintained, consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. NES is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

84. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. When an asset (including any investment) suffers **impairment**, when there is significant **movement in existing provisions** and/or where **a new provision needs to be created**, this should be communicated to sponsors and SG Finance as soon as possible to determine the implications for the NDPB's budget.

85. Any **funding for expenditure on assets by a third party** should be subject to appropriate arrangements to ensure that they are not disposed of without prior consent and that a due share of the proceeds can be secured on disposal or when they cease to be used by the third party for the intended purpose, in line with the [Clawback](#) guidance in the SPFM. NES shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if NES contributed less than the whole cost of acquisition or improvement. NES shall also ensure that if assets financed by NES cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to the NES.

86. Unless covered by a specific delegated authority, prior approval from sponsors and SG Finance is required before **making gifts or special payments or writing off losses**. Special payments and losses are subject the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

87. Unless covered by a specific delegated authority NES must not enter into any **finance, property or accommodation related lease arrangement** – including the extension of an existing lease or the non-exercise of a tenant's lease break - without prior approval from sponsors. Before



entering/ continuing such arrangements the NDPB must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Non-property/ accommodation related operating leases are subject to a specific delegated authority. There must be capital DEL provision in the budget allocation for finance leases and other transactions which are in substance borrowing.

88. **Procurement** policies should reflect relevant guidance in the [Procurement](#) section of the SPFM and any other relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving the NDPB's objectives consistent with the principles of [Value for Money](#) the highest professional standards and any legal requirements. All external consultancy contracts over the value of £100,000 or any proposal to award a contract without competition (non-competitive action) over the value of £100,000 must be endorsed in advance by the Chief Executive.

89. All matured and properly authorised **invoices** relating to transactions with suppliers should be paid in accordance with the [Expenditure and Payments](#) section of the SPFM wherever possible and appropriate within Scottish Ministers' target of payment within 10 working days of their receipt.

90. The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS Boards in Scotland. The schemes allow for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS provides indemnity to Member organisations in relation to Employer's Liability, Public / Product Liability and Professional Indemnity type risks (inter alia). The level of cover provided is at least £5m Public Liability, £10m Employers Liability, and £1m Professional Indemnity. The Scheme will provide "Indemnity to Principal" where required. CNORIS also provides cover in relation to Clinical Negligence.

91. Commercial **insurance** must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](#) section of the SPFM - where required with the prior approval of sponsors and their finance business partner subject to the level of inherent financial risk. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to the NDPB. The relevant sponsor team will provide a Certificate of Exemption for Employer's Liability Insurance.

92. Unless covered by a specific delegated authority NES must not provide **grant funding to a third party** without prior agreement from sponsors and SG Finance. Guidance on a framework for the control of third party grants is provided as an annex to the [Grant & Grant in Aid](#) section of the SPFM. Subsidy control requirements for any such funding are discussed below.

93. The EU State aid regime was effectively revoked from UK law from 1 January 2021 and **subsidy control** provisions are now covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK's international obligations including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. This position may be subject if the UK Government establishing its own domestic subsidies control regime: a UK wide consultation on this is set to take place in the first half of 2021. Currently any activity that an NDPB undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to the TCA subsidy rules. A full assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the [subsidy regime section](#) of the SPFM.

#### Remuneration

94. **Remuneration, allowances and any expenses paid to the Chair and Board Members** must comply with the latest [SG Pay Policy for Senior Appointments](#) and any specific guidance on such matters issued by the Scottish Ministers.

95. **Staff pay, pensions and any severance payments** must be in line with the requirements of Public Sector Pay Policy and the responsibilities described in the section on NDPB Staff Management Responsibilities.

96. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with **tax deducted at source**.

#### Banking and cash management

97. **Banking** arrangements must comply with the [Banking](#) section of the SPFM.

98. **Cash management** arrangements need to be addressed as well as overall budget management. Any [grant in aid](#) (i.e. the cash provided to NES by the SG to support the allocated budget) for the year in question will be authorised by the Scottish Parliament in the annual Budget Act. NES will normally receive monthly installments based on updated profiles and information on unrestricted cash reserves and will not seek any payment in advance of need. NES will keep its unrestricted cash reserves held during the year to the minimum level needed for efficient operation any relevant liabilities which have to be met at the year-end. Grants in aid that are not drawn down by the end of the financial year will lapse. NES will not pay Grant-in-Aid into any restricted reserve it holds.

#### Helpful information

99. The Public Bodies Support Unit has produced a register of reporting requirements for devolved public bodies which will help in regard to compliance with certain legislative asks. Copies of the register can be obtained from the [PBSU mailbox](#).

## Annex A: Specific Delegated Financial Authorities

NES shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. NES shall also comply with any requirements for prior SG approval included in the SPFM and/or this document. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

Further information on NES' specific delegated financial authorities are as follows:

Item No.	Category	Delegated Authority per case (£)
	<b>Theft / Arson / Wilful Damage</b>	
1	Cash	10,000
2	Stores / procurement	20,000
3	Equipment	10,000
4	Contracts	10,000
5	Payroll	10,000
6	Buildings & Fixtures	20,000
7	Other	10,000
	<b>Fraud, Embezzlement &amp; other irregularities (including attempted fraud)</b>	
8	Cash	10,000
9	Stores / procurement	20,000
10	Equipment	10,000
11	Contracts	10,000
12	Payroll	10,000
13	Other	10,000
14	<b>Nugatory &amp; Fruitless Payments</b>	10,000
	<b>Claims Abandoned</b>	

15(a)	Private Accommodation	10,000
15(b)	Road Traffic Acts	20,000
15(c)	Other	10,000
	<b>Stores Losses</b>	
16	Incidents of the Service –	
	- Fire	20,000
	- Flood	20,000
	- Accident	20,000
17	Deterioration in Store	20,000
18	Stocktaking Discrepancies	20,000
19	Other Causes	20,000
	<b>Losses of Furniture &amp; Equipment and Bedding &amp; Linen in circulation</b>	
20	Incidents of the Service -	
	- Fire	10,000
	- Flood	10,000
	- Accident	10,000
21	Disclosed at physical check	10,000
22	Other Causes	10,000
	<b>Compensation Payments - legal obligation</b>	
23	Clinical *	250,000
24	Non-clinical *	100,000
	<b>Ex-gratia payments</b>	
25	Extra-contractual Payments	10,000
26	Compensation Payments - Ex-gratia - Clinical *	250,000
27	Compensation Payments - Ex-gratia - Non Clinical *	100,000

28	Compensation Payments - Ex-gratia - Financial Loss *	25,000
29	Other Payments	2,500
	<b>Damage to Buildings and Fixtures</b>	
30	Incidents of the Service	
	- Fire	20,000
	- Flood	20,000
	- Accident	20,000
	- Other Causes	20,000
31	<b>Extra-Statutory &amp; Extra-regulatory Payments</b>	Nil
32	<b>Gifts in cash or in kind</b>	10,000
33	<b>Other Losses</b>	10,000

The NES Standing Financial Instructions can be found at:

[nes-standing-financial-instructions-2024.docx \(live.com\)](#)

\* This delegated limit was revised as at 1st August 2001 [HDL \(2001\)65](#).

+ those losses which do not broadly fall within the definitions of theft, arson, wilful damage, fraud, embezzlement and attempted fraud and would have fallen within the previous item 2 “Cash Losses – overpayments of salaries, wages and allowances” and the previous item 3 “Cash Losses – Other” should be included within this heading