

FINANCIAL CONTROL PROCEDURE NO 15

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

FINANCE DIRECTORATE

VERSION : Final
ISSUE : August 2026
NEXT REVIEW : August 2028

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1 INTRODUCTION

1.1 Standing Financial Instructions

1.1.1 This Financial Control Procedure should be read in conjunction with Standing Financial Instruction Schedule 6 – Section 15, Capital Plan, Capital Investment, Fixed Asset Registers and Security of Assets. This procedure covers,

- Monitoring & Review of Capital Programme, including Capital Virement Authorisation
- Contractor & Consultants Vetting (Building & Engineering)
- Capital Scheme Management
- Fixed Asset Register
- Inventory Assets
- Loan of Equipment

1.1.2 The Director of Finance or Assistant Director of Finance may be contacted regarding interpretation of this procedure, or for any further guidance and advice in respect of capital investment and associated issues. Contact details are as follows: -

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2 STATEMENT OF AUDIT REQUIREMENTS AND FINANCIAL CONTROL

2.1 System of Control

- 2.1.1 Since capital projects can be long term projects the audit approach is split into four main sections, with key controls at each stage. Since capital projects can be minor or major schemes, some of the following will apply to a greater or lesser degree, depending on the scheme size, content and complexity: -

2.1.1.1 Project appraisal / approval

- The planned project meets the requirements of the Health Board's (IMTP) Integrated Medium Term Plan, whilst also addressing emergency planning, which could include areas of improvement that may not be explicitly detailed within the IMTP but are business critical to ensuring resilience and continuity of service.
- All the financial implications of the project have been considered before the contract is let
- Appropriate approvals for the scheme have been received

A clearly established management team (e.g., project board and stakeholder groups) which includes representatives of all interested departments have been given responsibility for the project.

2.1.1.2 Pre-Contract

- Contractors engaged through the Health Boards' local, bespoke Construction Framework or competitive tendering process are assessed as capable of completing construction works, with the necessary financial stability and technical expertise. The procurement process results in the most appropriate contractor being awarded to perform the contract for the best value for money whilst meeting the operational business needs.
- The requirements of the EU Directives on procurement are met.
- The contract entered into is the most appropriate for the work in hand.
- The design of the project meets the requirements of the business case study.
- In accordance with Welsh Government policy on fair payment and the use of Project Bank Accounts (PBA) (WPPN 03/21 AND 04/21) construction and infrastructure contracts (and any other 'appropriate contracts') valued at £2million or more which are delivered by a Welsh Public Sector body must include the establishment of a PBA as a condition of contract. The Health Board must ensure that PBAs are set up at project inception for all qualifying projects, and that the relevant procurement and contract documentation reflects this requirement.

2.1.1.3 Currency of contract

- The project is completed to meet the specification, on time and within budget.
- Payment is only made for work completed to the required standard and materials that are on site.
- All variations to the specification are necessary and approved.
- Any claims made are valid and counter claims are only paid if based on reasonable justification and substantiation.
- In the event of an appointed contractor's bankruptcy, the Health Board will not be liable for any further construction/works payments to that contractor.

2.1.1.4 Post contract

- The final payment is made based on work performed and that the payment is within the allocated project's outturn cost.
- Works are completed to a satisfactory standard and any claims for liquidated damages are valid and collected before the final payment is issued.
- The project's performance is evaluated and objectively assessed following the completion of the scheme.

- 2.1.2 The system control objectives for capital assets as prescribed in the NHS Wales Manual of Accounts – Chapter 7 Capital Accounting Manual and agreed by the Health Board's Financial Management are as follows: -

- All capital assets are accurately recorded in the Fixed Asset Register (FAR).
- Adequate procedures are in place to ensure that all capital asset acquisitions, disposals and transfers are identified and the FAR amended accordingly.
- Fixed assets are accurately recorded in the financial ledger.
- Appropriate asset lives applied, and depreciation is correctly calculated.
- Valuations and impairment reviews undertaken as required, including completed schemes and quinquennial valuations of land and buildings.
- The FAR is secured against unauthorised access, data loss and theft.
- Management information reports generated by the FAR are appropriate and adequate and are produced on a timely basis.

- 2.1.3 Management recognises that the key controls listed above can only be achieved through adherence to a system of internal controls and accounting procedures. For capital investment, the Health Board's Finance team have devised a detailed procedure which takes these requirements into account.

3 DEVELOPMENT OF A CAPITAL PROGRAMME

3.1 Annual Plan

- 3.1.1 The Director of Finance will prepare the annual Capital Programme for the Health Board and also a longer-term three-year programme as part of the submission to Welsh Government of an Integrate Medium Term Plan (IMTP).
- 3.1.2 The Capital Programme will include a 10-year plan for major capital investments required as part of the (AWCP) All-Wales Capital Programme. The capital programme will be compiled by the Assistant Director of Finance (Strategy & Planning), assisted by the Assistant Director of Capital to determine the total funds available for the Capital Programme taking account of the Health Board's financial obligations.
- 3.1.3 The outline Programme as prepared by the Director of Finance will be submitted to Management Board for approval, before being recommended by the Performance and Finance Committee and ratified by the public Health Board.
- 3.1.4 The Capital Programme will set out the proposed projects to be undertaken under the All-Wales Capital Programme (AWCP), Discretionary Capital Allocation, Charitable Funds and Grants.
- 3.1.5 Funding provide by Welsh Government under the Discretionary Programme is expected to be targeted across all healthcare settings including mental health, community, and primary care and for replacement equipment to promote a safe clinical environment and to support statutory compliance works.
- 3.1.6 Schemes under the All-Wales Capital Programme will be categorised over a number of main headings, which could include,
 - Major business cases
 - National diagnostic replacement programme
 - National Estates (TEF) Targeted Estates Fund etc.
 - DPIF (Digital Priorities Investment Fund)
 - Regional Partnership Board, including HCF (Housing for Care Fund) and IRCF (Integrated Rebalancing Capital Fund)

3.2 All-Wales Capital Programme

- 3.2.1 For large value investments typically over £5m, a business case will require to be developed and submitted to Welsh Government. The type of business case and content will be agreed with Welsh Government as part of a formal Scoping meeting. The type of business case will be agreed with Welsh Government at the business case Scoping meeting. These may range from a single stage case BJC (Business Justification Case) or a range of other cases, including PBC (Programme Business Case), SOC (Strategic Outline Case), OBC (Outline Business Case) and FBC (Full Business Case). There may be some instances where only a cost form is requested by Welsh Government, for example with imaging replacement equipment MRI, CT etc. In most cases the business case will follow the five-case model of business case which will include in detail,
 - Strategic Case. Provide the strategic context and justify the case for change.
 - Economic Case. Set out the key investment objectives and exploration of a number of options. The short list of options should be appraised by carrying out a detailed economic appraisal (financial and non-financial) to show the best value for money option, unless it has been agreed with Welsh Government that due to a limited number of options and low value, a BJC may not require a full economic analysis where only a single option is feasible.
 - Financial Case. Assessment from both a capital and ongoing revenue perspective that the preferred option affordable?
 - Commercial Case. Ensure key contractual arrangements for the preferred option, including procurement route.
 - Management Case. Details of how the project will be delivered, including project plan, project board, workforce plans etc.
- 3.2.2 Where any business case or capital investment expenditure decisions are in excess of the Health Board's delegated expenditure limit, approval must be sought from Welsh Government and follow the guidance for business cases as set out in,

'NHS Wales Infrastructure Investment Guidance (Welsh Health Circular WHC (2018 – 043) <https://gov.wales/nhs-wales-infrastructure-investment-guidance>

3.3 Discretionary Capital Programme.

- 3.3.1 The allocations will be categorised over a number of main scheme headings, to include,
 - Carried forward commitments
 - PFI
 - Estates Building & Engineering
 - Medical Equipment, inc general, diagnostics (imaging, pathology etc), radiotherapy □ Digital Equipment and Projects.
 - Disposal costs
 - Design fees (discretionary and pre business case schemes under the AWCP. □ Small scale service change projects outside of the AWCP.

- 3.3.2 The Discretionary capital plan will be constructed using information from a number of sources, including,
- Known commitments, including PFI Lifecycle, Project Managers (Capital and Digital) and BCAG schemes and other carry forward schemes.
 - Replacement of existing equipment asset base. Source from risk-based assessment made by Service Delivery Units and corporate departments through the Capital Prioritisation Group.
 - Estates operational backlog maintenance
 - Digital replacement programme and SOP projects
 - Prioritised IMTP schemes, including service change
 - Invest to save schemes
- 3.3.3 Requirements in relation to the replacement of the existing asset base (mainly general medical equipment) will be recorded by SDUs on the CPG (Capital Prioritisation Group) [SharePoint site](#) as a bid for capital funding.
- 3.3.4 Replacement programmes such as Digital, Imaging and Estates which are under the control of a single department will normally operate their own replacement programme outside of the CPG SharePoint site. These replacement programmes will be reviewed on a routine basis with the Assistant Director of Finance (Strategy & Planning) and as part of the construction on the annual capital programme.
- 3.3.5 The CPG SharePoint site and individual replacement programmes will be kept under regular review. A meeting of the CPG will take place at regular intervals throughout the year, normally quarterly in Q1, Q2 and Q3. The group will make review all risk assessed bids with a risk score of 15 or over that have been signed off the SDUs/Corporate Departments and make funding available from within existing capital programme allocations. The information will also be used to submit additional bids for WG slippage funding, normally around Q3 and to inform the new year capital programme in late Q3/early Q4.
- 3.3.6 It is important that any revenue savings or additional revenue costs are identified prior to the approval of a capital scheme. Each Business Case or Bid submitted will need to be reviewed by the SDU Finance Teams to ensure any additional revenue costs such as maintenance contracts and consumables are affordable. It is the responsibility of the SDU to fund and raise orders through their revenue budgets for and additional revenue costs,
- 3.3.7 The Head of Capital Finance will scrutinise all approved schemes to ensure all items are able to be capitalised under current accounting guidelines. Any ongoing revenue running costs, including the hire of equipment during any replacement works will be charged directly to revenue.
- 3.3.8 Only when a scheme has received the necessary approval from the Capital Finance Team, will a capital job number be issued.

3.4 Capital Programme Reporting & Monitoring

- 3.4.1 Standing Financial Instructions prescribe the requirements for controls over the Capital Programme. This section sets out the delegated responsibilities and authority of each officer with reference to virements within the Capital Programme and defines those actions which require Health Board approval.
- 3.4.2 Achievement of the Capital Resource Limit (CRL) is a statutory target. Any under-spend against the CRL is a “lost” resource, and therefore HBs must work to minimise this value. Overspending against the CRL is not permitted. An overspend of just £1k would result in qualification of the Health Board’s Annual Accounts. The following activities will be undertaken to minimise the risk of not achieving the CRL

Internal Reporting

- 3.4.3 The Health Board acknowledges the need for the constant monitoring and periodic review of the Capital Programme. Detailed expenditure profiles are developed and routinely updated to forecast achievement against the CRL.
- 3.4.4 Monthly CRL performance and monitoring meetings take place between the Assistant Director of Finance (Strategy & Planning) and/or the Head of Capital Finance and the Assistant Director of Strategy (Capital). These meetings take place before submission of the monthly monitoring returns are completed to Welsh Government, to ensure the overall financial position is agreed, with any risks and opportunities.
- 3.4.5 Performance of the Capital Programme will be monitored by the Capital Management Group which will meet on a quarterly basis. The Terms of Reference for the Group can be seen at **Appendix 1**.
- 3.4.6 Quarterly updates of the in-year Capital Performance against the CRL (Capital Resource Limit) will be made to the Management Board and scrutinised by the Performance and Finance Committee on behalf of the Board.
- 3.4.7 For major Capital Projects including schemes funded from the All-Wales Capital Programme, these will be monitored via Project Management Board meetings which are established for each project.

- 3.4.8 Health Board staff/managers may be required to attend meetings in order to report progress or delays, submit advice on particular problem areas or to monitor the Group's activities. These may include Project Managers and Audit representatives.
- 3.4.9 The Director of Finance and the Assistant Director of Finance (Strategy & Planning) will be advised directly of any urgent issues that arise.

External Reporting

- 3.4.10 Monthly Financial Monitoring Returns, which are capital specific, are completed as part of the HB submission to WAG. Major Capital schemes funded through the All-Wales Capital Programme are reported on a bi-monthly basis to Welsh Government through the Project Process Returns (PPRs)
- 3.4.11 Bi-Monthly meetings between Welsh Government and the Health Board are undertaken to ensure queries are resolved and the CRL maintained and finalised before the end of the year.

3.5 Virement Procedures

- 3.5.1 Any increases to approved capital allocations, including the release of programme contingency will require approval by,
- Assistant Director of Capital Planning up to £75k
 - Director of Capital & Estates up to £150k
 - Director of Finance up to £250k
 - Management Board over £250k
- 3.5.2 Notwithstanding the above procedure, where Management Board approval for amendments to the Capital Programme is required but the timing of the meetings would create difficulty in the Health Board managing its Capital Programme, the Director of Finance will have authority to approve amendments providing such decisions are reported to the next meeting of the Management Board for ratification.

4 CONTRACTOR AND CONSULTANT VETTING

4.1 Introduction

- 4.1.1 Professional and financial vetting of contractors and consultants is required to prevent a potential loss that could accrue to the Health Board as a result of a contract being let to a contractor or consultant that does not have the necessary technical, professional and financial standing to discharge the contract to the Health Board's satisfaction.
- 4.1.2 The Health Board will operate a local call off construction and consultancy frameworks, as well as public sector competitive tendering processes in accordance with the Welsh Procurement Policy Statement (WPPS), to procure both professional design services and construction services from local and national companies. To complement this approach to the procurement of capital schemes the National Engineering Contract (NEC) partnering contract has been adopted, with the Joint Contract Tribunal (JCT) form of contract to be used when it is deemed more appropriate.
- 4.1.3 Consultants can only be financially vetted where they are limited companies who are required to submit annual accounts to Companies House. The professional vetting process and financial vetting process are the responsibility of the Director of Finance.
- 4.1.4 Where contractors or consultants are selected from the local framework to provide quotations or tenders, their selection will be based on a set number of criteria which will include, for example, performance on previous schemes, site knowledge, resources proposed, and partnering ethos. However, financial vetting of these contractors will also be undertaken prior to the award of any contract.
- 4.1.5 Where a decision is taken to go out to tender rather than award a contract to a contractor or consultant on the local call off framework, then prior to the invitation to tender, each company will be formally asked if they wish to tender for the scheme, and written confirmation will be required. Details of two professional references will also be requested where the company has not worked for the Health Board within the previous two years.
- 4.1.6 If a positive answer is received from the company and the organisation has not recently been employed by the Health Board professional references will be sought. In all cases a financial vet will be initiated by the Director of Finance in the manner detailed in this procedure.
- 4.1.7 Companies must be satisfactorily vetted financially and professionally before a formal tender invitation is dispatched. Once tenders are returned and assessed the tenderer submitting the most economically and financially advantageous offer will again be financially vetted prior to the contract being let, if deemed necessary.
- 4.1.8 The results of financial vetting shall be deemed valid for a period of two months. Where a financial vetting is undertaken more than two months in advance of awarding of a contract, a further vet must be undertaken to reconfirm the results of vetting prior to awarding the contract.
- 4.1.9 The Capital Planning department shall submit requests for vetting via the Capital portal financial vetting workflow.
- 4.1.10 In respect of the **local call off framework**, financial vetting will be undertaken as follows:
- All companies will be vetted in the normal way prior to inclusion in framework.
 - To reflect that the financial circumstances of companies could alter during the period of the framework contract, a full financial vet will be required prior to a company being awarded work from the call off contract.
- 4.1.11 This procedure will be followed for all contracts as follows:
- **Contractors' contracts estimated to cost in excess of £25,000 (exclusive of VAT).** For contracts costing below £25,000 quotations will be sought, and companies will only be submitted to a full financial vet where staged payments are to be made.
 - **Consultants' contracts estimated to cost in excess of £50,000 (exclusive of VAT).**

4.2 Professional Vetting

- 4.2.1 The responsibility for professional vetting sits with the Assistant Director of Planning (Capital). All contractors and consultants will be professionally vetted as part of their inclusion onto the framework. During the period of the Framework contract, contractors will be required to update Capital Planning on any changes to Health & Safety or levels of insurances. The ongoing

performance of work completed for the Health Board by Contractors and Consultants will form part of the KPI performance reviews.

4.2.2 Where a company not on the Framework is appointed through a tender process and has not worked with the Health Board within the last two years, referees will be contacted directly to provide their opinion on the contractor's performance,

including contract type, duration, and value. A standardised form will not be issued; instead, specific information will be requested through the qualitative tender package to support the evaluation of the submission.

4.2.3 Also required will be comments on the standard of workmanship; adherence to programme; financial co-operation, monitoring standards and overall project performance.

4.2.4 The completed documents will be checked by the Project Manager and Capital Business Manager and any member of Capital staff involved in the tender process, who will assess the professional competence of the applicant. The related information and consequent decision will be retained on file in the Capital Planning Team, who will also retain any proformas and consequent decision within the project file.

4.3 Financial Vetting

4.3.1 The Director of Finance will be responsible for the financial vetting of contractors and consultants who are being considered to undertake work for the Health Board.

4.3.2 The Director of Finance on behalf of the Health Board has selected the services of First Report, a recognised credit rating company to provide financial vetting reports.

4.3.3 All building and engineering companies and consultants who are being considered for inclusion on a tender list will be financially vetted prior to the issue of an invitation to tender and award of contract.

4.3.4 Only contractors assessed as presenting less than 'moderate risk' (that is, those receiving a score about 50 on First Report) will be considered to have passed financial vetting j

4.3.5 There may be circumstances where a credit check may not be available, or the contractor or consultant may be judged as having a 'moderate risk' or above. Such contractors may only be considered with the approval of the Director of Finance. Examples of such circumstances would be partnerships, newly established subsidiaries, or special purpose vehicles.

4.3.6 Further, the Health Board shall require the inclusion for the potential requirement for performance bonds for tender lists where there are above average rating contractors present.

4.3.7 Financial vetting will only be undertaken for consultants where the contract award is likely to exceed £50,000.

4.4 Financial Vetting of Externally Project Managed Schemes

4.4.1 For all schemes project managed by external consultants on the Health Board's behalf it is a requirement of the Health Board that all Contractors proposed by them are financially vetted by the Health Board's Finance Directorate, in addition to any vetting undertaken by the Project Managers.

4.4.2 This will be required for all Capital Schemes both over and below the £75,000 threshold, and Project Managers will be required to submit their proposed list of tenderers at the pre-tender stage for the Health Board to undertake financial vetting.

4.4.3 In the event of Contractor(s) on the Project Managers proposed list failing the Health Board's financial vetting it will only be permissible for the Health Board to approve their inclusion on the list at the specific resolution of the Health Board and this should be accompanied with detailed reasons for the decision.

4.4.4 As a matter of course the failure of a Contractor to pass the Health Board financial vetting procedures will result in them being eliminated from the Project Managers list. In this case, financial vetting on alternative contractors may be requested.

4.4.5 Schemes which are part of the NHS Wales Design for Build Programme will not require to be financially vetted, since this will be undertaken by NWSSP Facilities Services, as part of the appointment process to the All-Wales Framework.

4.5 Performance Bonds

4.5.1 Where the Director of Finance, considers that additional financial safeguards are prudent on a specific project/contract, particularly for all contracts with an above average financial risk rating, Parent Company Guarantees or Conditional Performance Bonds are recommended to be used.

4.5.2 Where Parent Company Guarantees are required the financial stability of the Parent Company should be investigated and proved to be satisfactory. This will be carried out as part of the financial vetting procedures. Professional vetting will only be performed on the company submitting the tender.

- 4.5.3 In addition, tender documentation for tender lists containing contractors with an above average risk rating and for other appropriate specific projects, should state that performance bonds may be required. Welsh Office Circular WHL (94)68 should be followed with regard to performance bonds.

4.6 Insolvency and Liquidations Procedure Relating to Works Contracts

- 4.6.1 When an organisation appoints external bodies there is a risk of loss should those companies fail during the course of their contract.
- 4.6.2 The following procedure sets out the steps to be taken when letting a contract, through the contract period and in the event of the insolvency of a company. All personnel involved in the appointment of external bodies should be aware of the procedure and implement the actions when required.

4.7 Pre-Contract Award

- 4.7.1 When a scheme is being considered potential tenderers must be appropriately engaged in accordance with the Health Boards Local Construction Framework, Consultancy Framework, or other public sector bodies competitive governance processes. Following confirmation of a company's intention to bid, each company must be financially vetted in accordance with the Health Boards' financial governance procedure (First Report)
- 4.7.2 Following the return of tenders or selection from the local call off contract, the successful company must be re-vetted to ensure its financial status is unchanged before the tender is accepted and the contract awarded.

4.8 Contract Period

- 4.8.1 If, during the course of the contract, any indications appear of financial problems within the company under contract, a further financial vet must be initiated by the Health Board.
- 4.8.2 The Director of Finance must be advised immediately of any concerns and of the results of the vetting exercise.
- 4.8.3 The Assistant Director of Capital should be alerted to the potential problem so that they may monitor the contractor's site at all times.

4.9 Action to Be Taken In The Event Of Financial Collapse

- 4.9.1 The contract supervisor will ensure that the site is secured, and no materials, machinery or documentation is removed without authorisation.
- 4.9.2 The Director of Finance will be informed of events and instructions given for all payments issued but not honoured to be stopped
- 4.9.3 The project manager will advise any design consultants of the situation and indicate that they should maintain a record of any additional work caused by the situation.
- 4.9.4 The lead consultant / project manager will be instructed to prepare a report on the following: -
- Stage of contract
 - Safety and security arrangements
 - Additional costs to be claimed
 - Insurance of the value of the works executed to date, plus plant and materials
 - Estimated date of completion under normal working conditions
- 4.9.5 The lead consultant / project manager will advise all interested parties i.e. Bondsman, sub-contractors, suppliers, other design team members.
- 4.9.6 The Cost Adviser will be instructed to prepare site survey statements, schedules of work and an inventory.
- 4.9.7 Negotiations will begin with the liquidator/receiver.
- 4.9.8 Audit will be informed of the situation.
- 4.9.9 The Director of Finance must ensure that any other ongoing contracts with the same contractor are addressed in a like manner and prepare a report for Health Board.

4.10 Post Collapse

- 4.10.1 Following the collapse of a company there will be a need to ensure that full records are maintained on events and information gathered to substantiate any claims for losses.
- 4.10.2 The Director of Finance (and Audit as appropriate), will need to be involved at an early stage to ensure that the following areas are addressed:
- The insurance of the site is maintained;
 - Payments for goods, materials, etc are calculated and recorded;

- Preparation of a claim in respect of liquidated and ascertained damages;
- To maintain a record of additional fees incurred, estimates should be obtained at an early stage; and □ That negotiations for the potential virement of contracts will not disadvantage the Health Board

4.11 Final Actions

- 4.11.1 The Director of Finance will keep the Management Board briefed on the position as each situation progresses, and will report to the Board via the Performance & Finance Committee periodically as appropriate.
- 4.11.2 Once the matter is fully resolved a detailed report will be prepared and submitted to the Health Board detailing the effects of the situation on the organisation and the actions that had been taken to ensure the contract was completed.
- 4.11.3 The company concerned will be removed from the Health Board's register.

5 CAPITAL SCHEME MANAGEMENT

5.1 Introduction

- 5.1.1 The management of Capital Schemes to ensure the successful completion of projects within the programme and budgeted cost is vital to the success of the Health Board's Capital Programme.
- 5.1.2 Overall responsibility for the control and management of capital programme rests with the Director of Finance, who is responsible to the Management Board and Performance and Finance Committee and then to the Health Board for ensuring that approved schemes are planned, designed, completed and evaluated within the programme and budget limit set out in the Capital Programme. In order to accomplish this task a Project Team must be appointed by the Health Board for all major capital projects (in excess of £1m works contract net of VAT). The three senior roles in the Project Team will be the Project Senior Responsible Officer, Project Director and Project Manager. The duties and responsibilities for these three roles are set out in the Capital Projects Control Occasionally the roles of Project Senior Responsible Officer and Project Director may be combined. For schemes below £1m the role of Project Director will be assumed to be the Assistant Director of Strategy (Capital).
- 5.1.3 The Project Manager will take full operational control of the day-to-day activities of the project and will be responsible for keeping the Project Director fully advised on progress in order that he may make comprehensive reports to the Capital Management Group
- 5.1.4 The following section indicates the responsibilities and duties of a Project Manager from the receipt of tenders to the release of retention monies. It also details the procedures which are to be followed during this period.

5.2 Evaluation of Tenders

- 5.2.1 The Local Construction Framework is operated using a rotational call-off mechanism. The Mechanical and Electrical Contractors framework is operated using a rotational call-off mechanism, with an option to carry out a mini-competition when deemed appropriate by the Health Board.
- 5.2.2 Following the rotation appointment, the contractor will be provided with a brief, and subsequently tender documentation will be given to a Project Manager for the scheme. The Project Manager will arrange for a fully costed construction plan to be evaluated and where consultants have been selected from the local consultant framework the Project Manager will fully document the appointment fee based on the duties commissioned and linked to a resource schedule
- 5.2.3 Where a mini-competition is utilised via the Mechanical and Electrical Contractors Framework, all eligible contractors will be issued with a brief via eTender Wales. Subsequently, the Project Manager will be provided with tender submissions for assessment. The Project Manager will arrange for a fully costed construction plan to be evaluated.
- 5.2.4 The tenders will be assessed. The Project Manager will organise a check on calculations and prices and ensure no obvious omissions have been made when compared with the scheme specification. If relevant, a priced Bill of Quantities will be obtained from the tenderer and checked at this stage. Where the local framework is being used the project Manager will produce a cost report verifying the contract cost and checking on the arithmetical calculations provided.
- 5.2.5 The Project Manager may delegate this responsibility to the Project Cost Adviser if one has been appointed.
- 5.2.6 If a substantial difference exists between the costs of tender submission and the Cost Advisors industry benchmarking, then the Project Manager will seek permission to assess cost and time risks with senior managers and have the option to engage with the next contractor on the rotation. then the lowest priced tender will be assessed against the remaining submissions.
- 5.2.7 In cases where the tender or target price exceeds the Pre-Tender Estimate and is confirmed to be correct after being checked then action should be taken in accordance with Section BE.16.2 of the Contract Code. This indicates that savings should be sought and agreed with the tenderer before awarding the contract if the excess cost is less than 10% of the PreTencer Estimate. If over 10% then a report must be submitted to the Health Board showing the effects of proposed savings requesting a decision on whether to proceed.
- 5.2.8 As part of the evaluation of a tender an assessment will be made of the level of VAT that will be reclaimable on the overall scheme.

5.3 Award of Contract

- 5.2.9 The Project Manager will arrange for a standard letter of acceptance of the tender to be sent to the successful contractor. In addition letters will be sent to the unsuccessful tenderers informing them of the results of the tender exercise in accordance with SFI 11 Procurement of Goods and Services and BE 18.2 of the contracts code. In addition, the contract award proforma should be sent to the Capital Finance Team by email sbucapital.team@wales.nhs.uk in order that monitoring procedures for the scheme may be implemented
- 5.2.10 A pre-contract meeting will be arranged and will be chaired by the Project Manager. Invited to attend for example will be the successful contractor, Hospital Estates Manager, Clinical Director or representative and if appropriate site management staff. Copies of the standard agenda will be distributed prior to the meeting.

- 5.2.11 The contract documents will be prepared by the Project Manager or Project Cost Adviser as appropriate and taken to the pre-contract meeting if possible. At this stage the contract dates as agreed with the contractor will be inserted and the documents given to the contractor's representative to arrange for their completion under seal. If it is not possible to prepare the contract document by the pre-contract meeting its completion will be carried out as soon as is reasonably practicable.
- 5.2.12 During the meeting, site visits will be arranged for the Fire Officer and Health and Safety Officer. These will visit on the first available day of the contract and advise the contractor of the requirements of the Health Board with regard to Fire Prevention and Health and Safety issues. Also, at the pre-contract meeting a level of charges will be agreed for the use of services on the site.
- 5.2.13 At the conclusion of the meeting a programme, site limits, contract arrangements, contact points, communication channels, etc., will have been determined and agreed by all parties.

5.4 Supervision of Contract

- 5.3.1 The Project Manager will make regular visits to site in order to supervise the work and assess the progress of the contract.
- 5.3.2 Throughout the course of the contract there may be occasions when design changes will need to be made. Before these can be implemented, they must be costed and the implications fully evaluated. All requests for such changes must be formally recorded on Variation Request Form/Early Warning Notice in the Capital Project Manual. Once approved by the Project Manager such changes shall be instructed by the issue of a Compensation Event via the NEC form of contract.
- 5.3.3 Wherever possible all Project Manager Instructions should be fully priced and an assessment carried out on the amount of VAT reclaimable.
- 5.3.4 Throughout the course of the contract regular progress meetings will be arranged and chaired by the Project Manager/Lead Consultant/Architect. At these meetings the contractor will be required to provide an assessment of progress in comparison to the programme. If appropriate the Clerk of Works would agree the contents of the report prior to the meeting.
- 5.3.5 Should the contractor submit any claims for extension of time or delays to the contract, the Project Manager/Lead Consultant/Architect will assess the reasons for the claim and notify the Strategy, Planning, and Commissioning Committee of the implications using the Compensation Event and Revised Programme in accordance with the NEC form of contract..
- 5.3.6 As soon as it is anticipated that the likely cost of a scheme will exceed the approved contract sum by the lesser of 10% or £25,000, the Assistant Director of Capital must be informed via the relevant reporting group (Capital Project Managers meeting, Project Board, CRL meetings, End of Month Finance meeting and Capital and Estates Board Meeting etc.)
- 5.3.7 Where action cannot be taken to contain the anticipated scheme total within the approved outturn allocation, the Assistant Director of Capital will provide a report for consideration by the Director of Finance without delay, detailing the reasons for the variation and the likely extent of the variation.

5.5 Authorisation of Payment

- 5.4.1 During the pre-contract meeting a programme will have been arranged for the submission of interim certificates or invoices by the contractor.
- 5.4.2 On receipt of these claims the Project Manager/Cost Adviser will assess the following details,
- percentage of completed work.
 - number of materials on site;
 - percentage of work completed by sub-contractors.
 - work done to date where the NEC contract is used; and
 - Amount of the interim valuation in comparison with the Project Managers Instructions Compensation Events issued.
- 5.4.3 Providing the claim is justified, the Project Manager/ Cost Adviser will authorise the certificate or invoice and insert the correct financial codes. The certificate or invoice is also authorised and signed by the Assistant Director of Strategy (Capital) or nominated deputy and submitted to the Capital Finance Team who will check accuracy against the contract register and forward on for payment to the relevant payments department
- 5.4.4 Contractual payments of interim certificates are required to be paid to the contractor within 14 days of the issue date unless otherwise amended. To minimise exposure to the risk of incurring penalty charges/interest on late payments, a register of interim certificates issued by the Project Manager/ Cost Adviser will be maintained by the Capital Finance Team. If the normal route of payment by NWSSP Accounts Payable using the banks BACS payment systems will result in the 14 day payment terms being exceeded, payments can be made by cheques or in exceptional circumstances by the banks same day payment system, if authorised by the Associate Director of Finance (Corporate Governance & Accounting).
- 5.4.5 A record of all Compensation Events will be retained by the Project Manager/Lead Consultant on the appropriate proforma. This will not only record additions to the contract but also identify omissions.

5.6 Scheme Risk Assessment

- 5.5.1 Certificates on Building and Engineering Schemes will be subject to an internal risk assessment at the agreement of the Final Account (normally expected to be within 6 months of Practical Completion) (see **Appendix 3**). The scheme will be referred to the Assistant Director of Strategy for review and where indicated by the risk assessment also reported to the Capital Management Group. A log of all risk assessments will be maintained by the Capital Planning team and will be available for review by NWSSP Audit and Assurance, these schemes may then be selected for further review.
- 5.5.2 It is the responsibility of the Assistant Director of Strategy (Capital) to ensure the checklists are completed. The Capital Finance team will confirm with the Assistant Director of Strategy (Capital) that a checklist has been completed at the point a request to release final retentions on the scheme is made.
- 5.5.3 It is important that certificates are agreed with the Contractor and paid promptly within the time limit set by the Conditions of the Contract. If the NEC Contract is being used, then the final account should be a natural progression throughout the project and at the end it should be automatically complete.
- 5.5.4 Once the Completion Certificate has been issued the Lead Consultant/Cost Advisor will negotiate and obtain agreement to the Final Account from the Contractor
- 5.5.5 As soon as the Final Account is agreed and verified the documentation is to be forwarded to the Project Manager for action.

5.7 Completion and Acceptance of Scheme

- 5.6.1 When the contractor considers that the contract is completed they will notify the Project Manager/Lead Consultant/Architect who will arrange for an inspection of the works to be carried out.
- 5.6.2 During this inspection a snagging list will be prepared listing any apparent defects and outstanding works. A handover meeting will then be arranged allowing sufficient time for the listed items to be cleared. The contractor must be made aware at the outset of the contract that all manuals and 'As fitted' drawings must be handed over to the Health Board at the handover meeting or as soon as possible. Failure to achieve this may mean handover/practical completion is delayed.
- 5.6.3 At the handover meeting the works will be re-inspected and any outstanding items listed. Providing the list is comparatively small and consists of minor items only then the scheme will be formally handed over and the date of the completion of the defects period agreed.
- 5.6.4 The contractor will be allowed a set period of time to clear outstanding items, at the completion of which the scheme will be re-inspected and the list signed as confirmation of completion by both parties.
- 5.6.5 The Project Manager/Lead Consultant/Architect will complete and issue an NEC Completion Certificate dated the day of the Handover meeting and dispatch to the Finance Department. A record will be retained on the Contracts Register by the Director of Finance of outstanding retention monies owed to the contractor.
- 5.6.6 The works will be monitored throughout the defects period (NEC) period by Health Board stakeholders, estates staff and the Project Manager and a record kept of all defects becoming apparent on the scheme.

5.8 Final Account

- 5.7.1 At the appropriate time the Project Manager/Cost Advisor will receive the Final Account from the contractor which will be dealt with in a prompt manner. The claim must be assessed payment arranged with the Finance Department. A copy of the Project Managers Instruction and Compensation Events record will be attached to the Final Account.
- 5.7.2 As part of the settlement of the Final Account the Project Manager/Cost Advisor will ensure that the deductions for the use of services are made from the final payment or, alternatively and by agreement with the Director of Finance, or his nominated deputy, that a cheque is received from the contractors in full settlement.

5.9 End of Contract Defects Period

- 5.8.1 At the completion of the Defects period, normally 12 months the Project Manager/Lead Consultant/Architect will arrange a meeting to re-inspect the scheme. A list will be prepared indicating any outstanding works and those defects reported during the year since Handover.
- 5.8.2 At the meeting the list of items will be presented to the contractor and a period agreed wherein they will be rectified. At the end of this period the completed list will be signed by both Project Manager and contractor. The Project Manager will then arrange for the Finance Department to release all retention monies owing, by issuing the Final certificate.

5.10 Evaluation

- 5.9.1 As part of its consideration of the initial proposal for a project the Capital Management Group will decide whether a Post Project Evaluation (P.P.E) will be performed. This instruction will form part of the approval. If it has been decided that a project will be subject to a P.P.E, the Project Manager will co-ordinate an evaluation exercise with users to assess the overall scheme. The results of the exercise will be notified to appropriate NWSSP-Specialist Estates Services (SES) personnel if relevant.
- 5.9.2 A vital aspect of Project Managers work will be to ensure that a full record of all correspondence relating to the scheme will be retained on the appropriate scheme file and that an accurate record of the current financial position of each scheme is maintained.
- 5.9.3 The Project Manager will be the main contacts for the co-ordination of schemes throughout the contract period. They will be expected to liaise with relevant personnel, deal with problems as and when they arise and prepare regular reports on progress to the Assistant Director of Strategy (Capital).
- 5.9.4 Finally, it will be the Project Manager's responsibility to ensure that the scheme is completed to the satisfaction of users and in accordance with their brief while remaining within the approved scheme cost and the agreed programme.

6 FIXED ASSET REGISTER

6.1 Introduction

- 6.1.1 To ensure the security and control of the Health Board's Fixed Assets, a system of asset control is required to operate within the Health Board. It is essential that this control system be operated diligently in order for Health Board Officers to demonstrate that they have safeguarded assets under their control and achieved best value for money for the public sector by avoiding loss and theft.

6.2 Scope and Principles

- 6.2.1 An asset that is defined as capital in accordance with the NHS Wales Capital Accounting Manual and relevant accounting standards will be included on the Fixed Asset Register.
- 6.2.2 The Health Board must maintain a Fixed Asset Register to allow the calculations of depreciation, indexation, revaluations and disposals. The Fixed Asset Register uses the Asset4000 Module provided by MRI as a cloud-based solution. The system is managed by the Head of Capital Finance, who will control access to the system through approved users. They will also be responsible for the co-ordination between the system supplier and Health Board Digital Systems team on any hosting and cyber security controls and issues. The Fixed Asset Register will include assets funded from various sources, including exchequer funds from Welsh Government, Charitable Funds (Donated) and Granted. Leased assets which are accounted for under IFRS 16 do not form part of the Fixed Asset Register, as these are held in a separate system (Pro-Lease).
- 6.2.3 All Fixed Assets must contain the minimum data as defined in the NHS Wales Manual for Accounts, Chapter 7 - Capital Accounting Manual, for all assets whose cost is equal to or greater than the capitalisation threshold [currently being assets whose cost to the Health Board is equal to or greater than £5,000]. Supplementary to this, grouped assets whose combined cost is more than £5,000, should be included.
- 6.2.4 The primary responsibility for maintaining the Fixed Asset Register and calculating depreciation and other fixed asset accounting calculations shall rest with the Finance Directorate.
- 6.2.5 The responsibility for managing the assets contained within the Register shall rest with:

The Director of Finance

- Maintaining the Fixed Asset Register to record the values of all Fixed Assets, including additions, depreciation, indexation, revaluations and disposals.
- Undertake annual verification of Fixed Assets.
- Reconciliations of the Fixed Asset Register and Financial Ledger

The Assistant Director of Estates and Assistant Director of Capital

- Managing Land, Buildings, Engineering Services and Fittings

Asset Owners for Capital Equipment - Service Unit Directors/Heads of Directorates

- Asset owners have ultimate responsibility for managing fixed assets in their departments and ensuring they are providing value for money in helping to deliver the service of the Health Board.
- Responsible for ensuring the fixed assets are maintained and secured.
- Notifying the Head of Capital Finance via the central capital finance email SBU.CapitalPlanning.wales.nhs.uk of any changes to the fixed asset in relation to permanent transfers to another department, disposal or impairments to the value of the asset.
- The Asset Owner is generally the Lead Manager who has submitted the original capital bid forms for equipment through the CPG SharePoint site. For new purchases, i.e. as part of a new capital building scheme, Asset Owners will need to be identified and complete the Asset Addition Form with key information such as location, model, serial number.

6.3 Updating the Fixed Asset Register for Additions

- 6.3.1 The Finance Directorate shall be responsible for updating the Fixed Asset Register for additions from the Financial Ledger.
- 6.3.2 The sources of information and process shall be to include as much information as possible in advance of the actual receipt of equipment.
- 6.3.3 The Fixed Asset Register will be updated on a Quarterly basis with additions and reconciled with the financial ledger on a monthly basis.
- 6.3.4 **Capital Prioritisation Group (CPG) Bid.** Basic information will be extracted from the approved CPG bid, including Asset Owner, Service Delivery Unit, Directorate, Site, Location and Asset Name.

- 6.3.5 **Capital Equipment Tracker.** The basic CPG information will be included in the Capital Equipment Tracker file, which is established on an annual basis for all equipment purchases (excluding where purchased as part of a major capital building scheme).
- 6.3.6 **Additional Asset Information.** The equipment tracker will serve as the initial trigger for a further automated information request via the Asset Addition Form to the Asset Owner on the Oracle receipt. The additional information request will include: - Make, Model, Serial Number, MEMS Asset ID, Wi-Fi enabled/RFID Tag, Mobility of Asset.
- 6.3.7 **Equipment Asset Lives** will initially be derived from the standard asset lives used in the FAR. Any new type of assets will requiring further discussion with the Asset Owner and Head of MEMS. to determine the appropriate category/lifespan and other subsidiary information that may be required to be held on the register. The final decision over the life of an asset (and so its depreciation charge profile), will rest with the Finance Department.
- 6.3.8 **Equipment Asset Labels.** Assets will be identified with reference to the Serial Number or MEMS labels to assist with the annual verification process.
- 6.3.9 **Building & Engineering Schemes.** Advice will be sought from the Assistant Director of Capital on how expenditure is to be split over blocks and the asset categories. Standard asset lives for building and engineering schemes will be applied. For those completed schemes where total additions are greater than £0.5m (excluding equipment), the Finance Directorate shall engage the services of the District Valuer or other suitable body to provide a completed scheme valuation. The valuation will be based on current valuation guidance as per the NHS Wales Capital Accounting Manual. The current valuation basis is at a Depreciated Replacement Cost (DRC) and remaining asset life. Any change of valuation against the value of additions expenditure and existing asset value will be adjusted in the Fixed Asset Register as a revaluation/impairment.
- 6.3.10 **Donated Assets.** Unless building and engineering schemes are run directly as capital projects by the Capital Planning Directorate, the responsibility for equipment assets purchased from Donated funds sits with Corporate Accounting, who will ensure a monthly report is provided to the Head of Capital Finance. Any items of expenditure which are deemed by the Head of Capital Finance to be capital in nature, will be added to the Fixed Asset Register.

6.4 Calculating Depreciation

- 6.4.1 The Capital Finance Team shall be responsible for the calculation of all depreciation charges on assets held within the Fixed Asset Register, in accordance with current Accounting Guidance.
- 6.4.2 Depreciation shall be estimated in line with WG requirements and monthly depreciation charges accrued according to estimates. The fixed asset register shall be used to calculate depreciation following the quarterly upload of all additions and adjustment to estimated depreciation made accordingly.
- 6.4.3 The Finance Directorate shall produce forecasts and estimates of depreciation payable as determined by the Welsh Government, having regard to the existing asset base, planned acquisitions and disposals, and forecast indexation.
- 6.4.4 The Capital Finance Team shall be responsible for reconciling the Fixed Asset Register & Financial Ledger
- 6.4.5 The Capital Finance Team shall, on a monthly basis, reconcile capital acquisitions [other than donated], from the Fixed Asset Register to the Financial ledger. Any variances identified shall be dealt with as appropriate.
- 6.4.6 The Head of Capital Finance shall be responsible for producing all the Capital asset notes required for the Annual Accounts in the appropriate format, and for producing clear working papers reconciling the Fixed Asset Register, general ledger, and Annual Accounts.
- 6.4.7 The Head of Capital Finance shall be responsible for authorising all additions, disposal or other amendments made to the Fixed Asset Register.

6.5 Calculating Land & Building Valuations

- 6.5.1 The Capital Finance Team shall be responsible for the calculation of all valuations, which include, indexation, quinquennial valuations and completed schemes.
- 6.5.2 Completed Scheme valuations will be undertaken as part of the asset additions process.
- 6.5.3 On an annual basis indexation will be applied to the opening balances as at 1st April as prescribed by WG. The application will follow the guidelines contained with the NHS Wales Capital Accounting Manual. Normally these will be applied to only land and buildings. Indexation is not normally applied to Assets Under Construction, Equipment, Intangibles and Assets Held for Sale.
- 6.5.4 Every 5 years, WG will commission through NHS Wales Specialist Estates Services a quinquennial valuation of all land and property assets (excluding assets held for sale). This will include a review off all valuations and remaining asset lives. This

valuation is normally undertaken through the DV but is commissioned by WG/SES. The Quinquennial valuation replaces the annual indexation exercise in that year.

- 6.5.5 On an annual basis, the Head of Capital Finance will consider whether any fixed assets have been subject to an impairment and adjust their carrying value accordingly. This applies to all categories of fixed asset.

6.6 Updating the Asset Register for Equipment Transfers and Disposals

- 6.6.1 It is the responsibility of the Asset Owner to inform the Head of Capital Finance of any equipment asset disposals or permanent location/department transfers. Following the submission of the annual accounts, the Head of Capital Finance will ensure a copy of the Fixed Asset Register is available on SharePoint, so that all Asset Owners can provide details of changes
- 6.6.2 In the first instance the asset owner must complete a Transfer or Disposal Form. This form must be approved by the Directorate Manager.
- 6.6.3 Any disposal process from the sale of equipment assets must be communicated to the Head of Capital Finance and transacted through a capital code, so ensuring the appropriate calculation of any profit or loss on disposal.
- 6.6.4 Equipment assets identified for disposal (including digital) may be disposed of by following these procedures.

6.7 Updating the Asset Register for Land & Property Disposals

- 6.7.1 All purchase, disposal or lease of land or property must be approved by Welsh Government, as Health Boards have no delegated authority to undertake these transactions.
- 6.7.2 The Assistant Director of Capital must advise the Head of Capital Finance of any surplus assets that could be available for disposal. The Head of Capital Finance will consider if any valuation or/and asset revaluation is required.
- 6.7.3 The Assistant Director of Capital and Assistant Director of Finance will ensure that appropriate business case and/or Health Board approvals are in place, prior to seeking approval from Welsh Government to commence the disposal process.
- 6.7.4 The Director of Finance is responsible for seeking approval from Welsh Government for the disposal of land and property following the Board declaration of these assets being surplus to requirements.

6.8 Fixed Asset Verification

- 6.8.1 The Head of Capital Finance will be responsible for the annual fixed asset verification process. This includes equipment, but excludes land, property, assets under construction and initial equipping grouped assets below the capitalisation threshold. Digital Device grouped assets, including desktops, laptops and tablets are in scope.
- 6.8.2 The annual verification process will comprise a physical 3-year rolling programme for all in-scope equipment and an annual non-physical verification for IT assets.

Type of Equipment Asset	Physical Verification	Non-Physical Verification	Disposal
Medical / Operational Equipment	1/3 of assets over a 3 year rolling programme	Out of Scope	Asset Owner/MEMS to update on disposal.
Grouped initial equipping with replacement value below £5k	Out of Scope	Out of Scope	Disposal takes place automatically at end of useful life.
IT Grouped Assets (devices)	Out of Scope	In Scope Annual report from IT showing number of disposed devices / no longer attached to the network. Includes all network infrastructure and system.	Annual report from IT showing number of disposed devices / no longer attached to the network.

- 6.8.1 The annual physical verification process will use a semi-automated data collection tool, built using Microsoft Power Apps to drive the data engine and automatically capture and store data within the SharePoint cloud.

- 6.8.2 Asset Owners will be responsible for carrying out the data collection exercise by taking photographs of the fixed asset equipment loaded straight into the secure Fixed Asset Verification Power App. Utilising existing MEMS QR Codes attached to the equipment, allows for the captured photos to be instantly transferred into a secure SharePoint site. The photograph and built in geo-tagging integrity at the moment of capture, allows locking timestamped location metadata to be captured, providing a secure audit trail
- 6.8.3 Following the submission of the annual accounts, Q1 will focus on the updating of additional non-financial information on new equipment assets added to the fixed asset register in the preceding year. The annual verification process will take place during Q2 and Q3. This process should normally be completed by December of each financial year.
- 6.8.4 Instructions will be provided to Asset Owners to feedback any inaccuracies in this data and any omissions. The Finance Directorate shall act on the information and amend the Fixed Asset Register as necessary.
- 6.8.5 The Finance Directorate shall be responsible for encouraging managers to make the best possible use of the information contained within the Fixed Asset Register for the purposes of managing their assets.

7 INVENTORY

7.1 Introduction

- 7.1.1 In order to ensure the security and control of the Health Board's inventory assets a system of inventory control is required to operate within the Health Board. It is essential that this control system be operated diligently in order that Health Board Officers may demonstrate that they have safeguarded property and equipment under their control and achieved best value for money for the public sector by avoiding loss and theft.

Definition of Inventory Assets

- 7.1.2 The distinction between a capital asset and an inventory asset is one of definition within the NHS Health Board Capital Accounting regime. An asset that is defined as capital (usually where purchase price exceeds £5,000), will be included on the Health Board's Fixed Asset Register. Inventory assets include all assets that have a material value that are not classed as capital under the definition.
- 7.1.3 Broadly, this means that if an asset has a material net replacement value of less than £5,000 it will be classed as an inventory asset and should be recorded as such. Examples include cameras, photocopiers, and other valuable / portable items.

Delegated Responsibility

- 7.1.4 The responsibility for inventory control has been delegated to Operational Board Directors. These Directors may further delegate responsibility for inventory control to managers within their Directorate. It is appropriate that delegated budget holders whose funds actually purchase or would purchase the asset if it was stolen or replaced should be the Officer responsible for maintaining inventory control of the asset.

Inventory Control Process

- 7.1.5 Each Operational Board Director should detail for all premises under their control, the delegated Manager or Managers responsible for maintaining the inventory control register for the Directorate's inventory assets. This Manager[s] should be clearly instructed, to discharge the inventory control process within the Directorate.
- 7.1.6 For all common areas within the Hospital, for example, the hospital concourse, the Site Manager will be responsible for any inventory control that is required in these areas.

8 LOAN OF EQUIPMENT

8.1 Introduction

- 8.1.1 The procedure prohibits the loan or hire of equipment either to staff or organisations, unless the exceptional circumstances detailed in Sections 8.2 and 8.3 apply, i.e. the loan of equipment is to progress Health Board work, or is for Income Generation purposes, where no liability to the Health Board would arise. In such circumstances, the strict managerial approval procedures detailed in those sections must be adhered to.
- 8.1.2 The loan of equipment to patients is subject to the controls included in Section 8.4.
- 8.1.3 The procedure is to be followed at all times and must be brought to the attention of all staff that have responsibility for the use of Health Board equipment.
- 8.1.4 Any Health Board equipment leaving the Health Board premises on loan or hire is deemed as being subject to this procedure, i.e. loans or hire to Private Practice, Private Hospitals, General Practitioners, Staff or any Non-Health Board users.
- 8.1.5 Health Board equipment means all and any equipment within the ownership of property of the Health Board and without prejudice to the generality of the foregoing shall include general engineering or building equipment, electro medical equipment, instruments and instrumentation, and office equipment inclusive of information technology.
- 8.1.6 The Consumer Protection Act 1987 makes specific provision in relation to product liability and as a result of the loan or hire of equipment, the Health Board may inadvertently loan or hire equipment that is defective or dangerous, thereby rendering itself liable to prosecution, or a claim for substantial damages under the 1987 Act.
- 8.1.7 It is therefore the directive of the Health Board that ordinarily it is prohibited to loan or hire equipment to staff and organisations.

8.2 Hire of Equipment for Income Generation Purposes

- 8.2.1 In exceptional circumstances, hire of equipment may be classified as an income generation activity. The Directorate General Managers / Heads of Department must judge that there is little or no prospect of liability arising or accruing to the Health Board. In such a case, the following procedures must be adopted.
- 8.2.2 The Chief Executive will be directly responsible for granting approval for hire of equipment. The Directorate General Managers / Heads of Department and an authorised representative of the recipient must complete the standard form of indemnity (included as Appendix 5).
- 8.2.3 The Directorate General Managers / Heads of Department must obtain copies of the recipient's full liability insurance before the equipment is given to the recipient.
- 8.2.4 The Directorate General Managers / Heads of Department must obtain a receipt for copies of documentation in respect of instructions and safety of equipment given to the recipient, as detailed in **Appendix 5**.
- 8.2.5 All documentation referred to above must be securely retained for Audit purposes.
- 8.2.6 The Directorate General Managers / Heads of Department must obtain written confirmation where appropriate, that the person signing the form of indemnity is duly authorised by the signatory to enter into the said form of indemnity.

8.3 Loan of Equipment to Progress the Work of the Health Board

- 8.3.1 In certain circumstances, Information Technology equipment may be loaned to staff or organisations such as the University to progress the work of the Health Board through the development, for example, of computer programmes. All such equipment to be taken off site must be subject to the prior approval of the Director of IM& T and Performance Improvement and the Chief Medical Electronics Engineer/Head of Medical Physics. (As part of the BS5750 registration, the Medical Electronics Department have detailed procedures governing equipment taken off site).

8.4 Loan of Equipment to Patients

- 8.4.1 Home loan equipment will be supplied to patients with a letter (**Appendix 6**) explaining that the item is on loan only and must be returned when no longer needed. No further control will be attempted.
- 8.4.2 These items may include the following examples:-
- Certain Walking Aids

- Bed Pans
- Rubber and Foam Rings
- Tripods
- Bed Cradles

8.4.3 Other home loan equipment may include the following or other such items:-

- Back Rests
- Commodes
- Bed Hoists
- Wheelchairs
- Lifts Pumps
- Cot Sides
- Vacu-lisers
- Ripple Beds
- Pulpit Grids
- Gas Cylinders
- Trolleys Beds and Mattresses (special types, including electric)

8.4.4 To maintain an effective control, full records must be kept at each point of issue, whether on computer database or manually.

8.4.5 Each of the items detailed in (b) will be “followed up” every six months in an attempt to obtain a return of the article. In the event of an item being untraceable, it will be “written off” from the records. Appliances returned will be duly recorded.

8.4.6 The following files will be held for Audit examination for a period of two complete financial years:

- Articles still on loan
- Articles duly returned
- Articles “written off” as untraceable

8.4.7 The Director of Finance must be notified of all articles “written off” as untraceable.

8.4.8 The Medical Electronics Department will loan nebulisers, on receipt of a written request from Consultant Medical staff. These will be strictly controlled in accordance with Medical Electronic Department/Medical Physics Department Procedures.

8.5 Loans to the Health Board

8.5.1 Any Electro-Medical equipment loaned to the Health Board will undergo rigorous evaluation and acceptance test procedures within the Medical Electronics Department/Medical Physics Department as per Departmental Policy.

APPENDIX 1 – CAPITAL MANAGEMENT GROUP TERMS OF REFERENCE

1. Objectives

The Capital Management Group (CMG) will be responsible for Reviewing and monitoring the development and delivery of the UHB's capital programme, including financial performance.

2. Terms of Reference

The CMG will be responsible for:

- Ensuring that all capital schemes are developed within the health community's strategic financial framework and can demonstrate affordability.

- Ensuring the capital schemes deliver facilities that enhance the UHB's clinical governance and health and safety strategies
- Ensuring that all capital projects within the Capital Programme are delivered within the prescribed tolerances of agreed scope, budget, quality standards and timescales.
- Reviewing the procurement and delivery of all capital projects within an overall development control plan to be agreed by the UHB Board.
- Monitor the performance of the Capital Programme on a monthly basis to ensure that schemes are delivering against planned budget and that the Capital Resource Limit (CRL) can be achieved.
- To receive detailed updates on schemes as required, including Estates, Informatics, and Medical Equipment etc.
- To review the implications of VAT regulations on on-going projects and receive reports on outstanding claims for VAT recovery.
- Review and sign off the monthly financial monitoring return schedules, including a review of all WG funded schemes and agree the narrative for all schemes, where the risk of meeting the approved WG capital allocation is considered to be a medium or high risk. This review will also be used for the detailed monthly project reports requested by WG for schemes with approved capital allocations from the All Wales Capital Programme.
- Review progress of capital business cases which have been approved for development by the Investment and Benefits Group.
- Review proposed changes to allocations for recommendation to the Investment and Benefits Group.
- To examine actions from the monthly Welsh Government Capital Review Group and agree items to be brought forward for the next meeting.
- To review new funding opportunities including WG equipment replacement allocations and report as required to the Investment and Benefits Group.
- Ensuring all capital investment projects are appropriately organised, resourced and managed in accordance with local and national mandatory capital planning procedures.
- Receiving reports and recommendations and provide appropriate authorisation to ensure effective delivery of the Capital programme.
- Receiving reports from internal and external auditors and ensuring agreed action plans are achieved.
- Receive reports from the following Groups (the following list is not limited and may be added to at any time): Capital Priority Management Group
Informatics Board
- Determining which projects will be subject to Post Project Evaluation.
- Report progress on acquisition, lease or disposal of property.

3. Frequency of Meetings

The CMG will meet on a monthly basis on working day 7, to ensure the monthly WG financial monitoring returns are completed for submission on working day 9.

4. Reporting Arrangements

The CMG will prepare minutes of all its meetings. Following each meeting a report will be prepared detailing any changes to the capital programme. The report will be submitted to the Investments & Benefits Group. The Group will also report to the Audit Committee, and the Health Board as required.

5. Membership

The Group membership will consist of:

- Director of Capital Planning and Estates (Chair) – Simon Davies
- Assistant Director of Capital Planning and Health & Safety – Mark Parsons
- Assistant Director of Estates - Ray Selby
- Head of Capital Finance – Carl Smith
- Finance Manager – Alison Martin
- Head of MEMS, Medical Physics & Clinical Engineering – Paul Lee
-
- Interim Assistant Head of Engineering – Craig Davies
- Capital Business Support Manager – Hayley Richard Lewis Business Planning Manager – Heather Edwards
- Capital Business Manager – Antony Jones
- Land and Property Manager – Ian Jones
- Assistant Director of Digital Services – Gareth Westlake
- Resource and Engagement Manager – Rachel Hook

6. Facilitating the CMG

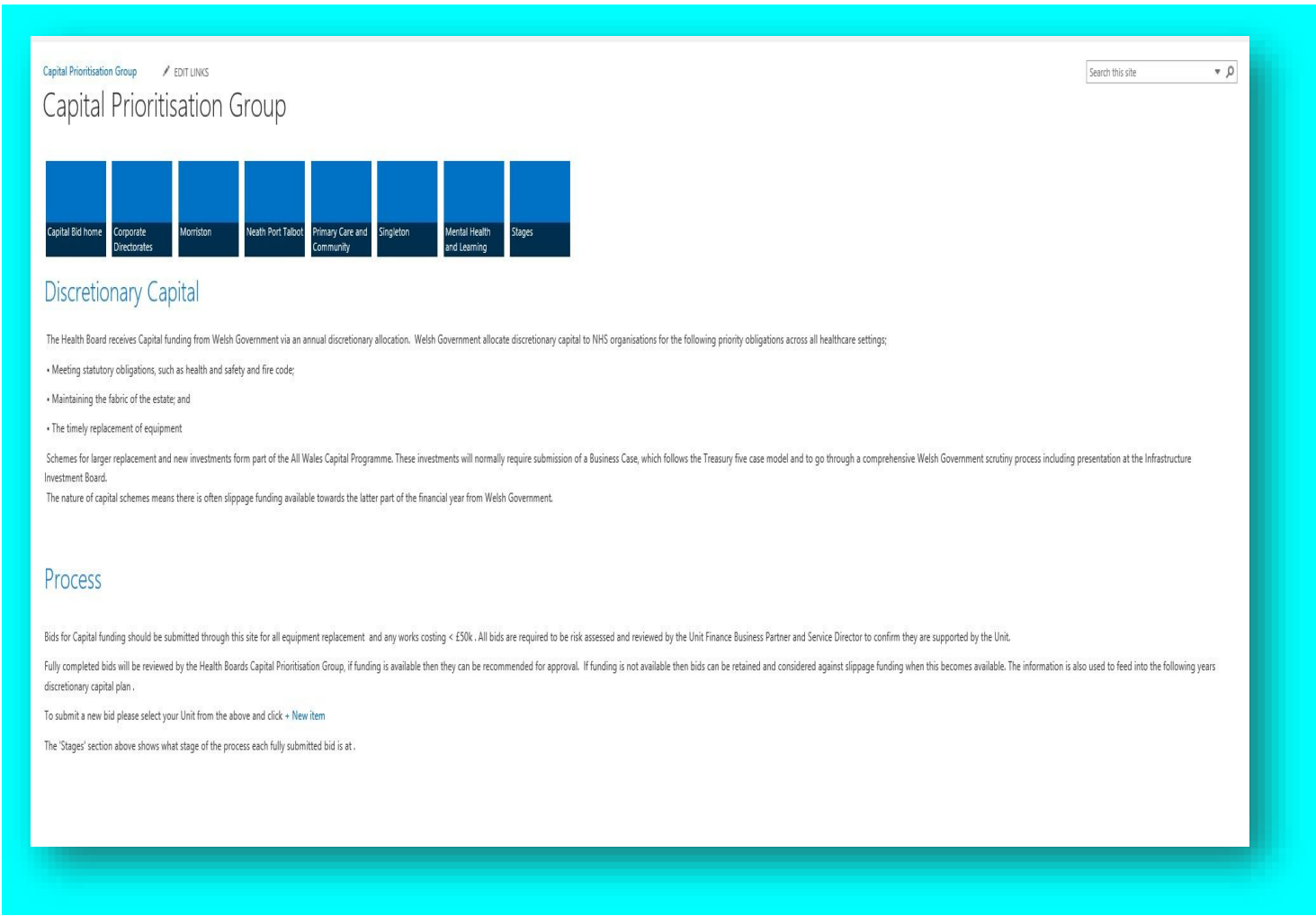
The Capital Planning Department shall facilitate the CMG. The facilitating officer will:

- Prepare agenda and papers for all meetings
- Prepare and circulate agreed minutes to members and others as appropriate
- Ensure that copies of all minutes of meetings are submitted to the appropriate forum.
- Agree a diary of meetings for CMG consideration
- Notes of Group meetings to be circulated within 10 days of meetings having taken place.

APPENDIX 2 - REQUESTS FOR FUNDING

Bids to be submitted using below link

<https://sbushare.cymru.nhs.uk/sites/StrategyPlanning/Capital%20Prioritisation%20Group%20Stage/ layouts/15/start.aspx#/SitePages/Home.aspx>



FINAL ACCOUNTS PROCEDURE AND PRESENTATION (CONTRACTORS)

It is important that Final Accounts are agreed with the Contractor and paid promptly within the time limit set by the Conditions of the Contract. If the NEC Contract is being used then the final account should be a natural progression throughout the project and at the end it should be automatically complete.

Once the Certificate of Practical Completion has been issued the Lead Consultant will negotiate and obtain agreement to the Final Account from the Contractor.

As soon as the Final Account is agreed and verified the documentation is to be forwarded to the scheme Project Manager for action. This is expected to be within six months from the Practical Completion Certificate.

As part of the Final Account process a Final Account Check List schedule is to be completed (see below). This form is to be completed by the Project Manager and returned with the Final Account to the Capital Support Officer .

FINAL ACCOUNT CHECK LIST (CONTRACTORS)

JOB TITLE:	
JOB NO:	
CONTRACTOR:	
PROJECT MANAGER:	
CONTRACT SUM (£)	
FINAL ACCOUNT (£)	
ORIGINAL CONTRACT PERIOD (Weeks)	
ACTUAL CONTRACT PERIOD (Weeks)	
FINAL ACCOUNT REVIEWED BY QS (yes/no)	

RISK ASSESSMENT

	RISK (H/L)	RISK INDICATION	COMMENTS
COMPENSATION EVENTS			
0 - 10% of Approved Outturn Cost	L		
11% + of Approved Outturn Cost	H		
LIQUIDATED AND ASCERTAINED DAMAGES			
0 - 10% of Approved Outturn Cost	L		
11% + of Approved Outturn Cost	H		
TIME PERFORMANCE			
Programme extended by 0 - 10%	L		
Programme extended by 11%+	H		
GENERAL PERFORMANCE - CONTRACTORS			
KPI Score 6 or above	L		
KPI Score under 6	H		
GENERAL PERFORMANCE - CONSULTANTS			
KPI Score 6 or above	L		
KPI Score under 6	H		

Form Completed by :

Signed:
Date:

Review Conducted

Signed:
Date:

Further Action Required Yes/No

Details:

NOTES _____

1 Compensation Events (Place an X in one box only)

- a If the cost of all the Compensation Events are between 0 - 10% of the original Contract Sum,
then place an X in the first box.
- b Or, where the cost of all the
Compensation Events are over 11% of the original Contract Sum,
then place an X in the second box.

2 Liquidated & Ascertained Damages (Place an X in one box only)

- A If the cost of all the Liquidated and Ascertained Damages are between 0 - 10% of the original Contract
Sum,
then place an X in the first box.
- B Or, where the cost of all the Liquidated and Ascertained Damages are over 11% of the original Contract
Sum,
then place an X in the second box.

3 Time Performance (Place an X in one box only)

- a If the Contract Programme is extended between 0 - 10% of the original Contract Period,
then place an X in the first box.
- b Or, where the Contract
Programme is extended by 11% of the original Contract Period,
then place an X in the
second box.

4 General Performance of Contractors (Place an X in one box only)

- a If the Contractor's Key Performance Indicator's score 6
or above then place an X in the first box. Or,
where the Contractor's Key Performance Indicator's
score below 6 then place an X in the second
box.
- b box.

5 General Performance of Consultants (Place an X in one box only)

- a If the lowest Consultant's Key Performance Indicator's score
6 or above then place an X in the first box. Or, where the
lowest Consultant's Key Performance Indicator's score below 6
then place an X in the
second box.
- b second box.

6 Overall Total

All Contracts will be reviewed by the Assistant Director of Strategy.

If any of the boxes go red (for whatever reason) then the Contract will also be reported to the Capital
Management Group.

(The scheme may also be selected for review by NWSSP Audit and Assurance)

APPENDIX 4 - AMENDMENTS TO CAPITAL ASSET REGISTER

IT ID: HOSPITAL/SITE: DEPARTMENT: DESCRIPTION OF ITEM: SERIAL NUMBER: DATE OF CHANGE: REASON FOR CHANGE: Please complete as appropriate DISPOSALS • Method of Disposal: • Capital Receipt: • Receipt Coded to: TRANSFER • Name of new owner (Manager): • Name of new department: CONDEMNED • Condemning Officer: SUBMITTED BY NAME: DATE:
CAPITAL FINANCE TEAM USE ONLY Date Capital Asset Register Updated : Name of Finance Officer:

Please return this form or send any queries by email to
SBU.CapitalPlanning@wales.nhs.uk

APPENDIX 5 - STANDARD FORM OF INDEMNITY/LOAN AGREEMENT

AN AGREEMENT made on _____ (INSERT DATE)

BETWEEN : -

SWANSEA BAY UNIVERSITY Health Board (“the Health Board”)

and

_____ (INSERT NAME) (“the Recipient”)

WHEREAS

I. The Health Board is the owner of the equipment described as

II. The Recipient wishes to use the equipment for the purpose of

IT IS HEREBY AGREED that the Health Board shall loan and the Recipient shall use the equipment for the period specified as _____, in the premises specified as _____, on the terms set out below.

1. The loan of the equipment shall be deemed to be a contract for the hire of goods as defined by Section 6 of the Supply of Goods and Services Act 1982.
2. The Recipient shall be liable for and shall indemnify the Health Board against all liability in respect of personal injury to or the death of any person and any loss or expense arising in consequence of in any way arising out of the installation, presence, use or removal of the equipment on or from premises provided that this indemnity shall not extend to liability resulting from negligence of the Health Board’s own servants or agents.
3. The Recipient shall be liable for and shall indemnify the Health Board against all loss of or damage to property and any loss or expenses in consequence of or in any way arising out of the installation presence use or removal of the equipment on or from the premises provided that this indemnity shall not extend to liability resulting from the negligence of the Health Board’s own servants or agents
4.
 - a) The Recipient shall ensure against its full liability under clauses 2 and 3 hereof
 - b) The insurance cover shall be to a minimum sum of two million pounds in respect of any one incident
 - c) The Recipient shall upon demand produce to the Health Board documentary evidence that the insurance cover is properly maintained including upon demand production of a copy of the policy of insurance
5. It is hereby agreed and declared by the parties hereto that the execution of this document by the Recipient shall be conclusive evidence that the Health Board has provided the Recipient with all and any information in its possession relating to the safety of the equipment, failures to comply with any relevant British Standards or DoH Specifications or aspects of safety of patients or staff that have not been fully tested.

6. It is hereby declared and agreed that execution of this document by the Recipient shall be conclusive evidence that the Health Board has pointed out to the Recipient any restrictions on the use of the equipment necessary to ensure the safety of patients or staff.
7. It is hereby declared and agreed, and it shall be conclusively deemed to be the case that by execution of this document the Recipient acknowledges that detailed instructions in the use of equipment shall have been given to the Recipient by a qualified agent of the Health Board and Instruction Manuals in the Health Board's possession have been supplied to the Recipient.
8. The equipment shall not be modified or interfered with by the Recipient.
9. The Health Board shall not be liable for any charge for maintenance, repair, consumable materials and accessories required for the operation of the equipment during the period of the loan or for any carriage or installation charges.
10. On receipt of written requests at any time from the Health Board the Recipient shall return the equipment to the Health Board.
11. The equipment shall remain continuously at the Recipient's risk during the period of loan.
12. The Recipient shall pay any loan charges agreed.

APPENDIX 6 – HOME LOAN EQUIPMENT LETTER

Dear

Home Loan Equipment

The Health Board is obliged to inform you that the equipment you have been issued with is on loan only for the duration of your treatment. It remains the property of the Health Board at all times and must be returned to the Health Board once your treatment has ended, returning it the place of issue.

You must also be advised that the Health Board takes a serious view of its equipment being retained unnecessarily once treatment has been concluded.

Please ensure that you return the equipment as soon as possible once it is no longer required by you. This enables other patients to have the benefit of the equipment.

Should you have any queries during the period of loan, please contact _____ for assistance.

Yours sincerely