

# HIGHLANDS AND ISLANDS ENTERPRISE FRAMEWORK DOCUMENT

## Introduction

1. This framework document has been drawn up by the Scottish Government (SG) in consultation with Highlands and Islands Enterprise (HIE). It sets out the broad framework within which HIE will operate and defines key roles and responsibilities which underpin the relationship between HIE and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every three years. Any proposals to amend the framework document either by the SG or HIE will be taken forward in consultation and in the light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with HIE. Legislative provisions shall take precedence over any part of the document.

References to HIE include any subsidiaries<sup>1</sup> and corporate joint ventures owned or jointly controlled by HIE. If such a subsidiary or joint venture is created, HIE shall notify the SG in advance and there shall be a document setting out the arrangements between the subsidiary and HIE.

2. Copies of the document shall be placed in the Scottish Parliament Reference Centre. It shall also be published on the SG and HIE websites.

## HIE'S PURPOSE, FUNCTION AND POWERS

3. HIE's primary purpose, as agreed by Scottish Ministers, is to focus its activities on the achievement of the SG's purpose of creating a more successful country with opportunities for all of Scotland to flourish through increasing sustainable economic growth. Ministers expect HIE to do this by aligning its vision, purpose and priorities with the SG's published Programme for Government (PfG), Scotland's Economic Strategy (SES) and National Performance Framework (NPF).

4. HIE's statutory functions under the Enterprise and New Towns (Scotland) Act 1990 (the Act) include the following:

- Preparing, concerting, promoting, assisting and undertaking measures for the economic and social development of the Highlands and Islands;
- Enhancing skills and capacities relevant to employment in the Highlands and Islands and assisting persons to establish themselves as self-employed persons there; and
- Furthering improvement of the environment of the Highlands and Islands.

5. As well as deploying its own resources effectively and efficiently in fulfilment of these functions, HIE should also use strong strategic leadership and collaboration with others so that collective resources can support each other's strategic aims. So, in fulfilling these functions, HIE will work in partnership alongside the appropriate bodies, most notably in

---

<sup>1</sup> Addressing low pay is one of the Scottish Government's (SG) key objectives, because we believe in a strong Scottish economy and in promoting fairness and equity for all. SG support the objectives and the recommendations of the Scottish Living Wage campaign. SG has acted on that by requiring that all employers subject to our public sector pay policy comply with this minimum pay rate. That covers the SG, its agencies, and the non-departmental public bodies for which we are responsible. We would also expect to see this commitment reflected within subsidiaries of these bodies.

partnership with Skills Development Scotland and the Business Gateway in pursuance of the second, and with SEPA and Scottish Natural Heritage in pursuance of the third. Effective partnership working should take place as appropriate at local, regional and national levels, with HIE pursuing its responsibilities in ways which support both fulfilment of its overall strategic aims and distinctive local circumstances and priorities (primarily through community planning).

6. In addition, HIE fulfils a series of financial duties and other functions as determined by Scottish Ministers under Section 24 of the Act. It also operates under a range of general and specific powers, set out in full in Section 8 of the Act.

7. HIE's strategic vision, purpose and priorities should be aligned to support the Government's purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing sustainable economic growth and delivering its PfG and SES, stimulating investment in both physical infrastructure and companies.

8. The 2015 PfG 'A Stronger Scotland' sets out the actions that SG will take to make Scotland the best place in the UK to do business. It sets out three underpinning principles:

- prosperity;
- fairness; and
- participation.

### **Relationship between Scottish Government and Highlands and Islands Enterprise**

9. Effective strategic engagement between the SG and HIE is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and HIE 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](#). In working to achieve its strategic vision, purpose and priorities HIE should:

- seek to maintain good working relationships with the SG and respond to requests from the SG – and otherwise provide appropriate information – timeously, comprehensively and accurately;
- participate in any further strategy development as requested by, or agreed with, the SG;
- refer to the [Scottish Public Finance Manual](#) (SPFM) and any Finance Guidance notes, which may be issued from time to time, to provide guidance on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety;
- when programmes or projects are being developed, consult SG officials at an early stage when these are major<sup>2</sup>, novel or contentious<sup>3</sup> and/or where the SG itself delivers complementary forms of support.

---

<sup>2</sup> **Major** "major investment projects" are those with a total budget of £5m+ inclusive of fees and VAT. However, it is recognised that there are circumstances where a projects total budget is more than £5m, but the project is being led by a 'Project Partner'. In those circumstances, provided HIE's contribution is below the £5m threshold, the guidance in the SPFM on consultation with SG officials does not apply. However, all other relevant guidance in the SPFM will continue to apply. Information on 'major investment projects' can be found in the [Major Investment Projects](#) section of the SPFM, particularly in paragraph 7.

## GOVERNANCE AND ACCOUNTABILITY

### Legal origins of powers and duties

10. HIE is established under the Enterprise and New Towns (Scotland) Act 1990. The constitution of HIE is set out in Schedule 1 to the Act. HIE does not carry out its functions on behalf of the Crown.

### Classification

11. For policy/administrative purposes HIE is classified as an executive non-departmental public body. For national accounts purposes HIE is classified to the central government sector.

12. References to HIE include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and HIE.

13. Scottish Development International (SDI) is a joint venture between the SG, SE and HIE. Its purpose is to increase the contribution of international trade and investment to sustainable economic growth in Scotland.

### Ministerial responsibilities

14. Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of HIE and its use of resources. They are not, however, responsible for day to day operational matters. Their responsibilities include:

- agreeing HIE's strategic vision, purpose and priorities and key targets as part of the corporate planning process;
- agreeing the budget and the associated grant in aid requirement to be paid to HIE, and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the Act, such as appointments to HIE's Board, approving the terms and conditions of Board members, and appointment of the Chief Executive; and
- other matters such as approving HIE's pay remit and laying the accounts (together with the annual report) before the Parliament.

### HIE Board responsibilities

15. The HIE Board, including the Chair, normally consists of not less than six, nor more than eleven, non-executives appointed by Scottish Ministers in line with the Code of Practice for [Ministerial Public Appointments in Scotland](#). The HIE Chief Executive is also a member as set out in Schedule 1 of the Act.

---

<sup>3</sup> 'Novel' projects would include proposed expenditure or financial arrangements of a sort not previously undertaken or entered into or that could not be considered, reasonably, to be standard practice. 'Contentious' projects would include proposed expenditure or financial arrangements where there is doubt as to regularity i.e. compliance with relevant legislation, guidance or propriety. Proposed expenditure or financial arrangements that might be considered to be politically sensitive would also be regarded as 'Contentious'. Information on 'novel or contentious projects' can be found in the [Delegated Authority](#) section of the SPFM, particularly in paragraph 13.

16. The role of the Board is to provide leadership, direction, support and guidance to ensure the body delivers, and is committed to delivering, its functions effectively and efficiently and in accordance with the aims, policies and priorities of Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for the following:

- taking forward the strategic aims and vision, purpose and priorities for the body agreed by Scottish Ministers;
- determining the steps needed to deal with changes which are likely to impact on the strategic aims and vision, purpose and priorities of HIE or on the attainability of its operational targets;
- promoting the efficient, economic and effective use of staff and other resources by HIE consistent with the principles of [Best Value](#), including, where appropriate, participation in [shared services](#) arrangements and ensuring that effective arrangements are in place so that HIE acts corporately in accordance with the annual certificate of assurance exercise, the strategic priorities and is consistent with the [Certificate of Assurance](#) section of the SPFM.
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. (The Board must set 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 Scottish Ministers;
- ensuring that the Board receives and reviews regular financial information concerning the management and performance of HIE and is informed in a timely manner about any concerns regarding the activities of HIE or any subsidiaries and joint ventures owned or controlled by HIE;
- appointing with the approval of Scottish Ministers, the HIE Chief Executive and, in consultation with the SG, set appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of resources within the stewardship of HIE and the delivery of outcomes;
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making.

17. Further guidance on how the Board should discharge its duties is provided in appointment letters and in [On Board: A guide for Board Members of Public Bodies in Scotland](#).

### **HIE Chair's responsibilities**

18. The Chair of the HIE Board is accountable to Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between HIE Board and Scottish Ministers should normally be through the Chair, whilst recognising that the Chief Executive also has a key role to play in this respect. He or she is responsible for ensuring that HIE's policies and actions support Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.

19. In leading the HIE Board the Chair must ensure that:

- the work of the Board is subject to regular self-assessment and that the Board is working effectively;

- the Board has a balance of skills appropriate to directing HIE business, in accordance with recognised good practice in corporate governance;
- the Board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
- Scottish Ministers are advised of HIE's requirements when Board vacancies arise;
- there is a code of conduct for Board members in place, approved by Scottish Ministers.

20. The Chair assesses the performance of individual Board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the Board as a whole, is also responsible for undertaking an annual appraisal of the performance of the Chief Executive.

### **Individual Board Members' responsibilities**

21. Individual Board members should act in accordance with the responsibilities of the Board as a whole and comply at all times with the code of conduct adopted by HIE and with the rules relating to the use of public funds and to conflicts of interest. (In this context "public funds" means not only any funds provided to HIE by Scottish Ministers, but also any other funds falling within the stewardship of HIE, including trading and investment income, gifts, bequests and donations.) General guidance on Board members' responsibilities is summarised in their appointment letters and is also provided in [On Board: A guide for Board Members of Public Bodies in Scotland](#).

### **HIE Chief Executive responsibilities**

22. The Chief Executive of HIE is employed and appointed by the Board with the approval of Scottish Ministers. He/she is the Board's principal adviser on the discharge of its functions and is accountable to the Board. His/her role is to provide operational leadership to HIE and ensure that the Board's aims and objectives are met and HIE's functions are delivered and targets met through effective and properly controlled executive action. His/her general responsibilities include the performance, management and staffing of HIE. General guidance on the role and responsibilities of the Chief Executive is contained in 'On Board'. Specific responsibilities to the Board include:

- advising the Board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of Scottish Ministers - and implementing the decisions of the Board;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the [Appraisal and Evaluation](#) section of the [Scottish Public Finance Manual](#) (SPFM), are followed;
- ensuring that HIE adheres, where appropriate, to the SG's [Programme and Project Management Principles](#)
- having robust performance and risk management arrangements in place - consistent with the [Risk Management](#) section of the SPFM - that support the achievement of

HIE's aims and objectives, and that facilitate comprehensive reporting to the Board, the SG and the wider public;

- ensuring that adequate systems of internal control are maintained by HIE, including effective measures against fraud and theft, consistent with the [Fraud](#) section of the SPFM;
- establishing appropriate documented internal delegated authority arrangements, consistent with the [Delegated Authority](#) section of the SPFM;
- advising the Board on the performance of HIE compared with its aim[s] and objectives;
- preparing HIE's corporate and business plans, in the light of the strategic aims and objectives agreed by Scottish Ministers;
- ensuring effective relationships with SG officials; and
- ensuring that timely forecasts and monitoring information on performance and 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.

### **HIE Accountable Officer responsibilities**

23. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Chief Executive as the Accountable Officer for HIE. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](#). These include:

- ensuring the propriety and regularity of HIE's finances and that there are sound and effective arrangements for internal control and risk management;
- ensuring that the resources of HIE are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value;
- ensuring compliance with relevant guidance issued by Scottish Ministers, in particular the SPFM;
- signing the annual accounts and associated governance statements; and
- a statutory duty to obtain written authority from the Board/Chair before taking any action which he/she considered would be inconsistent with the proper performance of the Accountable Officer functions.

24. It is incumbent on the Chief Executive to combine his/her Accountable Officer responsibilities to the Scottish Parliament with his/her wider responsibilities to the Board. The Board/Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Chief Executive, including the statutory duty described above.

## **Portfolio Accountable Officer responsibilities**

25. The Principal Accountable Officer for the Scottish Administration shall designate the Accountable Officer for the SG portfolio budget for HIE. Withdrawal of the Accountable Officer designation is also a matter for the Principal Accountable Officer.

26. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). He/she is personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally, that those being applied by HIE conform to the requirements both of propriety and of good financial management;
- the key roles and responsibilities which underpin the relationship between the SG and HIE are set out in this framework document - and that this document is regularly reviewed;
- effective relationships are in place at Director and Deputy Director level between the SG and HIE in accordance with the strategic engagement principles; and
- there is effective continuous assessment and appraisal of the performance of the Chair of HIE, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

## **Scottish Government Director and Deputy Director responsibilities**

27. The designated SG Director and Deputy Director have responsibility for overseeing and ensuring effective relationships between the SG and HIE which support alignment of HIE with the SG's purpose and national outcomes. They will work closely with HIE Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with HIE that are characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Portfolio Accountable Officer or the Director shall be responsible for assessing the performance of HIE Chair at least annually.

## **Sponsor Unit responsibilities**

28. The SG sponsor unit for HIE sits within Enterprise and Cities Division. It is the normal point of contact for HIE in dealing with the SG. The unit, under the direction of the Director/Deputy Director, is the primary source of advice to Scottish Ministers on the discharge of their responsibilities in respect of HIE and it undertakes the responsibilities of the Portfolio Accountable Officer on his/her behalf. Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in the document [Strategic Engagement between the Scottish Government and Scotland's NDPBs](#) and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of Scottish Ministers and HIE;
- ensuring that appointments to HIE Board are made timeously and, where appropriate, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland;
- proportionate monitoring of HIE's activities through an adequate and timely flow of appropriate information, agreed with HIE, on performance, budgeting, control and risk management;

- addressing in a timely manner any significant problems arising in HIE or any subsidiaries and joint ventures owned or controlled by HIE, alerting the Portfolio Accountable Officer and the responsible Minister(s) where considered appropriate;
- ensuring that the objectives of HIE and the risks to them are properly and appropriately taken into account in the SG's risk assessment and management systems; and
- informing HIE of relevant SG policy in a timely manner.

## **PLANNING, BUDGETING AND CONTROL**

### **Management responsibilities**

#### **Corporate and business plans**

29. NDPBs should ensure that they have a three year corporate plan in place, which should inform the development of a separate business plan for each financial year. Where appropriate, the corporate and business plans may be incorporated into a single document, with the business and budgeting information updated on an annual basis. In the case of HIE, this may be a rolling three year business plan, which must be agreed with Scottish Ministers and published on HIE's website. HIE shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect HIE's strategic aims and objectives as agreed by Scottish Ministers, its indicative budgets, and any priorities set by Scottish Ministers. It shall demonstrate how HIE contributes to the achievement of the SG's primary purpose of increasing sustainable economic growth and its alignment with the SG's [National Performance Framework](#) (NPF). The corporate plan / business plan for HIE should include:

- the purpose and principal aims of HIE;
- an analysis of the environment in which HIE operates;
- key outcomes and associated key performance measures/targets for the period of the plan, the strategy for achieving these outcomes, and detail how these will contribute towards the achievement of the PfG, the SES and alignment with the NPF;
- indicators against which performance can be measured;
- budgeting information for the forthcoming and subsequent years so that, where possible, resources allocated to achieve specific objectives can be identified;
- details about how HIE proposes to use collaboration with other bodies and sectors, locally and nationally, to support delivery of its key outcomes;
- details of planned efficiencies, describing how HIE proposes to achieve better value for money, including through shared services; and
- other matters as agreed between the SG and HIE.

30. HIE's business plan must include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information for the forthcoming and subsequent years. A copy of HIE's business plan should be provided to the sponsor unit prior to the start of the relevant financial year.

## Internal audit

31. HIE shall:

- establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) and the [Internal Audit](#) section of the SPFM;
- set up an audit committee of its Board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the Board and the Chief Executive in his/her capacity as HIE Accountable Officer;
- forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including HIE Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested; and
- keep records of, and prepare and forward timeously to the SG an annual report on fraud and theft suffered by HIE and notify the SG at the earliest opportunity of any unusual or major incidents.

32. The SG's Internal Audit Division has a right of access to all documents held by the HIE internal auditor, including where the service is contracted out. The SG has a right of access to all HIE records and personnel for any purpose.

## External audit

33. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, HIE's annual accounts and passes them to Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For the purpose of audit the auditors have a statutory right of access to documents and information held by relevant persons. HIE shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.

## Value for Money (VfM) / [3E examinations](#)

34. The Auditor General for Scotland (AGS), or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness ('3E' examinations<sup>4</sup>) with which HIE has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by HIE to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons. In addition, where government funding is being used, HIE shall provide, in contracts and any conditions to grants, for the AGS to have access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies. Information on 'matters relating to the audit of accounts and economy, efficiency and effectiveness examinations' (3E examinations) can be found in the [Auditor General for Scotland: Audit of Accounts and 3E Examinations](#) section of the SPFM.

---

<sup>4</sup> **3E examinations** under section 23 of the Public Finance and Accountability (Scotland) Act 2000 (the PFA Act), the Auditor General for Scotland (AGS), may initiate examinations into the economy, efficiency and effectiveness (3E examinations) with which certain bodies have used their resources in discharging their functions. 3E examinations are also commonly referred to as "section 23 examinations / reports", "value for money (vfm) examinations / reports" and "performance audits / reports".

## European Audits

35. Ultimate responsibility for the oversight and scrutiny of funds provided to HIE by the European Commission rests with the Commission's auditors and with the European Court of Auditors. European auditors should therefore always be permitted access to the books of accounts and records of HIE and its subsidiaries.

36. HIE's internal audit service will review the effectiveness of the management and control systems in place internally, to ensure compliance with EC regulatory requirements and provide access to external auditors as required. Information on 'matters relating to the audit of accounts' can be found in the [EU Funding](#) and [EC State Aid Rules](#) sections of the SPFM.

## Annual report and accounts

37. HIE must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under the control of HIE. It should comply with the [Annual Accounts](#) section of the SPFM and the Government [Financial Reporting Manual](#) (FReM) and outline HIE's main activities and performance against agreed objectives and targets for the previous financial year.

38. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by Scottish Ministers. Any financial objectives or targets set by 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 HIE shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

39. HIE should submit to the SG the draft report for comment, and the draft accounts for information, both by the end of July, however in exceptional circumstances, this timeframe, with the prior approval of the sponsor department, can be altered. The final version should be available for laying before the Scottish Parliament by Scottish Ministers by end of October. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to SG and must not be published before they have been laid. HIE shall be responsible for the publication of the report and accounts, for example on HIE's website <sup>5</sup>.

## Performance management

40. HIE 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 aims, vision, purpose and priorities, targets and milestones set out in the corporate and business plans. The results of such reviews should be reported on a regular basis to HIE Board and copied to the SG.

41. HIE shall take the initiative in informing the sponsor Directorate of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the operating plans.

---

<sup>5</sup> Under section 19 of the Public Finance and Accountability (Scotland) Act 2000 (the PFA Act) the Scottish Ministers and every other person to whom sums are paid out of the SCF in a financial year must prepare accounts of their expenditure and receipts for that year in accordance with any directions issued by the Scottish Ministers. The Scottish Ministers must also prepare separate accounts of payments into and out of the SCF.

42. HIE's performance in helping to deliver Ministers' policies, including the achievement of agreed key objectives, shall be reported to the sponsor Directorate on a regular basis. This will cover both HIE's direct contributions, and the effectiveness of partnership working with others, locally and nationally, in helping to deliver Ministers' policies. Performance will be formally reviewed twice yearly by the sponsor Directorate. The responsible Cabinet Secretary/Scottish Minister shall meet the HIE Chair and Board formally at least once each year to discuss HIE's performance, its current and future activities, and any policy developments relevant to those activities.

43. The performance measures set by HIE should show clear links to the PfG, the SES and to the NPF. Where possible individual measures should be clearly linked to the outcomes in the NPF which they will have an impact on. HIE, along with other partners, will consider developing work to quantify the impact of their performance targets on the delivery of the NPF and the SES.

### **Budget management**

44. HIE's resource and capital expenditure form part of the SG's "Resource DEL" and "Capital DEL" budget as allocated by HM Treasury.

45. As part of the SG's normal budgetary cycle, HIE will be required to submit an assessment of their requirement for Annually Managed Expenditure (AME) on an annual basis. This will form part of the SG's overall submission in respect of AME. Normally the deadline for submission is in November, but this may be subject to change.

46. Each year, in the light of decisions by Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to HIE a formal statement of its budgetary provision, a note of any related matters, including planned change in policies affecting HIE, and details of the budget monitoring information required by the SG.

47. Transfers of budgetary provision between the different summary classifications as advised will require the prior approval of the SG Finance Directorate. Any proposals for such transfers should, therefore, be submitted to the sponsor unit. Transfers of provision within the summary classifications may be undertaken without reference to the SG, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.

48. HIE costs are separated into two categories: Block A (operational costs) and Block B (management and administrative costs). Virement of funds from Block A to Block B requires the Directorate's approval. Such transfers are seen as the exception rather than the rule. If, however, an in-year virement is considered necessary, HIE must notify the sponsor team as soon as the need for such action is identified.

49. If changes in budget allocation within Block A are likely to result in failure to achieve some or all of HIE's targets – either performance, financial or both - then the relevant policy interest within the SG should be consulted and will consider with HIE whether a revised target is appropriate. The sponsor team should also be informed of such developments and the outcome of any discussions.

50. All proposed transfers into Block B require the sponsor Directorate's approval. The request for approval should detail the reasons for the transfer and any implications it may have on achieving HIE's operating plan targets. The request should also confirm that the HIE Board is aware of the transfer and of any implications on operational activity.

51. Scottish Ministers may also make adjustments to HIE's provision during the course of the financial year. This will normally take place as part of the Autumn or Spring Budget Revisions. The timetable for the Budget Revision processes will be confirmed by the SG as

soon as practicable after the start of each financial year. HIE shall be formally advised of such adjustments.

52. If the trading and other resource income - or the net book value of disposals of non-current assets - realised is less than included in the most up to date agreed budget HIE shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. (The extent to which HIE exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year<sup>6</sup>.) If income realised is more than included in the most up to date agreed budgets HIE must obtain the prior approval of the SG before using any excess to fund additional expenditure. (Failure to obtain prior approval for the use of excess income - excluding income resulting from gifts, bequests and donations - to fund additional expenditure may result in corresponding reductions in budgets for the following financial year.) Subject to Note 6, approval will not be withheld unreasonably.

### **Cash management**

53. Any [grant in aid](#) (i.e. the cash provided to HIE by the SG to support the allocated budget) for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of HIE - and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by HIE.

54. At the same time, it is noted that HIE holds funds in a separate account for particular designated purposes (such as the current Scottish Loan Fund and Community Broadband Scotland). These are specific ring-fenced funds for specific designated initiatives which should not be mixed with grant in aid.

55. The banking arrangements adopted by HIE must comply with the [Banking](#) section of the SPFM except where it is agreed there are overriding commercial reasons.

### **Asset and property management**

56. HIE shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Management of Assets](#) section of the SPFM. 'Non-current' assets should be disposed of in accordance with the [Disposal of Property, Plant and Equipment](#) section of the SPFM. The SG's Property Advice Division should be notified of relevant proposed disposals of property that HIE holds for operational purposes (as opposed to for investment) at the earliest opportunity and at least one month prior to them being advertised on the open market. Any proposal to acquire land, buildings or other rights in property for accommodation/operational purposes should comply with the [Acquisition of Property](#) section of the SPFM. HIE is also subject to the [SG Asset Management Policy](#), including the requirement for any new commitments relating to property for accommodation/operational purposes to be signed off by Scottish Ministers. Information concerning HIE should be

---

<sup>6</sup> 'The consolidated budgeting guidance offers the following (Chptr 4): "Departments will be allowed to keep the negative DEL income that they obtain in the SR period up to the amount that was taken into account in the SR. Income cannot be predicted wholly accurately, and the Treasury wishes to encourage departments to find new income streams where appropriate. Departments may therefore, in any year, also retain negative RDEL income up to 20 per cent above the level envisaged for that year as part of the SR settlement without an adjustment to budgets." HMT treats the SG as one department it is therefore important that SG has sight and control of any excess income.

accurately recorded and updated as necessary by HIE on the Cabinet Office [electronic Property Information Mapping System](#) (e-PIMS).

## **Risk management**

57. HIE shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop a risk management strategy, consistent with the [Risk Management](#) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. The HIE 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.

58. In addition HIE 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.

## **Counter Fraud Arrangements**

59. HIE should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud.

## **Staff management**

### *Broad responsibilities for HIE staff*

60. HIE will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- personnel policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
- the level and structure of its 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 its staff at all levels is satisfactorily appraised and HIE's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve HIE's vision, purpose and priorities;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs (guidance on the Model Code can be requested from the Sponsorship team.)

### *Staff costs*

61. HIE is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any significant changes in staff

numbers or organisational structure must be approved in advance by the sponsor Directorate.

#### *Pay and conditions of service*

62. HIE shall submit to the SG for approval (normally annually, unless a multi-year deal has been agreed) a pay remit in line with the SG Pay Policy for Staff Pay Remits and negotiate a pay settlement within the terms of the approved remit. Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM. HIE shall comply with employment and equalities legislation. The terms and conditions of the Chief Executive are subject to a separate approval exercise in line with the SG Pay Policy for Senior Appointments.

#### *Pensions, redundancy and compensation*

63. Superannuation arrangements for HIE staff are subject to the approval of the SG. HIE staff shall normally be eligible for a pension provided by HIE's own scheme. Staff may opt out of the occupational pension scheme provided by HIE, but the employer's contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.

64. Any proposal by HIE to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the [Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the SG of any proposed compensation payment being considered for an individual outwith any existing approved scheme and *before* the individual is approached and any offer made either orally or in writing.

#### **Board expenses**

65. Remuneration, allowances and expenses paid to Board members must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by Scottish Ministers.

#### **SPECIFIC FINANCIAL PROVISIONS**

***Many of the provisions included in this section - and other sections - of the framework document highlight specific requirements in the SPFM that are considered of particular relevance to HIE. It should be noted, however, that guidance in the SPFM should always be considered in its entirety as and when relevant issues arise.***

#### **Delegated authorities**

66. With regard to the delegated authority outlined in the Appendix and the guidance set out in the SPFM and FREM, HIE has authority to carry out its functions under the Enterprise and New Towns (Scotland) Act 1990. HIE shall also comply with any requirements for prior SG approval included in the [Delegated Authority](#) section of the SPFM and/or this document.

67. In addition, prior SG approval must always be obtained before:

- incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive and which has, or could have, future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the sponsor Directorate; or

- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.
- Regardless of whether a project requires the specific approval of the Government, the guidance in the [Appraisal and Evaluation](#) and [Major Investment Projects](#) sections of the SPFM applies. For construction works projects, [Construction Procurement Manual](#) should also be consulted.

68. A decision on whether the formal approval of the sponsor Directorate is required on any proposal will be made within three weeks of it being submitted. However, it is noted that in exceptional circumstances this may take longer than three weeks.

### **Capital expenditure**

69. Subject to being above HIE's capitalisation threshold, as agreed with the external auditors, all expenditure on the acquisition or creation of non-current assets shall be capitalised on an accruals basis in line with current accounting standards.

70. Proposals for large-scale individual capital projects or acquisitions will normally be considered within HIE's corporate planning process and within the context of its long-term estate strategy/asset management plan. Any such project shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and, where appropriate, the [Construction Procurement Manual](#) published by the SG's Construction Procurement Policy Team.

### **Income generation**

71. HIE shall seek to optimise income from all sources, including from the [European Union](#), and ensure that the SG is kept informed, provided that this is consistent with HIE's main functions and its corporate plan as agreed by the Scottish Ministers. Proposals for new sources of income or methods of fundraising should be cleared with the sponsor Directorate. (NB. grant in aid does not qualify as income.)

72. HIE should seek to optimise its receipts and so should keep all activities under regular review with the aim of identifying surplus assets. The treatment of Income Receivable and Receipts should be in accordance with the guidance in the [Income Receivable and Receipts](#) section of the SPFM.

73. Receipts are classified as either Capital or Resource. Capital receipts may only be used for capital expenditure.

74. During the financial year any excess receipts identified may be deducted from the next grant in aid drawdown request. However, allowance may be made for income for specific ring-fenced projects where the cash flow may vary significantly in any year and is not entirely under HIE's control (e.g. Digital Community Broadband).

75. Interest earned by HIE on cash balances may be recycled subject to it being included in the approved budget and the overall requirements of para 52 and Note 6.

76. Gifts, bequests or donations received by HIE 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. However, HIE should be able to demonstrate that expenditure funded by gifts etc. is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc., HIE shall consider if there are any associated costs in doing so or any conflicts of interests arising. HIE shall keep a written record of any such gifts etc. and what has happened to them.

77. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by HIE shall be determined in accordance with the [Fees & Charges](#) section of the SPFM.

### **Financial investments**

78. HIE shall not aim to build up cash balances or net assets in excess of what is required for operational purposes.

79. Unless covered by a specific delegated authority (including HIE's authority to make financial investments in ventures which further the objectives of HIE), HIE shall not make any financial investments without the prior approval of the SG. In addition, HIE shall keep its equity holdings under regular review with the objective of disposing of as many as possible of their holdings as soon as it is practicable to do so whilst obtaining value for the public purse.

80. Share capital must be acquired in line with the agreed delegated authority, which prohibits holding in excess of 29.9% or more of voting rights, or capital which would make the value of HIE's total holding in excess of £3,500,000 (amount updated in 2009), except where Ministers have given approval.

81. HIE shall not invest in any venture of a speculative nature except in the pursuance of its remit and objectives.

### **Unconventional financing**

82. Unless otherwise agreed with the sponsor Directorate, HIE shall not enter into any unconventional financing arrangement if outwith its normal lending and investment.

### **State aid**

83. State aid is a European Commission term which refers to forms of assistance awarded by public authorities to undertakings on a discretionary basis, with potential to distort competition and affect trade between member states of the European Union.

84. The State aid rules are set out by the European Commission and specify what aid can be given. The Commission governs member states compliance with these rules and must be notified of all State aid schemes. State aid cannot be granted or put into effect unless it has been approved or is deemed to have been approved by the Commission i.e. through compliance with the notified schemes, the General Block Exemption Regulation (GBER) or under the De Minimis aid Regulation. Therefore any public money granted which is considered to represent State aid must be made available under an approved scheme, the GBER or the De Minimis aid guidelines to ensure State aid compliance.

85. Further information on State aid and Scottish approved schemes and block exemptions is available at the State aid website <http://www.stateaidscotland.gov.uk>. The SG State Aid Unit provides advice on State aid to all public funders. Further information can be found in the [EC State Aid Rules](#) section of the SPFM.

### **Borrowing**

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

## Lease arrangements

87. HIE shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Management of Assets](#) Property Guidance section of the SPFM. 'Non-current' assets should be disposed of in accordance with the [Disposal of Assets](#) section of the SPFM. The SG's Property Controls Team should be consulted about relevant proposed disposals of property that HIE holds for operational purposes (as opposed to for investment) at the earliest opportunity and should then submit those for the Trawl at least one month prior to them being advertised on the open market. Any proposal to acquire land, buildings or other rights in property for accommodation/operational purposes should comply with the [Acquisition of Property](#) section of the SPFM. HIE is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, choosing 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. Information concerning HIE should be accurately recorded and updated as necessary by HIE on the Cabinet Office [electronic Property Information Mapping System](#) (e-PIMS).

## Subsidiary companies and joint ventures

88. In planning and implementing any project or programme (including participation in joint ventures), HIE must ensure that:

- activities are within HIE's statutory remit and its delegated powers;
- projects and programmes do not cut across SG policy – HIE should refer to the sponsor Directorate for guidance in cases where there is any doubt;
- in developing new programmes, it consults the relevant SG Directorate that has a policy interest and is involved in complementary activity.

89. In judging such proposals the sponsor Directorate will have regard to the Scottish Ministers' wider strategic aims and objectives.

90. Any subsidiary company or joint venture controlled or owned by HIE shall be consolidated with it in accordance with IFRS as adapted and interpreted for the public sector context (subject to any particular treatment required by IFRS). Unless specifically agreed with the sponsor Directorate such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this document.

91. HIE will produce accounts that show a "true and fair" view and comply with the relevant accounting guidance in the FReM.

92. Where HIE has formed a subsidiary body, the accounts direction - where appropriate – will make clear that consolidated accounts are to be prepared in accordance with International Financial Reporting Standards as adapted for the public sector. HIE must also comply with any additional or specific requirements set out in the framework document.

93. Further information can be found in the [Annual Accounts](#) section of the SPFM.

## Tax arrangements

94. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. HIE must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of HIE to observe VAT legislation and recover input tax where

it is entitled to do so. HIE must also ensure that it accounts properly for any output tax on sales or disposals. HIE has authority to appoint external tax advisers for general tax and compliance advice.

### **Lending and guarantees**

95. Any lending by HIE must adhere to the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

Unless covered by a specific delegated authority HIE shall not, without the SG's prior approval, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form. Lending, guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement. It is for HIE to determine if the issue of such lending, guarantees, indemnities or letters of comfort are part of the normal course of business or should be notified to SG for approval as outlined in paragraph 99 below.

96. The prior approval of the Parliament (via the Finance Committee) must be secured before entering into any specific guarantee, indemnity, or letter or statement of comfort unless:

- there is specific statutory authority; or
- it arises in the normal course of business; or
- the sum at risk is £1m or less.

97. If a liability matures the relevant business area should consider, in consultation with the relevant SG Finance Business Partner (or equivalent), whether an immediate report should be made to the Parliament.

98. SG sponsor units should be satisfied that there are adequate arrangements in force to ensure that acceptance of contingent liabilities by bodies sponsored by the SG can, in the event of the contingent liabilities maturing, be met from within the bodies' own resources. Any contingent liabilities which the bodies might not be able to meet from within their own resources should be treated in the same way as the SG's own contingent liabilities.

99. Any prospective contingent liability in the form of a guarantee, indemnity or letter of comfort must be cleared by the relevant SG Finance Business Partner (or equivalent) who will advise on any budgetary implications if the contingent liability gives rise to a financial guarantee contract. Further information can be found in the [Contingent Liabilities](#) section of the SPFM.

### **Third party grants or loan schemes**

100. Authority under the normal course of business, as provided in the Enterprise and New Towns (Scotland) Act 1990, Part 1, Section 8, is provided for all proposals to make a grant or loan to a third party, whether one-off or under a scheme except where the proposal is Major, Novel or Contentious. Further guidance on Major, Novel or Contentious issues can be found in the [Major Investment Projects](#) section and the [Delegated Authority](#) section of the SPFM. Such funding will be subject to the guidance in the [State Aid](#) section of the SPFM. 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.

### **Impairments, provisions and write-offs**

101. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. HIE will notify SG of any impairment that will lead to a significant

budget charge. HIE will provide SG with an estimate of potential charges against its ring-fenced DEL budget allocation and its requirement for an Annually Managed Expenditure (AME) allocation in line with the timetable set by the SG. At the same time it is noted that impairments and write offs are primarily due to business failure and therefore not optional.

102. HIE shall have delegated authority to write-off the original cost of equity investments, bad debt and/or waive/abandon claims for sums due to it where the debtor company has been dissolved, liquidated, or otherwise entered into formal insolvency proceedings and where there is no prospect of recovery. Where a write-off is more than £250,000, HIE will notify SG, in good time, of all such cases. HIE will provide full details of all such cases to the sponsor Directorate in an agreed format that can be used to provide advice to Ministers.

103. For all other cases, including those cases where the urgent approval of write-off is likely to have a bearing upon a company's survival (usually as part of a rescue/re-financing package) and where the amount to be written off is in excess of £250,000, HIE must notify the sponsor Directorate of all relevant circumstances immediately in order for the sponsor Directorate, where appropriate, to respond as quickly as possible.

104. A record should be kept of all losses, whether within HIE's delegated powers or not. All cash losses sustained should also be recorded in the Statement of Accounts for each financial year. Details of all losses written off in the preceding financial year should be submitted to the sponsor Directorate by 30 April each year.

## **Insurance**

105. HIE is subject to the SG policy of self-insurance. However, commercial insurance must 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 the SG. 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 HIE. The SG will provide HIE with a Certificate of Exemption for Employer's Liability Insurance.

## **Procurement and payment**

106. HIE's procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and 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 SE's objectives consistent with the principles of [Best Value](#), the highest professional standards and any legal requirements.

107. In line with SG 'Consultancy Procedures', Version 1.6 (23 January 2013) Part 4 all 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 HIE's Chief Executive.

108. Any major investment programmes or projects undertaken by HIE shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM. (This requirement is satisfied by HIE's current reporting of summary information on major investment projects.) The sponsor unit 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 Information Services Investment Board for information.

109. Unless covered by HIE's specific delegated authority (£5m), any proposal to undertake a major investment programme or project above £5m must be notified in advance to the sponsor Directorate, before HIE's Chief Executive gives their approval.

110. HIE shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](#) section of the SPFM, and in doing so shall seek wherever possible and appropriate to meet the SG's target for the payment of invoices within 10 working days of their receipt.

### **Gifts made, special payments and losses**

111. Unless covered by a specific delegated authority HIE shall not, without the SG's prior approval, make gifts or special payments or write-off of 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.

### **Clawback**

112. Where HIE has financed expenditure on assets by a third party, HIE shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without HIE's prior consent. HIE shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if HIE contributed less than the whole cost of acquisition or improvement subject to appropriate obligation periods. HIE shall also ensure that if assets financed by HIE 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 HIE.

## HIGHLANDS AND ISLANDS ENTERPRISE FRAMEWORK DOCUMENT: APPENDIX

### SPECIFIC DELEGATED FINANCIAL & PROCUREMENT AUTHORITIES

	<b>Delegated Limit</b>
Major Investment Projects	HIE to notify SG of all Major Investment Projects.
Special payments: <ul style="list-style-type: none"> <li>• extra-contractual and ex gratia payments to contractors;</li> <li>• other ex gratia payments</li> <li>• compensation payments</li> </ul>	Up to £2,000 per case.
Approval of Equity Investments	Up to 29.9% or £3,500,000.
Property for Accommodation/Operational Purposes	No Delegated Limit – All Commitments to be Approved by Scottish Ministers.
Claims waived or abandoned or bad debts written off other than where the debtor has been dissolved, liquidated or otherwise entered into formal insolvency process.	Up to £250,000 per case.
Guarantees, Indemnities and Letters of Comfort	No Limit where it arises in the normal conduct of business – subject to section 95-99.
Gifts including presentations to staff	Up to £500 per case.
Fruitless payments and constructive losses	Up to £10,000 per case.
Losses of assets, stores and equipment	Up to £10,000 per case.
Cash Losses	Up to £10,000 per case.

**Note:**

- (1) Also see section 66 to 68 of the framework document for further guidance on delegated limits.
- (2) Commitments for property for accommodation/operational purposes (para 56).
- (3) Financial Investments (para 78 - 81).
- (4) Finance, property or accommodation leases (para 87).
- (5) Guarantees & Indemnities (para 95 - 99).
- (6) Third Party grants or loans (para 100).
- (7) Claims waived or abandoned - write-offs (para 102 – 103).
- (8) Consultancy contracts and contracts awarded without competition (para 107).
- (9) Major Investment Projects over £5m (para 108-109).