



National Health Service and Community Care Act 1990

1990 CHAPTER 19

PART II

THE NATIONAL HEALTH SERVICE: SCOTLAND

Health Boards and other bodies

27 Health Boards, the Common Services Agency and state hospitals

- (1) Subject to subsection (2) below, at the end of the day appointed for the coming into force of this subsection, any person who is a member of—
- (a) a Health Board;
 - (b) the management committee of the Common Services Agency for the Scottish Health Service; or
 - (c) a State Hospital Management Committee within the meaning of the Mental Health (Scotland) Act 1984,
- shall cease to be such a member.
- (2) Subsection (1) above does not apply to a person holding office as chairman of a Health Board or of a committee mentioned in subsection (1)(b) or (c) above.
- (3) Schedule 1 (Health Boards) and Schedule 5 (Common Services Agency) to the National Health Service (Scotland) Act 1978 (in this Part of this Act referred to as “the 1978 Act”) and Schedule 1 to the Mental Health (Scotland) Act 1984 (State Hospital Management Committees) shall be amended in accordance with Schedule 5 to this Act.

28 Special Health Boards

- In section 2 (Health Boards) of the 1978 Act—
- (a) in subsection (1)—

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- (i) after the words “Secretary of State” there shall be inserted the word “(a)”; and
- (ii) after the words “Health Boards” there shall be inserted—
 - “and
 - (b) subject to subsections (1A) and (1C), may by order constitute boards, either for the whole of Scotland or for such parts of Scotland as he may so determine, for the purpose of exercising such of his functions under this Act as he may so determine; and those boards shall, without prejudice to subsection (1B), be called Special Health Boards.”;
- (b) after subsection (1) there shall be inserted the following subsections—
 - “(1A) An order made under subsection (1)(b) may determine an area for a Special Health Board constituted under that subsection which is the same as the areas determined—
 - (a) for any other Special Health Board; or
 - (b) for any Health Board or Health Boards constituted by an order or orders made under subsection (1)(a).
 - (1B) An order under subsection (1)(b) may specify the name by which a board constituted by the order shall be known.
 - (1C) The Secretary of State may by order provide that such of the provisions of this Act or of any other enactment, or of any orders, regulations, schemes or directions made under or by virtue of this Act or of any other enactment, as apply in relation to Health Boards shall, subject to such modifications and limitations as may be specified in the order, so apply in relation to any Special Health Board so specified.”; and
- (c) in subsection (2), for the word “(1)” there shall be substituted the word “(1)(a)”.

29 Scottish advisory bodies

- (1) Section 5 of the 1978 Act (Scottish Health Service Planning Council) shall cease to have effect.
- (2) Section 6 of that Act (national consultative committees) shall cease to have effect.
- (3) In section 7 of that Act (local health councils)—
 - (a) in subsection (2), the words from “by local authorities” to “and for the appointment” shall cease to have effect;
 - (b) in subsection (9)(d), after the words “Health Board” there shall be inserted “and from any NHS trust in their area or district”; and
 - (c) in subsection (9)(e), after the words “Health Board” there shall be inserted “and establishments in their area or district administered by NHS trusts”.
- (4) In section 8(1) of that Act (university liaison committees)—
 - (a) after the words “those Boards” where they first occur there shall be inserted “and any NHS trusts in the area or combined areas”;

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- (b) for the words “the area or combined” there shall be substituted “that area or those”; and
 - (c) after the words “those Boards” in the second place where they occur there shall be inserted “, any such NHS trust”.
- (5) In section 9 of that Act (local consultative committees)—
- (a) for the words from “after consultation” to “is representative” in each of subsections (1), (3) and (4) there shall be substituted “a Health Board is satisfied that a committee formed for its area is representative”;
 - (b) for the words “Secretary of State” in the second place where they occur in subsection (1) there shall be substituted “Health Board”; and
 - (c) for the word “he” in each of subsections (3) and (4) there shall be substituted “the Board”.

30 NHS contracts

After section 17 of the 1978 Act there shall be inserted the following sections—

“17A NHS contracts

- (1) The persons or bodies mentioned in paragraphs (a) to (e) of subsection (2) may, for the purpose of carrying out their functions under any enactment, and without prejudice to any other power they may have in that regard, enter into arrangements for the provision of goods or services to or by them with—
- (a) one another; or
 - (b) any of the persons or bodies mentioned in paragraphs (f) to (m) of that subsection.
- (2) The persons and bodies referred to in subsection (1) are—
- (a) Health Boards;
 - (b) the Agency;
 - (c) the Scottish Dental Practice Board;
 - (d) a State Hospital Management Committee constituted under section 91 of the Mental Health (Scotland) Act 1984;
 - (e) NHS trusts established under section 12A;
 - (f) health authorities within the meaning of section 128(1) (interpretation) of the National Health Service Act 1977;
 - (g) the Dental Practice Board;
 - (h) the Public Health Laboratory Service Board;
 - (i) Family Health Services Authorities within the meaning of section 10 of the National Health Service Act 1977;
 - (j) recognised fund-holding practices;
 - (k) NHS trusts established under section 5 of the National Health Service and Community Care Act 1990;
 - (l) Health and Social Services Boards constituted under the Health and Personal Social Services (Northern Ireland) Order 1972; and
 - (m) the Secretary of State.
- (3) In subsection (1)—
- (a) “goods” includes accommodation; and

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- (b) “services” includes services of any description,
and in this Act an arrangement falling within that subsection is referred to as
an “NHS contract”.
- (4) Whether or not an arrangement which constitutes an NHS contract would,
apart from this subsection, be a contract in law, it shall not be regarded for
any purpose as giving rise to contractual rights or liabilities, but if any dispute
arises with respect to such an arrangement, either party may refer the matter
to the Secretary of State for determination under the following provisions of
this section.
- (5) If, in the course of negotiations intending to lead to an arrangement which will
be an NHS contract, it appears to either of the prospective parties that—
- (a) the terms proposed by the other party are unfair by reason that that
party is seeking to take advantage of its position as the only, or the only
practicable, provider of the goods or services concerned or by reason
of any other unequal bargaining position as between the prospective
parties to the proposed arrangement; or
 - (b) for any other reason arising out of the relative bargaining positions of
the prospective parties any of the terms of the proposed arrangements
cannot be agreed,
- that party may refer the terms of the proposed arrangement to the Secretary of
State for determination under the following provisions of this section.
- (6) Where a reference is made to the Secretary of State under subsection (4) or (5),
the Secretary of State may determine the matter himself or, if he considers it
appropriate, appoint a person to consider and determine it in accordance with
regulations.
- (7) By his determination of a reference under subsection (5), the Secretary of State
or, as the case may be, the person appointed by him under subsection (6) may
specify terms to be included in the proposed arrangement and may direct that
it be proceeded with; and it shall be the duty of the prospective parties to the
proposed arrangement to comply with any such directions.
- (8) A determination of a reference under subsection (4) may contain such directions
(including directions as to payment) as the Secretary of State or, as the case may
be, the person appointed under subsection (6) considers appropriate to resolve
the matter in dispute; and it shall be the duty of the parties to the NHS contract
in question to comply with any such directions.
- (9) Without prejudice to the generality of his powers on a reference under
subsection (4), the Secretary of State or, as the case may be, the person
appointed by him under subsection (6) may by his determination in relation to
an arrangement constituting an NHS contract vary the terms of the arrangement
or bring it to an end; and where the arrangement is so varied or brought to an
end—
- (a) subject to paragraph (b), the variation or termination shall be treated as
being effected by agreement between the parties; and
 - (b) directions included in the determination by virtue of subsection (8)
may contain such provisions as the Secretary of State or, as the case
may be, the person appointed by him under subsection (6) considers

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appropriate in order satisfactorily to give effect to the variation or to bring the arrangement to an end.

17B Reimbursement of Health Boards' costs

- (1) Where a Health Board provide goods or services under this Act for an individual for whose health care it is not their function to provide by virtue of section 2(1), in circumstances where the condition of the individual is such that he needs those goods or services and, having regard to his condition, it is not practicable, before providing them, to enter into an NHS contract for their provision, that Health Board shall be remunerated in respect of that provision by the Health Board or Health and Social Services Board which has the function, or the District or Special Health Authority which has the primary functions, of providing those goods or services to that individual.
- (2) The rate of any remuneration payable by virtue of subsection (1) shall be calculated in such manner or on such basis as may be determined by the Secretary of State.
- (3) In any case where—
 - (a) a Health Board provide goods or services for the benefit of an individual; and
 - (b) the provision of those goods and services is not pursuant to an NHS contract; and
 - (c) the individual is resident outside the United Kingdom and is of a description (being a description associating the individual with another country) specified for the purposes of this subsection by a direction made by the Secretary of State,the Health Board shall be remunerated by the Secretary of State in respect of the provision of the goods or services at such rate or rates as he considers appropriate.
- (4) In subsection (1), “Health and Social Services Board” means such a Board constituted under the Health and Personal Social Services (Northern Ireland) Order 1972.”

National Health Service trusts

31 National Health Service trusts

After section 12 of the 1978 Act there shall be inserted the following sections—

“12A National Health Service trusts

- (1) Subject to subsection (2), the Secretary of State may by order establish bodies, to be known as National Health Service trusts (in this Act referred to as “NHS trusts”)—
 - (a) to assume responsibility, in accordance with this Act, for the ownership and management of hospitals or other establishments or facilities which were previously managed or provided by Health Boards or the Agency; or
 - (b) to provide and manage hospitals or other establishments or facilities.

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- (2) The Secretary of State shall by regulations provide for such consultation as may be so prescribed to be carried out by a Health Board or the Agency, before he makes an order under subsection (1).
- (3) Every NHS trust—
 - (a) shall be a body corporate having a board of directors consisting of a chairman appointed by the Secretary of State and, subject to paragraph 5(2) of Schedule 7A, executive and non-executive directors (that is to say, directors who, subject to subsection (5), respectively are and are not employees of the trust); and
 - (b) shall have the functions conferred on it by an order under subsection (1) and by Schedule 7A.
- (4) The functions specified in an order under subsection (1) shall include such functions as the Secretary of State considers appropriate in relation to the provision of services by the trust for one or more of the following—
 - (a) Health Boards; and
 - (b) the Agency.
- (5) Regulations may make general provision with respect to—
 - (a) the qualifications for and the tenure of office of the chairman and directors of an NHS trust (including the circumstances in which they shall cease to hold, or may be removed from, office or may be suspended from performing the functions of the office);
 - (b) the persons by whom the directors and any of the officers are to be appointed and the manner of their appointment;
 - (c) the maximum and minimum numbers of the directors;
 - (d) the circumstances in which a person who is not an employee of the trust is nevertheless, on appointment as a director, to be regarded as an executive rather than as a non-executive director;
 - (e) the proceedings of the trust (including the validation of proceedings in the event of a vacancy or defect in appointment);
 - (f) the appointment, constitution and exercise of functions by committees and sub-committees of the trust (whether or not consisting of or including any members of the board); and
 - (g) the application of the seal of the trust and the constitution and proof of instruments.
- (6) Part I of Schedule 7A shall have effect with respect to orders under subsection (1); Part II of that Schedule shall have effect, subject to subsection (7), with respect to the general duties and the powers and status of NHS trusts; the supplementary provisions of Part III of that Schedule shall have effect; and Part IV of that Schedule shall have effect with respect to the dissolution of NHS trusts.
- (7) The specific powers conferred by paragraphs 14 and 15 in Part II of Schedule 7A may be exercised only to the extent that the exercise will not—
 - (a) interfere with the duty of the trust to comply with directions under paragraph 6 of that Schedule; and
 - (b) to any significant extent interfere with the performance by the trust of its obligations under any NHS contract or any obligations imposed by an order under subsection (1).

- (8) The Secretary of State may by order confer on NHS trusts specific powers additional to those contained in paragraphs 10 to 15 of Schedule 7A.

12B Transfer of staff to NHS trusts

- (1) Subject to subsection (5), this section applies to any person who, immediately before an NHS trust's operational date—
- (a) is employed by a Health Board or the Agency (in this section and section 12C referred to as a “transferor authority”) to work solely at, or for the purposes of, a hospital or other establishment or facility which is to become the responsibility of the trust; or
 - (b) is employed by a transferor authority to work at, or for the purposes of, any such hospital, establishment or facility and is designated for the purposes of this section by a scheme made by the body specified as mentioned in paragraph 3(1)(f) of Schedule 7A.
- (2) A scheme under this section shall not have effect unless approved by the Secretary of State.
- (3) Subject to section 12C, the contract of employment between a person to whom this section applies and the transferor authority shall have effect from the operational date as if originally made between him and the NHS trust.
- (4) Without prejudice to subsection (3)—
- (a) all the transferor authority's rights, powers, duties and liabilities under or in connection with a contract to which that subsection applies shall by virtue of this section be transferred to the NHS trust on its operational date; and
 - (b) anything done before that date by or in relation to the transferor authority in respect of that contract or the employee shall be deemed from that date to have been done by or in relation to the NHS trust.
- (5) In any case where—
- (a) an order under section 12A(1) provides for the establishment of an NHS trust with effect from a date earlier than the operational date of the trust; and
 - (b) on or after that earlier date but before its operational date the NHS trust makes an offer of employment by the trust to a person who at that time is employed by a Health Board or the Agency to work, whether solely or otherwise, at, or for the purposes of, the hospital or other establishment or facility which is to become the responsibility of the trust; and
 - (c) as a result of the acceptance of the offer, the person to whom it was made becomes an employee of the NHS trust,
- subsections (3) and (4) shall have effect in relation to that person's contract of employment as if he were a person to whom this section applies and any reference in those subsections to the operational date of the trust were a reference to the date on which he takes up employment with the trust.
- (6) Subsections (3) and (4) are without prejudice to any right of an employee to terminate his contract of employment if a substantial change is made to his

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detriment in his working conditions; but no such right shall arise by reason only of the change in employer effected by this section.

- (7) A scheme under this section may designate a person either individually or as a member of a class or description of employees.

12C Supplementary provisions as to transfer of staff

- (1) In the case of a person who falls within subsection (1)(b) of section 12B, a scheme under that section may provide that, with effect from the NHS trust's operational date, his contract of employment (in this section referred to as "his original contract") shall be treated in accordance with the scheme as divided so as to constitute—
- (a) a contract of employment with the NHS trust; and
 - (b) a contract of employment with the transferor authority by whom he was employed before that date.
- (2) Where a scheme makes provision as mentioned in subsection (1)—
- (a) the scheme shall secure that the benefits to the employee under the two contracts referred to in that subsection, when taken together, are not less favourable than the benefits under his original contract;
 - (b) section 12B shall apply in relation to the contract referred to in subsection (1)(a) as if it were a contract transferred under that section from the transferor authority to the NHS trust;
 - (c) so far as necessary to preserve any rights and obligations, the contract referred to in subsection (1)(b) shall be regarded as a continuation of the employee's original contract; and
 - (d) for the purposes of section 146 of and Schedule 13 to the Employment Protection (Consolidation) Act 1978, the number of hours normally worked, or, as the case may be, the hours for which the employee is employed in any week under either of those contracts shall be taken to be the total of the hours normally worked or, as the case may be, for which he is employed under the two contracts taken together.
- (3) Where, as a result of the provisions of section 12B, by virtue of his employment during any period after the NHS trust's operational date—
- (a) an employee has contractual rights against an NHS trust to benefits in the event of his redundancy, and
 - (b) he also has statutory rights against the NHS trust under Part VI of the Employment Protection (Consolidation) Act 1978 (redundancy payments),

any benefits provided to him by virtue of the contractual rights referred to in paragraph (a) shall be taken as satisfying his entitlement to benefits under Part VI of that Act.

12D Transfer of property rights and liabilities to NHS trusts

- (1) The Secretary of State may by order provide for the transfer to an NHS trust, with effect from such date as may be specified in the order, of such of the property, liabilities and obligations of a Health Board, the Agency or the Secretary of State as, in his opinion, need to be transferred to the NHS trust for the purpose of enabling it to carry out its functions.

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- (2) An order under this section may create or impose, or provide for the creation or imposition of, such new rights, liabilities or obligations in respect of what is transferred or what is retained by a Health Board or the Agency as appear to the Secretary of State to be necessary or expedient.
- (3) Nothing in this section affects the power of the Secretary of State or any power of a Health Board or the Agency to transfer property, liabilities or obligations to an NHS trust otherwise than under subsection (1).
- (4) Stamp duty shall not be chargeable in respect of any transfer to an NHS trust effected by virtue of an order under this section.
- (5) Where an order under this section provides for the transfer—
 - (a) of land held on lease from a third party, that is to say, a person other than the Secretary of State; or
 - (b) of any other asset leased or hired from a third party or in which a third party has an interest,the transfer shall be binding on the third party notwithstanding that, apart from this subsection, it would have required his consent or concurrence, or would have required to be intimated to him.
- (6) Any property, liabilities and obligations which are to be transferred to an NHS trust shall be identified by agreement between, on the one hand, the NHS trust and, on the other hand, a Health Board or the Agency; or, in default of agreement, by direction of the Secretary of State.
- (7) Where, for the purpose of a transfer pursuant to an order under this section, it becomes necessary to apportion any property, liabilities and obligations, the order may contain such provisions as appear to the Secretary of State to be appropriate for the purpose; and where any such property falls within subsection (5), the order shall contain such provisions as appear to the Secretary of State to be appropriate to safeguard the interests of third parties, including, where appropriate, provision for the payment of compensation of an amount to be determined in accordance with the order.
- (8) Without prejudice to section 105(7), an order under this section may include provision for matters to be settled by arbitration by a person determined in accordance with the order.

12E Originating capital debt of, and other financial provisions relating to NHS trusts

- (1) Each NHS trust shall have an originating capital debt of an amount specified in an order made by the Secretary of State with the consent of the Treasury, being an amount representing, subject to subsection (2), the excess of the valuation of the assets which, on or in connection with the establishment of the trust, are or are to be transferred to it (whether before, on or after its operational date) over the amounts of the liabilities which are or are to be so transferred.
- (2) In determining the originating capital debt of an NHS trust, there shall be left out of account such assets or, as the case may be, such liabilities as are, or are of a class, determined for the purposes of this section by the Secretary of State, with the consent of the Treasury.

- (3) An NHS trust's originating capital debt shall be deemed to have been issued out of moneys provided by Parliament and shall constitute an asset of the Consolidated Fund.
- (4) In accordance with an order under subsection (1), an NHS trust's originating capital debt shall be divided between—
 - (a) a loan on which interest shall be paid at such variable or fixed rates and at such times as the Treasury may determine; and
 - (b) public dividend capital.
- (5) The loan specified in subsection (4)(a) is in this Part of this Act referred to as an NHS trust's "initial loan" and a rate of interest on the initial loan shall be determined as if section 5 of the National Loans Act 1968 had effect in respect of it and subsections (5) to (5B) of that section shall apply accordingly.
- (6) Subject to subsections (4)(a) and (5), the terms of the initial loan shall be such as the Secretary of State, with the consent of the Treasury, may determine; and, in the event of the early repayment of the initial loan, the terms may require the payment of a premium or allow a discount.
- (7) With the consent of the Treasury, the Secretary of State may determine the terms on which any public dividend capital forming part of an NHS trust's originating capital debt is to be treated as having been issued, and, in particular, may determine the dividend which is to be payable at any time on any public dividend capital.
- (8) Schedule 7B shall have effect with respect to—
 - (a) borrowing by NHS trusts;
 - (b) the limits on their indebtedness;
 - (c) the payment of additional public dividend capital to them; and
 - (d) the application of any surplus funds of NHS trusts.

12F Financial obligations of NHS trusts

- (1) Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.
- (2) It shall be the duty of every NHS trust to achieve such financial objectives as may from time to time be set by the Secretary of State with the consent of the Treasury and as are applicable to it; and any such objectives may be made applicable to NHS trusts generally, or to a particular NHS trust or to NHS trusts of a particular description."

32 Further provision relating to NHS trusts

After Schedule 7 to the 1978 Act there shall be inserted the Schedules set out in Schedule 6 to this Act.

33 Trust property of NHS trusts

After section 12F of the 1978 Act (as inserted by section 31 of this Act) there shall be inserted the following section—

“12G Trust property of NHS trusts

- (1) Subject to subsection (2), an NHS trust shall have power to accept, hold and administer any property on trust for purposes relating to any service which it is their function to make arrangements for, administer or provide.
- (2) The Secretary of State may by order make such provision as he thinks appropriate in relation to the appointment of trustees in respect of an NHS trust for the purpose of holding in trust any property which is to be so held on behalf of the trust; and any such order may include provision as to the persons by whom, the manner in which, the conditions on which and the time within which, such trustees are to be appointed.
- (3) Where—
 - (a) section 82 applies in relation to any endowment or property which is held on trust by a Health Board; and
 - (b) that endowment or property is, by virtue of an order under section 12D, transferred to an NHS trust,section 82 shall apply to the use of that endowment or property by the trust as it applied to the use thereof by the Health Board.
- (4) Trustees appointed by virtue of subsection (2) shall cause proper accounts to be kept of the capital, income and expenditure vested in, received by and expended by them; and shall cause such accounts to be audited and an abstract thereof to be published in such manner as the Secretary of State may approve.”

Fund-holding practices

34 Fund-holding practices

After section 87 of the 1978 Act there shall be inserted the following sections—

“Fund-holding practices

87A Recognition of fund-holding practices of doctors

- (1) Any one or more medical practitioners who are providing general medical services in accordance with arrangements under section 19 may apply to the relevant Health Board for recognition as a fund-holding practice.
- (2) The relevant Health Board shall not grant recognition as a fund-holding practice unless the medical practitioner or, as the case may be, each of the medical practitioners concerned fulfils such conditions as may be prescribed.
- (3) Where two or more medical practitioners who wish to make an application under subsection (1) are not partners in a single partnership, section 19(8) (a) (construction of “relevant Health Board”) shall apply as if the medical practitioners were practising in a single partnership.
- (4) Regulations may make provision with respect to—
 - (a) the making of applications under subsection (1);

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- (b) the granting and refusal of recognition as a fund-holding practice;
 - (c) the conditions to be fulfilled for obtaining and continuing to be entitled to such recognition;
 - (d) appeals against any refusal of such recognition by a Health Board;
 - (e) withdrawing from, or becoming a member of, an existing recognised fund-holding practice;
 - (f) the continuity or otherwise of a recognised fund-holding practice in the event of the death or withdrawal of a member or the addition of a new member; and
 - (g) the operation of this section in a case where one or more of the medical practitioners wishing to make an application under subsection (1) is also on the medical list of a Family Health Services Authority established under section 10 of the National Health Service Act 1977,
- and regulations making the provision referred to in paragraph (g) may make such modifications of the preceding provisions of this section as the Secretary of State considers appropriate.

87B Payments to recognised fund-holding practices

- (1) In respect of each financial year, every Health Board shall be liable to pay to the members of each recognised fund-holding practice in relation to which it is the relevant Health Board a sum determined in such manner and by reference to such factors as the Secretary of State may direct (in this section referred to as an “allotted sum”).
- (2) The liability to pay an allotted sum under subsection (1) may be discharged, in whole or in part, in either of the following ways—
 - (a) by making payments on account of the allotted sum at such times and in such manner as the Secretary of State may direct; and
 - (b) by discharging liabilities of the members of the practice to any other person (including, in particular, liabilities under NHS contracts);

and any reference in this section and section 87C to payment of or of a part of an allotted sum includes a reference to the discharge, in accordance with this subsection, of the whole or part of the liability to pay that sum.
- (3) In any case where—
 - (a) a Health Board makes a payment of, or of any part of, an allotted sum to the members of a recognised fund-holding practice, and
 - (b) some of the individuals on the lists of patients of any of the members of the practice reside in the area of another Health Board, or in the region of a Regional Health Authority established under section 8 of the National Health Service Act 1977,

the Board making the payment shall be entitled to recover from that other Board or the Authority an amount equal to such portion of the payment as may be determined in accordance with directions given by the Secretary of State.
- (4) The members of a recognised fund-holding practice may apply allotted sums only for purposes specified in regulations under subsection (5).
- (5) Regulations shall make provision with respect to the purposes for which allotted sums are to be or may be applied and may make provision generally with respect

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to the operation of recognised fund-holding practices in relation to allotted sums; and the regulations may, in particular,—

- (a) require the members of a practice to pay to the relevant Health Board out of allotted sums paid to them an amount determined in accordance with the regulations as the basic cost of the drugs, medicines and listed appliances supplied pursuant to orders given by or on behalf of members of the practice;
 - (b) provide that the goods and services, other than general medical services, which may be purchased by or on behalf of the members of such a practice out of allotted sums for the individuals on the lists of patients of the members of the practice shall be such as may be specified in a list approved for the purpose under the regulations; and
 - (c) impose a limit on the amount which may be spent out of an allotted sum on the provision of goods and services for any one individual, being a limit above which the cost of any goods and services for that individual in the financial year in question will fall to be met by the Health Board whose functions include the provision of goods and services (not necessarily the goods and services in question) to the individual concerned.
- (6) In accordance with directions given by the Secretary of State, the relevant Health Board shall monitor the expenditure of the members of a recognised fund-holding practice and may institute an audit and review in any case where the Board consider it necessary to do so.

87C Renunciation and removal of recognition as a fund-holding practice and withholding of funds

- (1) Regulations may make provision as to the circumstances in which the members of a recognised fund-holding practice may renounce that status and such regulations may, in particular, make provision as to—
 - (a) the notice to be given and the number of members of the practice by whom it is to be given;
 - (b) the procedure to be followed; and
 - (c) the consequences of such a renunciation.
- (2) Regulations may make provision as to the circumstances in which and the grounds on which the relevant Health Board may remove recognition from the members of a fund-holding practice,—
 - (a) with immediate effect; or
 - (b) with effect from the end of a particular financial year; or
 - (c) with effect from such other date as may be specified by the Health Board.
- (3) Where provision is made as mentioned in subsection (2), regulations shall make provision with respect to—
 - (a) the procedure for removal of recognition;
 - (b) appeals against the removal of recognition by a Health Board; and
 - (c) the consequences of the removal of recognition.

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- (4) Without prejudice to the generality of the powers conferred by subsection (3), regulations making provision as mentioned in paragraph (c) of that subsection may—
- (a) provide for the transfer of rights and obligations from the members of the fund-holding practice to one or more Health Boards determined in accordance with the regulations;
 - (b) provide for the recovery of sums from members of the practice; and
 - (c) require the members of the practice to furnish such information as may reasonably be required by the Health Board.
- (5) The bringing of an appeal against the removal of recognition by a Health Board shall not be regarded as preserving the recognised status of the members of the fund-holding practice and, accordingly, subject to the outcome of the appeal, the relevant Health Board shall not be required, after the removal takes effect, to make any (or, as the case may be, any further) payment to the members of the practice of any part of the allotted sum for the financial year in question or, as the case may be, to determine and pay any allotted sum for a future financial year.
- (6) Where any part of an allotted sum has been applied by the members of a recognised fund-holding practice (or any one or more of them) for purposes other than those specified in regulations under section 87B(5), regulations may make provision for and in connection with the recovery by the relevant Health Board of an amount equal to that part.
- (7) Where provision is made as mentioned in subsection (6), regulations shall make provision with respect to appeals against the recovery of any amount by a Health Board.”

Indicative amounts

35 Indicative amounts for doctors' practices

After the sections inserted in the 1978 Act by section 34 above there shall be inserted the following section—

“Indicative amounts

87D Indicative amounts for doctors' practices

- (1) Subject to subsection (2), for each financial year every Health Board shall, by notice in writing given to each practice in relation to the members of which it is the relevant Health Board, specify an amount of money (in this Act referred to as an “indicative amount”) representing the basic price of the drugs, medicines and listed appliances which, in the opinion of the Board, it is reasonable to expect will be supplied in that year pursuant to orders given by or on behalf of the members of that practice.
- (2) Subsection (1) does not apply with respect to a practice which is or forms part of a fund-holding practice recognised under section 87A.
- (3) For the purposes of this section, a “practice” means—

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- (a) a single medical practitioner who practises otherwise than in partnership; or
 - (b) any two or more medical practitioners who practise in partnership;
- and any reference to the members of a practice shall be construed accordingly.
- (4) The members of a practice shall seek to secure that, except with the consent of the relevant Health Board or for good cause, the orders for drugs, medicines and listed appliances given by them or on their behalf are such that the basic price of the items supplied pursuant to those orders in any financial year does not exceed the indicative amount notified to the practice for that year under subsection (1).
 - (5) For the purpose of measuring the extent to which a practice is operating within the indicative amount notified to it under subsection (1) for any financial year, a Health Board shall set against that indicative amount an amount equal to the basic price of the drugs, medicines and listed appliances supplied in that year pursuant to orders given by or on behalf of members of the practice.
 - (6) For the purposes of this section, regulations may make provision as to the specification of, or means of calculating, the basic price of any drugs, medicines and listed appliances.
 - (7) If, in the case of any practice, a member is on the medical list of a Family Health Services Authority established under section 10 of the National Health Service Act 1977 (as well as on that of a Health Board), any question whether this section applies in relation to the members of the practice shall be determined in accordance with regulations; and any such regulations may modify the preceding provisions of this section in their application to such a practice.”

Audit

36 Accounts and audit of NHS trusts and fund-holding practices

- (1) The enactments specified in Schedule 7 to this Act shall have effect subject to the amendments set out in that Schedule, being amendments—
 - (a) to extend the functions of the Commission for Local Authority Accounts in Scotland (in this section referred to as “the Commission”) to cover Health Boards and other bodies established under the 1978 Act, the Mental Welfare Commission for Scotland and State Hospital Management Committees constituted under the Mental Health (Scotland) Act 1984;
 - (b) to alter the title and constitution of the Commission to reflect its wider role; and
 - (c) to make provision consequential on or supplemental to the amendments referred to in paragraphs (a) and (b) above.
- (2) Section 86 of the 1978 Act (keeping and audit of accounts of certain Scottish health bodies) shall be amended in accordance with the following provisions of this section.
- (3) In subsection (1), for the words from the beginning to “Agency” there shall be substituted—
 - “(1) The following bodies, that is to say—
 - (a) every Health Board;

Status: This is the original version (as it was originally enacted).

- (b) the Agency; and
- (c) every NHS trust.”.

(4) After subsection (1) there shall be inserted the following subsections—

“(1A) So far as relates to allotted sums paid to the members of a recognised fund-holding practice—

- (a) accounts shall be kept in such form as the Secretary of State may with the approval of the Treasury direct and shall be audited by auditors appointed by the Secretary of State;
- (b) the Comptroller and Auditor General may examine the accounts and the records relating to them and any report of the auditor on them;
- (c) in respect of each financial year, annual accounts in such form as the Secretary of State may with the approval of the Treasury direct shall be prepared and submitted to the relevant Health Board; and
- (d) in respect of each financial year, each Health Board shall prepare, in such form as the Secretary of State may with the approval of the Treasury direct, and include in its own accounts, a summarised version of the accounts submitted to the Board under paragraph (c).

(1B) In preparing its annual accounts in pursuance of subsection (1), an NHS trust shall comply with any directions given by the Secretary of State with the approval of the Treasury as to—

- (a) the methods and principles according to which the accounts are to be prepared; and
- (b) the information to be given in the accounts.”

(5) Until the day appointed for the coming into force of paragraph 14 of Schedule 7 to this Act, in subsection (2)—

- (a) for the words “subsection (1)” there shall be substituted “subsections (1) and (1A)”;
- (b) for the words “Health Board or the Agency” there shall be substituted “body mentioned in paragraphs (a) to (c) of subsection (1) or a recognised fund-holding practice”; and
- (c) for the words “Board or the Agency” there shall be substituted “body or practice”.

(6) In subsection (3), for the words “Health Board and the Agency” there shall be substituted “body mentioned in paragraphs (a) to (c) of subsection (1)”.

(7) In subsection (4), for the words “Health Boards and the Agency” there shall be substituted “bodies mentioned in paragraphs (a) to (c) of subsection (1)”.

(8) After subsection (4) there shall be added the following subsection—

“(5) In this section “recognised fund-holding practice” and “allotted sum” have the same meaning as in section 87B.”

Miscellaneous

37 Relationship of Health Boards and medical practitioners

After subsection (7) of section 19 of the 1978 Act (arrangements and regulations for general medical services) there shall be inserted the following subsection—

“(8) In relation to a medical practitioner, any reference in this Act to the relevant Health Board shall be construed as follows—

- (a) if he practises in partnership with other medical practitioners, the relevant Health Board is the Board on whose medical list the members of the practice are included and, if some are included on one Board’s medical list and some on another’s or if any of the members is included on the medical lists of two or more Boards, the relevant Health Board is the Board in whose area resides the largest number of individuals who are on the lists of patients of members of the practice; and
- (b) in any other case, the relevant Health Board is the Board on whose medical list he is included and, if there is more than one, the Board in whose area resides the largest number of individuals who are on his list of patients.”

38 Scottish Medical Practices Committee

- (1) In section 3 of the 1978 Act (the Scottish Medical Practices Committee), after subsection (1) there shall be inserted the following subsection—

“(1A) After consulting the Medical Practices Committee, the Secretary of State may give the Committee directions with respect to the exercise of its functions; and it shall be the duty of the Committee to comply with any such directions.”

- (2) In Schedule 2 to the 1978 Act (constitution etc of Scottish Medical Practices Committee), after paragraph 2 there shall be inserted—

“2A The Secretary of State may by order make such modifications as he considers appropriate of paragraphs 1 and 2.”

39 Distribution of general medical services

- (1) In section 23 of the 1978 Act (distribution of general medical services), after subsection (1) there shall be inserted the following subsections—

“(1A) The Secretary of State may by order specify the maximum number of medical practitioners with whom, in any year, all Health Boards taken as a whole may enter into arrangements under section 19 for the provision of general medical services.

(1B) An order under subsection (1A) may contain such incidental and consequential provisions (including provisions amending this Part of this Act) as appear to the Secretary of State to be appropriate including, in particular, provisions as to the basis on which the Medical Practices Committee are to refuse applications under section 20 in order to secure that any maximum number specified in the order is not exceeded.”

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- (2) At the beginning of subsection (2) of that section (the Medical Practices Committee to select the person whose applications are to be granted) there shall be inserted “Subject to subsection (2A)” and after that subsection there shall be inserted the following subsection—

“(2A) If, in the opinion of the Medical Practices Committee, a medical practitioner is required for a particular part of the area of a Health Board, then, in such circumstances as may be prescribed,—

- (a) the Board shall, in accordance with regulations, select the medical practitioner whose application they wish to be considered by the Committee; and
- (b) the Committee shall not consider any application from a medical practitioner who is not so selected; and
- (c) any medical practitioner who has made an application but is not so selected may appeal to the Secretary of State on a point of law;

and if the Secretary of State allows an appeal under paragraph (c) he shall remit the application to the Board for reconsideration.”

- (3) In subsection (4) of that section (applications under section 20 may be granted subject to certain conditions), after the word “but” there shall be inserted—

- “(a) in granting an application shall specify, by reference to one or more prescribed conditions relating to hours or the sharing of work, the provision of general medical services for which the applicant will be entitled to be remunerated; and
- (b)”;

and at the end of the subsection there shall be inserted the words “and an order under subsection (1A) may make provision as to the extent to which account is to be taken under the order of medical practitioners whose ability to carry out remunerated work is limited by virtue of conditions imposed under paragraph (a)”.

- (4) In subsection (5) of that section (appeals to the Secretary of State) for the words “such conditions” there shall be substituted “conditions under paragraph (a) or (b) of subsection (4)” and for the words following “Secretary of State”, in the first place where those words occur, there shall be substituted “on a point of law; and, if the Secretary of State allows such an appeal, he shall remit the application to the Medical Practices Committee for reconsideration”.

- (5) Subsection (7) of that section (directions on a successful appeal) shall be omitted.

- (6) In subsection (8) of that section (matters to be taken into account) for the words from the beginning to “in any such case” there shall be substituted “In any case where medical practitioners have to be selected from a number of applicants, the Medical Practices Committee or, where subsection (2A) applies, the Health Board shall”.

- (7) In section 24 of the 1978 Act (regulations for Medical Practices Committee)—

- (a) in paragraph (b)(ii) after the words “under section 23” there shall be inserted “and, where such an appeal is allowed, the reconsideration of any application”; and
- (b) at the end of the section there shall be added the following subsection—

“(2) Regulations under this section may make provision for, and in connection with, the variation of any condition imposed under

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subsection (4) or (5) of section 23 including provision for appeals to the Secretary of State on a point of law.”

- (8) In the case of a medical practitioner who, on the day appointed for the coming into force of this section, is providing general medical services in accordance with arrangements under section 19 of the 1978 Act, regulations may make transitional provisions by virtue of which those services shall be treated for the purposes of that Act as provided subject to such of the prescribed conditions referred to in section 23(4)(a) of that Act as are determined under the regulations and, accordingly, for enabling any such condition to be varied in accordance with regulations under section 24(2) of that Act.

40 Limitations on right to be included on list of dental practitioners

- (1) Section 25 of the 1978 Act (arrangements for general dental services) shall be amended in accordance with this section.
- (2) In subsection (2)(b) (regulations to include provision conferring a right, subject to certain qualifications, to be entered on a list of dental practitioners providing general dental services) for the words “subsection (2A)” there shall be substituted “subsections (2A) and (2B)”.
- (3) After subsection (2A) there shall be inserted the following subsection—

“(2B) Regulations may make the exercise of the right conferred by virtue of paragraph (b) of subsection (2) subject to any provision made by or under the regulations, and, in such cases as may be prescribed, may confer a right of appeal to a prescribed body in respect of a refusal to include a dental practitioner on such a list as is referred to in paragraph (a) of that subsection.”

41 Schemes for meeting losses and liabilities etc. of certain health service bodies

After section 85A of the 1978 Act there shall be inserted the following section—

“85B Schemes for meeting losses and liabilities etc. of certain health service bodies

- (1) The Secretary of State may by regulations made with the consent of the Treasury establish a scheme whereby any of the bodies mentioned in subsection (2) may make provision to meet—
- (a) expenses arising from any loss of or damage to their property; and
 - (b) liabilities to third parties for loss, damage (including solatium) or injury arising out of the carrying out of the functions of the bodies concerned.
- (2) The bodies referred to in subsection (1) are—
- (a) Health Boards;
 - (b) the Agency;
 - (c) a State Hospital Management Committee constituted under section 91 of the Mental Health (Scotland) Act 1984; and
 - (d) NHS trusts,

but a scheme under this section may limit the class or description of bodies which are eligible to participate in it.

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- (3) Without prejudice to the generality of the power conferred by subsection (1), a scheme under this section may—
- (a) provide for the scheme to be administered by the Secretary of State, the Agency, or a Health Board or NHS trust specified in the scheme;
 - (b) require any body which participates in the scheme to make payments in accordance with the scheme; and
 - (c) provide for the making of payments for the purposes of the scheme by the Secretary of State.
- (4) Without prejudice to any other power of direction conferred on the Secretary of State,—
- (a) if the Secretary of State so directs, any body which is eligible to participate in a scheme shall do so; and
 - (b) where a scheme provides for it to be administered by the Secretary of State, the Agency or a Health Board or NHS trust shall carry out such functions in connection with the administration of the scheme as the Secretary of State may direct.
- (5) Neither the Secretary of State nor any body administering a scheme under this section shall, by virtue of their activities under the scheme, be regarded as carrying on insurance business for the purposes of the Insurance Companies Act 1982.”