

Healthcare Financial Management Association

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Customer Support Centre
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Dear Sir/ Madam

Consolidated Charging Policy 2017/18 - consultation on changes for 2018/19

Who we are

The Healthcare Financial Management Association (HFMA) is the representative body for finance staff in healthcare. For the past 60 years, it has provided independent and objective advice to its members and the wider healthcare community. We are a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through our local and national networks. We also analyse and respond to national policy and aim to exert influence in shaping the wider healthcare agenda. We have a particular interest in promoting the highest professional standards in financial management and governance and are keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

Our comments

The consultative proposals set out in Annex C to the consolidated charging policy 2017/18 have been considered by members of our Accounting and Standards Committee, Provider Technical Issues Group and Commissioning Technical Issues Group. All draw their membership from across a wide range of organisations working in the NHS.

We welcome the publication of the proposed changes for consultation and debate – our members have taken this opportunity to consider the wider document and current invoicing arrangements at their recent national meetings. Our members have a number of concerns that we have set out below and would welcome the opportunity to discuss further with NHS Property Services.

Our members, particularly clinical commissioning groups (CCGs), feel that there has been a lack of progress in addressing a range of NHS property issues over the last few years. They consider this consultation to be a positive step forward in addressing the balance between financial risk placed upon them and the ability to influence potential mitigating actions. CCG's would also welcome greater involvement in developing estates local strategies and a shared responsibility for property related issues, as they often are a critical element of a system transformation plans that many members are currently developing.

Responses to the consultation questions in Annex C

Sessional space

We broadly welcome the proposals to charging for sessional space. Our CCG members tell us that the current approach has caused considerable problems and therefore welcome any improvements. However, we are concerned that to work in practice, the changes need to be supported by better communication from and with NHS Property Services.

If these changes are to be made then the current issues need to be resolved speedily, in next few months.

Service charge management fee

We welcome any proposals to move closer to industry best practice. However, as set out below, our members would prefer that the current system works as well as possible before changes are introduced.

We understand that the use of a percentage fee does increase the risk of unwarranted inflation of the service charge, however, it is not clear from the consultation that this is happening in practice. Without detailed information on the proposed new arrangements we cannot assess whether any savings will be made. Members are concerned that the current invoicing process is not working well (see our general comments below) so the proposed changes will slow the invoicing process down further without any appreciable benefit.

Service charge accounting year

Our members are very aware of the year-end pressures in the NHS and the burden the need to finalise year-end numbers places on finance teams. However, they are concerned that the current year-end and 'true up' process has caused them in-year cost pressures this year and changing the year-end for service charges would mean that they would have to use more estimates and judgements at the year-end.

As the whole of the NHS works to a 31 March year-end, service charges would have to be included within the agreement of balances exercise to enable all NHS bodies to prepare their accounts. We do not think that changing the service charge accounting year would ease the pressure on management accountants – it may even increase it as they would have to engage with the year-end process on the basis of estimates.

Our members do not support this proposal.

Service charge apportionment

Our members are supportive of any change which means that they pay only for the level of service that they require and that they are not charged for services which they do not receive.

However, as set out below, they would prefer that the current system for invoicing works well before these changes are implemented.

General comments

In our view, rather than refining the charging policy, it is more important for NHS Property Services to engage in clear, responsive communication with tenants to provide timely charging schedules and invoices, and to resolve legitimate queries in a collaborative and open manner.

We recognise that rent invoices should originate from purchase orders and that NHS Property Services intended to issue charging schedules in advance of quarter 1 invoices to enable the relevant purchase orders to be put in place. However, our members tell us that to date, no charging

schedules have been received but invoices for quarters 1 and 2 have been forthcoming. Consequently, these are not backed by purchase orders.

Invoicing

At present, NHS Property Services invoice CCGs quarterly 'on account' based on estimated costs. We are rather concerned that these are 'in advance' invoices and therefore, not aligned with charging policies throughout the rest of the NHS.

In our view, the current in-year and year-end processes are too slow to support accurate financial accounting and planning. Members are finding that in-year, straight forward queries are difficult to resolve and resolution may take many months. This results in unpaid invoices – frequently beyond 30 days. Our members would prefer to resolve issues quickly and pay promptly to avoid undermining cashflow, monthly/ year-end accruals and agreement of balances.

We understand and agree with the principles behind the year end 'true up' exercise to determine the actual costs of each property and charge for the difference between estimated and actual costs. This process for 2016/17 year-end has been exceedingly slow. This makes the estimate of provisions at year-end very difficult with a knock-on cost pressure for the following year if estimates are low. This situation for one CCG member was still outstanding in September. For another, the 'true-up' invoices did not arrive until August and had not been accounted for as the amounts involved were unknown.

Vacant space hand back scheme

Our Commissioning Technical Issues Group raised questions in relation to this scheme:

- in terms of marketable space what determines if something is marketable? It would be useful if there was an acknowledgement that corporate/ office space is different to clinical space and have different characteristics which may impact on whether they are marketable. For example, where hospital beds are decommissioned, is this space deemed marketable? It may not be deemed marketable as it only can be used for beds again. However, this would not necessarily not restrict its marketability
- is there an appeals process in relation to the decision as to whether a space is marketable? And what scope is there for the CCG to negotiate?
- Members acknowledge that it will be important for NHS Property Services to have a view and to develop and apply criteria for marketability but they are also aware that there are likely to be differences of opinion between NHS Property Services and CCGs. Where this occurs, they would like to be able to refer the case to an independent surveyor to resolve the dispute. Costs of this surveyor could be split cost 50:50 but would enable a sensible solution to be found and avoid the risk of paying for empty space
- Where space is vacated but needs remedial work our members would like to have the right to be able to find an alternative contractor to do that work rather than being required to use NHS Property Services. Members are concerned that the current policy is not flexible and does not achieve value for money for the NHS as a whole.

We hope that you find these comments made on behalf of our members useful and we look forward to future discussions. If you would like to discuss our feedback please contact Debbie Paterson, technical editor (07500 859503 or debbie.paterson@hfma.org.uk).

Yours sincerely



Mark Knight, chief executive