



HFMA COVID-19 briefing
March 2020



NEDs and Covid-19

Guidance for non-executive directors
and lay members



Introduction

The Covid-19 pandemic is impacting everyone in all parts of their lives. While there has been some relaxation of 'business as usual' arrangements, public sector bodies are still required to abide by the stewardship requirements of *Managing public money* and have a statutory duty to carry out their functions effectively, efficiently and economically. Although it seems a long way off, the NHS will be called to account for its stewardship of public funds once the pandemic is over. Non-executive directors (NEDs) and lay members have a key role in supporting their organisations to ensure appropriate and robust finance and governance arrangements are in place.

The role of the NED and lay member can be an uncertain at this time – balancing not wanting to get in the way but to still find a way to support, challenge and ensure that the governance is appropriate and strong.

This briefing is intended to highlight key finance and governance changes that NEDs and lay members need to be aware of, as well as how they can support their organisations during the pandemic. It will be updated as necessary. If there are other areas that we can provide useful guidance on, please let us know - policy@hfma.org.uk

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Changes in requirements

Operational planning

In response to Covid-19, NHS England and NHS Improvement (NHSE&I) issued guidance setting out the revised financial arrangements for 1 April to 31 July 2020. The key points have been summarised in an HFMA briefing¹. The guidance makes fundamental changes to the financial regime and the impact for finance teams is significant. The key points are:

- the operational planning requirements for 2020/21 and beyond have been suspended, moving to block contracts and further cost reimbursements
- NHSE&I recommend each organisation undertakes an urgent review of financial governance to ensure that decisions to commit resources in response to COVID-19 are robust
- costs incurred in responding to the outbreak must be carefully recorded and meet the requirements of external audit and public scrutiny
- the resilience of fraud prevention arrangements should be considered
- all providers should check their business continuity plans (to ensure that they are being implemented as designed, wherever possible) and review the latest guidance and standard operating procedures
- the *NHS people plan* and the *NHS long term plan implementation framework* will be deferred.

Annual report and accounts 2019/20

NHSE&I have set out updates to the NHS accounts timetable and year-end arrangements² with the aim to provide both certainty and flexibility. The key changes include:

- deadline for draft accounts is 27 April, although provider organisations can extend to 11 May
- audited accounts are now due 25 June
- the deferral of the introduction of IFRS16 on leases for another year
- removal of the need to submit hard copy documents for the annual report and accounts
- proposals to simplify the agreement of balances exercise by raising the threshold for agreeing transactions and balances are being explored.

The HFMA will shortly be publishing a checklist for the 2019/20 annual report and accounts.

Annual report

NHSE&I are working with the Department of Health and Social Care (DHSC) and HM Treasury on whether some annual report requirements can be streamlined for 2019/20.

Quality accounts and report

The deadline for quality accounts preparation, of 30 June, is set in legislation. However, a possible amendment to the regulation is being looked into so this may change. There is no longer a requirement for a quality report, prepared by NHS foundation trusts, to be included in the annual report. However, NHS foundation trusts are encouraged to include the additional quality report content in their quality account.

NHSE&I have confirmed that auditor assurance work on quality accounts and quality reports is not required for 2019/20.

¹ HFMA, *Summary of coronavirus cost reimbursement guidance and revised financial arrangements 1 April – 31 July 2020*, March 2020

² NHS England and Improvement, *Updates to NHS accounts timetable and year-end arrangements*, March 2020

Financial governance considerations

As the NHS responds to Covid-19, there is a need for quick decisions. These will cover areas such as: ensuring equipment and staff are in place; making it easier for purchases to be made and bills to be paid quickly; and ensuring IT and informatics arrangements are in place and staff working at home are supported. Guidance is clear that financial constraints must not stand in the way of taking immediate and necessary action but that there has been no relaxation in fiduciary duties. This means that early actions and decisions will need to be made in relation to financial systems and controls.

Finance teams are likely to be working with reduced capacity due to illness; moves to business-critical areas; loss of staff with caring responsibilities; and, for some, a lack of access to equipment or the ledger to enable home working. This will impact on changing financial governance arrangements.

A practical balance needs to be struck to ensure that the basis for decisions are documented but the decision-making process is not slowed down. Non-executive directors and lay members may also be looking to internal audit to provide some assurance as to their organisation's preparedness. Set out below are key areas of financial governance that need to be considered and NEDs and lay members can expect to see changes in. Further detail is provided in the HFMA briefing, *Covid-19 financial governance considerations*³

Schemes of delegation and standing financial instructions

The organisation should consider, and document, any appropriate changes to the following:

- **Authorised signatories:** changes may be needed to the authorised signatories list to ensure sufficient people are available and remote authorisation is possible
- **Banking arrangements:** changes may be needed to those set up as bank signatories and arrangements should be made to avoid the need to go to a bank
- **Procedure notes and operational rules:** these should be available and accessible to all staff in a common place, including electronically, particularly for payroll and creditor payment systems
- **Business continuity plans:** throughout the pandemic business continuity plans should be tested, kept under review, updated where necessary and quickly and clearly communicated with all staff members, NEDs and lay members.
- **Scheme of delegation:** although the governing body can delegate its functions to staff, executive directors or committees, it remains accountable for all its functions and should be kept informed and maintain a monitoring role - delegated authorities need to be reviewed to determine what should happen in the absence of a director or staff member with delegated powers
- **Governing body quorum:** consideration must be given to whether the number of members of the governing body required for a meeting to be quorate will need to be revised
- **Delegated limits:** business critical delegations include: order/requisition authorisation levels; approval of agency/locum staff; requirement for quotations/tenders; new suppliers; and authorisation of overtime and expenses.
- **Documenting approval:** in some cases, a move from hard copy signature to e-mail or electronic authorisation may be considered and, if so, it is important to consider the controls around them⁴.

³ HFMA, *Covid-19 financial governance considerations*, March 2020

⁴ DBEIS, *Electronic signatures: guide*, August 2016. There are many electronic signature solutions available – [here](#) is a list of products found via a simple search

Covid-19 expenditure

The guidance issued by NHSE&I¹ and the announcements made by government are clear that the NHS will get the resources necessary to meet the Covid-19 challenge. However, it is also clear that only costs related to Covid-19 will be reimbursed. Once the pandemic is over, the NHS will be asked to account for the resources it has used to tackle Covid-19, so it is important that decisions made in a crisis situation are documented. These include:

- Covid-19 revenue expenses: the process to determine Covid-19 costs, costs centres and the evidence required needs to be agreed and clearly communicated. Detail of costs that may be incurred are in appendix A of the HFMA briefing on financial governance considerations³.
- Covid-19 capital spending⁵ decisions below £15m (for providers) and £10m (for CCGs)⁶: formal business cases will not be prepared but NHSE&I are expecting local delegated authority arrangements to continue and decision-making processes to be clearly documented. Where cash funding is needed NHSE&I approval will be required via regional offices and, where necessary, the national team
- Covid-19 capital spending decisions above £15m (for providers) and £10m (for CCGs): NHSE&I approval is required via the regional office and the process has been accelerated
- Non-Covid-19 emergency capital: will be subject to the same arrangements.

Budget monitoring

NHS bodies would normally have their 2020/21 operational plans as budgets to monitor against. In the absence of these a clear benchmark is needed for monitoring, recognising expected increased costs related to Covid-19. To meet basic financial governance requirements, NHS bodies must be able to report their financial position for months 1 to 4 and beyond.

Cashflow

This issue is having an impact on the whole economy as well as the health system. It is important that staff and suppliers are paid on a timely basis. Arrangements for cash payments have been made so that NHS providers in England should have two months' worth of cash in their bank accounts in April. These arrangements mean that NHSE&I does not expect NHS bodies to need interim working capital support, but the usual procedures should be followed if they do.

Inventories and stock

Maintaining control over inventory will become critical as supply chains are under pressure. It will become vitally important that the right consumables are in the right place when they are needed. Decisions will need to be made over stock takes in terms of timing of stock takes and changes in movement of stock for example, transferred to central supply or other providers. If inventory is moved to other NHS organisations or partners, then records will need to be kept of where these items are being sent to ensure that they are appropriately accounted for and are not lost or wasted.

Fraud and irregular expenditure

It is becoming clear that there are some people seeking to profit from the pandemic and therefore, it cannot be assumed that there is no risk of fraud or irregular expenditure. As financial controls are relaxed to ensure that finance is not a blocker to the provision of care to patients, it will be important to maintain a sceptical attitude and stop or question transactions which do not feel right.

⁵ This must be clearly linked to the pandemic response and expected to be delivered and/ or completed within the expected duration of the outbreak

⁶ These are the thresholds that are applicable in England, for the devolved nations the appropriate thresholds should be applied but local consideration of delegated limits and approval processes will still be required

The NHS Counter Fraud Authority (NHSCFA) has launched an expanded version of its NHS Fraud Reference Guide⁷ which provides information on different types of fraud committed against the NHS. During the current emergency management response NHS finance and procurement colleagues must remain vigilant to fraud risks, particularly those around payment, finance and procurement systems. Further guidance can be found in NHSCFA's fraud prevention advice⁸ on: buying goods and services; due diligence; suppliers code of practice; mandate fraud; and credit card fraud.

The number of cyber-attacks via scamming emails may also increase during this period. Staff, NEDs and lay members should be reminded to be vigilant about opening emails and any known issues should be publicised to all staff as soon as possible⁹.

Efficiency programmes 2020/21

For the remainder of 2019/20 and the first part of 2020/21, it is not expected that cost improvement programmes (CIPs) and Quality, Innovation, Productivity and Prevention programmes (QIPPs) will be delivered unless they can be useful to the current situation. Therefore, plans should be reviewed to assess whether those plans can be useful or not. If not, then the programmes should cease but it will be important that the decisions/ work done so far is clearly documented so it is not wasted.

Charitable funds

There will be opportunities to use charitable funds as part of the Covid-19 response, but the funds will need to be spent in accordance with their charitable purposes. We are working on a briefing on this.

The role of the non-executive director and lay member

NEDs and lay members may be unsure on how Covid-19 impacts on their role and what they should be doing differently. Good financial governance is still essential and NEDs and lay members continue to have a key role in ensuring accountability. However, changes are likely in both the financial governance arrangements in place and how individuals undertake this role. There is an important balance to be struck to ensure that financial governance is maintained whilst recognising the pressure on NHS staff and ensuring the role does not create a blockage or take up too much time.

To address the risk of changes in controls and working arrangements, it is important to understand:

- what are the changes in controls?
- what was the process for agreeing these changes?
- have changes been clearly documented and communicated?
- how new arrangements will be monitored to ensure that they are happening as they should?

The way NEDs and lay members undertake their role will inevitably change too. NHSE&I have written to NHS organisations¹⁰ setting out guidance to free-up management capacity and resources. This includes guidance on meetings; annual report and accounts; quality accounts; and decision-making.

⁷ NHSCFA, *NHS fraud reference guide*, March 2020

⁸ NHSCFA's fraud prevention advice is available on the [website](#)

⁹ The HFMA's IT team has produced guidance on how to identify and deal with malicious emails that we will issue for NHS bodies shortly

¹⁰ NHS England and Improvement, *Reducing burden and releasing capacity at NHS providers and commissioners to manage the COVID-19 pandemic*, March 2020

In many cases sub-committees will be cancelled and the key items on the agenda dealt with at Board meetings. These Board meetings are likely to be focussed on Covid-19 updates and dealing with serious and urgent matters. Meetings are likely to be minimised and, where they do take place, are to be held virtually. Boards and committees will need to consider whether the number of members required for a meeting to be quorate will need to be revised. Meetings should be held remotely/ electronically where possible. The HFMA has shared tips for using Microsoft Teams for meetings¹¹.

In the absence of meetings, on-line briefings and updates are helpful. Standard items relating to finance and governance that should be included are:

- brief updates on the Covid-19 situation at the organisation
- track of decisions to change existing financial governance arrangements
- expenditure against an agreed benchmark for each month
- details of Covid-19 related costs for each month – both capital and revenue
- statutory requirements (including any changes) and how they will be met – this will include the review and approval process needed for the annual accounts and annual report 2019/20
- workforce update including what is being done to support staff
- other key areas being considered that would impact on the financial position
- key risks and proposed mitigation
- internal and external communication plan.

Regular, brief updates will enable NEDs and lay members to stay connected and to undertake their role with a proportionate and appropriate focus in response to the current crisis.

¹¹ HFMA, *Tips for using Microsoft Teams for meeting*, March 2020

About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For nearly 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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