HFMA COVID-19 briefing
March 2020

Covid-19 financial governance considerations

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.

This briefing is intended to identify the issues that finance teams will need to consider as new working arrangements are put in place. 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

Early action needed

Some early actions and decisions are needed to enable the speeding up of financial transactions while maintaining appropriate controls and governance. The actions are in relation to:

- schemes of delegation and standing financial instructions (SFIs)
- collecting and coding financial information that is auditable and evidenced

The CPD Standards Office
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2018-2020
www.cpdstandards.com

- documentation of key decisions
- review of business continuity plans
- changes to financial processes/ systems to allow this to work.

Internal communications

We are seeing an unprecedented amount of communication about the Covid-19 pandemic[1] and it can be difficult to identify the important information.

Locally, the focus of NHS bodies' staff communication will be clinical and operational, but staff need to be clear what arrangements they need to follow when they are making decisions that incur a cost.

Changes to financial systems and controls need to be communicated to staff quickly and clearly.

Schemes of delegation and SFIs

Authorised signatories

Actions to take:

- **review authorised signatory lists** to ensure that there are sufficient signatories so that financial transactions are not slowed down when key staff are unavailable
- **allow remote authorisation** rather than requiring physical signatures. See below in the section *Documenting approval*
- **consider bank account signatories** to ensure that payments can be made when key staff are not available
- **amend banking arrangements** to avoid any need to go to a bank. For example, it may be possible to bank cheques via an app rather than by physically going to the bank.

Procedure notes and operational rules

As staff undertake roles outside of their normal duties procedures and operational rules for key systems must be **available and accessible** to all staff in a common place, in both hard copy and electronically.

Key systems include payroll and creditor payments.

Any notes to document revised arrangements should also be filed in the same place.

Business continuity plans

All NHS bodies should have a business continuity plan or business interruption plan that deals with how the organisation will manage in a situation where normal business arrangements cannot continue. Throughout the pandemic these plans should be:

- tested to ensure that they still work, and key staff are available
- kept under review
- updated where necessary
- shared with all staff members and governing body members.

Updates and changes should be quickly and clearly communicated.

See also the section *Extending delegated authority.*

[1] Including this one!

Schemes of delegation

Governing body powers

The governing body of commissioning bodies has the power[2] to arrange for the exercise of their functions on their behalf by:

- a non-executive member
- any employee, including executive members or
- a committee.

NHS trusts and NHS foundation trusts have the power to 'do anything which appears to be necessary or expedient for the purposes of or in connection with its functions'[3]. This means that the governing body can delegate its functions to staff, executive directors or committees.

For all NHS bodies, **the governing body remains accountable for all its functions**. Therefore, governing bodies need to put in place arrangements to be kept informed and maintain their monitoring role.

As accountable/ accounting officers, chief executives of provider bodies will be called to account for the decisions made to either Parliament or the Department of Health and Social Care (DHSC).

Consideration must be given to whether the number of members of the governing body required for meeting to be quorate will need to be revised. Meetings should be held remotely/ electronically where possible.

Business critical delegations

The delegated limits that need to be considered most urgently include:

- **order/ requisition authorisation levels** – as discussed above, it may be that more people need to be given the authority to authorise orders and requisitions
- **approval of agency/ locum staff** – the NHS England and NHS Improvement (NHSE&I) reporting requirements for agency staff remain in place but as permanent staff fall ill or are required to self-isolate, more agency and locum staff will be required
- **requirement for quotations/ tenders** - most standing financial instructions will require at least two quotations for most purchases, if not a full tender process. In the current situation, this will no longer be possible for supplies relating to Covid-19. New arrangements must be clearly documented
- **new suppliers** - purchases will probably need to be made from suppliers that are not on the approved list of suppliers, so a process needs to be set up for either approving suppliers quickly or documenting why that supplier is used
- **authorisation of overtime and expenses** – usually the SFIs will include a level at which personal expenses will be reimbursed including subsistence allowances. Where staff are being asked to stay away from home in order to continue to work, those subsistence allowances may need to be reviewed and need to be clearly communicated. Equally, overtime is likely to have to be worked but must continue to be recorded and authorised, where possible, in advance

[2] For NHS England, paragraph 13 of Schedule A1 of the *NHS Act 2006*; for CCGs, paragraph 3(3) of Schedule 1A of the *NHS Act 2006* (subject to the specific arrangements set out in the CCG's own constitution); for NHS foundation trusts,

[3] For NHS trusts, paragraph 14 of Schedule 4 of the *NHS Act 2006*; for NHS foundation trusts, section 47(1) of the *NHS Act 2006* subject to the specific arrangements set out in the foundation trust's own constitution) Similar arrangements apply in the devolved nations

- **Covid-19 capital spending[4] decisions below £15m (for providers) and £10m (for CCGs)[5]** – usually these would require the preparation of a business case and senior management approval at least. Capital expenditure relating to Covid-19 requirements will need fast decisions so formal business cases will not be prepared but NHSE&I are expecting local delegated authority arrangements to continue. The decision-making process should be documented along with those who made the decision. This may be simply meeting notes with a list of those present (in person and virtually). Where cash funding is needed NHSE&I approval will be required via regional offices and, where necessary, the national team
- **Covd-19 capital spending decisions above £15m (for providers) and £10m (for CCGs)** – NHSE&I approval is required so the regional office should be contacted. This approval process has been accelerated
- **Non-Covid-19 emergency capital** will be subject to the same arrangements.

Extending delegated authority

Review the scheme of delegation in relation to what should happen in the absence of a director or staff member to whom powers have been delegated. These arrangements should be reviewed to ensure that they are workable in the current climate:

- **consider the most appropriate person for powers to be delegated to** - it may be more appropriate that a deputy director of finance takes on the responsibilities of a director of finance rather than another director who will be very busy and may not be the most qualified to make the decision
- **Consider horizontal delegation** - if a ward manager is not available then another ward manager may authorise transactions instead even though they do not work on that ward.

Documenting approval

Often, approval is evidenced by a signature on a hard copy document - if staff are working from home, alternative evidence will be needed. Where there is email or electronic authorisation[6], it is important to consider the controls around them when deciding on a solution.

There are apps that allow documents to be scanned using mobile phones[7].

Where an electronic system is already in place, the process for approval should continue to work. However, where new approval arrangements are made then a decision needs to be made, before the new arrangement is put in place, whether the electronic system hierarchy will be changed or a workaround outside of the system is more appropriate. The core finance staff managing these systems will need to take part in these discussions.

Documenting decisions

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. A practical balance needs to be struck here to ensure that the basis for the decision is documented. but the decision-making process is not slowed down.

Documentation should to be held somewhere where it can be accessed at a later date – on shared drives or in hard copy files rather than on local computer drives or emails (see *Procedure notes and operational rules*).

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[4] This must be clearly linked to the pandemic response and expected to be delivered and/ or completed within the expected duration of the outbreak
[5] 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,
[6] DBEIS, *Electronic signatures: guide*, August 2016. There are many electronic signature solutions available – here is a list of products found via a simple search
[7] The HFMA's IT team has suggested Microsoft Office Lens

Financial information

Covid-19 expenses

The guidance issued by NHSE&I[8] 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. NHSE&I will be collecting both forecast and actual cost information and will be providing further guidance.

It is therefore vital that unique Covid-19 cost centres and budget codes are set up as soon as possible. Anyone who is part of the purchasing chain must be made aware of the appropriate cost centres and codes.

Consideration should be given to the level of detail that will be required:

- some costs, for example, the purchase of additional ventilators, will be clearly related to Covid-19 and can be coded to a Covid-19 expense code (or capital code) as the purchase is made
- staff costs paid to staff that are not able to work because they are self-isolating and cannot work from home may not be as clearly identifiable but should be captured. This may need to be captured outside of the core financial system
- sickness absence will need to continue to be captured and documented
- other Covid-19 related costs, such as the costs of cancelled annual leave should also be captured so that, if necessary, payment can be made to discharge the liability if the time cannot be given once the pandemic is over.

Ideally, opportunity costs of Covid-19 would also be captured, for example, the costs of staff moved to work on Covid-19 from other areas and income lost from doing other work. A decision should be taken as to whether to try to capture this information in real time or whether to work that out once the pandemic is over.

Appendix 1 contains a list of possible Covid-19 related costs.

Financial reporting 2020/21

The operational planning requirements for 2020/21 and beyond have been suspended[5]. However, to meet basic financial governance requirements, NHS bodies must be able to report their financial position for months 1 to 4 and beyond.

The 2020/21 budget will need to include:

- for providers:
  - block income
  - staff costs will be rolled over from 2019/20 plus any uplift for pay rises
  - agency and bank costs may exceed budget but normal arrangements for approving these items will continue.
  - consultancy costs are unlikely to be incurred but if they are then the usual NHSE&I approval requirements apply.
- for commissioners:
  - expenditure will be monitored against the block payments to providers as well as usual payments to primary care services
  - allocations have already been provided.

Month end processes should continue during this period as far as possible and taking into account materiality.

[8] The letter issued by Simon Stevens and Amanda Pritchard on 17 March 2020

Cash flow

This issue is having an impact on the whole economy as well as the health system. It is important that staff are paid but also that suppliers are paid on a timely basis.

In England, from 1 April 2020, the arrangements for payment of NHS contracts have been simplified so NHSE&I does not expect NHS bodies to need interim working capital support, but the usual procedures should be followed if they do.

CCGs have been told to make a payment to providers on 1 April for the anticipated contract income for April and a second payment on 15 April for the May block contract adjusted for any amendments to the first payment. This means that NHS providers should have two months' worth of cash in their bank accounts. Going forward, CCGs will pay on the basis of the block contract on the 15th of each month. Providers will not need to invoice CCGs – payments will be made automatically.

It is important that suppliers, particularly small and medium sized companies, are paid promptly during this period. Normal terms and conditions, usually set to the NHS bodies' advantage, will have to be suspended and faster payments made. The cash arrangements are intended to enable this to happen.

Cash flow forecasting[9] will be particularly important.

Inventories and stocks

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:

- consider whether stock checks should be undertaken more frequently than usual in respect of the inventory and stock that is going to be in high demand or a target for theft, for example personal protective equipment, hand sanitiser and toilet rolls.
- where inventory is held centrally, consider reducing or limiting the quantity of some items that can be requisitioned at any one time to reduce the risk of unused stock being held on some wards while others are running short. This will have to be balanced with the time and administrative effort required to requisition and deliver inventory to the right place
- identify what items will be required and where, especially as wards and theatres are repurposed, to ensure that the supply does not impact on patient care. 'Usual' supplies and demand levels are not going to be a useful indication of what is needed during the pandemic
- identify inventory items that will not be in such high demand or needed at all during this crisis. These items may need to be moved off site and/ or securely stored elsewhere for the duration. If some hospitals/ sites are designated non-Covid-19 sites, inventory may need to be transferred those sites to enable them to continue to treat patients without incurring unnecessary additional costs
- patients with on-going conditions who are being seen in different settings - at home or virtually may need consumables (medicines, dressings) that they would normally get when visiting the hospital, these may need to be transferred to other providers or direct to the patients.

If inventory is moved to other NHS organisations, 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.

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[9] HFMA, *Financial forecasting in the NHS*, July 2016

The Counter-Fraud Authority[10] has suspended some of their activities, for example, the deadline for the self-review process has been pushed back and site visits are no longer taking place, but any frauds must to be reported to them as usual.

Equally, the number of cyber attacks via scamming emails may well increase during this period. Staff, especially those working from home for the first time, should be reminded to be vigilant about opening emails and any known issues should be publicised to all staff as soon as possible[11].

Cost improvement programmes (CIPs) 2020/21

2019/20 CIPs will have nearly been concluded so the outturn against the plan should be reported. For the remainder of 2019/20 and the first part of 2020/21, CIPs have been suspended 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 be ceased but will be important that the decisions/ work done so far is clearly documented so the work done so far is not wasted.

Charitable funds

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

[10] https://cfa.nhs.uk/about-nhscfa/latest-news/covid-19

[11] 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

Appendix 1 – Costs which may be incurred as a result of Covid-19

Staff related costs

- bank and agency staff to increase capacity:
  - clinical staff at all grades
  - non-clinical staff such as housekeeping, estates, IT and finance
- bank and agency staff to backfill Covid-19 sickness in other departments
- training staff to move to respiratory and Covid-19 related disciplines
- training costs for medical students, recently retired healthcare professionals and other additional capacity staff members
- DBS checks and other HR costs for additional staff members
- salary and employer costs for additional staff members
- impact of cancelled annual leave
- accommodation and subsistence costs for staff to remain at work if unable to return home
- administrative support to complete Covid-19 returns

Non pay costs

Medical

- personal protective equipment
- drugs costs for Covid-19 patients[12]
- oxygen
- disposal items such as aprons, gloves and patient clothing
- Covid-19 testing

Housekeeping

- cleaning supplies for additional cleans and deep cleans
- soap and hand sanitiser
- food and drink for Covid-19 patients
- additional laundry costs for additional beds and as beds are turned over faster than usual

Administrative

- funeral costs

IT

- laptops and associated technology for staff to work at home (some of this may be capital and should be dealt with as such)
- costs of additional software licences or remote access to systems

Capital

- ventilators
- Covid-19 pods
- amendments to existing estate, for example, to install doors rather than curtains to isolate patients
- additional beds
- additional mortuary space

[12] High cost drugs will be paid for via the specialised commissioning teams as usual

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.

HFMA

1 Temple Way, Bristol BS2 0BU

T 0117 929 4789

F 0117 929 4844

E info@hfma.org.uk

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