

# Next Steps on NHS Response to COVID-19 Financial Arrangements

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NHS England and NHS Improvement



# Welcome

- Firstly, huge thanks to you and your teams during these unprecedented times.
- During this difficult period we will all need to make sure we take care of ourselves and our teams.
- Like you, we are working at pace. We are not going to get this 100% right first time. Your feedback and help in shaping this and making it work will be invaluable.
- What are we trying to achieve?
  - Simplification and certainty
  - Resilience and continuity
  - Support the wider economy
  - Increase our speed of response whilst maintaining appropriate financial governance and control

# Background and Purpose



- The Government have announced additional measures to seek to reduce the spread of coronavirus across the country
- The NHS is expected to come under intense pressure
- The letter sets out actions every part of the NHS need to put in place:
  - Free-up the maximum possible inpatient and critical care capacity
  - Prepare for, and respond to, the anticipated large numbers of COVID-19 patients who will need respiratory support
  - Support staff, and maximise their availability
  - Play our part in the wider population measures newly announced by Government
  - Stress-test operational readiness
  - Remove routine burdens, so as to facilitate the above.
- The Letter outlines the cost reimbursement arrangements and amended financial arrangements for the NHS for the period between 1 April and 31 July

## Purpose of Session

- To highlight and provide additional detail regarding the revised financial arrangements
- Provide an opportunity for questions and feedback
- Signpost to additional resources and information

# Overview:

## Coronavirus Cost Reimbursement

- Setting out the amended financial arrangements for the NHS for the period between 1 April and 31 July
- Guidance will be revised to reflect operational changes and feedback from the service as the response develops
- Making a payment on account to all acute and ambulance providers to cover the costs of COVID-19-related work done so far this year
- Final costs for the current financial year being confirmed as part of the year end processes
- All NHS providers and commissioners must carefully record the costs incurred in responding to the outbreak and will be required to report actual costs incurred on a monthly basis
- Accurate record keeping during this time is crucial and must meet the requirements of external audit, and public and Parliamentary scrutiny
- Organisations will be asked to provide best estimates of expected costs from now until the expected end of the peak outbreak

## Contractual payments and provider reimbursement

- Operational planning process for 2020/21 is suspended
- NHS providers will be provided with a guaranteed minimum level of income reflecting the current cost base on the following basis:
  - Commissioners agree block contracts with NHS providers with whom they have a contract to cover period 1 April to 31 July
  - Trusts suspend invoicing for non-contracted activity for period 1 April to 31 July
  - National top-up payment will be provided to providers
  - The FRF and associated rules will be suspended
- Providers should claim for additional and reasonable costs **on a monthly basis**, to include:
  - Increase in staffing costs including temporary staffing and payments for bank/sub-contractor staff
  - Additional costs of dealing with COVID 19, e.g. NHS 111, decontamination, transport, testing and swabbing
- Impact of any change in non-NHS service income levels will be monitored
- Payments made by commissioners under block contract arrangements should not be revised to reflect any short falls in normal contractual performance during this period
- Prompt payment important to maintain cash flow

## Funding for Commissioners

- Commissioner allocations notified as part of 2020/21 operational planning
- Following taken into account to assess individual financial positions and affordability
  - Impact of the revised block contract approach 1 April to 31 July
  - Expected reductions in investments for service developments
  - Review of planned transformation initiatives
  - For NHS commissioners dependent on additional central support to fully cover their expenditure. NHSE/I will calculate a central top up payment

## Financial Governance

- Maintenance of financial control remains critical during the NHS response to COVID-19
- Continue to comply with legal responsibilities and other related guidance
- Financial mismanagement will be dealt with in the same way
- NHS organisations should undertake an urgent review of:
  - Financial governance
  - Resilience of finance functions and business continuity plans
  - Resilience of fraud prevention arrangements
- No new revenue business investments should be entered into (unless related to Covid-19/approved by NHSE/I)
- Normal consultancy and agency approvals must be maintained

# Specific Additional Funding Considerations

## **Purchase of enhanced discharge support services**

- CCGs and Local Authority partners to commission additional out-of-hospital care and support
- Operational guidance will be issued separately including finance guidance
- Eligibility assessments will not delay new care packages
- Plan on an average length of care package
- Additional funding based on monthly cost returns from CCGs.

## **Specialised services**

- Will follow same principles as CCG commissioned activity
- Arrangements for pass through Drugs and Devices costs will continue to operate as currently on a cost and volume basis
- Specialised providers required to respond to the most serious cases of COVID-19 through the provision of specialised care functions.
- Costs incurred are being coordinated through the National Highly Specialised team.

## **NHS 111**

- Commissioned nationally to provide a dedicated Covid-19 response service
- Continue to be contracted for and funded nationally
- Additional funding will be released from NHSE/I via lead commissioners for payment to NHS 111 providers

# Specific Additional Funding Considerations

## **General Practice**

- 1 April free up practices to prioritise workload to prepare for and manage the outbreak
- Guarantee that income will be protected if other routine contracted work has to be substituted
- GP practices in 2020/21 continue to be paid at rates that assume they would have continued to perform at the same levels from the beginning of the outbreak
- NHSE/I will reimburse any additional costs as part of our wider finance agreement on Covid-19

## **Third and Independent Sector Providers**

- Details of reimbursement for any additional services to be procured from the third sector or from independent sector organisations will be issued in due course



## **NHSE/I will issue indicative capital allocations for 2020/21**

- Additional capital expenditure will be required to support our response to the virus, for example:
  - Purchase of pods
  - Modifications
  - Ventilators and medical equipment
  - IT assets

## **NHSE/I may bulk-purchase assets to secure the necessary resource as quickly as possible**

- Arrangements for providers and commissioners to access capital in relation to the COVID-19 response.
- The key criteria against which we will assess claims are:
  - The proposed expenditure must be clearly linked to delivery of our COVID-19 response;
  - Asset must be capable of being delivered within the expected duration of the outbreak;
  - Modifications to estate, the works must be capable of being completed within the expected duration of the outbreak

- **Commissioner capital**

- Anticipate individual claims for capital expenditure by commissioners will fall within the delegated budgetary limits for NHSE/I of £10m.
- Requests for capital expenditure by commissioners should be relayed to NHSE/I regional teams for assessment with the national team

- **Provider capital**

- Anticipate that individual claims for capital expenditure by providers will fall within the delegated budgetary limits for trusts of £15m.
- Requests for capital expenditure by providers should be relayed to NHSE/I regional team for rapid assessment with the national team to enable swift decision making and disbursement of cash where appropriate.
- PDC charges will not be levied on any funding supplied in connection with COVID-19

# Cash Management Arrangements

## Background

- This approach is designed to support the amended financial arrangements for the NHS for the period 1 April to 31 July 2020.
- The amended financial arrangements should provide certainty of cash inflows to NHS organisations in conjunction with simplified transacting protocols i.e block payments replacing activity based invoice transactions.
- Key Principles are to ensure that there is enough cash in the system for providers and suppliers and minimise disruption/administration time.

# Cash Management Arrangements

## Approach

- Commissioners will pay all NHS providers on 1 April and 15 April on a block contract basis for both April and May, the June block contract is to be paid on 15 May and July block contract on 15 June.
- CCGs payments on the 1 April should reflect amounts already agreed between provider and commissioners.
- The payment on the 15 April should be the full value of the May block plus any additional amount to make it up to the value of the April block.
- Additional support will be provided for CCGs that do not normally pay on the 1 April and for CCGs that merge on that date.
- CCGs do not need to re submit cash drawdown requests already submitted on 18 March for April. CCGs will be instructed to drawdown additional cash from NHS England through the supplementary request process by 8 April to enable them to make the block payment for April 2020 and May 2020.

# Cash Management Arrangements

## Approach

- In reference to the 2020/21 block contract invoicing process providers **should not** raise invoices themselves. Any invoice that is currently in the system relating to 2020/21 should be paid on the 1 April, any under/over payment will be adjusted on the 15 April payment. Further invoices should not be raised by NHS Providers for 2020/21 to commissioners – but more detailed instructions will be issued shortly.
- CCGs/Commissioners must make these payments through manual payment request or IPFs.
- CCGs should ensure that their business continuity plans enable them to pay all suppliers (not just NHS providers) in a timely fashion. If CCGs are unable to fulfil their business continuity plans they must inform NHS England central team.
- The cash position will be continuously reviewed.

# Year end accounts



## **You have told us:**

- You need certainty, but also flexibility. Some entities want to get accounts out of the way and not be held up. Some teams are struggling and need more time.
- We need to collect data to ensure the wider system still works – so that PSF calculations can happen for example.
- You want the burden to be lightened, but for most people you want to complete 2019/20 financial reporting. (Some will struggle more.)

# Year end accounts



## Revisions to deadlines:

- For providers: key-data submission moved from 17 April to 20 April. This will be after COVID-19 income information.
  - For CCGs: ledger close for AP12 on 20 April
  - For providers: draft accounts deadline moved from 24 April to 27 April, with flexibility to extend to 11 May instead. Note all providers will make a submission on 27 April – draft accounts for most, or just agreement of balances data if necessary.
  - For CCGs: draft accounts deadline moved from 24 April to 27 April
  - For all, audited accounts deadline moved from 29 May to 25 June
  - More detail will be issued. May need to respond to any further changes in the future.
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- We are working with DHSC and HMT on whether we can relax annual report requirements, and agreement of balances thresholds will be raised – work is being done.
  - IFRS 16 implementation has been delayed by 1 year
  - Quality accounts preparation deadline still 30 June for now, this deadline being explored.
  - Auditor assurance work on quality accounts/reports should cease for 2019/20.