

COVID-19 Finance response National Team Update

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NHS England and NHS Improvement



Agenda

- Welcome
- Procurement Policy Note
- Hospices and other charities
- Cash and Capital Regimes for 2020/21 Financial Year
- Year end
- Questions

Procurement Policy Note

- The Procurement Policy Note (PPN) outlines the interim financial regime introduced to ensure that cash flows promptly through the system during COVID-19 while maintaining appropriate financial governance.
- There are three main components of the PPN guidance;
 - Prompt payment
 - Pre-Payment
 - Payment for goods and/or services where provision is reduced or paused temporarily
- This guidance does not replace any primary or secondary care guidance issued in relation to 2020/21 contracting and should be read in conjunction with 'Revised arrangements for NHS contracting and payment during the COVID-19 pandemic
- PPN 02/20 is only one aspect of the wide-ranging support packages which have been put in place. Other suppliers requesting prepayment, payments which vary from contractual obligations, or other novel approaches should be directed to the other sources of government support such as Coronavirus business interruption loans or the Coronavirus Job Retention scheme.

Procurement Policy Note

- PPN 02/20 does not in any way, shape or form, remove the normal fiduciary duties of NHS organisations which as publicly funded entities operate under. This means that financial governance must be maintained. This includes the responsibility to ensure accurate record keeping, verification and authorisation processes before payments are made to suppliers.
- As per PPN 02/20, NHS organisations should work with all suppliers to ensure business continuity is maintained wherever possible and that business continuity plans are robust and enacted. PPN 02/20, however, does not obviate suppliers from their responsibilities under the terms of their contracts with organisations either in the supply of services, or in the requirement to provide timely and accurate supporting information for all monies claimed as owed. Any request to vary, extend or significantly change contractual terms must be permitted by law, be with the agreement of all parties and no obligation to accept such proposals should be inferred from the PPN. Commercial and legal advice should be sought if necessary as it may not be permissible or desirable to amend contractual terms in all circumstances.

Procurement Policy Note

Payment for goods and/or services where provision is reduced or paused temporarily

- There will be a number of suppliers who supply goods/services used by many NHS organisations and therefore there is a requirement for national co-ordination regarding payment where goods and/or services will not be received in time or in full or provision thereof may be paused due to COVID-19. It is highly unlikely that local NHS organisations have sufficient visibility of the national market to ascertain the strategic importance of a supplier. Therefore, if suppliers contact local NHS organisations, the NHS organisation should contact england.nhsfinance-covidresponse@nhs.net for support and assistance before making any agreement.
- NHSEI will ensure that, where payments are agreed (on an emergency basis), it will be on an open book basis to ensure there is not profiteering or cross subsidisation and that the supplier has taken all appropriate mitigations. Any advance payments will be at cost and will be reconciled back to actual goods and services received. The cost of goods and services not ultimately received will be recorded as losses and special payments either locally or nationally. Local organisations will be expected to support NHSEI teams with reconciliations.

Hospices and other charities

- On Wednesday 08 April 2020, the Chancellor set out an extra £750 million in coronavirus funding for frontline charities, including up to £200 million for Hospices.
- Charities across the UK will receive a £750 million package of support to ensure they can continue their vital work during the coronavirus outbreak.
 - £360 million will be directly allocated by government departments to charities providing key services and supporting vulnerable people during the crisis.
 - These will include:
 - hospices to help increase capacity and give stability to the sector
 - St Johns Ambulance to support the NHS
 - victims charities, including domestic abuse, to help with potential increase in demand for charities providing these services
 - vulnerable children charities, so they can continue delivering services on behalf of local authorities
 - Citizens Advice to increase the number of staff providing advice during this difficult time
 - £370 million for small and medium-sized charities, including through a grant to the National Lottery Community Fund for those in England, will support those organisations at the heart of local communities which are making a big difference during the outbreak.
 - Departments will now work at pace to identify priority recipients, with the aim for charities to receive money in the coming weeks.

Up to £200m funding for hospices

- Up to £200 million total funding for hospices, with an initial payment of £67m in April.
- Under the arrangements, hospices will streamline their current service offer to free up to 80% of their bed capacity and up to 60% of their community contact capacity, to provide care for people with complex needs. This will typically be people being discharged from secondary care (e.g. non Covid-19 symptomatic patients whose clinical needs could be met in a hospice, or those needing additional community support due to a deterioration of their condition or destabilisation of their current care arrangements).
- The capacity purchased for April has a cost of £67m. Should utilisation of this capacity indicate a lower capacity requirement, there is the ability to reduce the capacity purchased (and associated monthly payments) in future months.
- These arrangements are expected to be required for three months, with the ability to extend or terminate early by mutual consent.
- The arrangement has initially been structured as a grant with funding paid to Hospice UK for onward distribution on an equitable basis to individual hospices. We are considering alternative distribution arrangements for future months including distribution of funding via CCGs contracting with individual hospices.

Up to £200m funding for hospices continued

- Without these arrangements, some hospices may be at risk of needing to reduce bed and community capacity or failing to be able to support future requirements, as a result of the decrease in charitable income received from shops and fundraising activities following the lockdown.
- To ensure hospices are paid only for capacity made available, capacity is being tracked via the national capacity tracker. Submissions will be verified by NHSE/I and there will be a claw back for any under-provision of the specified capacity.
- Claw back mechanisms are also in place to ensure capacity is not paid for more than once by different statutory bodies.
- The arrangements also provide for a claw back should hospices have charitable income more in line with normal operating levels to apply to the provision of this capacity.
- More detailed guidance setting out the calculation of monthly payments and the claw back adjustments will be made available shortly. This guidance will include templates for the various information submissions required.

Cash and Capital Regimes for 2020/21 Financial Year

- New cash and capital regimes have been introduced that will be effective as of 1 April 2020. In summary the changes include:
 - New Public Dividend Capital (PDC) issued to repay over £13 billion of the NHS' historic debt, in effect writing it off.
 - A move away from interest-bearing loans for future interim capital and revenue support, which instead will be provided as PDC.
 - Providing a capital spending envelope for the year to every local area, within which each STP/ICS will be expected to work together to manage their spending (whether financed through internal depreciation or cash reserves, or finance from DHSC or other sources).
- Adjustments will be made to top-up payments/ financial improvement trajectories to take account of the net cost or net benefit to each organisation of the replacement of loans with PDC.
- Revenue support will be provided as PDC which does not require principal repayment but carries a dividend payable at the current PDC rate. This reflects the opportunity cost to the taxpayer of diverting finance to unplanned cash requirements.
- The new capital regime and spending envelopes will provide greater clarity and confidence on the level of capital resource available, support system working and discussion on capital priorities, and enable faster access to national capital funding for critical safety issues. Individual STP capital envelopes will be issued in the next few days.

Cash and Capital Regimes for 2020/21 Financial Year continued

- During the CoVID-19 outbreak temporary arrangements are being put in place to ensure all providers have sufficient funding to respond to the crisis, including meeting reasonable additional costs. DHSC revenue support should not be needed during this period but will be available as a safety net, should it be required.

19/20 year-end issues

Covid costs – claims from providers and commissioners currently being reviewed, final payments/allocations to be confirmed imminently.

Lost non-NHS income – claims are currently being reviewed and notification on how these will be dealt with will be confirmed imminently.

Holiday pay accrual – provider submissions show some impact on holiday pay accrual from covid, but very variable across the country and a non-cash expense so not providing cash funding in 19/20.

CCG Prescribing - evidence that March costs higher than normal, but GPs instructed not to allow stockpiling, access to pharmacies more limited and no firm data that March higher than normal. So NHS England and NHS Improvement are expecting CCGs to accrue in line with historic patterns/specific local factors; no allowance for prescribing costs for CT compliance.

Funded Nursing Care (FNC) – possible increase in FNC rates for 19/20, no action required at this point. If backdated CCG accrual required, will be matched by additional allocation.

Flowers case – leave to appeal granted so current advice stands, ie no requirement for providers to accrue for additional pay costs.

Accounts and year end

Available to your teams

- Updated DHSC Group Accounting Manual and FT Annual Reporting Manual now available for annual report requirements.
- Guidance issued to providers on considerations for accounts if property valuation contains 'material uncertainty'. Reports of property values falling this year end.

On our radar

- Auditors raising new questions on providers' going concern on lack of certainty of future 2020/21 income – we are due to discuss with auditors.
- Conversion of interim DHSC loans to PDC – classifying all interim loans as current liabilities affects how balance sheet looks – we'll discuss with auditors and provide template disclosure wording.