

## APPENDIX B

### COVID-19 - Financial Guidance to NHS Wales' organisations

Given the immediate challenges presented by the COVID-19 pandemic, it is recognised that routine financial arrangements and disciplines are disrupted and need to adapt on an interim basis.

In this environment, there is a need to ensure that:

- There are clear and pragmatic financial arrangements in place which minimise any disruption to the system
- Business continuity arrangements are effective
- Frameworks to support effective decision making are clear
- Core financial assumptions and positions are clear and monitored, but with a light touch approach whilst maintaining sufficient clarity on minimum key measures

This guidance has been developed to support organisations and provide clarity on expectations for this disrupted period and until organisations return to business as usual arrangements.

### Principles

This document has been developed with the following guiding principles:-

- Finance will not be a barrier to delivering the operational needs of the service in response to the COVID-19 pandemic but needs to be managed and monitored in a structured manner;
- Funds will flow to and from NHS Wales' organisations in a timely manner;
- Organisations are expected to work together to ensure that services are not disrupted during this period as a result of cross-border flows and commissioning;
- Requests for COVID-19 funding will be facilitated through a simplified process that balances financial governance and operational need; and
- Organisations will track both the additional costs arising from COVID-19, and reductions in expenditure due to COVID-19 (i.e. reduced elective activity) in a structured and transparent manner.

### Financial Governance

The maintenance of financial control and stewardship of public funds will remain critical during the NHS Wales response to COVID-19. Chief Executives, Accountable Officers and Boards must continue to comply with their legal responsibilities and have regard to their duties as set out in [Managing Welsh Public Money](#) and other related guidance. Any financial mismanagement during this period should be managed in exactly the same way as at any other time.

NHS Wales organisations should undertake an urgent and timely review of financial governance arrangements to ensure decisions to commit resources in response to COVID-19 are robust and appropriate. Value for money is expected to remain a consideration when making decisions with a significant financial impact.

Specifically, organisations are expected to ensure that systems are in place to support decision-making at pace whilst maintaining appropriate controls and governance. This relates in particular to:

- Ensuring an appropriate scheme of delegation is in place and compliance with SFIs. This should include ensuring effective authorisation and signatory systems are in place to minimise any disruption
- Financial information should be collected in support of COVID-19 which is auditable and evidenced and supported by good documentation of key decisions
- Delegation limits and approvals should be documented and followed, having been approved by the Board. The arrangements should also be sufficiently robust and flexible to ensure that authorisation and decisions can take place in the absence of key staff.

No new revenue or capital business investments should be progressed unless related to the response to COVID-19 or otherwise expressly approved by Welsh Government.

From a governance perspective, organisations are also expected to ensure that any proposed service delivery solution in response to COVID-19 have appropriate NHS Indemnity arrangements and advice from Welsh Risk Pool as required.

### **Core Financial Systems & Processes**

NHS Wales Shared Services Partnership has outlined the business continuity arrangements in respect of key financial processes including payroll, procurement and accounts payable. These systems are able to operate via remote working with limited disruption. The systems are, however, dependent upon the ongoing exercise of controls within NHS Wales' organisations. In particular, organisations are asked to ensure that purchase to pay arrangements are appropriately effective and timely, and any payroll adjustments are communicated at an early stage. This will ensure timely payments to suppliers and maintaining cash flow, and ensuring no impact on the pay of our staff.

Organisations should ensure that robust business continuity arrangements are in place covering core financial systems, monitoring and reporting. This should include ensuring procedures, and rules for key systems are available and accessible to all appropriate staff, in a common place (both hard copy and electronically) to support staff required to undertake roles outside of their normal duties.

Business continuity plans should be kept under constant review, tested to ensure they remain effective, shared with all staff members, and updated on a timely basis where required with clear and timely communication.

Standing Financial Instructions require clear quotations and tender processes, which in the current situation, may not be possible. In ensuring appropriate use of public money, where this is not possible any new arrangements must be clearly documented, and decision making justifiable in the context of future scrutiny and accountability.

Organisations should ensure that control is maintained over inventory and stocks which will be critical should supply chains be under pressure. Organisations should therefore consider whether more frequent stock checks are required, and have clear processes in relation to products in high demand and optimise product distribution to ensure the right items are available at the times for patient care.

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.

NHS Wales' organisations are required to continue to pay suppliers and other NHS bodies (including NHS England providers) on a timely basis.

### **Counter Fraud**

During emergencies and crises, organisations are inevitably more vulnerable to a risk of fraud. There is already emerging evidence of increased phishing e-mails and other fraudulent activity. There are particular risks around invoice and procurement fraud.

We would encourage organisations to remain vigilant to this heightened risk of fraud and to take the following actions:-

- Maintain basic and fundamental financial controls around authorisation and segregation of duties; and
- Engage with your local counter fraud service if you require any guidance or note any suspicious activity.

### **Revenue & Capital Allocations and Cash**

NHS Wales organisations have received clear allocations for 2020/21, and all organisations should always utilise the funding available within their agreed allocation. It is anticipated that reductions in planned care activity as part of the response to COVID-19 will free up resources (finance and workforce) to be diverted to the COVID-19 response.

Welsh Government recognises the importance of liquidity and cash management at this time. The NHS Financial Management Team will prioritise the distribution of cash to support NHS Wales' organisations. Welsh Government will ensure that cash is paid to NHS Wales' organisations on a regular and timely basis to facilitate key financial activities such as payroll, procurement and accounts payable.

If additional allocations and/or requests for funding are approved through the processes outlined in this document, Welsh Government will communicate approval and issue the allocation in a timely manner, including converting into cash allocations on a timely basis.

It is acknowledged that organisations will incur additional costs in relation to COVID-19 and outline arrangements for monitoring and reimbursement below.

### **Ring-fenced Allocations (excluding DEL/AME Non Cash Depreciation)**

During this period, it is recognised that there may be under-utilisation or re-direction of ring-fenced services for their traditional purpose with therefore a reduced expenditure level against the baseline ring-fenced allocation. During this period there will be no claw-back of ring-fenced allocations therefore any under-spend against the allocation is an appropriate offset against increased COVID-19 expenditure.

### **Cost Reimbursement – Revenue Costs**

In many instances, the operational costs of the COVID-19 response will be met from within existing funding, as resources are re-directed from planned elective activity or other planned commitments. Further, costs of significant programmes and actions co-ordinated on a Once for Wales basis will be funded centrally as part of the national co-ordinated response.

Where an organisation has a need to incur specific additional costs associated with the local response, or where an organisation has a national leadership role, then Welsh Government will consider making additional revenue funding available. This will require a submission to Welsh Government explaining the nature of the additional cost, the likely timeframe it will be incurred and why it cannot be met from within the existing allocation. This will ensure an audit trail to support business critical decisions and support enabling allocation processes.

In order to facilitate a swift response, requests for funding support should be submitted to the central mailbox at [NHSFinancialManagement@gov.wales](mailto:NHSFinancialManagement@gov.wales)

Implementation of identified actions and appropriate procurement should not be delayed whilst waiting for funding confirmation from Welsh Government.

### **Financial Reporting & Monitoring**

Organisations need to ensure they will be able to track their financial position on an ongoing basis, and capture the impact of the COVID-19 pandemic. Welsh Government is revising existing monitoring arrangements to ensure routine monitoring is focussed on the bare minimum requirements to sustain clear financial reporting and integrity at this time. At a high level, this monitoring will describe the following:-

- Baseline position pre COVID-19 as per previous plans;
- Year to Date & Forecast outturn position
- Risks
- Allocation & Income assumptions (recognising that this is a fast changing environment)
- Cash flow & Capital assumptions
- Additional COVID-19 expenditure incurred; and
- Planned expenditure or investments that was not incurred due to COVID-19;

Organisations should build this approach into reporting and forecasts, and establish appropriate mechanisms to facilitate tracking of any additional expenditure in relation to COVID-19.

Welsh Government acknowledges that organisations' efforts will be wholly directed towards the COVID-19 response, which will affect the pursuit of savings and efficiencies at this time. It is recognised that delivering savings will not be prioritised unless they are supportive of the current situation and challenges. Organisations should review and identify which programmes will, and will not, be maintained or ceased, and progress to date documented and closed down to allow progress when the system returns to a normalised position. Organisations are expected to provide a clear assessment of their forecast outturn position having considered non-delivery of planned savings and the other variables outlined above.

Welsh Government is re-developing monitoring guidance for 2020-21, which will be issued in due course. This is being developed in line with the principles above and in the spirit of the challenges associated with COVID-19. Monitoring will therefore adopt a 'light-touch' approach with key areas of focus around COVID-19 reporting, and with sufficient flexibility for organisations to describe the financial impact of COVID-19 clearly. This will reflect both planned impacts on expenditure, and unplanned financial impacts of COVID-19.

### **Capital**

The principles of ensuring clarity on assumed allocations, forecast expenditure, and COVID-19 impact outlined within this guidance applies to Capital in addition to Revenue expenditure. Capital support will be provided for:

- Testing equipment and facilities
- Inpatient facilities, to include compliance issues with existing isolation rooms and conversion to negative pressure where required
- Inpatient facilities, expansion of isolation rooms numbers to meet the requirements of WHC (2018) 033

- Critical care facilities and equipment
- Diagnostics
- Works and equipment required to cohort patients not requiring critical care, including those in non NHS owned facilities where required
- Digital equipment
- Other capital requirements not covered by the above as required

As per reimbursement of revenue costs, organisations are asked to outline where additional capital funding is required above approved Capital Resource Limits (CRLs) and Capital Expenditure Limits (CELs), organisations should make submissions to Welsh Government outlining the detail of the costs, and timeframe it will be occurred. Implementation of identified actions and appropriate procurement should not be delayed whilst waiting for funding confirmation from Welsh Government

Routine capital monitoring will be reflected in the revised Monitoring Returns; however, given the challenges of COVID-19, Capital Projects progress reports are not required until at least the end of Quarter 1, when the position will be reviewed.

Given the exceptional circumstances of the current situation, for 2019/20 due to the ongoing uncertainty about year-end deliveries for both COVID and non COVID equipment and delay in construction schemes CRLs/CELs will continue to be amended for one week after 31<sup>st</sup> March, with the intention of closing them on 8 April 2020.

Depreciation funding requirements above baseline, will be obtained via the Non Cash Estimate Exercise in early August and refined in November (the June exercise will not be undertaken in 2020/21).

### **Purchase of enhanced discharge support services / Partnership arrangements**

Timely discharge and community care wrap around packages will be essential to release bed capacity within hospitals. Discharge to Recover and Assess packages are anticipated to be enhanced and will include community response team ('CRT') support, intermediate care beds (in a community hospital or care home) and domiciliary care.

Within existing partnership arrangements Welsh Government anticipates that additional costs will be incurred by both the local authorities involved and healthcare bodies. It is also envisaged that organisations collectively will be repurposing existing funding streams such as the Integrated Care Fund as an appropriate resourcing mechanism in these circumstances. Any additional planned expenditure which requires funding support should comply with the revenue cost reimbursement model outlined above within this guidance.

### **Cross-Border Flows**

It is essential that NHS Wales organisations collaborate effectively and minimise any disruption on the system during this period. All Welsh commissioners are expected to deploy the same approach as English commissioners and agree block contract arrangements with English providers in line with NHS England guidance. The NHSE guidance reflects that this arrangement should be in place to 31 July 2020 but we anticipate that this period will be extended and organisations should ensure that they are able to respond swiftly to any extension. It is recognised that this arrangement may have a disproportionate impact on those organisations with a high reliance on English providers and who cannot re-deploy internal resources to offset this financial pressure. This will be considered directly with specific impacted organisations.

An approach to Long Term Agreements for quarter 1 during the COVID-19 pandemic period has been developed by Deputy Directors of Finance, which is endorsed by Welsh Government as both a pragmatic and sensible approach. It is vital that organisations ensure stability, and no disruption in the system at this time.

Actions being taken and led directly by Welsh Government on a system wide basis as part of the response to COVID-19 will be resourced directly with no anticipated impact on any individual organisation.

It is anticipated that Welsh organisations will have similar pragmatic reciprocal arrangements with English commissioners as appropriate on any activity for English residents treated in Welsh providers.

### **Primary Care Contractors**

From 1 April, it is anticipated that Primary Care contractors are enabled to prioritise their workload according to what is necessary to prepare for and manage the outbreak, and therefore as a principle organisations should ensure that income will be protected as per existing contractual arrangements if other routine contracted work has to be substituted. Health Boards should plan to continue to make payments on this basis and ensure timely cash flow to independent contractors. Welsh Government will reimburse any additional costs in relation to COVID-19 as part of the reimbursement processes outlined in this guidance. Specific developments on a national basis may result in further guidance and support in relation to actions being taken by Primary Care contractors and this will be issued by policy leads in due course.

It is also intended that, during the outbreak, payments made under the Premises Cost Directions will be maintained. This will be in the event that premises are not able to open or where the use of premises is diverted away from GMS to support other COVID activities.

### **Summary**

This guidance is intended to provide clear minimal expectations and be a supportive framework for organisations to consider what is or is not maintained in the current situation.

Given the pace and urgency of the current situation and environment, there may be additional areas for clarification that has not been addressed by this guidance. Any queries in relation to this can be directed at [NHSFinancialManagement@gov.wales](mailto:NHSFinancialManagement@gov.wales) or directly with either Steve Elliott, Hywel Jones, Andrea Hughes, or Val Whiting in the first instance who will support you as required.