**COVID-19 Pandemic**

**NCL Financial Governance Arrangements**

**April 2020**

1. **Purpose**

This document sets out the financial governance arrangements for COVID-19 related expenditure. This document does not replace the CCGs normal financial arrangements and Standing Financial Instructions (‘SFIs’) but supplements them for COVID-19 related spend, and summarises the rationale for any changes to financial governance arrangements, to enable efficient and effective decision making and ensure capture and monitor of associated expenditure in line with NHS England and NHS Improvement (‘NHSE/I’) guidance.

These arrangements are to be reviewed every 3 months as a minimum but will be kept under constant review.

*Please note that the NCL CCGs Standing Financial Instructions Change on the 1 April 2020 (attached). These replace the individual NCL CCGs SFI’s which finish on 31 March 2020.*

Detailed financial guidance has not yet been issued. The financial governance arrangements will be kept under review and updated in accordance with national guidance received.

1. **Financial Principles**

Financial Principles applicable during the COVID19 period include the following:

1. We should assume that funding is not a barrier to taking appropriate actions in the response to COVID-19.
2. We must not forget our responsibility to be guardians of the public purse and should ensure that we set up the best financial environment and processes we can as we should expect to be held accountable for the decisions we make during this period once it has finished.
3. COVID expenditure decisions need to be properly authorised and recorded in order that NCL CCG can:

* Account for decisions
* Be reimbursed
* Tracked in the ledger
* Tell the 19/20 and 20/21 finance story and bridge from the pre-COVID financial plan
* Be aware of exit costs

1. COVID workstream leads are responsible for approving COVID spend in their workstream.
2. There will a financial decision log and COVID cost collection process to be completed by each COVID workstream on a regular basis.
3. There will be amendments to the inaugural NCL CCG SFIs authorisation limits and procurement rules for the COVID period that will be kept under review. Some procurement rules are relaxed during the COVID period.
4. Broadly we would expect to incur additional costs in primary care, on discharges, on preparation and co-ordination of STP-wide projects. We would expect local Trusts to incur the additional costs of hospital provision. For the COVID period there is a national contract for use of Independent Sector hospitals.
5. The WAP process still in place for staffing commitments.
6. No new revenue business investments should be entered into unless related to Covid-19 or unless approved by NHSE/I as consistent with a previously agreed plan. Therefore there should be no new investments, or implementation of previously approved but not yet started investments, unless directly Covid-19 related, until the end of quarter one.
7. The COVID 19 period starts on 19 March 2020 and will be determined by NHSE/I.
8. **Expenditure approval**
   1. **Expenditure Limits**

All key decisions in relation to the CCGs response to COVID-19 should be made within the 8 workstreams (see below) and the NCL CCG Gold Leadership Group. Workstreams are listed below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Workstream** | **Lead** | **Title** |
|  | Clinical Quality | Kay Matthews | Executive Managing Director: Barnet |
|  | Comms & Engagement | Ian Porter | Executive Director of Corporate Services |
|  | Corporate Governance | Ian Porter | Executive Director of Corporate Services |
|  | Finance | Simon Goodwin | Chief Finance Officer |
|  | NCL CCG Gold | Frances O’Callaghan | NCL CCG Accountable Officer |
|  | Primary Care | Tony Hoolaghan  Paul Sinden | Executive Managing Director: Haringey & Islington  Executive Director of Performance & Assurance |
|  | Provider Preparedness | Sarah Mansuralli  Sarah McDonnell Davies | Executive Director of Strategic Commissioning  Executive Managing Director: Camden |
|  | System Scenario & Planning | Will Huxter | Executive Director of Strategy |
|  | Workforce & HR | Michelle Chadwick | Interim Director of HR Transition |

1. **Revenue Expenditure**

While there is no budget for COVID-19, and approval is not within budgetary constraints, the current SFIs will cease to apply in relation to COVID-19 related expenditure. These limits are subject to the appropriate procurement rules in section 6.1 below.

For **revenue expenditure** during the COVID-19 response period, the following authorisation limits will apply:

* Local COVID-19 Workstream Lead Directors can approve spend up to £5k.
* Executive COVID-19 Workstream Leads and Director of Finance can approve spend of up to £100k.
* Single items in excess of this requiring approval from the AO and CFO acting together can approve expenditure up to £1m.
* Governing Body Chair, AO and CFO acting together can approve expenditure over £1m.
* Covid 19 Response Oversight Committee can approve unlimited expenditure.

All approvals should be recorded in writing from the authorising party which will be retained as audit evidence. All values are exclusive of VAT.

For specific revenue expenditure on out-of-hospital care packages and support relating to discharges the following authorisation limits will apply:

* Specific identified posts can approve spend up to £70k (equivalent to £1,343 p/w).
* Directors can approve up to £150k (in line with budgeted expenditure).
* Managing Directors can approve up to £250k.
* AO and CFO acting together can approve expenditure up to £1m.
* Governing Body Chair, AO and CFO acting together can approve expenditure over £1m.
* Covid 19 Response Oversight Committee can approve unlimited expenditure.

While there is an expectation that care costs may increase during this period records should be maintained, with all costs and activity associated with the enhanced discharge process captured for audit purposes and for reporting to NHSE&I.

NHSE&I will reimburse CCGs through the monthly allocation process. CCGs will, from the commencement date, maintain a record of the costs and activity associated with the enhanced discharge process for audit purposes and to submit claims for additional payment to NHSE&I.

The reimbursement of costs process also applies to local authorities who will be expected to submit returns to the CCG, also for reimbursement from NHSE&I. In order to maintain effective governance during this process, existing section 75 agreements will be varied to include these services and functions.

1. **Capital Expenditure**

COVID-19 **Capital expenditure** required a bid to be submitted to NHSE/I Emergency Preparedness, Resilience and Response (EPRR) Group for approval.

All expenditure will still need to be procured, accounted for and coded appropriately and the monitoring process (see below) will be used.

We anticipate that individual claims for capital expenditure by commissioners will fall within the delegated budgetary limits for NHSE/I of £10m. Any requests for capital expenditure by commissioners including any assets being purchased on behalf of general practice should be relayed to NHSE/I regional teams for assessment with the national team, following which the required capital allocation will be issued.

1. **Supply/contract arrangements**
   1. **Procurement arrangements and new contracts**

It is recognised that normal procurement arrangements will not be able to be in place during the COVID-19 related emergency as speed and availability of products will be critical during this period. Therefore the procurement requirement for competitive tender and 3 quotes will be overridden with approval as set out in the ‘Specific Procurement advice in light of exceptional circumstances’ guidance below. The CCGs intention is to use the existing NHS supply chain and approved providers and frameworks. The CCG also intends to utilise national procurement arrangements put in place for key COVID-19 equipment and supplies (e.g. PPE).

In keeping with NHSE/I guidance covering the COVID-19 response, no new contracts for supply of goods or services should be entered in to during this period unless directly *related to COVID-19. Any exceptions will need to be approved by NHSE/I. Therefore there should be no new investments,* ***or implementation of previously approved but not yet started investments, unless directly Covid-19 related, until the end of quarter one****.  This will be reviewed periodically.*

Any new contracts should be for a maximum period of up to three months and require Work-stream Executive Director sign off, in writing where possible. *Any exceptions to this must be agreed by the NCL AO and CFO acting together* with written approval retained as audit evidence.

The Public Contract Regulations 2015 (‘the regulations’) section 32 recognise that in exceptional circumstances authorities may need to procure goods, services and works with extreme urgency via direct award, call off from an existing framework agreement, call for competition using a standard procedure with accelerated timescales or extending or modifying a contract during its term.

Contracting authorities are required to keep a written justification of their decisions.  Therefore, for procurements that is subject to the regulations (Light Touch Regime services [Health and Social services] over £663,540, supplies, services and design contracts over £189,330, and works contracts over £4,733,252, all excluding VAT) advice should be taken from the procurement team – contactable via [nelcsu.strategicprocurement@nhs.net](mailto:nelcsu.strategicprocurement@nhs.net)

Please refer to the Procurement in Exceptional Circumstances for additional information.

Exits costs should be considered as part of the procurement/contracting process.



* 1. **Consultancy, Agency Spend and Pay**

In line with NHSE/I guidance consultancy and agency approvals will be maintained in line with normal financial controls. The usual NCL WAP process remains in place during the COVID-19 period.

* 1. **Business Cases/Non COVID-19 related investment**

NHSE/I Guidance is that no new revenue business investments should be entered into unless related to Covid-19 or unless approved by NHSE/I as consistent with a previously agreed plan. Therefore there should be no new investments, or implementation of previously approved but not yet started investments, unless directly Covid-19 related, until the end of quarter one. This will be reviewed periodically. *Any exceptions to this must be agreed by the NCL AO and CFO acting together* with written approval

* 1. **Delegation of authority in case of absence**

Where an Executive Director is absent due to sickness or annual leave they may assign authorisation responsibilities to a named deputy for the period of their absence only. Nominated deputies should be pre-agreed as appropriately qualified to deputise by the Executive Board members. For the named nominated Deputy to the Accountable Officer (AO), should be ratified by the Governing Body Chair.

1. **Monitoring arrangements**

NHSE/I has set out the expectation that all CCGs will carefully record costs incurred in responding to the outbreak. The CCG will be required to report costs incurred monthly. The CCG will require an audit trail for any cost reimbursement by NHSE/I. This section sets out the core process the CCG will use to ensure costs are captured appropriately.

* 1. **Expenditure**

Any direct costs associated with COVID-19 invoices these should be approved and coded within cost centres with the Analysis 1 code P4206 – COVID19.  This has been linked to identified cost centres.  When raising a purchase order or coding any non-PO invoices relating to these costs please ensure you use:  93CN-Cost Centre-Subjective Code-P4206-Anaylsis 2-Analysis 3.

If the analysis code is not available to the relevant cost centre this should be sent to SBS helpdesk [NHSSBSHelpdesk@rmh.nhs.uk](mailto:NHSSBSHelpdesk@rmh.nhs.uk) and the analysis code will be linked to the appropriate cost centre.

COVID-19 related staff sickness and absence will be captured via the Workforce System

Staff remuneration for paid overtime will be captured via timesheet. Please refer to embedded COVID19 Staff Remuneration document for further details.



Redeployment / Staff Volunteering – Please refer embedded HR Guidance: Managing Requests for Resource to Support COVID-19 Priorities From External Organisations for further details.



1. **Financial Decision & Cost Reimbursement Template**

It is the responsibility of the Executive Director Lead for each workstream to ensure that a copy of this log is submitted by close of play every Thursday [nclchangeprogrammes@nhs.net](mailto:nclchangeprogrammes@nhs.net) to enable capture and triangulation of the costs on weekly basis. Where practical the finance team will also keep a copy of PO/invoices of any spend to support any audit requirements.

Given the time limited nature of COVID-19 expenditure exit costs should be considered and estimated as part of the financial decision process. Actual costs will need to be captured and then verified by finance.



All NHS providers and commissioners must carefully record the costs incurred in responding to the COVID-19 outbreak and will be required to report actual costs incurred to NHSE/I on a monthly basis. To enable this weekly returns must be submitted to the above email address. Accurate record keeping during this time is crucial - record keeping must meet the requirements of external audit, and public and Parliamentary scrutiny.

It is the responsibility of the COVID19 Work-stream Leads to approve submission and confirm these are accurate.

* 1. **Opportunity Costs**

Consideration should be given to opportunity costs. Opportunity costs are the he loss of other alternatives when one alternative is chosen, a simple definition is the cost that is incurred due to NOT doing something. For example with the majority of resourcing focused on the COVID19 response may result in increased costs due to delays in implementing System Efficiency Plans, including local schemes and the delay to implementing the new CCG operating model that could lead to increased costs.

These will need to be assessed and costs estimated. Further guidance is expected on this at a later date.

* 1. **Reporting arrangements**

The financial planning team will be responsible for collating costs from the above sources. These costs will be reviewed on a weekly basis prior to monthly submission to NHSE/I and signed off by the CFO or deputy in their absence.

The Director of System Financial Planning will be responsible for submission of all costs to NHSE/I as required. In the absence of the Director of System Financial Planning the reporting will be the responsibility of either the Director of Financial Management or the Director of Finance Contracting. It is anticipated this reporting will be the basis of monthly reimbursement from NHSE/I.

1. **Fraud/Financial loss**

The CCG has considered the resilience of existing fraud prevention arrangements, especially with regards to the temporary arrangements put in place to enable efficient COVID-19 related decision making and financial transactions.

The CCG acknowledges the increased potential for fraud at this time but will mitigate this risk by:

* Maintaining existing segregation of duties arrangements, especially regarding:
  + Working in partnership with Local Counter Fraud
  + Financial systems user set-up/amendment
  + Supplier set-up/amendment
  + Purchase order approval/receipting/invoice approval
  + Payment approval
* Ensuring that the segregation of duties set out above are maintained:
  + Where user approval limits are temporarily increased;
  + Where cross-cover arrangements are put in place; and
  + Where authority is temporarily delegated
* Requiring documented Executive Director approval as set out about with dual ED approval for exceptions (in line with Board approved COVID19 SFI changes) for any required override of standard procurement SFIs – for example, when speed/availability and quality of supply considerations take precedence over ensuring best value for money through tendering contracts/obtaining a minimum number of quotes – with the following qualifications:
  + Utilisation of the existing supply chain where possible; and
  + Prohibiting commitments to procure supplies exclusively or for longer than a period of three months without AO and CFO approval;
  + All exceptions with AO and CFO dual sign off will be reported to the Board
* Endeavouring to monitor COVID-19 related spend on a weekly basis (via reporting to the CFO) – including PO and invoice approval – to identify any suspicious transactional patterns (e.g. disproportionate, unjustified spend with a single supplier) in order to prevent further financial loss and to mitigate any losses incurred to date;
* Continuing to place reliance on the CCG’s Finance and Accounting provider (NHS SBS) to mitigate any risk of fraudulent supplier set-up/amendment.

The CCG also acknowledges the increased risk of payroll fraud at this time, and will continue to enforce existing controls (refer to CCG SFIs/standard policies and procedures) regarding:

* Hiring temporary staff;
* Shift booking;
* Timesheet approval;
* Payroll amendments;
* Payroll processing (which is outsourced to NEL CSU)

1. **Counter Fraud Reporting**

Fraud and bribery within the NHS is not acceptable as these offences divert valuable resources away from patient care and put patients at risk. It is important that funds which are intended for healthcare are used as such; therefore the CCG takes a zero tolerance approach towards tackling fraud.

The role of the Counter Fraud Team is to implement the NHS Counter Fraud strategy within the organisation and to investigate professionally, any suspicions of fraud or bribery that may arise. The NHS widely recognises that the vast majority of staff and patients are honest. Unfortunately however, there is a small minority against which action has to be taken against to reduce fraud to an absolute minimum.

Please refer to the Alert – COVID-19 Fraud Risk Response Plan at Appendix 1 for further information. Please note that this includes contact details for Counter Fraud.

1. **Internal Audit**

The CCG Finance Team will work closely with RSM internal audit to support ensuring good financial governance during this time.

**Version Control**

Version: 1

Approved by Governing Body on 23rd April 2020.