Statement from NHS England and NHS Improvement to support provider and commissioner forecasting

27 May 2020

NHS entities will be aware that the definition of going concern in the public sector focuses on the expected continued provision of services by the public sector rather than organisational form. As a result the financial statements of all NHS providers and CCGs will be prepared on a going concern basis unless there are exceptional circumstances where the entity is being or is likely to be wound up without the provision of its services transferring to another entity in the public sector. Entities will prepare cash flow forecasts as part of managing their business, and external auditors are likely to want to review these as part of their work required by auditing standards. As at any year end, auditors are likely to request sight of these for up to 18 months from the financial statements reporting date.

In March 2020 we announced revised arrangements for NHS contracting and payment to apply for part of the 2020/21 year. In May 2020 we issued revised financial management guidance to CCGs for the corresponding period. We are not yet able to definitively announce the contracting arrangements that will be in place for the rest of 2020/21 and beyond. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this.

Further, in additional guidance on the cash and capital regime published by DHSC in April 2020 (https://www.england.nhs.uk/wp-content/uploads/2020/04/C0096-Cash-regime-guidance-1-April-2020.pdf), DHSC has confirmed that temporary revenue support arrangements will continue, in order to support providers with demonstrable cash needs.

Entities therefore should continue to prepare cash flow forecasts on a medium-term basis, using a combination of the different contracting and payment arrangements that have applied to them over the past year, and if necessary, on the basis on the contracts issued for the first four months of 2020/21. In any year, where auditors request cash flow forecasts from providers for 18 months from the reporting date, that second subsequent year would usually not yet have formal contracts in place between a provider and its commissioners, but it is reasonable to assume funding will continue to flow. That principle is unaffected in the current environment.