



**PWYLLGOR ARCHWILIO A SICRWYDD RISG
AUDIT AND RISK ASSURANCE COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	15 December 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Assurance Report
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Huw Thomas, Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

**ADRODDIAD SCAA
SBAR REPORT**

Sefyllfa / Situation

The Audit & Risk Assurance Committee (ARAC) requires assurance on a number of financial areas as outlined in the body of the report.

Cefndir / Background

The Standing Orders require that ARAC provides assurance to the Board that the University Health Board's assurance processes are operating effectively. Critical to this is Financial Assurance, which cannot be measured only by the UHB's main finance report, and requires further information in order to assess the control environment in place; the risk assessment and management process; and the control activities.

Asesiad / Assessment

This report outlines the assurances which can be provided to the Committee.

Following discussions between the Director of Finance and the Chair of the Audit Committee, Balance sheet reporting previously included in this report will now be presented to the Finance Committee.

Argymhelliad / Recommendation

The Audit & Risk Assurance Committee is asked to note the report, and approve the losses and debtors write offs noted within.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference Cyfeirnod Cylch Gorchwyl y Pwyllgor	4.4 The Committee's principal duties encompass the following: 4.4.2 Seek assurance that the systems for financial reporting to Board, including those of budgetary
--	---

	control, are effective, and that financial systems processes and controls are operating. 5.13 Approve the writing off of losses or the making of special payments within delegated limits. 5.15 Receive a report on all Single Tender Actions and extensions of contracts.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	BAF SO9-PR20 BAF SO10-PR33
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability 7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Improve efficiency and quality of services through collaboration with people, communities and partners

Gwybodaeth Ychwanegol: Further Information:

Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on the Health Board's financial reporting system. Activity recorded in the AR and AP modules of the Oracle business system, activity recorded in the procurement Bravo system.
Rhestr Termiau: Glossary of Terms:	AP-Accounts Payable AR –Accounts Receivable CF –Counter Fraud COS-Contracted Out Service VAT COVID-19 – Coronavirus COP- Confirmation of Payee ECN- Error Correction Notice EOY – End Of Year ERs NI-Employers National Insurance HMRC-Her Majesty's Revenue and Customs HOLD- Invoices that cannot be paid, as there is a query with the price or quantity or validity ICF – Integrated Care Fund IFRS – International Financial Reporting Standards NWSSP-NHS Wales Shared Services Partnership NIC-National Insurance Contribution PID –Patient identifiable data PO –Purchase Order POL –Probability of loss PPPAC – People, Planning & Performance Assurance Committee

	PSPP-Public Sector Payment Policy RTI-Real Time Information(transmitted to HMRC from the Payroll system) SFI – Standing Financial Instructions SLA – Service Level Agreement STA-Single Tender Action VAT-Value Added Tax WRP – Welsh Risk Pool
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Archwilio a Sicrwydd Risg: Parties / Committees consulted prior to Audit and Risk Assurance Committee:	UHB's Finance Team UHB's Management Team Executive Team Finance Committee

Effaith: (rhaid cwblhau)	
Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial implications are inherent within the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	Risk to our financial position affects our ability to discharge timely and effective care to patients.
Gweithlu: Workforce:	Overpayments are reported within this report.
Risg: Risk:	Financial risks are detailed in the report.
Cyfreithiol: Legal:	The UHB has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
Enw Da: Reputational:	Adverse variance against the UHB's financial plan will affect our reputation with Welsh Government, Audit Wales and with external stakeholders.
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable

Financial Assurance Report

1.1 Purpose

- The purpose of this report is to outline the financial assurances which the Audit & Risk Assurance Committee requires.
- The framework agreed is included below in Figure 1, and the remainder of the report is based on this.

Figure 1: Compliance requirements for the Audit and Risk Assurance Committee		
Compliance requirement	Reporting	Frequency
Scheme of delegation changes	<ul style="list-style-type: none"> • Exception reporting for approval 	As and when
Compliance with Purchase to Pay requirements	<ul style="list-style-type: none"> • Breaches of the No PO, No Pay policy • Instructions for noting • Public Sector Payment Policy (PSPP) compliance • Tenders awarded for noting • Single tender action 	Quarterly
Compliance with Income to Cash requirements	<ul style="list-style-type: none"> • Overpayments of staff salaries and recovery procedures for noting 	Quarterly
Losses & Special payments and Write offs	<ul style="list-style-type: none"> • Write off schedule • Approval of losses and special payments 	
Compliance with Capital requirements	<ul style="list-style-type: none"> • Scheme of delegation approval for capital 	Following approval of annual capital plan
Compliance with Tax requirements	<ul style="list-style-type: none"> • Compliance with VAT requirements • Compliance with employment taxes 	Quarterly
Compliance with Reporting requirements	<ul style="list-style-type: none"> • Changes in accounting practices and policies • Agree final accounts timetable and plans • Review of annual accounts progress • Review of audited annual accounts and financial statements 	Annually

Financial Assurance Report

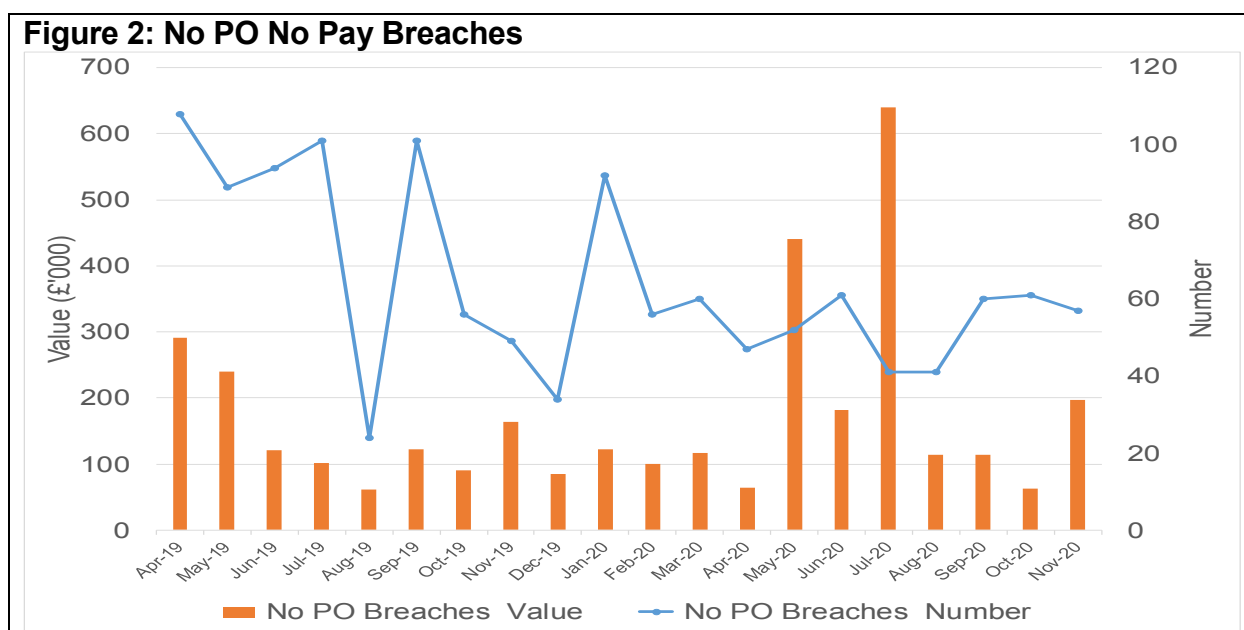
2.1 Scheme of delegation changes

- No changes to report.

2.2 Compliance with Purchase to Pay Requirements

2.2.1 Breaches of the No PO, No Pay Policy

- The Health Board has adopted the All Wales No PO No Pay Policy, which will ensure that all non-pay expenditure (unless listed as an exception) is procured and received through the Oracle system.
- Figure 2 below illustrates the numbers and value of breaches against the No PO No Pay policy. This consisted of 118 breaches totalling £0.260m between the months of October 2020 – November 2020, the cumulative position as at end of November was 252 breaches, £0.333m in total (30th September cumulative was 218 breaches, £0.305m in total).
- The volume of PO breaches reduced slightly from October to November. October's data shows a positive reduction in value in comparison to previous months, however there was an increase in value in November, largely due to £45.3k relating to recruitment invoices and £41.7k relating to vehicle leasing invoices. Processes have been put in place to ensure that Purchase orders numbers are identified on the invoices and not created retrospectively.



2.2.2 Public Sector Payment Policy (PSPP) Compliance

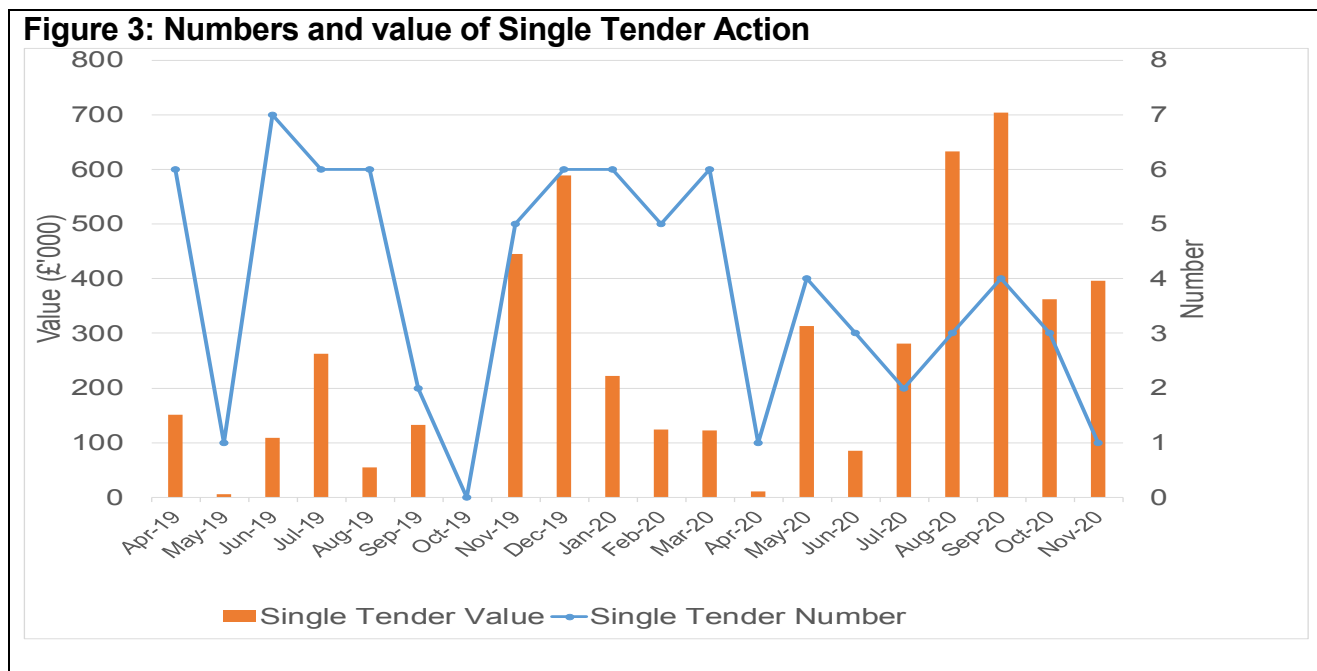
- The Health Board achieved its PSPP target of paying 95% of its non-NHS invoices within 30 days in November 2020 with 95.28%, and due to the failure to achieve target in September the cumulative position is 94.9%. If the Health Board continues to achieve the target month on month then the cumulative target of 95% is expected to be achieved.

2.2.3 Single Tender Actions

- The use of single tender waivers is carefully managed and controlled by the Health Board.

Financial Assurance Report

- There were 3 Single Tender Actions (in excess of £25,000) approved in the period from 1st October 2020 to 30th November 2020 totalling £0.7m, as detailed in Appendix 1.
- The graph below (Figure 3) shows the trend of all Single Tender Actions approved from April 2019 to 30th November 2020.



2.2.4 Tenders Awarded

- There were 10 competitive tenders awarded locally during the period from 1st October 2020 to 30th November 2020, totalling £2.3m, details of which can be seen in Appendix 2.

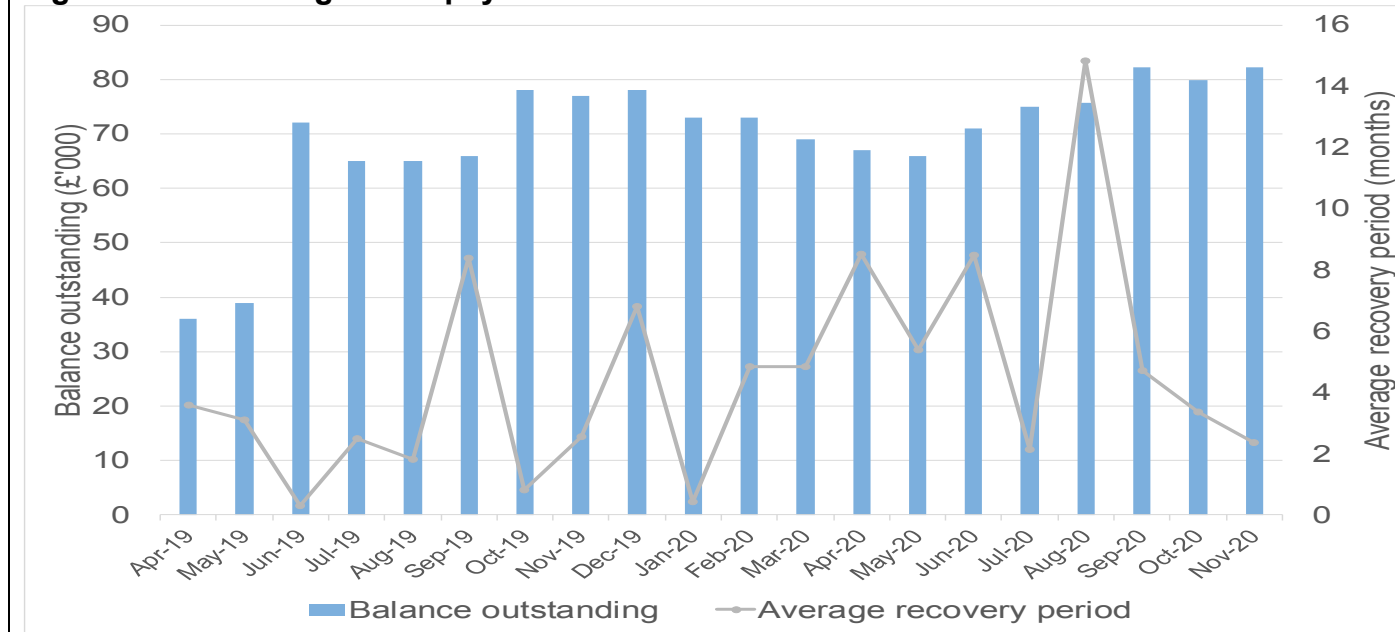
2.3 Compliance with Income to Cash

2.3.1 Overpayment of Salaries

- The Health Board has a duty to ensure that staff are paid appropriately, and that overpayments are not incurred.
- Appendix 3 shows the numbers and value of overpayments recovered in the period 1st October 2020 – 30th November 2020, 22 cases totalling £17,834.
- The graph below (Figure 4) demonstrates the total balance outstanding against the average recovery period. The average recovery period reflects the number of debts settled in the current period only. The debt balance for October and November 2020 remained consistent across both months, however, there has been a continual downward trend in the recovery period over the past three months, which means quicker recovery of debts.

Financial Assurance Report

Figure 4: Trend of aged overpayments and recoveries



The Overpayments Task & Finish group consists of representatives from Finance, Payroll, ESR and Counter Fraud. The updated actions are as follows:

- Final draft of the Recovery of Overpayments and Management of Underpayments Policy has been prepared and agreed by Finance. The paper has now been circulated to Workforce and OD for review. It will then be presented to the Staff Partnership Forum and then to PPPAC, with a proposed implementation date of February 2021 if no issues arise during consultation.
- Work is ongoing between Hywel Dda and NWSSP around developing electronic forms; the rollout of Office 365 throughout the Health Board will greatly assist this and once IT have finalised the rollout, we will progress the options available via Office 365 by March 2021.

2.4 Losses and Special Payments for Approval

- Losses and special payments require the Audit & Risk Assurance Committee's approval given their contentious nature. These are outlined in Appendix 4.
- Losses and special payments amounting to £31,731 have been made for the period 1st October to 30th November 2020. This was attributable to Pharmacy expired drugs and products of £24,499 in Wyllybush and £7,233 in Glangwili.
- Ex Gratia Losses under £5k, as per requirement under FP02 – Income and Cash Collection, have been presented and approved by Director of Finance, in total these amounted to £13,876.

2.4.1 Consequential Losses – Field Hospitals

- As part of the contractual process of setting up and maintaining the Field Hospitals during the pandemic the Health Board has incurred costs to occupy these sites. Reimbursement to site owners for occupation has included an element of rent and an element of consequential losses.

Financial Assurance Report

The consequential losses figures are currently reported on the Field Hospital monthly returns to Welsh Government.

- We have recently received the following guidance from Welsh Government for the approval process that needs to be followed around the funding of these losses:

“A process has been agreed within Welsh Government for requesting approval for consequential losses in respect of Field Hospitals.

Organisations should complete and sign the financial losses form that is part of the manual for accounts and submit to Andrew Goodall, ... with an Accountable Officer letter from the Health Board’s CEO seeking approval. The CEO should confirm the due diligence that has been undertaken by the organisation prior to submitting the loss for approval.”

A detailed report, including appropriate proforma and accountable office letter will be prepared for consideration at the next Audit Committee

2.5 Compliance with Capital Requirements

- No issues to report.

2.6 Compliance with Tax Requirements

2.6.1 Compliance with VAT Requirements

- Following the outcome of a court hearing, HMRC has indicated during November 2020 that it will concede that it was incorrect to advise NHS bodies that the recovery of VAT incurred on the leasing of cars to be provided onwards to employees under salary sacrifice should have been restricted by 50%. Impacted organisations may now make claims to HMRC for the repayment of the 50% not originally recovered based on the incorrect guidance. HDdUHB is in the process of submitting its claims for the repayment of VAT dating back to 2016, when it first operated a salary sacrifice car scheme.
- An update on the existing issues regarding VAT are set out in the following table:

Key VAT issue	Update
HMRC 2018-19 COS VAT recovery review	Data requested by HMRC for the purpose of this review was successfully transferred to HMRC in October 2020. The Health Board now awaits further correspondence from HMRC.
Home Technology Salary Sacrifice scheme (closed schemes)	The Health Board continues to await an assessment in respect of under-accounted output VAT. A total of £127k has been provided for in respect of this probable liability.

Financial Assurance Report

Key VAT issue	Update
Capital Front of House Scheme (Bronglais Hospital)	<p>The final recoverable VAT percentage for this scheme as a whole remains to be agreed with HMRC. VAT recovery to date has been based on a provisionally calculated percentage.</p> <p>A request has been made to HMRC by the Health Board, via its VAT advisors, for the provisional VAT recovery percentage to be accepted as final, thus preventing the need for the lengthy exercise to produce a detailed final calculation, which may result in additional VAT either becoming payable by or repayable to the Health Board. HMRC is yet to conclude in respect of this request.</p>

2.6.2 Compliance with Employment Tax Requirements

- An update on the key current issues within Employment Taxes are set out in the following table:

Key Employment Tax issue	Health Board response and mitigating action
Issues with Payroll transmitting RTI information to HMRC	<p>The Health Board has overpaid PAYE tax due to an imbalance which arose from an aged interface error between HMRC and the Health Board's payroll software provider IBM. The Health Board has been awaiting a repayment from HMRC but the matter remains unresolved since the disbanding of the HMRC team dealing with the issue.</p> <p>The Health Board is now working with its VAT advisors to escalate the matter.</p>

- The Health Board is considering the method by which it will report to HMRC the taxable benefit-in-kind arising to employees who have been provided with free temporary accommodation by the Health Board for the purpose of isolating during the COVID-19 pandemic. Consideration is being given to whether the taxable benefits will be reported by way of a PAYE Settlement Agreement with HMRC, thereby enabling the Health Board to pick up the tax liabilities of affected employees on their behalf. This matter is discussed in more detail in Appendix 5.

2.7 Compliance with reporting requirements

- Statutory Accounts 2020-21** – this was discussed at the Technical Accounting Group meeting with Welsh Government which was held on 26th November 2020. Welsh Government has proposed a submission date of 30th April 2021 for the draft accounts. Formal agreement and notification has yet to be communicated.
- IFRS 17** – Insurance Contracts. Following the deferred implementation of the standard, we await advice from Welsh Government. This will be issued once the IFRS 17 working group at Treasury reconvenes. There is still no update on this.

Financial Assurance Report

- **IFRS 16** –The NHS Wales finance community has sent in a request to Welsh Government to defer this further than 1st April 2021 due to the impact of COVID-19 and in light of the second wave and its proximity to the end of the financial year. The Financial Reporting Advisory Board (FRAB) met on 19th November to discuss this, we await communication of their decision.
- **Standing Financial Instructions (SFIs)** – A paper was presented to the Directors of Finance on the 16th October and subsequently to Board Secretaries on the 30th October for endorsement before being formally submitted to Welsh Government.
- **Increased BACS limit** – The BACS system is used to transfer the Health Board’s creditor and payroll payments out of the bank account. To ensure we comply with agreed limits with our bank, the Health Board’s BACS limit has been increased from £20m to £22.5m. This will be reviewed again in December as part of the annual review process with the bank.

3.1 Recommendations

The Committee is asked to note the report and approve the losses and special payments and write-off of irrecoverable debts noted in the report.

Appendix 1: Single tender actions awarded

	Period covered by this report:		1 Oct 2020	30 Nov 2020	
Ref	Supplier	Value (£)	One-off or Period	Department	Justification provided
HDD533	Airedale	44,137	One-off	Estates	<p>The reason for this STA is obtain approval to purchase the Chiller plant unit to support the delivery of the main project at GGH (phase II) and maintain programme.</p> <p>The manufacturer has indicated that there is a delay in the lead time for the manufacture and delivery of the chiller unit i.e. from 3 to 6 months due to the direct impact of COVID-19. The impact is that unless an order is placed for the Chiller unit quickly the programme cannot be maintained, and the scheme will not be delivered until after the summer 2021.</p> <p>The risk is that the existing chiller plant is prone to failure, and whilst repairs undertaken to prolong operation, replacement has been identified as a priority to ensure cooling is available to the theatres in the summer 2021. The existing equipment is unreliable and caused a theatre disruption last summer.</p> <p>The main scheme at £236k is being competitively tendered, approval is sought to place an order for the Chiller plant element only, at £44,147k (19% of the scheme value).</p> <p>The chiller phase I scheme was fully competitively tendered in January 2018, which included a market test on the supply and purchase of the chiller unit.</p> <p>A new tender is being arranged for phase II, which for engineering reasons has specified the same chiller unit.</p> <p>Chiller cost delivered to GGH (Environmental option) - £44,147</p> <p>Tendered price in January 2018 was £36,803 / comparison cost for same unit £43,103 – equates to circa 5.5% annual increase which reflects cost indices (and any impact of COVID-19).</p>

Appendix 1: Single tender actions awarded

HDD535	British Red Cross	£299,756	Until 31 st March 2021	Community Services	<p>Current supplier is British Red Cross who have been contracted by the Health Board and Carmarthenshire County Council since 2018 for the CUSP (Carmarthenshire United Support Project), Home from Hospital and Home not Hospital services. Supplier is funded through varied sources: Core budget percentage local authority, ICF funding, transformation funding, winter pressures funding and COVID-19 payment. Formal service reviews and regular performance outcome metrics are supplied which are forwarded to Welsh Government. Supplier is a third sector organisation who are monitored and reviewed by Carmarthenshire Association of Voluntary Services</p>
HDD536	Field Bay	£397,000	November 2020 – 31 st March 2021	Integrated Systems Directorate	<p>The Health Board wish to commission a block of 8 complex care beds, which would consist of a mixed model of older adult, mental health and complex nursing beds. Specifically, these beds are required to provide mitigation to increasing acute hospital pressure related to COVID-19 and winter pressures.</p> <p>The Provider needs to be able to support a range of complex physical nursing and mental health needs, and have a multi-disciplinary staffing team that can be flexible in supporting rapid discharges. The Provider will need to facilitate rapid discharge and swift throughput of patients who require full MDT assessment</p> <p>The Health Board currently commission with this Provider on a regional basis. This high quality facility have the ability to support patients with high needs such as, Dementia, Acquired Brain Injuries, Learning Disability, Complex Behavioural Needs, Chronic Neurological Conditions, Mental Health and Bariatric Care.</p> <p>The Company employ multi-skilled Nurses, Physiotherapists, Occupational Therapists, Speech and Language Therapist, Positive Behavioural Support Management Team and have access Neuro-Psychologist and Consultant Psychiatrist. The Property is purpose built with multi-functional facilities that can offer a range of therapeutic and social activities that can enable residents to reach their full rehabilitation potential. The Provider is about to open a newly developed 8 bed unit which can operate</p>

Appendix 1: Single tender actions awarded

					<p>independently from the rest of the property with large en-suite bedrooms, kitchen, sitting rooms, laundry and treatment room which would provide a higher COVID-19 resilience model.</p> <p>When considering the current Provider market, it is clear that this is the only Provider currently with availability to open a purpose built facility of 8 beds that can accommodate patients with a range of complex nursing needs and have the multi-skilled MDT to support this care through a rapid discharge process. The Health Board have broad experience with all other Providers across the footprint and when considering the needs of people with the complexity as described above, all other Providers have declined to offer placements as they are not able to support this patient population.</p> <p>In terms of value for money while the weekly rate is considered significantly higher than the market average, the service requested is genuinely considered as only being possible by a single supplier as outlined above and available within our Health Board area.</p>
--	--	--	--	--	---

Appendix 2: Competitive tenders awarded

Ref	Period covered by this report:		1 October 20	30 November 20	Reason for tender
	Supplier	Value (£)	One-off or Period	Department	
HDD-DCO-PP-21948-26	Gleeds	£12,000	1/10/20 – 30/9/21	Corporate/Field Hospitals	Consultant Cost Advisor (Gleeds)
HDD-MIN-44347	BDP Ltd	£495,207.66	To 31 st March 2021	Estates	Master Planning Team
HDD-DCO-NHSSC-21948-29	Skyguard	£89,100	3 years +1 +1	Health, Safety and Security	Skyguard Lone Worker System
HDD-ITT-45406	SISK Healthcare	£50,100	One off	SCBU	Neonatal Retina Camera System
HDD-MQ-RA291508	Crest Ceilings & Partitions Limited	£11,175	One-off	Estates	Additional Fire Compartmentation Survey
HDD-RFQ-45551	Stacy Johnson	£19,500	No fixed contract term, project timings to be agreed with supplier	Workforce & OD	Reverse Mentoring Programme
HDD-ITT-45500	Lewis Construction	£1,038,691.96	Nov 20 – May 21	Capital/Estates	Enabling Works for MRI Replacement
HDD-ITT-45572	Edmunds Webster	£247,377.44	Jan 21 – Apr 21	Capital/Estates	Enabling Works for Pathology Relocations
HDD-ITT-45598	Lewis Construction	£220,230.86	Jan 21 – Mar 21	Capital/Estates	HSDU Refurbishment Works PPH
HDD-ITT-44935	Framework - Multiple providers	£80,000	24 month call off framework	Workforce & OD	Framework - Coaching/Action Learning/MBTI

Appendix 3: Overpayment of Salaries

Period covered by this report: 01 October 2020 – 30 November 2020			
Ref	Reason for Overpayment	Value (£)	Number of invoices
1	Timing issue due to termination mid-month	14,064.20	15
2	Recovery of occupational maternity leave	2,534.63	1
3	Recovery of overpaid hours / locum duties	615.38	3
4	Recovery of overpaid annual leave	455.29	2
5	Recovery of outstanding balance relating to emergency payment	164.78	1
		17,834.28	22

Appendix 4: Losses and Special Payments over £5,000

	Period covered by this report:	1 October 2020 to 30 November 2020	
Ref	Losses and Special Payments Category	Value (£)	Explanation
1	Ex Gratia	24,498.19	October 2020 - Expired Drugs; WGH Pharmacy
2	Ex Gratia	7,232.68	November 2020 - Expired Drugs – GGH Pharmacy
	Total Losses (for approval)	31,730.87	

Appendix 5

Summary

As part of its response to the COVID-19 outbreak, Hywel Dda University Health Board (HDdUHB) has provided a number of its employees with free of charge temporary accommodation away from their homes for the purpose of isolating.

The provision of free accommodation to employees in these circumstances is currently a taxable “benefit-in-kind”, potentially resulting in income tax becoming payable by the employees in question. The option is available to the Health Board to pick up these tax liabilities on behalf of the affected employees. The cost of doing so in respect of accommodation provided during the period up to September 2020 alone is currently estimated to be £230,000.

A paper is being raised to Silver Tactical asking the group to consider recommending to the Executive Team/Board that HDdUHB should pick up the income tax liabilities arising to employees.

Background

Provision of free of charge accommodation

HDdUHB has provided a number of staff, primarily those working in COVID-19 Wards, with temporary accommodation away from their homes for isolation purposes, both for the protection of individuals and for maximising the availability of staff.

Accommodation has been sourced both at no cost to the Health Board, e.g. local student residences, and by way of contracts with local hotels based on agreed nightly or weekly rates.

In the period from the beginning of the pandemic to 30 September 2020, a total of circa. £350,000 was incurred by HDdUHB on external paid-for accommodation for COVID-19 isolation purposes. Further such expenditure is expected to be incurred over the remaining phases of the pandemic.

No charges have typically been raised by HDdUHB to the staff members in question for the accommodation made available to them.

Income tax implications

Based on current guidance and tax exemptions, the provision of accommodation or overnight lodging by an employer to an employee for the purpose of isolating during the COVID-19 pandemic is a taxable benefit-in-kind. The taxable amount of the benefit-in-kind is the cost incurred by the employer in providing the accommodation less any amount paid for the use of the accommodation by the employee.

Taxable benefits-in-kind are normally reported to HMRC by way of forms P11D, resulting in tax charges arising to the employees in question. Forms P11D are due for submission to HMRC by the employer by 6 July after the end of the tax year in question (6 July 2021 for 2020/21).

PAYE Settlement Agreement

A PAYE Settlement Agreement (“PSA”) is a mechanism by which employers may report to HMRC and pay on behalf of employees any income tax liabilities arising as a result of the provision to them of certain benefits-in-kind. HMRC have confirmed that any benefits-in-kind arising with a direct link to COVID-19 can be included within a PSA instead of being reported via forms P11D.

The Health Board may register a PSA with HMRC at any point up to 6 July 2021 in order to report the benefits-in-kind arising from its provision of free accommodation to staff during 2020-21.

Assessment of options

Employee considerations

Based on the extent of the provision of accommodation to employees for COVID-19 isolation purposes in the period up to 30 September 2020, it is estimated that the total income tax liability that has arisen to date to the employees in question is circa. £103,000, split across less than 100 employees. This includes circa. 20 doctors who were resident in Hotel Mariners, Haverfordwest, for 90-120 nights at a weekly charge to the Health Board of £400 per room and in respect of which a tax liability of circa. £2,500 has arisen to each.

On the basis that HDdUHB's provision of free accommodation to staff was part of its strategic response to the COVID-19 outbreak, with the intention of maximising the availability of staff to maintain operational demands, it is likely to be argued strongly by these staff members that the accommodation was provided to them in the performance of their employment duties, rather than for personal benefit. Accordingly, these employees may strongly object to any taxable benefit-in-kind arising being reported to HMRC via their forms P11D and would consider it more appropriate for HDdUHB to report the benefit-in-kind through a PSA.

As the amount that will be subject to income tax in respect of a particular employee is based on the cost incurred by HDdUHB in providing accommodation to that employee, a different liability to income tax may arise to different employees depending on the accommodation to which they were allocated. Should the Health Board not opt to pick up all liabilities on the employees' behalf, some employees who were allocated hotel rooms at nightly rates of £50-60 will be faced with a significantly higher charge to income tax than others who were allocated to accommodation sourced at a lower cost or made available free of charge to the Health Board. This may be considered unfair.

Workforce considerations

Should employees become aware that their acceptance of accommodation by HDdUHB may result in a charge to income tax which will not be picked up on their behalf by the Health Board, this may deter staff from accepting further accommodation, thus potentially impacting the availability of clinical staff to the Health Board over the remaining phases of the outbreak.

HDdUHB financial implications

Based on the provision of accommodation to employees for COVID-19 isolation purposes in the period up to 30 September 2020 only, HDdUHB's estimated liability under the default P11D reporting route is £41,000, consisting only of Class 1A NIC. If HDdUHB opted for the PSA reporting route, HDdUHB's liability would increase to an estimated £230,000. These figures do not take into account any further benefit-in-kind that may arise over the remaining phases of the pandemic.

Administrative implications

The submission of forms P11D, one for each employee in receipt of taxable accommodation, will require an accurate calculation of the benefit-in-kind arising on an employee by employee basis, whereas reporting via a PSA, a single submission, would be administratively

simpler, being based on just a sample of employees or based on the total cost incurred by the Health Board in providing the relevant accommodation to all staff.

Reporting via a PSA will avoid the occurrence of queries and objections being raised to the Health Board by impacted employees following the submission of forms P11D or a tax payment request from HMRC. This will therefore relieve pressure on HDdUHB and the Payroll Services sector of the NHS Wales Shared Services Partnership.

Possible HMRC exemption

It is possible that HMRC or the Treasury will in due course introduce a tax exemption in respect of accommodation provided for the purpose of isolating during the COVID-19 pandemic, even if such an exemption is limited to NHS key workers. There have been no such announcements from the Treasury to date; therefore, the likelihood of a retrospective exemption remains uncertain.