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Committee of Public Accounts

Department of Health and Social Care 2020–21 Annual Report and Accounts

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The Department's 2020–21 Annual Report and Accounts, published on 31 January 2022, reported the exceptional challenges the Department faced in responding to the COVID-19 pandemic. As part of this response, the Department purchased over £12 billion of Personal Protective Equipment (PPE) in 2020–21. Due to the speed of which the procurement took place and the volumes of PPE ordered, equipment was purchased that did not always meet requirements and much higher prices than normal were paid. The accounts reveal the £9 billion extent of this financial loss including £4 billion of PPE that will not be used in the NHS and needs to be disposed of. The Department has no clear disposal strategy for this excess PPE but told us that it plans to burn significant volumes and will aim to generate power from this.

As a result of its haphazard purchasing strategy, the Department also has problems with a large number of the PPE contracts it entered into. It is currently engaged in commercial negotiations, legal review or mediation in respect of 24% of the PPE contracts awarded. This includes issues with contracts for products that were not fit for purpose, and one contract for 3.5 billion gloves where there are allegations of modern slavery against the manufacturer.

The accounts also reveal that the Department spent £1.3 billion without HM Treasury (HMT) approval and also needed to seek the Treasury's retrospective approval in many other cases during its response to the pandemic. The Department had a track record of failing to comply with the requirements of Managing Public Money even before the further exceptional challenges of the pandemic response, this has now been exacerbated further as a result of the COVID-19 response.

The Department must learn from its experience of responding to the COVID-19 pandemic and quickly develop clear post-pandemic plans to transition back to business as usual. This should include implementing a robust procurement and inventory management processes and controls to ensure proper financial management and having a clear coordinated strategy for dealing with the significant volumes of excess PPE in the most cost effective and environmentally friendly way.

Introduction

The Department of Health and Social Care (the Department) leads the health and care system in England. The Departmental Group's accounts show that total operating expenditure increased to £191.9 billion in 2020–21, a 30% increase on 2019–20. This included a £20.5 billion (31%) increase in operating expenditure on the purchase of goods and services primarily related to its response to the COVID-19 pandemic. The Comptroller and Auditor General (C&AG) qualified his audit opinion on the accounts for several reasons. There was insufficient evidence to support: the Core Department inventory balance of £3.6 billion at year-end; £6.1 billion of inventory consumed during the year; £8.7 billion of inventory impairments; and the £1.2 billion onerous contract provision recognised by the Department for inventory purchased but not received at the year-end. There was also insufficient evidence to support the Group accruals balance of £17.2 billion. In addition, £1.3 billion of the Department's COVID-19 spending was spent either without the necessary HM Treasury approvals or in breach of conditions set by HM Treasury, and there was insufficient evidence to show that the Department's spending, particularly on COVID-19 procurement, was not subject to a material level of fraud.

Conclusions and recommendations

1. **Having spent £12bn on PPE, the Department has £4bn of PPE in storage that will not be used in the NHS and now faces the challenges and costs of its disposal.** The Department has written £8.7 billion off the value of the £12 billion it spent on PPE in 2020–21. The Department spent £4 billion on PPE which didn't meet NHS standards and therefore has remained unused. It also bought 817 million items of PPE costing £673 million which are defective and cannot be used, donated or sold to anyone. This includes masks identified as being counterfeit; and gowns that are not water-repellent. Additionally, £2.6 billion of PPE purchased have not been used in the NHS as, while meeting technical standards, are not the type or standard preferred for use by NHS workers. A further £4.7 billion was written down to reflect that the market price at the year-end was lower than the price paid at the height of the pandemic. The Department now needs to pay for the disposal of millions of items of PPE and is appointing two commercial waste partners to help them dispose of 15,000 pallets a month via a combination of recycling and burning to generate power. The costs and environmental impact of disposing of the excess and unusable PPE is unclear.

   Recommendation: ***Alongside its Treasury Minute response, the Department should write to us setting out full details on how it plans to dispose of unusable and excess PPE, the volumes and cost (of the PPE disposed of and the related storage and disposal costs) and impacts (environmental or otherwise) this may have. In addition, we ask that the Department now include an update on the progress of PPE disposal in the quarterly update they already provide the Committee following our Initial lessons from the government's response to the COVID-19 pandemic report (Thirteenth report Session 2021–22).***

2. **The procurement of PPE in response to the COVID-19 pandemic overwhelmed existing systems and has exposed weaknesses in the Department's commercial contracting capability.** At the start of the pandemic the Department faced significant challenges in sourcing and procuring PPE in the competitive global market due to the surge in demand around the world; and the temporary decline in global supply as factories temporarily shut to help reduce Covid-19 infections. PPE was purchased from new suppliers including from companies with no experience in these types of products, and where full physical product quality inspection could not always be done in advance. The Department's subsequent review of the 364 PPE contracts it entered into identified concerns about 176 (48%) contracts. Of these 176 contracts, 24% are either currently under commercial negotiation (59 contracts); legal review (27 contracts); or in mediation (3 contracts). One of these contracts was for 3.5 billion gloves where there are allegations of modern slavery against the manufacturer.

   Recommendation: ***In its Treasury Minute response the Department should set out its 'commercial reset' plan and the timeline for scaling up its commercial capability across the Departmental Group to ensure sufficient support is in place to procure and manage existing and future contracts. The Department should also***

keep us informed of cases where it is has been both successful and unsuccessful in reclaiming money spent on sub-standard PPE or recovering money paid to suppliers where no goods were received.

3. **There is no clear plan for how big the PPE stockpile needs to be and how the Department will build greater resilience into the NHS supply chain so that it can respond at pace to future urgent needs.** Having an appropriate PPE stockpile and a resilient NHS supply chain is crucial to the Department's successful response to any future pandemic and infectious disease risks. The Department has historically relied on international supply chains and held a stockpile of PPE, medicines and clinical consumables to mitigate the reasonable worst-case scenario risk of an influenza pandemic only. The Department has not yet decided on what level of stockpile it will hold for future pandemics and whether it should buy PPE from British manufacturers to shorten the length of the supply chain and more effectively manage the quality and delivery speed of items. The Department estimates that if it held a stockpile sufficient to deal with a pandemic equivalent to COVID-19 then it believes it would be value for money only if there was a pandemic every 12 years. The Department has important work to do to identify an appropriate level of stockpile; balancing the need to hold sufficient PPE to mitigate the risk of potential supply chain delays and price spikes in the early stages of a pandemic, with the ongoing cost of storing PPE, and the risk of items going out of date without ever being used.

   Recommendation: ***The Department should develop a clear plan to increase the resilience of the NHS supply chain to be able to respond at speed if there is another pandemic or variant of concern and needs to explain in detail to the Committee how it intends to work out what items and how much PPE it needs to hold as a national stockpile going forward.***

4. **The Department has regularly failed to follow public spending rules and across the Departmental Group there is a track record of failing to comply with the requirements of Managing Public Money.** The Department is required to obtain approval from the Treasury before committing to expenditure where such authority is needed. The Treasury has confirmed that £1.3 billion of the Department's spending in 2020–21 did not have HM Treasury consent and was therefore 'irregular'. The Treasury has stated that 'in the vast majority of cases' this was because either the Department and/or the NHS had spent funds without approval or in express breach of conditions. While the Department consciously relaxed financial controls during its pandemic response, this is not the first-time such instances of non-compliance have been identified. In 2019–20 the value of unapproved special payments across the Departmental Group was estimated as £18 million.

   Recommendation: ***The Department should write to us by October 2022 setting out the systems and processes it has established as part of its 'financial reset' to ensure the regularity of expenditure and compliance with spending controls across the Departmental Group going forward.***

5. **The Department's COVID-19 pandemic procurement highlighted the importance of achieving transparency in respect of how it identifies and manages declarations of interests.** A considerable amount of taxpayers' money was spent on products from new suppliers, including those with no previous experience of supplying certain

types of products, increasing the risk that the Department entered into contracts where conflicts of interest existed. The Department's existing processes for collating and assessing potential related parties and related party transactions did not provide the necessary completeness assurance over the interests held by senior individuals. The Department had to subsequently rectify this and undertake further work, with a number of additional interests identified and disclosed in its Annual Report and Accounts as a result.

Recommendation: ***The Department should maintain and improve accountability by embedding their revised processes so that these are undertaken on a timely basis each and every year and normalise the transparency of the results by inclusion of the full list of interests identified in every Annual Report and Accounts.***

6. **There have been inappropriate unauthorised payoffs made to staff by health bodies, and the planned large-scale NHS restructuring increases the risk of this happening again.** Special severance payments when staff leave public service employment should be exceptional and they require Treasury approval because they are often 'novel, contentious and repercussive'. Three Clinical Commissioning Groups (CCGs) approved and paid special severance payments without following the required authorisation process. The C&AG qualified his regularity audit opinion on the NHS England 2020–21 Annual Report and Accounts in respect of one of these—an unapproved special severance payment made by Berkshire West CCG to its former Accountable Officer. There are currently 106 CCG's, which as part of the planned re-organisation of the NHS will become 42 Integrated Care Boards (ICBs) on 1 July 2022, increasing the likelihood of future payoffs and further non-compliance with the rules that apply over the value of exit packages.

Recommendation: ***The Department should write to us alongside its Treasury Minute response setting out how it will monitor and control the approval of all redundancy payments made by entities within the Departmental Group to ensure such payments are properly authorised in advance and are not irregular.***

7. **With 23 days to go until the financial year end the UK Health Security Agency did not have an agreed budget for the new financial year.** The Department established the UK Health Security Agency (UKHSA) on 1 April 2021 as a new executive agency to be the UK leader for health protection responsible for ensuring the nation can respond quickly and at greater scale to deal with pandemics and future threats. Public Health England's (PHE's) health protection functions transferred into UKHSA on its abolition on 1 October 2021. On the same date, UKHSA also took over the functions of NHS Test and Trace and the Joint Biosecurity Centre from the Department itself. The UKHSA budget for 2021–22 was approximately £15 billion. Despite UKHSA being up and running for a number of months, when we took evidence on 7 March 2022 the Department had still not agreed, and did not know when it would agree, a UKHSA budget for the 2022–23 financial year.

Recommendation: ***The Department should not get into this position again and should write to the Committee to set out what steps it has put in place to ensure that all organisations it sponsors have a budget in place to allow sufficient time for financial planning for the year ahead.***

8. **There is no clear plan as to how the Department will bring forward the publication date of its annual report and accounts.** The Department prepared its 2020–21 Annual Report and Accounts in exceptional circumstances. The Department's 2020–21 Annual Report and Accounts, and those of NHS England and the Consolidated NHS Provider Accounts, were published on 31 January 2022—the day of the statutory deadline for all Departments. However, HM Treasury expects Departments to publish their Annual Report and Accounts prior to the parliamentary summer recess in July—the 'administrative' deadline it sets is 30 June—and the Department should work towards achieving this target in future. At the time of our evidence session, one NHS trust—the University Hospitals of Leicester NHS Trust (UHL)—was yet to sign and publish its own Annual Report and Accounts for both 2019–20 and 2020–21. For the second year running the Department has had to set out in its Annual Report that this NHS trust had failed to comply with the Secretary of State's directions to prepare 'true and fair' accounts.

Recommendation: ***The Department should develop a detailed and realistic plan for bringing forward the preparation and publication of its annual report and to improve timeliness of its accountability for the use of taxpayers' money.***

1 The financial impact of COVID-19

1. On the basis of a report by the Comptroller and Auditor General (C&AG), we took evidence from the Department of Health and Social Care (the Department) on its Annual Report and Accounts for 2020–21.[1]

2. The Department leads the health and care system in England. The Department reported that the COVID-19 pandemic was the most significant challenge the country and the public sector has faced in a lifetime and that work on COVID-19 was the single most important operational and policy focus for the whole Department and wider health and social care system. In this context the Department acknowledged that it had been an "incredibly challenging year to produce the Annual Report and Accounts".[2]

3. The Departmental Group's accounts show that total operating expenditure increased to £191.9 billion in 2020–21, a 30% increase on 2019–20. This included a £20.5 billion (31%) increase in operating expenditure on the purchase of goods and services primarily related to its response to the COVID-19 pandemic,[3] the purchase of £12 billion of Personal Protective Equipment (PPE) for use in the NHS, with £5.59bn of inventory purchased for NHS Test and Trace (T&T) - which included lateral flow tests.[4]

4. The C&AG qualified the Department's 2020–21 Annual Report and Accounts in several respects. He qualified his 'true and fair' opinion on the Department's accounts because there was insufficient evidence to support: the Core Department inventory balance of £3.6 billion at year-end; £6.1 billion of mainly PPE and T&T inventory consumed during the year; £8.7 billion of inventory impairments; and the £1.2 billion onerous contract provision recognised by the Department for inventory purchased but not received at the year-end. The C&AG also qualified his 'true and fair' opinion as a result of insufficient evidence to support the Group accruals balance of £17.2 billion. There was a further qualification due to a disagreement on the application of IFRS 9 as at 31 March 2020 as the C&AG disagreed with the accounting treatment of the loans issued by the Core Department to NHS Trusts and Foundation Trusts, recognised within the Core Department & Agencies Statement of Financial Position as at 31 March 2020.[5]

5. The C&AG qualified his "regularity" opinion on the Department's accounts because £1.3 billion of the Department's COVID-19 spending was made without the necessary HM Treasury approvals or in breach of conditions set by HM Treasury. The C&AG also limited his regularity opinion in respect of fraud as the Department were unable to provide sufficient evidence to show that its spending, particularly on COVID-19 procurement, was not subject to a material level of fraud.[6]

1 Report by the Comptroller and Auditor General, *Department of Health and Social Care Annual Report and Accounts 2020–21*, 31 January 2022
2 Department of Health and Social Care Annual Report and Accounts 2020–21, 31 January 2022, page 2
3 C&AG's Report, para 1
4 DHSC 2020–21 ARA, page 276
5 DHSC 2020–21 ARA, pages 191–192
6 DHSC 2020–21 ARA, page 192

Unusable and surplus PPE

6. The Department wrote-down £8.7 billion of the £12 billion it spent on PPE in 2020–21. This included £4 billion of PPE that the Department has identified cannot or will not be used in the NHS.[7] The £4 billion of PPE that will not be used in the NHS is made up of:

- £673 million (5% of all PPE purchases by volume, which is 5.6% by value) items that are defective and which cannot be used, donated or sold. This is significantly higher than the 0.5% we were previously advised by the Department when it last gave us an update.[8]
- £2.6 billion (10% of all PPE purchases by volume,[9] and 21.6% by value) is not fit for use in the NHS. These items meet technical standards but are not of the type or standard preferred for use in the NHS.
- £750 million of PPE held is in excess of the amount that will ultimately be needed by the NHS.As an example, the Department advised us that it has at least 15 years' worth supply of eye protectors.[10]

The further £4.7 billion was written down to reflect that the market price of equivalent PPE at the year-end was lower than the original purchase price.[11]

7. The C&AG qualified his opinion on the Department's 2020–21 Accounts in relation to PPE and other inventory, including the write downs the Department made. The weaknesses in the Department's inventory records, combined with significant volumes of inventory being held in containers at ports, other temporary locations or in storage in China, meant the Department was unable to physically inspect its stock at the year-end to verify the quantity and quality of the inventory it owned.[12]

8. We asked a number of questions around the Department's storage arrangements for its PPE. The Department confirmed that work is ongoing to sort through the vast quantity of PPE held and it had still not yet opened all of the shipping containers of PPE to inspect the stock.[13] Until this process is complete, there is a risk that the estimates of unusable PPE rises further. Whilst the Department continues to hold inventory in shipping containers, there is a risk that the PPE degrades more quickly than if it were stored in proper warehousing.[14]

9. We asked the Department what plans it had for disposal of the £4 billion of PPE that it has identified cannot be used in the NHS. The Department told us that it had approached 75 different countries to see if they could use any of the unusable PPE. This has led to ongoing discussions with 11 countries and the Department has made some minimal donations of PPE so far.[15] In respect of disposal options, the Department confirmed that it had a pilot of re-purposing face visors as food trays, and aprons into bin bags.[16] The

7 C&AG's Report, para 8
8 Qq 19, 22, 23
9 Q 24
10 Q 52
11 C&AG's Report, para 8
12 DHSC 2020–21 ARA, page 191
13 Q 69
14 Q 90
15 Qq 46, 49
16 Qq 40–42

Department informed us that it intends to appoint two waste partners, with the aim of disposing of 15,000 pallets a month.[17] The disposal will be via combination of recycling, and burning the items which will also generate power. In the meantime, the Department is still spending £3.5m a week in storing PPE.[18]

PPE Procurement and contracting capability

10. Prior to the COVID-19 pandemic, the Department held a stockpile of PPE to respond to what it considered was a reasonable worst-case scenario of an outbreak of pandemic influenza.[19] It was identified in the early stages of its COVID-19 pandemic response that the stockpile it held was inadequate to respond to the urgent needs of the NHS and Social Care sector.[20] The stockpiles only provided an estimated two weeks' worth, or less, of most types of PPE needed by the NHS and social care during the pandemic and did not include gowns which were needed.[21] Prior to the pandemic, there was no nationally centralised model for procuring and distributing PPE to the health and social care sectors. A separate 'parallel' supply chain was set up by the Department, which included establishing a 'High Priority Lane' (also referred to as a 'VIP' lane) that included referrals of potential suppliers from MPs, ministers and senior officials. In January 2022, the High Court published its ruling that the use of the High Priority Lane was unlawful.[22]

11. Most of the PPE was bought at speed early in the pandemic. This was at a time when there was a surge in demand in other countries, and at the same time as a temporary decline in global supply as factories temporarily shut to help reduce COVID-19 infections. This resulted in an extremely overheated global market; a 'sellers' market', with customers competing against each other, pushing up prices, and buying huge volumes of PPE often from suppliers that were new to the PPE market. In order to meet the urgent demand, the Department adapted its normal procurement and inventory management controls. This has contributed to a significant loss of value to the taxpayer and left the Department open to the risk of fraud.[23]

12. We asked the Department about its commercial capability. It confirmed that this was on its "worry list" prior to the arrival of the COVID-19 pandemic and continues to be a challenge.[24] The Department stated that it has an ongoing programme of contract training with some 972 learners across health (DHSC, ALBs and NHS) registered for the Foundation Training, of which 450 achieved accreditation. At 31 March 2021, the Department had over 700 new contracts with a value of over £12 billion still active.[25]

13. We asked the Department for an update on the current position of contracts it had entered into in response to the COVID-19 pandemic. The Department has now identified

17 Q 43
18 Q 79
19 Q 88; DHSC 2020–21 ARA, page 123
20 C&AG's Report, *The supply of personal protective equipment (PPE) during the COVID-19 pandemic*, Session 2019–21, HC 961, 25 November 2020
21 C&AG's Report, *The supply of personal protective equipment (PPE) during the COVID-19 pandemic*, Session 2019–21, HC 961, 25 November 2020
22 DHSC 2020–21 ARA, page 16, paras 66–67, page 132, paras 683–684
23 C&AG's Report, paras 6, 7
24 Q 67
25 Q 65; DHSC 2020–21 ARA, page 115

issues of concern on 176 of the 364 (48%) PPE contracts it entered into. The 176 contracts total £3.9 billion. 59 of these contracts have moved to commercial discussions with 27 under legal review and 3 in mediation.[26]

14. The Department has also identified a contract for 3.5 billion gloves where there are allegations of modern slavery. When we questioned the Department about this matter, it was unable to confirm the value of the contract. However, it believed that should evidence become available that supports the modern slavery allegations, the supplier is contractually obligated to take the gloves back and return the funds paid back to the Department.[27]

Establishing a future stockpile

15. The Department told us that the stockpile it held at the beginning of the pandemic was exceptionally useful and that there would have been PPE shortages without it. This stockpile was established in 2009, after the swine flu outbreak.[28] We questioned the Department on its plans for holding a PPE stockpile in the future and learning from its experience in responding to the COVID-19 pandemic. The Department acknowledged that this is going to be a key decision as it would be possible to spend a very large sum of money on a stockpile that is never used or turns out to contain the wrong items for the next disease.[29] The Department confirmed that it has not yet decided on what level of stockpile it should hold in the future.[30]

16. We asked the Department why it had started disposing of PPE before it had made a decision on the size of the stockpile to hold for future emergencies. It told us that it will not need or be able to use all of the PPE it currently holds. As an example, it currently holds at least 15 years' worth of eye protectors which will degrade over time. It is therefore looking at disposal options in parallel with defining the size of stockpile it intends to hold. The Department said that it expects to decide upon a stockpile larger than that previously held but smaller than the stockpile that would have been required for the COVID-19 pandemic. The Department estimates there would need to be a pandemic every twelve years to justify the costs of storing and managing a stockpile of the size needed for the COVID-19 response.[31]

17. The Department said that in addition to holding a much larger stockpile, another alternate strategy it could have previously adopted was to buy British and therefore creating a resilient, flexible PPE manufacturing industry in this country, rather than buying from abroad. It advised us that its future plans for a more resilient supply chain did include using British manufacturers to reduce dependence on international supply chains.[32] The Department acknowledged it is essential that work is undertaken to establish a cost-effective approach for buying and holding appropriate levels of PPE.[33] This will need to strike the right balance between ensuring the Department has sufficient quantities of PPE

26 Qq 54, 55, 59
27 Qq 32, 37
28 Q 88
29 Q 88
30 Q 47
31 Qq 48–52
32 Q 16
33 Q 48–49

to protect the workforce in any future pandemic or from any variant of concern; and avoids paying for PPE at the top of the market, against holding PPE that incurs ongoing storage costs and expires if not used before it degrades.

2 Accountability and future plans

Proper use of public money

18. When granting additional funding to assist with the Department's COVID-19 pandemic response activity, HM Treasury set conditions to ensure appropriate use of the money, that the Department was required to follow. These were in areas such as: advance payments to secure personal protective equipment; advance funding for community pharmacies; enhanced discharge payments to Clinical Commissioning Groups; and payments to dentists. However, the Department and NHS England spent £1.3 billion of public funds either without HM Treasury consent or which breached the conditions previously set by Treasury.[34]

19. The Department told us that in order to get money to where it thought it was needed during the COVID-19 pandemic it deliberately loosened controls and thereby took on a lot of additional risk spending money without prior approval.[35] It acknowledged that its controls and processes were inadequate for the post-pandemic environment and need to be reset. We questioned the Department on what changes it had made to its processes so that this does not happen again. The Department told us that it had launched a financial reset programme to get it and the NHS back to normal financial management. It said this programme would review systems and processes; capabilities and capacity; governance and accountability arrangements. It said "very strict processes" had been reintroduced to ensure approval was received before public money had been committed.[36] However, its pre-pandemic processes failed to prevent unauthorised spending. In 2019–20 the value of unapproved special payments across the Departmental Group was estimated as £18 million.[37]

20. The Department's Head of Internal Audit concluded that "the existing arrangements in place do not best support the current operating environment" and that "necessary adjustments are required to the framework of risk control and governance arrangements for them to be considered effective in what is a new operating environment". The Head of Internal Audit also reported that "lines of accountability, interfaces, interdependencies and escalation routes are not clear or fully integrated across the Department and wider health group".[38] The Department told us it was going to address all of these concerns as part of its reset programme.[39]

Transparency of interests

21. There has been considerable public and political interest in the Department's COVID-19 pandemic procurement including how significant amounts of taxpayers' money had been spent- especially where products had been sourced from new suppliers including from companies with no previous experience in these types of products. Such procurement- undertaken at pace- increased the risk that the Department entered into

34 C&AG's Report, paras 16, 17
35 Q126
36 Qq 11–13
37 Report by the Comptroller and Auditor General, *Department of Health and Social Care Annual Report and Accounts 2019–20*, 26 January 2021, para 1.35
38 DHSC 2020–21 ARA, page 106
39 Q 12

contracts where conflicts of interest existed which heightened the importance of the Department's transparency in respect of how it identified and managed declarations of interests.

22. We asked the Department how with such a large number of potential and potentially significant conflicts of interest, within staff, non-executive directors or Ministers at the Department, they make sure that conflicts are identified and dealt with properly. The Department told us that this is particularly challenging for them, because health and care makes up about 10% of the economy, as a result for any relative you have there is a one in 10 chance of them either being an employee of the NHS or working for a contractor that works for the NHS.[40]

23. The Department set out in its Governance Statement that during the audit of the Department's accounts, it became apparent the Department's process for collating and assessing potential related parties and related party transactions did not provide the necessary completeness assurance over the interests held by senior individuals. Consequently, the Department undertook further work to strengthen its processes, including obtaining direct written confirmation of related parties from Ministers, non-executive directors and senior staff and undertaking completeness searches on the results of those confirmations.[41] This led to the disclosure of 13 and a half pages of interests, held by Ministers, senior members of staff, non-executive directors or their immediate families within the Annual Report and Accounts.[42] We told the Department that the extensive disclosures made were a welcome improvement in its transparency and the Department agreed.[43]

Re-organisation of the NHS

24. The Health and Care Bill introduces statutory Integrated Care Systems (ICSs), made up of an Integrated Care Board (ICB), responsible for the commissioning of healthcare services and an Integrated Care Partnership (ICP), an alliance of organisations and representatives to improve care, health and wellbeing, jointly convened by local authorities and the NHS.[44] Under these new arrangements the existing 106 Clinical Commissioning Groups (CCG's) responsible for commissioning healthcare services for the people of England are planned to become 42 Integrated Care Boards (ICBs) on 1 July 2022. In addition, several changes are planned to take place at a national level. NHS Improvement will be merged into NHS England, the expanded NHS England will also take in the functions of the NHS Trust Development Authority and Monitor and the existing bodies will be abolished. The future abolition of Health Education England; NHS Digital; and NHS X has also been announced with these functions also transferring to NHS England at a future date.[45]

40 Q 102
41 DHSC 2020–21 ARA, page 134
42 Q101
43 Q105
44 Health and Care Bill, HL Bill 132 (as amended on Report), HM Government
45 Department of Health and Social Care, Major reforms to NHS workforce planning and tech agenda, 22 November 2021

25. We asked the Department what plans it had put in place to prepare for this large-scale structural change in the NHS. The Department said the NHS had "extensive plans" and it was looking for radical change in how these organisations and their people work together to put flexibility into the system and its use of health and social care funding.[46]

26. Three Clinical Commissioning Groups (CCGs) paid special severance payments without obtaining the required approvals.[47] The C&AG qualified his regularity audit opinion on the NHS England 2020–21 Annual Report and Accounts in respect of one of these, a special severance payment made by Berkshire West CCG to its former Accountable Officer.[48] These types of payments should be exceptional and require HM Treasury approval beforehand because they are often novel and contentious. The Department told us it was regrettable that three CCGs had approved and paid severance payments without obtaining the correct authorisation. It said that the NHS is putting in place improved processes, controls and guidance and is considering putting in place proactive control measures to stop this happening again.[49]

27. We questioned the Department on what forward thinking it is doing to prevent unauthorised payments being made to individuals leaving the NHS as a result of the planned re-organisation. The Department acknowledged there is a chance that the re-organisation of the NHS will result in special severance payments being made. The Department said that it is working with the NHS to ensure guidance is satisfactory; communicated to all organisations; and that training takes place to make sure it is understood.[50] In written evidence after the session the Department told us that NHS England will seek positive assurance from CCGs that payments made during the transition have the necessary approvals.[51]

The UK Health Security Agency

28. The Department established the UK Health Security Agency (UKHSA) on 1 April 2021 as a new executive agency to be the UK leader for health protection responsible for ensuring the nation can respond quickly and at greater scale to deal with pandemics and future threats. Public Health England's (PHE's) health protection functions transferred into UKHSA on its abolition on 1 October 2021. On the same date, UKHSA also took over the functions of NHS Test and Trace and the Joint Biosecurity Centre from the Department itself.[52] The Department confirmed that the vast majority of the UKHSA's £15.8 billion budget for the 2021–22 financial year was for testing and tracing.[53]

29. On 21 February 2022 the Prime Minister outlined the Government's strategy for living with COVID-19 including the scaling back of testing, tracing and isolation.[54] The Government's intention is to put an end to the free supply of lateral flow testing kits. We asked the Department on its assessment of the number of lateral flow tests that people

46 Q 170
47 DHSC 2020–21 ARA, page 133
48 Report by the Comptroller and Auditor General, *NHS England Annual Report and Accounts 2020–21*, 31 January 2022
49 Q 143
50 Q 146
51 Letter from Department of Health and Social Care to Public Accounts Committee, dated 22 March 2022
52 DHSC 2020–21 ARA, pages 5, 75
53 Q 116; Letter from Department of Health and Social Care to Public Accounts Committee, dated 22 March 2022
54 Hansard: Living with Covid-19 Volume 709: debated on Monday 21 February 2022

were carrying out on 7 March 2022, when we took evidence, and its assessment of how many they would continue to do when they have to pay for tests.[55] In written evidence after the session the Department told us that 3.4 million lateral flow tests, including 0.3 million positive tests, were reported in the week 3–9 March 2022. The Department will continue to provide testing for some high-risk groups and expects some individuals and employers to buy tests privately to manage their own risk. It stated, therefore the number of tests taken is likely to be significantly higher than the number of tests paid for by the Government.[56] The Department told us a detailed testing strategy would be published but did not know when this would happen, however, it will make an announcement shortly about eligibility for free tests.[57]

30. Given the uncertainty and plan to reduce test and trace activity we asked the Department whether UKHSA would have enough funding to operate going forward. The Department replied that this was under discussion.[58] We asked the Department when we took evidence on 7 March 2022 when the UKHSA 2022–23 financial year budget would be known. The only answer the Department could provide was "soon", and the Department would not say anything more precise, and did not feel able to even say whether "soon" might mean before the end of this financial or this calendar year.[59] In written evidence after the session the Department told us it is highly likely, given the volatility of UKHSA's pandemic related spending, that the final budget will not be agreed until the winter.[60]

Timely publication of Report and Accounts

31. To provide proper timely accountability on how public funds have been spent, the administrative deadline set by Treasury for Departments to publish their Annual Report and Accounts is 30 June, where possible, and no later than the parliamentary summer recess in July. An extension must be agreed for publication beyond this date. The Department published its 2020–21 Annual Report and Accounts on 31 January 2022, the day of the statutory deadline for all Departments. The Department told us it is working hard to bring the publication of its 2021–22 Annual Report and Accounts forward, with an aim to publish these in November 2022. It plans to continue to work to bring forward publication in subsequent, with the ultimate aim of moving back to a publication date prior to the summer parliamentary recess.[61]

32. At the time of our evidence session, one NHS Trust, University Hospitals of Leicester NHS Trust (UHL), had yet to publish its 2019–20 or 2020–21 Annual Report and Accounts. The C&AG reported last year that as a result of the issues identified by its auditor, UHL's management were not prepared to sign the 2019–20 financial statements as 'true and fair' and the auditor was of the view that the financial statements were not 'true and fair'.[62] UHL's management had planned to prepare a new set of 2019–20 financial statements to be audited by March 2021, however when we took evidence from the Department on 7

55 Q 1
56 Letter from Department of Health and Social Care to Public Accounts Committee, dated 22 March 2022
57 Q 6; Letter from Department of Health and Social Care to Public Accounts Committee, dated 22 March 2022
58 Q 118
59 Qq 120–121
60 Letter from Department of Health and Social Care to Public Accounts Committee, dated 22 March 2022
61 Q 107
62 C&AG's Report, paras 29 and 30

March 2022, UHL was yet to sign and publish its financial statements for both 2019–20 and 2020–21. For a second year in a row, it failed to comply with the Secretary of State's directions to prepare 'true and fair' accounts.[63]

33. We asked the Department what it was doing to assure itself that the situation at UHL would be resolved and whether it was an isolated occurrence or indicative of similar issues that may surface elsewhere in the NHS in the future. The Department acknowledged the fact that annual report and accounts had not been published for 2019–20 or 2020–21 was a serious issue. It told us the Trust entered special measures in August 2020 and NHS Improvement is working intensively with UHL, with national and regional leads working together with the Trust, to resolve the governance and control weaknesses. The Department said it was not aware of any other Trusts with similar problems, and that any issues would be identified by NHS Improvement through its oversight framework.[64]

63 Qq 111, 113
64 Q 111

Formal minutes

Wednesday 18 May 2022

Members present:

Dame Meg Hillier

Mr Louie French

Peter Grant

Kate Green

Nick Smith

James Wild

Department of Health and Social Care 2020–21 Annual Report and Accounts

Draft Report (*Department of Health and Social Care 2020–21 Annual Report and Accounts*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 33 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Sixth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Monday 23 May at 3.30pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 7 March 2022

Sir Chris Wormald, Permanent Secretary, Department of Health and Social Care; **Shona Dunn**, Second Permanent Secretary, Department of Health and Social Care; **Andy Brittain**, Director General for Finance, Department of Health and Social Care; **Jonathan Marron**, Director General, Office for Health Improvement & Disparities, Department of Health and Social Care	Q1–174

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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Number	Title	Reference
1st	Department for Business, Energy & Industrial Strategy Annual Report and Accounts 2020–21	HC 59
2nd	Lessons from implementing IR35 reforms	HC 60
3rd	The future of the Advanced Gas-cooled Reactors	HC 118
4th	Use of evaluation and modelling in government	HC 254
5th	Local economic growth	HC 252
7th	Armoured Vehicles: the Ajax programme	HC 259
1st Special Report	Sixth Annual Report of the Chair of the Committee of Public Accounts	HC 50

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1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	High Speed 2: Progress at Summer 2021	HC 329

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18th	Government's delivery through arm's-length bodies	HC 181
19th	Protecting consumers from unsafe products	HC 180
20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633
26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635
28th	Efficiency in government	HC 636
29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
35th	The pharmacy early payment and salary advance schemes in the NHS	HC 745
36th	EU Exit: UK Border post transition	HC 746
37th	HMRC Performance in 2020–21	HC 641
38th	COVID-19 cost tracker update	HC 640
39th	DWP Employment Support: Kickstart Scheme	HC 655
40th	Excess votes 2020–21: Serious Fraud Office	HC 1099
41st	Achieving Net Zero: Follow up	HC 642
42nd	Financial sustainability of schools in England	HC 650
43rd	Reducing the backlog in criminal courts	HC 643
44th	NHS backlogs and waiting times in England	HC 747
45th	Progress with trade negotiations	HC 993
46th	Government preparedness for the COVID-19 pandemic: lessons for government on risk	HC 952
47th	Academies Sector Annual Report and Accounts 2019/20	HC 994
48th	HMRC's management of tax debt	HC 953
49th	Regulation of private renting	HC 996
50th	Bounce Back Loans Scheme: Follow-up	HC 951

Number	Title	Reference
51st	Improving outcomes for women in the criminal justice system	HC 997
52nd	Ministry of Defence Equipment Plan 2021–31	HC 1164
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

Session 2019–21

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1st	Support for children with special educational needs and disabilities	HC 85
2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
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23rd	Delivering carrier strike	HC 684
24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
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27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority's management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges' financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government's long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941