HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: DHSC Annual Report and Accounts 2020-21, HC 1115

Monday 7 March 2022

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Shaun Bailey; Sir Geoffrey Clifton-Brown; Peter Grant; Kate Green; Craig Mackinlay; Sarah Olney; Nick Smith.

Gareth Davies, Comptroller and Auditor General, National Audit Office, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, and David Fairbrother, Treasury Officer of Accounts, HM Treasury, were in attendance.

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Witnesses

I: Sir Chris Wormald, Permanent Secretary, DHSC; Shona Dunn, Second Permanent Secretary, DHSC; Andy Brittain, Director-General for Finance, DHSC; Jonathan Marron, Director-General, Office for Health Improvement and Disparities, DHSC.

Examination of Witnesses

Witnesses: Sir Chris Wormald, Shona Dunn, Andy Brittain and Jonathan Marron.

Chair: Welcome to the Public Accounts Committee on Monday 7 March 2022, where we are looking at the Department of Health and Social Care's annual report and accounts for the year 2020-21, the first year of the pandemic—it almost exactly coincides with that year, so it has taken a long while to get these accounts approved and ready, for obvious reasons.

It is worth acknowledging that the Department of Health and Social Care and all of our healthcare sector had a huge challenge during that first year of the pandemic to make sure that they were delivering for people at the frontline and getting the accounts in order. We recognise the challenge and why they are late, but, nevertheless, we have some serious questions about elements of this, because of course there are qualifications from the Comptroller and Auditor General about aspects of the accounts and a knock-on effect, because these are so late—on the next year's accounts—which will cover 2021-22. I will not go into detail on that in my introduction, because we have a lot of questions we are going to ask.

I would like to welcome our witnesses here in the room. We have Sir Chris Wormald, the permanent secretary at the Department of Health and Social Care and the accounting officer for the Department, who is therefore responsible overall for making sure it is financially proper. He is joined by Andy Brittain, who is the director-general for finance, and a newcomer to the Committee—welcome to you, Mr Brittain—by Shona Dunn, the second permanent secretary at the Department, and by Jonathan Marron, the director-general at the Office for Health Improvement and Disparities at the Department of Health and Social Care. I think you had a different job when you started coming here, Mr Marron, only a couple of years ago. Welcome to you as well.

We have some very specific questions. We will try to target them to individuals. If it is not you that has to answer, please deflect quickly to someone else, because we have quite a lot of ground to get through. It is a very big document to get through today. Before we kick off into the main session though, Mr Peter Grant MP has a quick question.

Q1 **Peter Grant:** Permanent Secretary, we know that, within a few weeks, the Government intend to put an end to the free supply of lateral flow test kits to the general population. What is your assessment of the number of lateral flow tests that people in the UK are doing just now? What is your assessment of how many they will continue to do when they have to pay for tests?

Sir Chris Wormald: Do you have the number, Shona?

Shona Dunn: I do not have that number with me, I am afraid.

Sir Chris Wormald: Sorry, I do not have today's count. How many people choose to pay for tests will obviously be a matter for individuals. We will take the view that, where a test is in some way required, the state should pay for that test—if it is required for clinical reasons, for example. The circumstances in which someone would pay would be where they choose to take a test, so how many would clearly be a matter of how many individuals choose. I do not think that that is something the Government would take a view on.

Q2 **Peter Grant:** Coming to, first, the decision in principle to stop free supply and the decision about when that would come into effect, was there an assessment made of the likely reduction in daily testing as a result? Was that something that was estimated?

Sir Chris Wormald: We made a whole series of assessments. Clearly, both for good public policy reasons and for financial reasons, we cannot go on forever at the level of testing that we have done during the height of the pandemic, given that, as the chief medical officer has advised, covid will probably never go away, in the way that no disease ever goes away. There has to be a point where you stop doing this quite exceptional thing, which we have funded from the reserve, as you know, and is set out in the accounts.

Exactly when to do that is obviously a matter of judgment. The success of the vaccine and other programmes in managing the disease in other ways has clearly opened up the possibility of doing considerably less testing than we have done historically—not none, for the reasons that you say—but that is clearly a matter of judgment. That was of course informed by scientific assessments and assessments of how much testing we would need to do to go forward.

There are still some decisions to be taken, so the Government will be publishing their future testing strategy in the near future, which will answer some of your questions. By implication, whatever does not go on becomes the choice of individuals, as to whether they buy a test commercially, in the way that you do for some other things.

Q3 **Peter Grant:** How many of the UK's chief medical officers advised in favour of the decision that has been taken?

Sir Chris Wormald: As always, I am not going to go into the individual pieces of advice of the four chief medical officers, because they can of course speak for themselves. I do not comment on what their advice is. As with all decisions on the pandemic, it is fully informed by the best scientific advice.

One thing that has been—if I am allowed to say so—an absolute triumph in the pandemic has been the work between the four chief medical officers. I think it is generally attested that they have worked together completely brilliantly and given excellent advice across the four Administrations, but they are not the decision takers of course, because you have to take the decision that balances the public health, the finance and the social

considerations, but of course they were involved in the way that you described, Mr Grant.

Q4 **Peter Grant:** Could you write to the Committee with the answer to the first question?

Sir Chris Wormald: Yes. I probably have the number somewhere in my notes.

Chair: We appreciate we bounced you with that question from Mr Grant.

Q5 **Peter Grant:** I appreciate, Permanent Secretary, that it is not something you can comment on, but some of us do not believe that decisions have always been based on the soundest medical advice. Some of us believe that decisions are taken for primarily political reasons.

Sir Chris Wormald: That is a matter for your side of the table, not mine.

Q6 **Chair:** You said that the Government are publishing their testing strategy in the near future. Could you define the near future today?

Sir Chris Wormald: No, I could not define the near future.

Q7 **Chair:** Do we think it is by the end of this financial year?

Sir Chris Wormald: I would expect us to do it reasonably quickly. There are still decisions to be taken, but obviously the public need to be informed, before we do it, of exactly what the testing regime will be.

Q8 **Chair:** From 1 April, the tests will not be universally free, so it must be before 1 April surely.

Sir Chris Wormald: The Government have set out quite a lot. The Prime Minister, the chief medical adviser and the chief scientific adviser have of course commented quite a lot on the principles of the strategy. We need to tell everyone what the details are.

Q9 **Chair:** That will be announced by a Minister in your Department to the House.

Sir Chris Wormald: They will be announced in the usual way, yes.

Chair: We will keep an eye on the diary. We are now waiting with bated breath. Thank you very much for that.

Now we are going to go into the main session, which is crawling through the detail of the annual report and accounts for 2020-21.

Q10 **Nick Smith:** Afternoon, everybody. I have a quick question to you, Sir Chris, right at the top. Due to your emergency response to covid-19, you spent £1.3 billion that did not have Treasury approval. What changes have you made to your processes so that does not happen again?

Sir Chris Wormald: This issue will come out throughout the hearing and you will hear this word a lot. We believe we took the right approach during the pandemic, which was to get on with it and do the things that were

essential to protect the public, and to do so with appropriate financial defences against fraud and all those sorts of things, but with a much higher risk threshold than we would normally. We believe that was justified during the pandemic, which is not to say that we would do everything exactly the same, but that approach was justified.

In this, and lots and lots of other areas that we will discuss in this hearing, we now need to normalise things. There was a whole series of occasions where we decided to take risk to do things without the approval being in place that we would not expect to do in normality. I completely defend the decisions we took. One thing that did get retrospective approval in the end—

Q11 **Nick Smith:** Sir Chris, we absolutely accept that it was an emergent situation and you had to take so many important measures for public safety. To come back to it, what changes are you going to make to your processes so it does not happen again?

Sir Chris Wormald: I will give you my example. We are going to go back to the processes that we had pre-pandemic. One decision that Simon Stevens and I took—as I say, this one got retrospective approval—was to approve the vaccine roll-out 10 days before the business case was approved. I do not think there is anyone in the country who would not have taken the same decision.

Nick Smith: It is the same around this table.

Sir Chris Wormald: I almost said, "I expect there is no one on the Committee who would not have taken the same decision." That would not happen in normal circumstances. Now that we are in a much more normal situation, we need to move back to exactly the same processes that we had pre-pandemic, where that would not have happened. We would not have authorised expenditure within a business case.

Ms Dunn and Mr Brittain can explain this in much more detail, but a few months ago we launched a formal financial reset programme, the purpose of which is to get both us and the NHS, which has similar challenges, as you know, back to normal financial management. We put down all our risk profiles back to where they were pre-pandemic and reintroduced all the very strict processes that things cannot happen until approval. The way we want to see it, and the way we want to see this entire set of accounts, is that we did a load of stuff in this year, for the reasons that the Chair set out at the beginning, and now we need to get back to what this Committee, the C&AG and, indeed, everyone would recognise as normal risk management.

Q12 **Chair:** It would be worth highlighting to anyone who may be following with a copy of the accounts in front of them that paragraphs 505 onwards, from page 105, and particularly certain paragraphs on page 106, are relevant in this context. It lays out here the comments from the head of audit about

how the lines of accountability, interfaces, interdependencies and escalation routes are not clear or fully integrated across the Department and wider health group, and so on. I will not read it all out. At the end of paragraph 510, on page 106, it says the exercise to review and refresh governance arrangements and to bolster the risk team is under way, is part of the groundwork. I wonder how well that is going, in relation to Mr Smith's concerns.

Sir Chris Wormald: That is exactly the financial reset that I was referring to.

Shona Dunn: In response to your question, Mr Smith, this body of work is not purely to do with the irregularity point made in the annual report and accounts. It is much broader than that. Exactly as Mr Wormald has said, we have started a financial reset programme. That is looking at everything, from our systems and processes through to our capabilities and capacity, and, to your point, Chair, about clear governance and accountability arrangements, particularly in our relationships with NHSEI and others, making sure we have the foundations right again to move back to the sorts of controls you would have expected us to have before covid.

On finance, in particular, on systems and processes we are looking at everything from refreshing across the Department how we do our forecasting, to making sure we have the right quality of business cases going forward and making sure that everybody understands the appropriate delegations and controls. Bear in mind that, as a Department, we have grown substantially over the last couple of years, and there are a lot of people relatively new to this business, so we are making sure that they have a very clear understanding of what is expected, and refreshing the lessons that we have learned over the past two years and the things that we know we would like to get greater control of in future.

Chair: You are expecting to do all the—

Shona Dunn: All that. The internal audit opinion goes broader than finances as well. It goes into areas such as risk. It goes into portfolio management and our broader governance in the Department. We are looking at all of those things. We have done a huge amount of work over the last nine months or so on strengthening risk management in the Department. We have a big body of work on commercial reset and HR reset. Across the board, in terms of our corporate enablers, we are putting effort in to make sure we get back to—

Q13 **Nick Smith:** Presumably, you are doing that now because you thought it was worth doing.

Shona Dunn: Absolutely, yes.

Sir Chris Wormald: We deliberately took a lot of risks in covid, which need to be unwound. Very importantly, there were positive lessons as well as

negative. Vaccine procurement is the obvious one. We buy a lot of noncovid vaccines. We have learned a lot about vaccine buying and how you do it really well from the vaccine taskforce. Some of this will be taking positive lessons and building them into our systems.

Q14 **Chair:** You are saying that Kate Bingham has a lasting legacy.

Sir Chris Wormald: She certainly should have, and the entire vaccine taskforce. There are a lot of them who do a lot of very interesting things and, as you know, have done it in a rather different way, with a lot of positives. They took a lot of well-managed risks. Some of it did not work, but there were also some very positive things.

The final point to make is that the Department is a rather different place, in that we have taken on a lot more—I hate the phrase—"frontline responsibilities", having taken in the Office for Health Improvement and Disparities. That of course brings different risk management and audit trails when you are actually delivering services as well as doing strategy.

Q15 **Nick Smith:** I asked that question because I thought it was a positive question. It was an opportunity to get off on a good footing.

Sir Chris Wormald: Yes, we appreciate it.

Chair: But—

Sir Chris Wormald: I was going to say that there is definitely a "but" coming here.

Q16 **Nick Smith:** That will be the next 15 minutes. Sir Chris, to what extent does the large fall in the value of PPE through this period of £4.7 billion—enough to buy an aircraft carrier or over 500,000 hip replacements—suggest that your approach to PPE procurement lacked discipline at the height of the pandemic?

Sir Chris Wormald: Mr Marron is here because he was DG for PPE, so a lot of these questions will go his way.

Nick Smith: It is nearly £5 billion. That is a lot of money.

Sir Chris Wormald: I will pick it up at the strategic level and if there are more detailed questions I will pass on to Mr Marron. We were, of course, buying in an emergency situation. The price was what it was. You have a choice between either paying that price and having the PPE or not paying the price. There was not a set of alternative PPE to buy. In that sense, that is the decision we took and we decided to pay the prices that were on offer, knowing that, when the market returned to normal, the prices would fall again. It is classic supply and demand. There is no mystery there.

That is not the same as saying that there were not a lot of lessons to learn about how we did the procurement. Indeed, we had the Boardman report, which, as well as telling quite a positive story, has a lot of recommendations about how, if we were doing this again, we would do it better. This is one of the areas where we have carried out a review.

The final point—this is unfinished work, but I think it is work you would expect us to do—is whether there was an alternative strategy. There are two strategies that have been, at times, suggested. One is that we should have in the past done a lot more to buy British, so that we had our own PPE industry, rather than having to buy from abroad. That certainly needs to be looked at in future. Up until quite recently, that was not a legal thing for us to do. That was one alternative strategy.

The other, alternative strategy that people have suggested is that we should have had a much larger PPE stockpile. We are doing some work that we have shared with the comptroller—which he has not taken a view on, but at some point ought to—on the methodology. For the future, we are seeking to work out, if we had had a stockpile big enough, whether that would have been a value-for-money thing to do.

Q17 **Nick Smith:** My question is about lacking discipline at the height of the pandemic. I want to go into a specific example, if I may. Your PPE spending for the period was £12 billion. The figures show that £4 billion of the PPE you purchased cannot be used by the NHS. That is a third of the budget. How have you ended up where we have £4 billion-worth of PPE that cannot be used.

Sir Chris Wormald: I will pass on to Jonathan for the details. Quite a large proportion of that—I expect that Jonathan will have the exact numbers—was things we bought that we would ideally not use in the NHS but was back-up. The most obvious example was masks—Jonathan, you can take over at this point. We recommend FFP3 masks in the NHS—

Q18 **Nick Smith:** A third of the budget—a third of £12 billion, so £4 billion—cannot be used by the NHS.

Sir Chris Wormald: Yes. To be clear, taking the case of masks, we bought some masks that were not up to the usual standard of the NHS in case we ran out of the ones that were. At the time, we felt that that was perfectly sensible risk management, because it is clearly better to have masks that are nearly good enough than to run out completely. We knew that, if we did not use them—if we never ran out of FFP3s, which is what we were trying to do—we would have this back-up. That is an example. We would not do everything the same again and, as I say, we reviewed it with Nigel Boardman.

Q19 **Chair:** We have gone round the narrative of this before in the Committee, so we are trying to get down to the numbers today.
Sir Chris Wormald: In this case, I was asked quite a specific question about that.

Chair: We are trying to get to the numbers.

Jonathan Marron: The total value of PPE we bought in 2021 was £12 billion, as Mr Smith points out. The value of the PPE that we could not use is £673 million, relating to about 800,000 items. It is 3% of the total PPE

by item size and just over 5% by volume. Those are items that we cannot use.

What does that include? There are some masks in there that we think are counterfeit. There are some gowns that failed various tests—they are not water-repellent. This is stuff that, basically, is not fit for purpose, and we are pursuing that elsewhere.

The next block to settle in the accounts is £2.5 billion that is not fit for use in the NHS. This is a wide range of products that, essentially, passed technical standards, so they are usable and could have been used if necessary.

Nick Smith: But they cannot be used in the NHS.

Jonathan Marron: We are choosing not to use them in the NHS.

Nick Smith: So they will not be used in the NHS.

Jonathan Marron: No, we are looking to use them elsewhere. These things include, for example type II masks, so the sort of masks that the public wear. We bought some of those in case we ran out of type IIR masks, which is the level that is used in the health service. We have some of those masks in this total. We have used them somewhere else; we have made more than 200 million available to schools and transport. That massively helped us as we opened up the economy in September. We have found uses and continue to do so.

Chris talked about our FFP2 masks. The FFP2 mask is the WHO standard for medical use for covid. For a period of time, the NHS has used the FFP3 mask, a higher-quality mask. We did all we could throughout the crisis to supply those higher-quality masks. That leaves the FFP2s behind that we thankfully did not need. They are not for NHS use, because they are not preferred, but they can be used elsewhere.

There are other items. We have aprons that meet all the required standards, but are in a flat pack box, so you get them out individually. The NHS uses them on a roll and much prefers that. It is just easier operationally. Quite a lot of this £2.5 billion is items that there is a preference not to use. While we can supply the NHS with its preference item, we are not pushing these out to the NHS.

Q20 **Nick Smith:** Thank you for that update, but they still will not be used by the NHS, will they?

Jonathan Marron: No. So far, we have managed to donate or sell a billion items, including some of the material here. We are looking to work with service users.

Q21 **Nick Smith:** You hope to get £1 billion back of the £4 billion that will not be used by the NHS.

Jonathan Marron: It is a billion items.

Nick Smith: It is a billion items, so that is not £1 billion.

Jonathan Marron: We have donated or sold a billion. Obviously for the donations, we will not get anything back at all. We are seeking opportunities in other countries that are still struggling with covid and would benefit from the PPE that we do not think we will use and is not the preference of the NHS. We are trying to make sure that we get as much value from it as possible.

Q22 **Nick Smith:** Thank you for that update and the examples of where the PPE could be used in other places. It is great if it can be. I am just trying to understand what is happening with the NHS. I have been asked a question by the Chair, which I will bring up shortly. Mr Marron, how confident are you that only 0.5% of the products do not meet the NHS standards, which is the figure you gave us in December 2020?

Jonathan Marron: Our total volume in the accounts for the number of items that we think are not fit for use is 817 million, which is more like 3% of the total. These numbers move around—as you know and as we have explained to the Committee before—as we run through our quality assurance process. We do an initial check on receipt. If we are confident that we have high-quality material and all the documentation required, we release them. Things that we have had any concerns about, we have held back. The exact numbers of how many do not meet the standards or are not preference for the NHS have changed as we have managed to—

Q23 **Nick Smith:** At the time at which the accounts were released, you say that only 0.5% of products do not meet the standards. Are you now saying that it is higher or lower than that?

Sir Chris Wormald: No. It is 3%.

Nick Smith: Excuse me. You gave us a figure in December 2020— **Chair:** So 3% by volume was counterfeit or unusable.

Jonathan Marron: The accounts have a value of £673 million, which equates to 817 million items that are not fit for use. Some of them are counterfeit. Some of them do not meet the standards. That is the easiest way to think about it.

Q24 **Chair:** They are the ones that are absolutely written off in every sense.

Jonathan Marron: Yes. We are not using those and we are certainly not trying to donate or sell those. We then have a larger amount, which is closer to 10% of the total volume we bought, which does not meet the preferences of the NHS. They are technically appropriate items of PPE. It is not that they fail standards, but they are not what the NHS prefers.

Q25 **Nick Smith:** So 10% will not be used by the NHS or is not fit for purpose.
Jonathan Marron: Three per cent. is not fit for purpose. We will not be using 10% in the NHS.

Q26 **Chair:** It will go to schools and so on.

Jonathan Marron: Some has gone to schools, some we have donated and indeed some we have managed to sell. We are continuing to look for all of those.

Q27 **Chair:** You are giving it to schools. There is no cross-charging.

Jonathan Marron: There is no cross-charging. Last autumn, as we opened up again, we made—

Chair: I was just making sure whether there was cross-charging.

Jonathan Marron: No.

Q28 **Nick Smith:** To dive a bit deeper on this, 7% of a lot is a lot.

Chair: You can tell we are the Public Accounts Committee.

Nick Smith: You say you have donated some. How much of that 7% do you still hold that you still have not donated? It will be a lot, I expect. What is the answer?

Jonathan Marron: I have numbers up to 6 December in the same format as the accounts to compare against, so those are the best to use. We now say that those total items that are not fit for any use have gone up to just over 1 billion. The "do not supply to the NHS" has gone up significantly, currently holding at 5.5 billion. This includes 3 billion gloves that meet all our technical standards, but we are currently investigating allegations of modern slavery, so we are holding on to them. We are not supplying them. If those concerns are met, we will be seeking to return them and have our money back.

It is quite a dynamic process as we look through the different items and as new items come in with new concerns around them. Hopefully, we will resolve the issue with the gloves and that number that is currently not fit to use will reduce substantially.

Q29 **Nick Smith:** I was trying to understand whether you thought your processes were fit for purpose. I understand that it is a topic that is moving all the time, literally. What is the value of the billion items you talked about?

Jonathan Marron: I do not have the value of the billion items to hand. Is our process fit for purpose? Yes. Our challenge has been maximising two things. First, it was getting the PPE to where it was needed. If we go back to the period that the accounts relate to, we had significant demand in the NHS and in social care, which we stepped up to meet over this period, and an awful lot of PPE coming in.

We ran our process over the summer and the autumn to really prioritise the good stuff that we knew we could get out of the door and make sure we met the demand. Then we came back to checking on items that we thought there were concerns around and making sure that, where we could

find further documentation and release them, we did so. It was "let us make sure we meet demand first" and I think that we have done a good job of that.

Q30 **Nick Smith:** Can you come back to us with the value of the billion items please?

Jonathan Marron: Yes, of course.

Sir Chris Wormald: I will answer your question directly on fit for purpose, and at three levels. Was the strategy right in the conditions that we found ourselves in? Yes, we think it was, for reasons I explained earlier. Was there an alternative strategy? No, there was not. That is one.

Secondly—this drives a lot of the volume and we have discussed it at length, so I will not go into it—we bought for the reasonable worst-case scenario. I would do that again as well. As I have said to you before, that means that, 90% of the time, we would have too much. That was right.

Then there are the processes that we used for procurement, where we completely agree with the Nigel Boardman review. There were some things we did right and some things we could improve. To be clear, we would not do it again exactly as we did it. We would take the recommendations of Boardman. We would take the same strategy and the recommendations of the Boardman review, and do it that way. It would not be wildly different from what we did, but it would be different.

Q31 **Nick Smith:** The most recent update that came out a few days ago was really helpful, because it gave us the state of play now. Mr Marron, previous updates show that the Department had over 13 years' worth of eye protectors, six years of gowns and about the same of hand sanitiser. The question is why so much.

Jonathan Marron: There are a couple of things to think about on this. If you go back to when we were making the orders, it was a completely unprecedented scenario. We had not seen anything like covid. The significant difference is that, in covid, we have provided PPE to all NHS and social care staff, regardless of whether they are treating covid patients. In many ways, the volume of the requirement is being driven not only by our estimates of how many covid patients there would be but by the level of activity in the NHS.

In trying to prepare for this and work out how much to buy, we had to make assumptions on a whole series of things. The first one was the level of covid and particularly things like IIR masks and FFP3 masks, which were driven by the number of covid cases. We worked to a reasonable worstcase scenario there. As we all know on the Committee, we did not ever reach the peak of the reasonable worst-case scenario. Secondly, for the more general aprons, gloves and IIR masks, we needed to work to how many interactions there are across the NHS and have an estimate of the total scale of NHS activity. That was another major exercise.

For both of those, we needed to apply the new guidance on how we worked with covid. Again, there were challenges there. For example, we have used gowns for covid. Previous IPC practice in this country has been not to use gowns, a "bare below the elbow" policy, so there are lots of changes that have happened.

Nick Smith: That came out in the last session.

Jonathan Marron: We made estimates for all of those. We did the modelling in a very systematic way. Our challenge is that it is incredibly difficult to estimate those levels. Of course, the level of activity in the NHS, the number of covid patients, changed significantly from our estimates.

We were probably conservative in each of the estimates we made. Our concern was that we buy too little. You have to remember that, at the time, we faced significant challenges of having PPE, so we were concerned that PPE would not be delivered. We were concerned that significant proportions of PPE might not turn up, so we allowed for that in our buying estimates. In the end, we have bought more than we have used, as is set out in the accounts, but the modelling and our estimates at the time were reasonable with the information we had.

As time went on and we had better experience of how it was used, we stopped buying and we are now using our detailed knowledge of what the NHS and social care uses, which, incidentally, is over 900 million items a month currently, to plan for future purchases. You are right to point out that there are some areas where we have significant excess stock, visors being one. We have not seen the use of visors and face masks to the level we expected. In other areas—FFP3 masks and gloves—we are likely to have to carry on buying to meet demand.

Q32 **Nick Smith:** If I could interrupt, on gloves I think you said that a further 3 billion are now not in use. Could you just confirm that, please? What was going on with that?

Jonathan Marron: We have held just over 3 billion gloves. We have concerns. There is an allegation of modern slavery against the manufacturer, so we are investigating that. If that turns out to be the case, we have, I think, a contractual right to have the gloves returned and the money returned. We are clear that we obviously do not want to support modern slavery. That is the Government's position, so we are investigating that particular issue. That is a recent thing that has come up in the last few months.

Q33 **Nick Smith:** Clearly that is important for everybody. Is it £3 billion-worth of gloves?

Jonathan Marron: It is 3 billion gloves.

Q34 **Chair:** Is it pairs? There is quite a difference in quantity.

Jonathan Marron: We actually count individual gloves, rather than pairs. I know that it makes little sense to any commentator.

Sir Chris Wormald: Just occasionally, people use a single glove.

Chair: Let us not get into why they might do that.

Sir Chris Wormald: We know far more about this issue than we ever wanted to.

Q35 **Nick Smith:** What is the value of the 3 billion single gloves?

Jonathan Marron: I do not have the value of that particular contract in my mind, but I am more than happy to write and tell you.

Q36 **Nick Smith:** Are you able to tell us who the contract is with?

Jonathan Marron: While the investigations are ongoing, that might be something I would rather write than talk through.

Sir Chris Wormald: We might write privately to the Committee. We will check what we are able to share publicly and privately.

Q37 **Chair:** To be clear that we heard you right, Mr Marron, if this company is involved in modern-day slavery, you are contractually obligated to send the gloves back and get the money back.

Jonathan Marron: I believe that they are contractually obligated to take the gloves back and return our money.

Chair: If you have used them—

Jonathan Marron: We have not used them.

Chair: If you had done, there is nothing in the contract—

Jonathan Marron: I have not discussed what would happen if we used them, given that this is an order that our processes have found. We have them held, so they are able to be returned or picked up by the manufacturer. I understand that part of the process. We could check what would have happened if we had used them by mistake, but we are not in that situation.

Q38 **Chair:** It is possible that you might have used them, not knowing that the modern-day slavery allegation had been made at that point.

Jonathan Marron: We have been working hard with the manufacturers now on audit.

Q39 **Chair:** They are sitting there, waiting to either go back or be used.

Jonathan Marron: Either they are fine, we can use them and they meet all technical standards, or they are not fine, and then we need to take action.

Q40 **Nick Smith:** Mr Marron, I have three quickfire questions in this section to put to you. You may remember last spring you talked about turning out-of-date visors into food trays and donating PPE overseas. This is about excess PPE that cannot be used by the NHS. Did the visors into food trays happen?

Jonathan Marron: It did.

Q41 **Nick Smith:** How often did it happen and what was it worth?

Jonathan Marron: We ran a pilot on food trays and visors. We are now working on a wider pilot, where we are looking to deliver visors and glasses, and indeed aprons, the first items we are trying to have recycled. We talked about the food trays before. We can turn aprons into binbags, so we are pursing a wider range of those.

We are currently appointing two lead waste partners, so commercial firms that do this as their business, which will help us recycle. We are also exploring—I forget the exact term—using the waste to provide power. We are looking at those items and we think we can move up to about 15,000 pallets a month when we get these contracts in place, so it is a really significant way of seeing recycling increase and, indeed, using some of the product to drive power generation. That is to give you a sense of scale.

Q42 **Nick Smith:** Those pallets are visors into trays.

Jonathan Marron: Some of it is visors into trays. Some of it will be aprons into binbags. If you remember, actually we managed to have binbag manufacturers produce aprons for us, so it is now almost returning to the beginning.

Q43 **Nick Smith:** I know you have mountains of this stuff. I am trying to understand whether your suggestions are credible and real.

Jonathan Marron: They are real. We have done some recycling and we will do more. We will also need to use more traditional waste disposal methods, largely burning it to generate heat and energy. We are exploring that as well. We hope to move 15,000 pallets a month through these lead waste contractors.

Q44 **Nick Smith:** You have sort of moved on to my last question in this section. Clearly a lot of PPE will need to be burnt. What is your estimate of how many units of PPE that means and what is the value of that?

Jonathan Marron: We are currently working on a plan to have 15,000 pallets a month pushed through that approach. Exactly how much we will do rather depends on how long we continue to use PPE for covid. As you know, the IPC guidance is still in place for the NHS and social care. I have seen no suggestion that that is about to change soon and we are using just short of a billion items a month just to provide the NHS and social care with that PPE.

Q45 **Nick Smith:** How many items of PPE go on to a pallet? I am just trying to get the maths right in my head.

Jonathan Marron: I knew you were going to ask that question. I do not have that. It is 26 pallets in a lorry, if that gives you a sense of scale or how big things are.

Nick Smith: We will come on to lorries.

Chair: How big is the lorry?

Q46 **Nick Smith:** I am trying to understand, given this mountain of different types of PPE material, how far you have got along with your plans to either donate it, find some sort of constructive use or get some sort of financial value out of it. Mr Marron, I am not persuaded by what you are saying at the moment. We need much more information about this, because it all feels a bit thin.

Jonathan Marron: Our strategy remains the same. The first thing we are trying to do is make sure we have the PPE that the NHS and social care need and we are putting that out. We are exploring donations. We have approached 75 different countries around the world. We are working with 11. There are another 18 where we are thinking about getting to a business case stage. We are trying to do that.

Q47 **Nick Smith:** Tell us more about the 11 that you are working with, rather than what you are exploring.

Jonathan Marron: I need to find them to tell you what they are, if you give me a second.

Sir Chris Wormald: While Mr Marron is looking for that, I would make the point—

Nick Smith: Of course—sorry to cut across you.

Sir Chris Wormald: No, it is completely fair—these are important questions. There is one crucial decision that we have not yet taken, which will substantially affect this, which is how big a stockpile we wish to come out of the pandemic with for the future. This is the work I mentioned earlier, where we need to work out the best value for money.

Q48 **Nick Smith:** I get that. Why have you not done that first, before you give it away?

Sir Chris Wormald: We have not finished that work. Undoubtedly, we are not going to need everything that we currently have, so pursuing all these things in parallel is a perfectly reasonable thing to do. The question of whether we want to try to stockpile for this size of pandemic in the future, or go back to the sorts of size we had, is a very good question. Our initial work, as I say, has not been through the National Audit Office properly yet, so we will need to validate it.

Q49 **Nick Smith:** If it has not been through the audit office, we do not really talk about that.

Sir Chris Wormald: I can tell you that it will not be a million miles off this. Were we to have a stockpile to deal with this size of pandemic, we would need a pandemic about every 12 years for it to be value for money. It is not going to be a lot different from that—we will work through with the NAO exactly what it is. We are going to want to come out with a stockpile that is bigger than the flu stockpile we had, but clearly not that sizeable—no one is projecting a pandemic every 12 years.

We will work with the NAO on value for money and then we will need to take a decision about what size of stockpile that means it is appropriate for the country to hold. *[Interruption.]* I suspect that Mr Marron has now found the right section of his notes and can answer your other question.

Nick Smith: If you ever gave up being a permanent secretary, you would be great on the radio as a continuity announcer between acts.

Sir Chris Wormald: I thought I would use the time for something useful to the Committee.

Jonathan Marron: Countries we have made donations to are Laos, Cambodia, the Philippines, Guyana, Grenada, Barbados, Saint Vincent and the Grenadines, and Brazil. Through the WHO, we have worked to send materials to Libya and Syria. With the International Committee of the Red Cross, we have sent material to Lebanon. We are looking at a wide range of other countries as well that have not yet been cleared. We are working with the United Nations, which is interested in taking material from us to support some of its programmes.

Sir Chris Wormald: There is one more. Some of what we have supplied to Ukraine is PPE as well.

Q50 **Nick Smith:** That is smashing. Mr Marron, can you give us an update on those plans? Can you give us some confidence that this £4 billion-worth of material not being used by the NHS has a positive end life, please? The Chair has asked me to ask another question: how many months' or years' supply of face visors do you have in storage now?

Jonathan Marron: Again, I do not know the answer offhand. I think that we have just written to the Committee with the numbers. Let me see if I can check those. For eye protectors, we have 768 million and we are running a monthly demand of around 6 million, so we have a very significant quantity of eye protectors.

Q51 **Nick Smith:** That is 17 or 18 years of that.

Jonathan Marron: Yes. Eye protectors are the particular item where we have not seen use at anything like the levels we estimated. Some of the other items have been slightly lower, but we certainly modelled a much higher use of eye protectors than we have seen.

Q52 **Nick Smith:** We are looking at 15 years-plus of supply.

Jonathan Marron: Yes.

Q53 **Nick Smith:** This goes into a different part of my questions. Mr Marron, what do you do, if anything, to guard against overpaying for PPE?

Jonathan Marron: At the peak of the crisis, we were obviously paying much higher prices than in the non-pandemic phase. To guard against overpaying, we were tracking the offer prices, the prices that we paid, and ensuring that contracts we signed were within the range of normal offers that were signed at the time. We ran a dynamic process of comparing the prices we were being offered from the range of providers we were working with and the deals that we struck. We tried to ensure that we were buying within those prices.

That ran through the procurement teams, commercial due diligence and its deal-closing process. That was seen by a board within the procurement team that checked that it thought it was appropriate, and then a recommendation went to the accounting officer in the Department of Health and Social Care. Depending on the scale, it would be either the DG or the director. They took final say on whether they thought it was an appropriate price, given the market conditions at the time.

Q54 **Nick Smith:** I am now going to take a bit of a deep dive. I have some questions for you, Sir Chris. In your update to the Committee last week, which was terrific, you said that the Department is currently undertaking discussions and potentially litigation for 28 contracts to the value of £1.14 billion. One example I have raised before on the Floor of the House is about a company called Unispace Global Ltd, which was paid £603 million by the Department up front, but only delivered £484 million of PPE. I understand that the Department is now in negotiations with the company for the missing £119 million.

It may be that you cannot talk about that, because there is litigation ahead, or it may be that you can say, "That is in hand and it will be fine." My worry is that those 28 contracts worth £1.4 billion are just the tip of the iceberg. Are there any other companies that the Department expects to litigate against for not meeting their contracts? Is there going to be another list along shortly? That is my question.

Sir Chris Wormald: I do not think so. For the reason that you say, we will not talk about individual bits of litigation or contracts. We will check what we can share with the Committee privately. On the general, I think that we have been through them all now, have we not?

Jonathan Marron: Yes. We have 176 contracts we have looked at for various concerns around performance. Of those, 59 are currently in commercial discussions.

Q55 **Nick Smith:** This is after the event.

Jonathan Marron: This is after the event. There are 27 in legal review and three in formal mediation. In that process, we have a dispute team we have established within the Department to follow up these contracts. They are working really hard across all of these to secure the best possible value for the taxpayer. The range of issues they have here are everything from non-performance, non-delivery, which sounds like the contract you have talked about, through to problems on clinical standards—indeed, the material we talked about in the first set of questions—of products that are not fit for use here.

On the 176 contacts that we have looked at or have under review, the total value is about £3.9 billion. We are still working through what we think we can get back. As that process works through, over the course of the next months, we would be very happy to come back and take you through the detail.

Sir Chris Wormald: To be clear, we think 176 is the upper limit, so we have done, as it were, the long list, which is 176. The final number will be between zero and 176.

Q56 **Nick Smith:** So it could go out beyond the 27 that you reported to us last week.

Sir Chris Wormald: Yes.

Jonathan Marron: Yes.

Q57 **Nick Smith:** Could it go as far as 59, which was the first subcategory that Mr Marron talked about?

Jonathan Marron: That is speculation at this stage. We are working through the process. We are in commercial negotiations with 59 companies. Where we can reach a position that satisfies all parties in those discussions, we will do so. If we cannot reach a satisfactory conclusion, we will proceed to the next step. At this stage, I have no really strong sight of how many of those 59 we will be able to resolve without taking the next steps in a potential legal dispute.

Q58 **Nick Smith:** We are hearing about 59 out of 176 contracts possibly being a problem. What is that—40%? That seems a very high number where you have question marks over contracts.

Sir Chris Wormald: No. That is 176 that we had reason to look at. There were a lot more contracts than that. The principle of this is, of course, completely standard. We do this on all types of contract. Sometimes people do not deliver what they are supposed to and we take action to recover money for the taxpayer. I have not actually benchmarked this against other types of contract. Given the circumstances in which we bought, you would expect it to be higher, but obviously each one you have to work through individually and work out whether there is a legal liability that we need to pursue or not.

Q59[1] **Nick Smith:** At first glance, it seems as if you are tangled up in a lot of legal and contract checking here. To double check, there are 176 possible problems out of how many contracts on PPE altogether?

Jonathan Marron: It is 364.

Q60 **Nick Smith:** It seems to me as if there is a lot of contractual reviewing going on here and potentially a lot of litigation over a long period of time.

Sir Chris Wormald: We do not have that much litigation. The question is how many of that 176 turn into litigation.

Q61 **Nick Smith:** We are going to have to come back to this. What is the best way of you providing further information on this one issue, please?

Sir Chris Wormald: We will not discuss in open hearing, for obvious reasons, but we will see what we can share with the Committee privately.

Q62 **Chair:** To be clear, it is not likely to be in this year's accounts, because we have only three weeks of this financial year to go. This will be likely reported in the 2022-23 accounts.

Sir Chris Wormald: I do not think we have agreed with the C&AG how we would report this bit. In narrative terms, we would certainly want to set out what we are doing and why.

Q63 **Chair:** The numbers will not crystalise until the next financial year, not the one we are in.

Sir Chris Wormald: I would not have thought so, but I do not think we have discussed that at all.

Q64 **Nick Smith:** To wrap up this section, if you have 300-plus contracts, have identified possible problems with 176 and are looking in more detail at 59, it still feels like a chunky contracts problem and is worthy of further consideration, I think. We will come back to that.

Sir Chris Wormald: We would completely expect you to, yes.

Jonathan Marron: The 176 is all contract problems. For some of these, we are short of documentation. We have gone back and the firms can demonstrate that actually the product is as they say, it meets all the standards and then we can release it. There are some at that end, and then of course you have already mentioned some of the other end, where there are much more serious concerns and more to do on contract resolution.

[1] On the 16th of May 2022, the Department wrote to the Committee to correct some inaccuracies regarding PPE contracts

Q65 **Chair:** We talked about contracts. I notice in the report it says that 972 of your team had registered for foundation training in contracts and 450 had achieved accreditation. As at 31 March, 700 new contracts are still active, with a total value of more than £12 billion. There is an awful lot going on still in contracts, but you only have just under half of the contract managers who have gone through their foundation training and accreditation. Is that a worry?

Sir Chris Wormald: Some of this comes back to what Ms Dunn was describing earlier. We will draw a distinction. We have the people who work in our commercial functions, all of whom are properly qualified members of the Crown Commercial Service. The drive we are doing is to get non-commercial specialists trained. It is mainly in contract management. They are not the people who are signing off contracts. That tends to be the commercial department. It is the wider skills across the Department.

Q66 **Chair:** Are you content with that progress?

Shona Dunn: I am certainly content with the level of capability in the core commercial teams. As Mr Wormald said, the key thing is making sure that generalists spot issues and raise them, so that they get the appropriate professional advice. I have definitely seen an increase in that.

Q67 **Chair:** Well, 450 have achieved accreditation. Remind me when that programme started.

Shona Dunn: The commercial reset programme and the capability across our commercial teams has been going on for quite a number of months.

Chair: The capability of the non-commercial team staff —

Shona Dunn: All the elements of the reset started about nine months ago and are accelerating. If you would like me to give you a more detailed response, I can.

Chair: It would be helpful. There are other Departments that might learn from you.

Sir Chris Wormald: You may remember, if anyone can remember pre-covid, that the two things in the Department that we were saying before covid we wished to enhance were digital and commercial. There was a programme then. Obviously, a lot of our training stopped during covid and the reset needs to relaunch. It was on our worry list before covid.

Q68 **Chair:** As a lot of the report highlights, these are not all covid problems. They are exacerbated by covid.

Sir Chris Wormald: Yes.

Jonathan Marron: As we are talking about PPE, the PPE procurement was April, May and June of 2020. The people running the procurement were commercial experts drawn from the Cabinet Office and the MoD. From April, we are looking to put the PPE procurement back to SCCL, the NHS supply chain, so we will be back to the standard model. There was a surge in the Department, supported by commercial expertise from across Government, and now back to the normal way.

Chair: Yes, as we have covered.

Q69 **Nick Smith:** Shona Dunn, I wonder if you could please help. When do you think you will have adequate records of the location or condition of all your PPE inventory?

Shona Dunn: I will pass to Mr Marron for detail. We have good records of where our PPE is. I know there are questions in the annual report and accounts around our inventory system, but we know and have some detail on what we have where, how much of it and how long it has been there for. This is obviously a moving picture and our understanding of the stock changes over time. It is not the case that we do not have a clear picture of where that stock is. I do not know whether Mr Marron wants to add detail.

Jonathan Marron: We have detailed records of all our contracts for PPE, what we have bought, when it is received, its tech assurance status and the status of payment. We have a general ledger of course that has all of that as well. I think the challenge in the accounts was a limitation of scope, rather than a finding that we did not know.

Simply, we had not opened all the containers and so there was concern that we had not checked every container at the time. It is not that we did not know where the containers were or what we expected to be in the containers. It was that we had not done the physical process of checking the goods. At our peak, we had 30,000 containers with PPE. That is now down to 12,000, as we use the PPE and get things out of containers and into warehouses. We have checked 11,000 of the 12,000 containers, so we are making really substantial progress in making sure we have opened all our stocks and been through the detailed QA process that we need to make sure that our goods are fit for release into the system.

Q70 **Nick Smith:** I am glad that you are being clear about it now. Just a month ago I asked how many containers were full of PPE and did not get an answer. I asked the question at the start of February, so it good to know that now you say it is 12,000 instead of the 30,000 you have had over the period. Does that contain containers not in the UK?

Jonathan Marron: It is the number I have for containers. I could check. We have some storage in China, but I think it is a warehouse. I do not think there are containers in there. I know there is a warehouse. I would need to check for you whether they have containers as well, but I think the 30,000 is our total number.

Q71 **Nick Smith:** An earlier question I put in about how many containers there are was about whether they are in UK ports. I got an answer back telling me they were not in UK ports, but not how many containers there were.

Jonathan Marron: We cleared the ports January of last year.

Q72 **Nick Smith:** I am glad they have cleared the ports, but I have been told that they have been put into smaller containers and lots of them, or some of them, are held on farm land. Is that the case?

Jonathan Marron: We are now down to 12,000 containers, as I say. They are stored at container storage sites across the country.

Q73 **Nick Smith:** They are not on farmland.

Jonathan Marron: I have certainly not had that suggestion made to me, but I could check. They are stored in storage facilities. I do not know what the storage facility was previously.

Sir Chris Wormald: If you have a specific on that, let us know and we will check.

Q74 **Nick Smith:** I do not have a specific. I was told that they were moved from ports to storage, but some were held on farmland. I am trying to find out if they are still on farmland, not least because of course they may deteriorate. The content may deteriorate more if they are held on farmland.

Sir Chris Wormald: I am not aware we have ever had anything on farmland. I think that it has always been at registered sites. I will check again. As I say, if there is a specific site to check, that would assist. I am not aware that we have done that.

Jonathan Marron: Mr Smith, you are right that we have made significant efforts to make sure that we have moved the containers away from the ports to avoid problems.

Q75 **Nick Smith:** Good, because that will be expensive.

Jonathan Marron: It also stops goods flowing through the ports, which is a significant challenge for supply for the UK.

Q76 **Nick Smith:** In the most recent update from Sir Chris, it says that you spent £1 billion on shipping containers recently. How many shipping containers does the Department now own?

Jonathan Marron: I do not have that number off the top of my head. We have bought containers as part of a strategy to reduce our overall storage costs. For those of you who have spent time in the logistics world, the renting of containers can be extremely expensive. If you hold on to containers longer than you are supposed to, you pay demurrage and detention charges. Those are extremely high.

Q77 **Nick Smith:** It makes sense to buy them, I suppose. I am just wondering how many you have.

Jonathan Marron: I can come back with the answer. We do know. I do not know how many we have off the top of my head.

Q78 **Chair:** Will they be recycled too?

Jonathan Marron: Containers simply release back to their owners, if they are rented, or will be sold. There is an active market in containers.

Chair: I am sure there is an active market

Q79 **Nick Smith:** I have two quick questions to finish. You are currently spending half a billion pounds a day on storing PPE. What is your estimate of the future cost of storing PPE through the coming year?

Jonathan Marron: Our weekly storage cost is currently around £3.5 million, which is significantly down from October last year, when it was £18.5 million, and January last year, when it was £11.6 million. We have been quite successful in reducing it. We have an agreed budget for PPE, including storage over the course of this year, and we expect to be within that. Our aims are to bring the cost down further.

Q80 **Nick Smith:** What is that for this coming year?

Jonathan Marron: I do not have my budget forecast for this year with me. I have the annual accounts from the year in question, but we can come back with our budget.

Q81 **Nick Smith:** This is the final question from me. There is this whole business about leftover PPE being incinerated. I really want to get to the bottom of how much and what the value of it is. Have you done an assessment of the environmental impact of that? Could you get back to us on that please?

Jonathan Marron: We can come back on that in detail, yes.

Q82 **Sir Geoffrey Clifton-Brown:** Mr Marron, in answers to Mr Smith, you tell us now that you are down to 1,000 that you have not inspected. When do you expect to have inspected all of those, so that you have a full inventory in the NHS of what you actually have?

Jonathan Marron: We continue to work through them. We are still receiving new goods, which is part of our challenge. We are working through the new arrivals and the stock. We expect to be through in the next few months, into a position that we know exactly where our containers are. I do not have the completion date with me.

Q83 **Sir Geoffrey Clifton-Brown:** That sounds a bit incongruous. If you have got it down from 12,000 to 1,000—I do not know in what period—surely it is not that difficult a job to do the last 1,000.

Jonathan Marron: Yes. I do not have a date of when I am expecting—

Q84 **Sir Geoffrey Clifton-Brown:** Could you put that on your long list of things you are going to write to the Committee about?

Jonathan Marron: Yes, of course.

Q85 **Sir Geoffrey Clifton-Brown:** Sir Chris, I remember, in the early days of the pandemic, sitting in our regular weekly meeting with the chief executives of our health trusts and PHE, and them tearing out their hair because the latest guidance had come along. They thought they had the right PPE and in fact they did not have the right PPE, and they had to go and get it from you or whatever. We know that there were 13 major guidance changes in the social care sector during the course of these accounts. The NAO, in its document in November 2020, HC 961, says that there was poor communication and confusion. At times, the guidance was not actually up to the standard of the World Health Organisation. Whoever had been on your procurement team for this PPE would never have been able to get it right with this rapidity of change of the guidance, would they?
Sir Chris Wormald: It is very difficult, yes. As I think we have discussed before, the guidance frequently changed for very good reason. In that period, very little was known about covid and how it spread. In particular—this was the thing that, as Mr Marron has already said, pushed our PPE requirements into the stratosphere—there was the level of asymptomatic transmission.

I completely understand why people were tearing their hair out, and so were we. Clearly, you would not want to do it like this. As our understanding and the scientific understanding of the disease advanced, and our understanding of what people on the—I hate to use the phrase—frontline needed and wanted evolved, we evolved our guidance. That gave the procurement teams a huge problem, but at the time you of course have the challenge of whether you retain what you now know to be incorrect guidance, given what you know now, or you update it again.

In a period when our understanding of the disease and how it was managed was evolving very quickly, we took the view that we had to keep our guidance absolutely up to date. It is untestable, but I suspect the people using the guidance would have preferred that to having an out-of-date version of the guidance and an out-of-date version of PPE. Yes, it caused huge problems, but that is how the decision making worked. I completely understand the frustration of the people at the other end of this chain. We were frustrated as well.

Q86 **Sir Geoffrey Clifton-Brown:** We all have PhDs in hindsight. With hindsight, would you have changed the guidance just a little bit less often, to wait to see what was actually coming along and what you actually knew on the ground was happening?

Sir Chris Wormald: I ask myself this question. It is really hard. At that point, you have some scientific advice where we say, "Some studies have been carried out. We believe the disease spreads like this, which means, for example, we ought to be using full gowns, not aprons," which was one of the changes. I know exactly what you are saying.

There is that bit when you are sitting in your office, going, "Shall we wait? Shall we not tell people to use gowns?" What would I think of myself if somebody suffered, or lots of people suffered, because we waited three weeks before we told people to use gowns? I am not sure we would have done it differently, because that moment you think, "We have to be transparent about what we know" in a very uncertain period.

Q87 **Chair:** Sir Chris, you sound like you are describing what was very much in your mind at the time.

Sir Chris Wormald: Yes.

Sir Geoffrey Clifton-Brown: That is a perfectly reasonable answer.

Sir Chris Wormald: I am not sure we would do it differently, but, that said, your challenge was very fair.

Q88 **Sir Geoffrey Clifton-Brown:** We have got that. When it comes to the lessons learned from the whole epidemic, I worry greatly about what you were saying earlier in the hearing about this strategic reserve. The strategic reserve you had at the beginning of this pandemic was all geared towards influenza. Nobody had ever thought that it might be something different. In trying to plan a strategic reserve for viruses that are rapidly changing, we do not know what might be coming. It might be MERS. It might be SARS. It might be Ebola. It could be anything different. I do not know how you can really plan a significant strategic reserve.

Sir Chris Wormald: If I may say so, you have put your finger on exactly the right question. I should be clear: those decisions have not been made. The question, which I am sure will be something the public inquiry looks at and we will need to look at when we are actually out the end, is what the

right level of stockpile is to hold. There are several conclusions you could draw.

The conclusion that goes, "You ought to stockpile for a pandemic like this" looks very unlikely on the numbers that we have at the moment. That looks much more expensive than buying even at the top of the market, as it were. As you say, we had a stockpile at the beginning of this pandemic that was exceptionally useful to us. We would not have got through without PPE shortages had we not had it. It was established in 2009 by the Government the Chair was a member of, after the swine flu, and it was essential to the management of the pandemic.

At the other end of the spectrum, you could say, "That was the right size," given the uncertainties, or there were, of course, infinite points between those. To reassure you, we are having exactly the same thoughts as you, as it would be possible to spend a very large sum of money on something that either is never used or turns out to be the wrong stockpile for the next disease. That is obviously going to be a key decision. As I say, my gut feel is it will be somewhere between the two, not stockpiling for this type of disease but bigger than what we had before.

Q89 **Sir Geoffrey Clifton-Brown:** This is the final question from me. That is a very interesting point, that that stockpile originated from 2009, which indicates that PPE, if stored correctly, can last a considerable time.

Chair: It was a decision, was it not, rather than the actual stock?

Sir Chris Wormald: We do this with all of our stockpiles, because we stockpile quite a lot of drugs as well for one reason or another. You use from the far end of the stockpile. This is why, were we to do the mega stockpile we were talking about to do the whole pandemic, costs would be so high, because there you would never use anything like as much, so you might be throwing lots away.

Q90 **Sir Geoffrey Clifton-Brown:** I suspect the premise of my question is still good, if it is stored properly. If it is in Mr Smith's discovered containers, it is probably unlikely to last as long as if it is properly stored in a conditioncontrolled warehouse.

Sir Chris Wormald: That is exactly right. We will want to get to a situation where we have warehouse-stored PPE. There are two crucial things. One is how well it is stored and therefore how well it is preserved. The second is ease of access, so that you can know exactly which bits you want to release, because they are getting towards their sell-by date, into the system through the back end. Then, when you are in an emergency, you need to be able to actually get to the right box—the absolute basics of logistics. That was one of our challenges, that we had stuff in deep storage.

Q91 **Sir Geoffrey Clifton-Brown:** Hence my question why it is so important to get to that 1,000, because you must not let the tail wag the dog. Until you can get to the bottom of what your stocks actually are, I cannot see how you would know how much more—

Sir Chris Wormald: To be clear, we know what we have bought. We have not eyeballed it for the last 1,000. As Mr Marron said, some of that is because it has only just arrived. Your general point is exactly right. We need to get to the point where we have a stock, it is stored in a normal way and ready to be either released into the system or stockpiled. The questions you are asking are exactly the ones we need to ask ourselves.

Q92 **Peter Grant:** Mr Marron, can I come back to the question of how much of the equipment that was purchased was usable and how much was not? When there was the significant media interest after the Comptroller and Auditor General's Report was published about the write-off and loss of value, part of the response from the Department was that 97% of the PPE that had been acquired was usable. How could you say that 97% was usable when at that point you had not actually opened 97% of the containers to look to see what is in them?

Jonathan Marron: Our answer is that the accounts set out the amount of PPE that is not usable. That is 817 million items, which is 3% of the total, so 3% is not usable, which is clearly set out in the accounts.

Q93 **Peter Grant:** How could you know? There was a statement issued to the media by the Department of Health and Social Care, saying, "We have delivered over 17.5 billion items of PPE to the frontline, with 97% of PPE we ordered being suitable for use." How could anybody say with any confidence that 97% of it was suitable for use when there was more than 3% at that point that nobody had even looked at inside the box to see if there was anything there?

Jonathan Marron: I am not sure about your figure of more than 3% that nobody had looked at, but certainly we were clear at the time that 3% was unusable, so I presume that is where that is from.

Q94 **Peter Grant:** That is 3% of items.

Sir Chris Wormald: No, sorry, your argument does not quite follow. You get 1,000 boxes from a supplier. You have looked at 900 of them and they are absolutely fine. You do not happen to have opened the other 100. Those you would count as being usable. You have a reliable supplier that delivers exactly what it says and you have every expectation that those would be usable.

For accounting purposes, the Comptroller and Auditor General quite rightly says that you have to have opened the box and made sure that it is there, and that is the accounting standard, which is perfectly fine. The numbers you are quoting are the audited numbers in the annual report, so we are entitled to use them.

Q95 **Peter Grant:** The statement I am talking about is not something in the accounts that the external auditor has to confirm. There is a statement made public that there is no degree of uncertainty about it, no degree of approximation, no degree of estimation. There was a statement of fact. The statement was that 97% of what was ordered was suitable for use. At the time that statement was made, you did not have the evidence to back that up, did you?

Sir Chris Wormald: No, sorry, the categories that Mr Marron has described are in the annual accounts, are they not? These were audited by the NAO. We were quoting numbers that you use, I think. We are allowed to do that.

Q96 **Chair:** Can I get Gareth Davies, the Comptroller and Auditor General, to clarify on the record?

Gareth Davies: Yes. In the accounts and in our Report—it is paragraph 8 of our Report on the accounts—we list the four categories of loss of value in the PPE and £670 million is the PPE that cannot be used. That is the figure in the accounts.

Sir Chris Wormald: I understand your argument, but it is a number we are entitled to use, because it has been audited.

Q97 **Peter Grant:** Mr Marron, *Private Eye* magazine reported last week that it had submitted a query to the Department and, as a result, it had been told that nobody knows where £200 million-worth of the unusable equipment came from. Is that correct?

Jonathan Marron: I am not familiar with that number.

Q98 **Peter Grant:** Is there any of the equipment that you currently have in stock that cannot be, with certainty, traced back to a supplier?

Jonathan Marron: The equipment that is not fit for use includes donations. It is perfectly possible that some of the donations may not have a full provenance of where they came from. That is the most likely explanation. In terms of the contracts that we have where we have paid money for the goods, then we have full records of the contracts we entered into, how much we paid and what has been delivered.

Q99 **Peter Grant:** Were you surprised at the number of suppliers where you have had to go into either a dispute or legal review? I am not talking about the lack of paperwork, which is the kind of mistake anyone can make. Were you surprised that so many of them have got so far down the process of a potential dispute?

Jonathan Marron: If we go back to the period we entered into these contracts, of April, May, June of 2020, we knew we were dealing with an extraordinarily difficult market.

Chair: We have well rehearsed that.

Jonathan Marron: We entered into contracts with a high appetite for risk. We understood some of these contracts would not perform. In that sense, to the fact that we have concerns and we are following up, we expected to have that difficulty. The alternative was not to enter into the contracts and then we would not have had the PPE. It was a very difficult position to be in.

Q100 **Peter Grant:** The problem is that you were not the only ones who knew you were over a barrel, if I may use the expression. The crooks knew that as well. Have you assessed the risk that some of the companies that you are currently taking action or may take action against will be wound up before you can get anywhere near the money and, before they wind up, siphon the money off to a sister or associated company in the same group, so that money becomes unreachable? Have you made any assessment of the risk that that will happen, given that you did not do the usual checks before the contracts were let?

Jonathan Marron: In the eight-step process we went through before we let contracts, we looked at the financial status of the parties we were entering with. We looked at counterparty risk. We did what we could to ensure that there was appropriate cashflow in the companies to stand against any non-delivery. On the contracts we talked about earlier, the 176 we are working through, we are running through that process of understanding the commercial position of the companies themselves and the likelihood of getting our money back. That is part of our process and that risk is one of the things we are taking into account.

Q101 **Peter Grant:** I want to move on from PPE, which may lead to a sigh of relief from our witnesses. Sir Chris, it is noticeable in the annual report this year that there are 13 and a half pages of declarations of interests, outside interests held by senior members of staff, non-exec directors or their immediate families. A significant amount of that was added only because the NAO thought that your original proposed list of interests was not sufficient. Can you explain why it took the NAO to get it right? Why did your Department not have a process in place to identify these interests?

Sir Chris Wormald: In some ways, you will have to ask the NAO. Every year we submit all this to the NAO and it takes a view on whether it is appropriate. In all previous years, what we have done has been signed off by the current and previous C&AGs. For reasons I completely understand, the National Audit Office took a much harder line this year. It has obviously been an issue of considerable public and political interest, so I completely understand it. It applied a tougher bar, which we complied with. As far as I know, every year, including this one, what we have published has been satisfactory to the National Audit Office, which is what you aim for in this area.

Q102 **Peter Grant:** The NAO did some further work. It looked at all the declarations of interest it had received and identified 13 examples of

companies with close links to senior people within the Department where, and I quote from the Report, they had been assessed as having an elevated chance of having high-value transactions with the Department. I am pleased to say, as I think you have already mentioned, that when the NAO looked at those 13 examples it did not find anything untoward at all. We should put that on the record.

With such a large number of potential and potentially significant conflicts of interest, within staff, non-exec directors or Ministers at the Department, how do you make sure that things are actually done properly? How do you make sure there is not something else that does not get declared and does not get picked up?

Sir Chris Wormald: We do all the standard things. It is particularly challenging for us, because health and care is about 10% of the economy. Any relative you have has a one in 10 chance of either being an employee of the NHS or working for a contractor that works for the NHS. When you go out to families, it is a huge number of people. Anyone who has any investments, including most pension funds, will invest in companies that work with the NHS. It is 10% of the economy, so you have a vast number of things. Within the Department, the first thing is declaration. We have the normal systems for declaration that people comply with.

Chair: We understand how that works, yes.

Sir Chris Wormald: Sorry, I was asked how we manage it.

Chair: Yes, the declaration is the first one. That is fine.

Sir Chris Wormald: Secondly, when we get declarations, we then check those against the records that the Department holds of the people the Department contracts with directly. That is of course a very small amount, because we do not contract directly. If we find a match and put in measures, people are excluded from dealing with anything to do with that company. That happens very rarely, because the Department does not contract that much.

The third category is people who work with the NHS or the care system, which, as I say, is this vast number. There, the actual commercial decisions are taken normally in the NHS and would never come to a Minister or senior official, but we ask people to stay out of those areas, exactly as we ask Ministers to manage their constituency conflicts. You do the same in that; you pass it to another Minister. There is no magic to it. The only difference for us is that, as I say, it is 10% of the economy.

Q103 **Peter Grant:** From the experience of the last couple of years, where clearly some elements of NHS procurement have been spending far more public money than they did previously, there is also, for a number of reasons, significantly more public interest around the whole area of the propriety and integrity of the procurement. Have you made any permanent changes

to the processes that were in place a few years ago? Have you made any permanent changes to the processes that were in place, say, a year or two ago for the registration and declaration of interests?

Sir Chris Wormald: No, it is all the same principles. This year, the National Audit Office, for reasons I entirely understand, has drawn a wider circle. The bit that has had much more public interest than previously, and has done for everyone in public life, whether you are elected, executive or whatever, is interests of family members. We have one very famous case, where it was acknowledged that the individual in question did not know that the company run by a close relative was on a framework contract with an entirely different piece of the NHS.

We fully understand why there is public interest in those things, but, particularly for all elected people, that bar you are drawing is really quite hard. We have to be proportionate, or it will end up that no one can be elected, because everybody has a conflict somewhere. There is a level of proportion. The increased level of declaration and public focus you point to is a good thing, as long as the decisions are then proportional and allow people to do what works.

Q104 **Chair:** Are you going to maintain this level of reporting now?

Sir Chris Wormald: We will meet whatever standards the National Audit Office sets for us. I am assuming you are going to carry on at that level, in which case we will continue to report at that level.

Chair: It is a welcome transparency actually.

Sir Chris Wormald: As I say, the important thing is that there is then some proportionality that allows, particularly, elected people, who get the most scrutiny here, to actually do jobs in the public service.

Chair: Yes, as long as we all declare everything.

Sir Chris Wormald: No, exactly, that is my point. It is all declared but it is not saying, "There is a conflict or something that means X cannot do Y job." That is the bit where it becomes impossible.

Q105 **Chair:** Some of us have been there and done it. It was a well-worn route.

Sir Chris Wormald: As you have identified, it is much more extensive than when you were a Minister.

Chair: That is a good thing.

Sir Chris Wormald: Yes. As I said, it is a good thing.

Chair: It always happened and most public servants would expect it to.

Q106 **Peter Grant:** Can we move on to another set of questions now? First is the amount of time it has taken to get the accounts for 2020-21 published and audited. Clearly, there were exceptional circumstances in play there. When would

you expect to have this year's accounts finalised? What are you doing to make sure of that?

Sir Chris Wormald: I will ask Mr Brittain to comment. The first thing to say is that we were not late. There was a statutory deadline. We met the statutory deadline. Obviously, everybody—we, the NAO, you—would want it to be earlier.

Chair: It was backed up.

Sir Chris Wormald: Yes. It was within the deadline that Parliament sets, so it was not late. Obviously we want to do it earlier.

Q107 **Chair:** It was later than you have managed to do for a number of years.

Sir Chris Wormald: That is undoubtedly true, yes.

Chair: It was lower than the standards that you would like to achieve, but we understand the circumstances.

Sir Chris Wormald: Yes.

Chair: We have that.

Sir Chris Wormald: We have agreed on that one.

Andy Brittain: We are working hard to bring the publication of the 2021-22 accounts forward. We are working hard with the NAO and creating a plan to do that. Given the ongoing covid challenge, on the plus side, we have dealt with the most significant issues in this set of accounts. I am not anticipating any brand-new covid-related issues to come out, because we have done that very thoroughly. A lot of hard work has been done there.

On the other hand, the ongoing challenge of covid was still permeating through the current financial year, so that will act as a bit of a drag. We are aiming to publish around about November this year and then continue to work to bring subsequent years' ones forward in time, with the ultimate aiming point of pre-recess.

Chair: Pre-summer recess, for people who perhaps do not follow this.

Andy Brittain: Yes.

Chair: That means just before the middle or end of July.

Q108 **Peter Grant:** If you were to write down a list of every single kind of job that people did in the NHS, I suspect that accountants would be quite far down the list of public priority. I say that as a former NHS accountant myself. How do you make sure that your finance function is adequately resourced but, at the same time, avoid giving the impression that there is plenty of money for accountants and pen pushers, but no money for doctors, nurses and paramedics?

Andy Brittain: This comes back to partly the reset programme that Ms Dunn was speaking about earlier. We are working very closely with the NHS post-covid, or as part of the reset programme, to improve and reset financial controls and governance across the whole of the Department and its arm's length bodies.

For example, the NHS has its own programme going, where it has set up a new financial operating framework. We are working very closely with it to have better transparency, financial management and reporting. It actually has a very high profile. I would not agree with you that accountants and finance professionals are down the pecking order at all. It is very much front and centre, particularly with the work we are now leading across the Department. There is a really decent programme of work under way, which is starting to pay dividends along the lines of improved forecasting, approvals, controls and governance.

Sir Chris Wormald: The only thing to add is that, just as the NAO provides a check on whether we are meeting our financial standards, local audit for every single trust in the country—C&AG used to be one—provides exactly the same pressure on trusts to take financial management and accountancy seriously. If you thought that a trust was under-resourced and could not do its accounts properly, you would raise that, as a local auditor, so this is an external check that financial capacity meets a minimum standard.

Q109 **Peter Grant:** The Chair raised a related issue with you in an earlier evidence session about some of the other less well-known but very important levers of accountability back through this Committee to the whole of Parliament. We have previously raised the lack of clarity of, and sometimes just the lack of response at all to, Treasury minutes, which is the official Government response to our reports.

There have also been problems with the Chair being notified very late, and sometimes not at all, about contingent liabilities that are about to be entered into. To the general public, this might sound like jargon, but these are very important controls and checks on behalf of Parliament that we have to be able to undertake. What are you doing to make sure that those kinds of matters, and similar matters about your accountability through us to Parliament, operate in the way that they are supposed to, so that Parliament can have confidence in the work that you and, indeed, we are doing?

Sir Chris Wormald: This is a matter for which I apologise to the Committee. We did not do what we were supposed to do, partly related to covid, but we need to do better. We are not trying to defend some of the things that went wrong.

On Treasury minutes, we are now up to date, I think, and our challenge will be to remain so. It is a challenge both for us and for our colleagues at

the NHS. We need to make sure that those are all in on time—the basic process stuff.

I think we are going to have a separate session on contingent liabilities but, on the process, we discovered this wrinkle that we need to find a way through, where, on a number of occasions, it is impossible to inform Parliament on the correct timetable, because we are unaware in advance of the date at which it crystallises, because it is related to an independent regulatory decision.

We are discussing with our Treasury colleagues what we can do that means that, every single time, we are not writing to you, saying, "We apologise," because, even if we do everything right, we still do not give you the notice that you want. We are looking at something whereby we give you advance notice of a possible contingent liability, where you get much more notice, and then write to you when it crystallises. That is not the current procedure and we need to agree it with Treasury.

Chair: We will be discussing that with the Treasury Officer of Accounts.

Sir Chris Wormald: Then we need to agree the process with you, so that you are happy.

Chair: The key thing is that we get it in enough time to have some notice.

Sir Chris Wormald: For the ones that are tied to a regulatory decision, we know the regulatory decision only on the day that it is made, and it crystallises that day, so it is impossible to give you advance warning.

Chair: We can take this offline.

Sir Chris Wormald: We recognise that there is a process problem there.

Q110 **Chair:** Mr Grant is making the point that Parliament's approval or notification is not just a "nice to do" or a tick-box. It is not just your Department; there are others.

Sir Chris Wormald: No, exactly. We identified—and I apologised for this before—two categories. There were some that we just did not get right and we need to be better at, and Andy has a process in place for us to be better, so that that does not happen.

Chair: Now we know about them, we will make sure we liaise closely on this issue.

Q111 **Peter Grant:** A final issue under the general theme of public and parliamentary accountability is the problems at the University Hospitals of Leicester NHS Trust and getting its final accounts for the last two years cleared. In one sense, within the context of the entire Department, it is quite a small part of the overall NHS spend in percentage terms, but it is still a significant teaching hospital, where there appear to be now

longrunning and quite serious concerns about financial management and reporting.

Permanent Secretary, as the accountable officer for the Department, what are you doing to assure yourself that, first of all, UHL is getting its act together, and that it is an isolated occurrence and there are not similar issues brewing elsewhere in the NHS?

Sir Chris Wormald: I will let Shona go first and then I will add some bits.

Shona Dunn: Mr Grant, you are right. The fact that accounts have not been laid for 2019-20 or 2020-21 is a serious issue. As you know, there was a significant management override of controls question in 2019-20, and I understand that there are no longer the same level of concerns for 2020-21, but there are some technical issues that flow through from 201920, which have made it challenging for those accounts to be adopted.

NHSI is working with UHL very intensively. National and regional leads are working together with the trust to resolve those questions. You know that they entered special measures in August 2020. They have been working through the issues that they established there. Those were reporting, governance and control weaknesses, which are all being worked on now. The last update that I had was that the trust was aiming to adopt the accounts in April, so it thinks that it is nearly there.

It is a very significant issue. It is only one trust, but you are completely right that it is material. The question about how we reassure ourselves is through, as Mr Brittain was saying earlier, our intensive relationships and discussions with NHSEI. It has its system oversight framework that it has adopted, through which it is making sure that it is keeping track of the performance of individual trusts. We expect it to notify us when it identifies issues of this type. I am not aware of any others.

Sir Chris Wormald: You will know this from your background, but this is also an example of a system working. Local audit has identified the problem. The reason it is in our accounts is that local audit puts it into the NHS account, and the NHS account is audited by the National Audit Office. That is how it becomes transparent. As Shona said, the next question is how you deal with it, which is the NHS framework that has been described.

Clearly, it should not have happened. The only thing that you said with which I disagree is that this is a small percentage. I agree much more with your second point that this is a big teaching hospital, which ought to have clean accounts, and action needs to be taken.

Q112 **Peter Grant:** The reason I said that is that people watching this on TV might wonder why the Comptroller and Auditor General did not qualify the accounts on that basis. The reason for that is that a qualification to the entire Department's accounts would happen only if the amount of money undermined the rest of the Department.

Sir Chris Wormald: There is one more bit of your question that we did not answer: are there others out there? When we and the NAO have looked at the local audit system, it appears to us to be robust. It appears that local auditors are doing their job properly, to proper professional standards, and that is our defence as to whether there is a hospital or trust out there that has the same problems.

Chair: Not in local government, they are not. We are talking about local government as being a big failure.

Sir Chris Wormald: The C&AG and I were discussing this last week. I do not think the NAO thinks there is—

Chair: Can we go through the Chair please? Comptroller and Auditor General—

Gareth Davies: The local audit system is generally under real pressure, much more than it has been in recent years. It is much more evident in local government audit at the moment, where there are some councils with no audited accounts for the last two or, even in some cases, three years. We know from NHS trusts that they are finding it harder to secure highquality audit services when they need to change, for whatever reason, than they did. It needs very careful watching, which I know we are doing, and we are liaising with officials in the Department and NHS England who are doing that. At the moment, the NHS is not experiencing the same delays as local government, but there is no room for complacency on that.

Chair: Thank you, C&AG, because that rather underlines that there certainly is no room for complacency, if you see what the mess is in local government.

Q113 **Peter Grant:** You said that the trust hopes to have its accounts completed by April this year. Does that apply to the 2019-20 and 2020-21 accounts? Do they expect to have both years done by April?

Shona Dunn: That was the update that I had ahead of this session. For my own peace of mind, I will reconfirm after this session, but that is the update that I received.

Peter Grant: Thank you. We will not shoot the messenger if it turns out otherwise.

Sir Chris Wormald: It is very nice when you confirm when that is the case and not the case.

Q114 **Chair:** It is certainly a shocking failure, and a real concern for the people of Leicester and the surrounding regions who rely on that hospital. I am not sure if I am yet reassured that it is not going to happen again, but we will need to be sure. Hopefully, most finance directors would not let it get to that point, but we cannot live on hope alone, so let us hope that local government audit is also strengthened.

I just want to come in quickly on a couple of points. When Mr Grant was talking about the extensive list of potential conflicts of interest, I noticed that you have a director of Ministers, accountability and strategy in the Department. Is it that person's job to manage those conflicts of interest? If it is not that, what do they do? It is a Mr Hugh Harris; he is named in the accounts.

Sir Chris Wormald: He works for Ms Dunn.

Shona Dunn: That is not his role, no. The Ministers bit of that is that he is responsible for the private office, which is to support our Ministers. The accountability element of that is about performance and delivery in the health and social care system overall. He has members of his team who, for example, sponsor arm's length bodies and so on. The processes by which we look at conflicts of interest are through our finance colleagues.

Chair: So he has no role in that.

Shona Dunn: He does not play any direct role in that.

Sir Chris Wormald: Only in that private office, he does.

Q115 **Chair:** So the private office has to make sure it is doing the paperwork.

Sir Chris Wormald: The process is that Ministers fill in a standard form. We check that form, as I described, against our records. It comes to us. We assess it and give a recommendation. Then it goes to—

Q116 **Chair:** I just wanted to check because I had not come across the role before and he has certainly not been a witness here.

test and trace is interesting in the accounts that year, because it was set up during the financial year, but, of course, has now moved into the UK Health Security Agency. What is the annual budget for the UK Health Security Agency going forward? Mr Brittain, do you know?

Andy Brittain: That is under live discussion at the moment. The budget for this current financial year is around £15 billion. Going forward, it is under discussion.

Q117 **Chair:** How much of that is for test and trace?

Andy Brittain: The vast majority of it is.

Q118 **Chair:** Test and trace is being wound down quite a lot, as we are seeing testing reduced and so on. Is there enough left to run the UK Health Security Agency?

Andy Brittain: That is precisely the discussion we are having now as part of taking forward the detailed plan coming out of the living with covid strategy and doing our annual budget setting. That is precisely the discussion that is under way at the moment.

Q119 **Chair:** But test and trace is the bulk of its budget at the moment.

Andy Brittain: At the moment, yes.

Sir Chris Wormald: As you know, the bulk of that is the cost of buying tests, so the need falls away, of course, as testing reduces, as we discussed earlier.

Q120 **Chair:** When will we know what the budget is for the UK Health Security Agency?

Sir Chris Wormald: Soon.

Chair: Go on; give us a bit more of a definition on that.

Sir Chris Wormald: No, I will stick with soon.

Chair: Does that mean this financial year or this calendar year?

Sir Chris Wormald: It means soon.

Q121 **Chair:** We will keep an eye out for your Minister's statements. Will that be done through the usual channels?

Sir Chris Wormald: That will be done in the usual way, soon.

Q122 **Chair:** Just to be clear, Dr Jenny Harries is the accounting officer for UKHSA.

Sir Chris Wormald: Yes.

Q123 **Chair:** She has been in front of us before. I was just clarifying that. She reports to you.

Sir Chris Wormald: She reports to me, so I am the principal accounting officer and she is the sub-accounting officer, as is Ms Dunn.

Q124 **Chair:** But it was slightly different when the previous head of test and trace was reporting into No. 10 and then to the Secretary of State for Health for a period.

Sir Chris Wormald: I am not quite sure what the right word is. In policy and operational terms, there was a period where Baroness Harding reported to the Prime Minister and the Cabinet Secretary, but the accounting officer functions were carried out by our mutual friend, David Williams. In accounting officer terms, it was always within the Department.

Chair: So Baroness Harding was never the accounting officer, but Dr Jenny Harries is, just to be absolutely clear.

Sir Chris Wormald: Yes.

Q125 **Chair:** It is quite good to be the accounting officer for the money you are spending. Mr Brittain, there was £142 million on consultants' expenses. It was an extension when NHS Test and Trace was NHS Test and Trace, not when it was UKHSA. It extended a consultancy contract and the Treasury

declined to retrospectively approve it, so what impact has that £142 million had on the budget?

Andy Brittain: It has declined to approve the expenditure, but we have incurred it and we had the budget for it. Along with some of the others, it is one of those where we had to get the money to the right place as part of the emergency covid response. The Treasury subsequently informed us that we should have got formal approval for it, because it was above our delegated threshold, so that is why it has been deemed irregular, but we did receive the budget from the Treasury and we have spent it.

The follow-on point is that, as we are now moving out of the setting-up of UKHSA, we are drawing down the amount of consultancy spend very significantly, so, for the next year's set of accounts, this number will be much smaller. In the previous set of accounts, we spent about £15 million on consultancy, so the big spike you are seeing here is a direct result of the covid response and the setting-up of test and trace in the first place.

Q126 **Chair:** Are you saying that you think it is okay that the money was spent?

Andy Brittain: As the permanent secretary said at the beginning, these categories that the Treasury has decided are irregular were because we consciously relaxed financial controls to enable us to respond to covid effectively and to get the money where it was needed. That includes the money here that we needed to spend on the consultancy to set test and trace up, given the urgent need for it. Moving forward, of course, I would not expect or personally say that it was acceptable to have qualifications of this sort in a set of accounts, and we have set the reset programme in order to avoid that in the future.

Q127 **Nick Smith:** What were the Treasury's worries exactly?

Andy Brittain: It was an extension to a contract that was above our delegated threshold, and we asked for the approval for that spend retrospectively, but they declined to approve it because we had not asked in advance.

Q128 **Chair:** We also know that an awful lot of money was spent on consultants. Under the new regime, as the senior accounting officer, Sir Chris, are you watching the consultancy spend?

Sir Chris Wormald: Yes, and Dr Harries has a plan for this. We want to see the reliance on consultancy fall very significantly. As Mr Brittain said, it was appropriate when we were setting things up very quickly.

Q129 **Chair:** But it went up.

Sir Chris Wormald: Yes, as we expanded test and trace and were doing so at enormous speed.

Q130 **Chair:** They were talking about driving it down and then the number of consultants went up. It is not just about this lack of Treasury approval.

Sir Chris Wormald: As Mr Brittain set out, the plan is for it to fall very significantly indeed. We want to get back again to a normalised use of consultancy, where you use it only where it is not cost-effective for the Government to retain those services among their own staff, as we do with QCs and in lots of other places where it is perfectly appropriate to seek outside professional assistance.

Q131 **Chair:** We are going to keep a close eye on this. As it crosses financial years, we will be watching those figures very closely. We have talked a lot about fraud and error across Departments with covid, but you have quite a significant amount of fraud—significant in normal times—of £1.14 billion

for the year September 2019 to August 2020. It is not a full year, so what do you expect that fraud to be that the NHS Counter Fraud Authority is detecting?

Sir Chris Wormald: I will leave it to Mr Brittain for the detail. Just to be absolutely clear, what the C&AG reported on was an increased risk of fraud, not increased actual fraud.

Q132 **Chair:** To be clear, the numbers have gone down from 2017 all the way through. We have it only from September 2019 to August 2020. What do you expect the level of fraud to be in the accounting period that we are talking about today?

Andy Brittain: Just to be clear, this is the strategic intelligence assessment of the level of fraud that one might expect. It is not confirmed and there is no evidence of that level of fraud. It is based on, given the size and shape of an organisation and the risks, what you might expect it to be. It has decreased over the years, as you say, to £1.14 billion now. All other things being equal, I would expect the trend to continue declining as we move forward.

Q133 **Chair:** Do you have a target?

Andy Brittain: This is an assessment.

Q134 **Chair:** But the assessment is based on what you are doing and what you are bringing in or catching. Where is the fraud and what are you doing to drive it down?

Andy Brittain: The Department sets out the overarching fraud strategy, which was recently published for 2020 to 2023. Essentially, it sets out all the principles that we have for managing and controlling fraud, which are along the lines of continuing to drive fraud down, having clear lines of accountability, making it everyone's responsibility and having a clear strategy and guidance. We do have a rigorous framework in place.

Q135 **Chair:** It outlines some of that in here, so what is the main bulk of the fraud? What is causing it?

Andy Brittain: Within a system the size of the NHS, whatever checks and balances we have in place, there is always the potential for fraud.

Q136 **Chair:** Is there an area of particular risk?

Sir Chris Wormald: It is pretty standard. We have enormous payrolls, and there is certainly the possibility of payroll fraud. We have enormous procurements, so there is the possibility of procurement fraud.

Chair: So payroll and procurement.

Sir Chris Wormald: Yes, it is absolutely standard, as you would find in most organisations. There are much smaller numbers in some very specific things. We discussed prescriptions before, but the biggest number will be in payroll, just like it is for most organisations.

Q137 **Chair:** That falls to you. That is the NHS payroll as well as the DHSC payroll.

Sir Chris Wormald: Yes. The NHS is responsible for cracking down, and we have the NHS Counter Fraud Authority, whose job it is, and then it all comes to me as principal accounting officer.

Q138 **Chair:** I will leave that there. You have mentioned a few times the pandemic preparedness review and all this work that is ongoing to ask questions about next time. When will that be ready?

Sir Chris Wormald: We are not doing an end-to-end thing. There will be the public inquiry, and one of the big things out of that will, of course, be lessons learned.

Chair: We do not want to wait until the public inquiry. It might take years and we will not be here then.

Sir Chris Wormald: Well, hopefully not, and hopefully we can be doing the lessons learned. We are doing things in particular areas. We are not trying to second-guess what the public inquiry will do.

Q139 **Chair:** When will your bit be done?

Sir Chris Wormald: A lot of it is published already, such as the Boardman review on PPE. The winter plan for social care was based on an evaluation of what happened the first time round on social care. There is a whole series of separate things. We are not going to do a grand publication at some point. We will go on reviewing individual chunks, as will committees. The National Audit Office has done quite a lot, and the public inquiry, I assume, will bring all that together.

Q140 **Sarah Olney:** There is a lot in the contingent liabilities for clinical negligence claims. About 65% of that relates to maternity. These are numbers on a page, but behind that there is a great deal of distress and ruined lives. What exactly is the Department doing, in a financial way, to reduce that liability? What are the changes that you are making to improve maternity care?

Sir Chris Wormald: Your question is spot on, in that the best way to get clinical negligence down is not to have the accidents in the first place, not for financial reasons but because no one wants to see an accident, particularly in this sort of area.

We have a national patient safety strategy that we published in 2019. It is fair to say that less has happened while covid has been happening than we would have wanted, so we are revitalising this agenda. We and the NHS are putting quite a lot of money in. In particular, we are looking to recruit another 1,200 midwives and 100 consultant obstetricians, because proper staffing of maternity units is absolutely key.

At the beginning of this year, in January 2022, we announced our plans to establish a special health authority to continue the maternity investigation programme. Learning from mistakes that happen and then putting in place the right good practice is absolutely key.

The final thing that I would point to is that, on 23 February, we announced plans to establish a maternity disparities taskforce. As well as the overall levels, I am sure the Committee is aware that certain communities, in particular ethnic minority communities, do not always get the service that they should. As well as dealing with the overall issue, we need to ensure that everyone benefits, for all the reasons that you say.

We have an extensive programme of work. I am beginning to go beyond the level of my competence. When you talk to the experts in this area, as we do, the thing that they emphasise is that it is all about getting the basics right in a maternity unit. There is not a magic solution. It is about making sure that they have properly trained people and are well staffed, with good practice implemented rigorously and consistently. That is on the biggest issue, which is how you reduce the incidence.

We are consulting on some measures around how you do the legals better, so that things that get to court are dealt with better. Of course, as you say, the big driver is the incidents themselves. We are tackling the legals question, which we have discussed.

Q141 **Chair:** You were tackling the legals question about seven or eight years ago.

Sir Chris Wormald: A number of things have been done, and NHS Resolution has made considerable progress. Not that much happened during covid, as I said, but of the two the biggest drivers for the increased cost, which, as you know from the accounts, is significant, one is that we are just a more litigious society. Secondly—and this is a good thing, not a bad thing—when tragic accidents occur, people are much more likely to survive and to have a long life, but the cost is the lifetime cost, completely rightly. Medical progression increases the problem, which is a good thing, but the answer, as you have said, is to stop the incident happening in the first place.

Q142 **Chair:** Can I say how heartening it is to hear a permanent secretary talk without prompt about the need to have better maternity cover for all women, from different ethnic groups as well? This is an issue, in that a lot of women feel they get a different service because of the colour of their skin and their ethnic background.

Sir Chris Wormald: Yes, and it well attested internationally. In terms of Mr Marron's new role, we now have a unit that is responsible for health disparities, on not just this issue, but all those wider disparity questions.

Chair: That is great. I think maybe Mr Marron is going to have a couple of us beating a path to his door to talk to him about that. You have now set him up for an extra meeting that I am sure he would love to have with us. Thank you, because this is an issue that has been raised with me and other Members in the House as a real matter of real, serious concern.

Q143 **Shaun Bailey:** Sir Chris, I would like to talk about special severance payments. This has been a bit of a failure of the Department and NHS England, with the C&AG's qualification in respect of Berkshire West CCG and the payment of £36,809. Why are we seeing systemic failures on what appears to be quite a straightforward process?

Sir Chris Wormald: I think Mr Brittain is going to cover this question.

Andy Brittain: That is correct. What happened here was the NHS group accounts being qualified because of unapproved severance payments. As you say, three CCGs approved and paid severance payments without completing the correct NHS process, which is of course regrettable.

Sir Chris Wormald: But our accounts were not qualified.

Andy Brittain: That is correct.

Sir Chris Wormald: It was not consolidated into our accounts.

Shaun Bailey: I am more focused on the process.

Andy Brittain: Moving forward, the NHS is considering a proactive special control measure to put in place on these organisations to make sure that the same thing does not happen again. It is also putting in place much refined and improved process, controls and guidance across the whole organisation to stop this happening again.

Q144 **Shaun Bailey:** That is good to hear. I have the document in front of me on the guidance on public sector exit payments and the use of special severance payments. Have you read this document?

Andy Brittain: I will have done in the past, but the immediate details are not fresh in my mind.

Chair: We are not expecting you to cite it. It is not a trick question. We do not usually bring new documents into the meeting.

Q145 **Shaun Bailey:** I am looking at the annexe A form on this document. This is the form that the person would fill out. It is a two-page document. I am struggling to understand the complexity behind this problem. Could you just maybe clarify to me, from your looking into this, where these systemic problems have come from? It appears to be quite a straightforward document.

Andy Brittain: As you say, on the face of it, it is a straightforward process to complete a two-page form. It is therefore entirely right that the C&AG has qualified the NHSE group accounts in that respect. I would be speculating about the precise reasons and why it has happened because I have not personally investigated the individual trusts in question, but I am focused on working with the NHS to make sure that the right controls and processes are put in place in the future through the reset programme that we have spoken about before.

Sir Chris Wormald: I am not absolutely convinced that it is systemic. Clearly some errors were made here that should never have happened, and the C&AG has correctly cracked down on them, but I do not think there is any evidence that this is widespread in the NHS. I think it happened in some incidents.

Shaun Bailey: Chair, perhaps we will not dive too much into that, but it is debatable. We could also talk to Sir Chris about the off-payroll payments.
Sir Chris Wormald: I am not saying there were no problems.

Chair: We are trying to minimise them, which is part of what you are here to try to do.

Q146 **Shaun Bailey:** Moving forward, I am just conscious, with the advent of ICBs and the restructuring that is going on at the moment, there is a very strong possibility that you are going to have to use special severance payments in other aspects as well. How are you reviewing the system at the moment?

Sir Chris Wormald: I am not sure that is correct. The way ICSs work is that the constituent components of the system remain. CCGs remain, although they may be reconfigured, and NHS trusts remain.

Shaun Bailey: With any restructure, particularly given that this is quite a fundamental restructure—we are going through it in the Black Country at the moment—there is a chance that you are going to have to do this.

Sir Chris Wormald: Yes, I agree with that.

Shaun Bailey: As an organisation, what forward thinking are you doing, given that we have had these issues here with SSPs, to ensure that the problems that have been noted as a result of this do not follow through? There are clearly going to be potential liabilities here, which, if this is not caught and dealt with, could roll on and roll on. That is the point I am trying to make.

Sir Chris Wormald: We are completely with you there.

Q147 **Shaun Bailey:** What are you doing around that, then?

Andy Brittain: I completely agree with you. As I said, we are working with the NHS to ensure that its guidance is satisfactory and clearly sets this out, that it is communicated to all the organisations in the NHS, and that training takes place to make sure that this is communicated and understood. Where it is not, where issues are picked up, as Ms Dunn referred to, the NHS has its financial framework to pick up trusts that are not performing to the high standard and put special measures in place. Picking up on your specific point, I will take it away from this hearing and double check that the particular point about ICBs is reflected in that guidance, because it is a good one.

Q148 **Shaun Bailey:** More broadly as well, talking of process issues, are you having discussions with the Treasury around this? This is a Treasury-led process, and it is about getting consent from the Treasury to make these payments. Are you having discussions, practically, with the Treasury around streamlining these processes at all?

Sir Chris Wormald: No, not particularly, because, as you say, it is not that complicated a thing, and the Treasury completely and appropriately takes a close interest in them. It is much more about, as you put your finger on at the beginning, people locally reading the guidance and doing it, and it is not that complicated. I do not think we have had problems at the Treasury end. I almost hate to say this, but I do not think that bit is the problem. What you are pointing towards is whether people actually read the form and did it, as it were.

Q149 **Shaun Bailey:** If I could touch on the off-payroll payments that we mentioned briefly, at page 133 of the accounts it talks about the £645,000 reduction to NHS Digital funding as a result of not seeking prior HMT approval for these payments. Sir Chris, what is going to be the impact for my constituents as a result of the loss of that funding?

Sir Chris Wormald: Hopefully nothing.

Andy Brittain: As you say, NHS Digital did seek retrospective approval for the retention of a senior member of staff. Primarily because of covid pressures, that person was particularly needed to help set up covid-related NHS Digital services. It was absolutely essential. It did seek retrospective approval, and the individual has now been replaced with a full-time member of staff. As you say, a fine of £645,000 has been applied. I do not think there will be a particular impact on individual constituents.

Q150 **Shaun Bailey:** I appreciate that is couched in a much larger budget, but from a value for money perspective, which is obviously what this Committee is looking at, what does £645,000 equate to?

Sir Chris Wormald: I am going to find myself defending the Treasury, again.

Chair: Sir Chris, your promotion—

Sir Chris Wormald: I am way past that. I look for nothing. The purpose of the fine is to make sure organisations do not do this again. In value for money terms, the Treasury is exactly right. When people have done something that they should not have done, as in this case, it is correct that there is a consequence. Obviously, where you set the fine, you want it to be a deterrent, but you do not want it to impact on services.

Q151 **Shaun Bailey:** What have you had to pull to plug that gap?

Sir Chris Wormald: How NHSD has found the money will be within its existing budget. Its budget is, as you say, quite substantial. I would not expect that to affect any of your constituents, but for NHSD and any other organisation, correctly, there is a consequence if you get the system wrong.

Q152 **Shaun Bailey:** I noted in the report that it talks quite a lot about the uptick in nurses employed within the NHS, and a 32% increase in the enrolment of nurses in particular. I think it also states in the report that the increase was around 10,900. Are you confident that you are going to meet that 50,000 target that was set by the Government in their previous manifesto?

Sir Chris Wormald: We are currently on track to do that. It is a very important target, not simply because it was in a manifesto. As you will know, this is the absolute bedrock of a good health service, and, as I say, our current assessment is that we are on track.

Shaun Bailey: You are reconciling that with the numbers leaving the profession.

Sir Chris Wormald: I think, as we said on something else earlier in this hearing, constant vigilance is required.

Q153 **Chair:** Just to answer Mr Bailey's specific point, there is a net and a gross figure. There are people coming in, but what about the people leaving? Are you netting them off?

Sir Chris Wormald: It is net. There would have to be 50,000 more people at the end.

Chair: You said you are confident, and we will hold you to account on it.

Sir Chris Wormald: No, I chose my words very carefully. We are on track. Constant vigilance is required. It is a very difficult and very important target, but our assessment at the moment is that we are on track. Like any strategy, it has a recruitment bit, a retention bit and a returns bit.

Chair: Yes, absolutely. We have done previous reports on nursing.

Sir Chris Wormald: I am sure you will come back to that question.

Chair: I am sure we will come back to nursing, staff retention and recruitment in the NHS.

Q154 **Sarah Olney:** I am afraid I want to return to PPE quite briefly. You were talking earlier about estimates changing, about the number of covid patients and so on. I am quite interested in what models you were using when you were projecting how much PPE you were going to use. How were those models put together?

Jonathan Marron: We used three different sources. First, we took the expected covid models from the SAGE guidance and the reasonable worstcase scenario. To model how much activity we expected in the NHS, we took that from NHS England. It provided its estimates of total patient interactions. We then built our own model, looking at the number of those interactions in different specialties and applying the IPC guidance to that. There were three components: overall how many covid cases, how much activity in the NHS, and then, given the different types of activity, how much PPE we would expect to use if the guidance was followed as it was set.

Q155 **Sarah Olney:** Did that model include the impact of the lockdown, in terms of the number of covid patients reducing because of the lockdown?

Jonathan Marron: We were producing these in April/May time, when we had the lockdown in place. It was the current estimate of the covid reasonable worst case, which we know we did not meet, so we followed the SAGE guidance. Again, the NHS was giving its up-to-date view of how many patients it thought it would treat. Of course, this was not just immediate. This was looking ahead over the period that we expected. It was a significant challenge to estimate that.

Q156 **Sarah Olney:** You produced a model in April/May time, and you used that to order your PPE, but presumably, at that time, you could not have modelled what the impact of the lockdown would be because it had only just started.

Jonathan Marron: Yes, and we did not know.

Sarah Olney: Your PPE modelling was very much at the top end of expectations.

Jonathan Marron: Yes.

Q157 **Sarah Olney:** Did you return to the model at any other stage?

Jonathan Marron: We stopped buying PPE, in almost all categories, in June. It was in that initial surge where made sure we secured the stocks we needed, but then, as we reassessed, we have since bought more gloves and more FFP3 respirators. We are now setting our expectations on buying not on the model values but on our experience of how much we have used over the time. We now believe we are meeting the demand in the health service. That is now a robust signal in a way that, in April/May, we did not feel the orders that were coming from us properly reflected the total

demand. We had to use a model. Now we have better data, we use the actual data.

Q158 **Sarah Olney:** If we find ourselves in a situation again where we are looking at having to order excess PPE compared to where we are, what have you learned from the modelling during this pandemic, in terms of public health interactions and people's own behaviour?

Jonathan Marron: Two things are really important. First, as Sir Chris pointed out earlier, there is a very different scenario for covid. All healthcare and social care workers are using PPE, not just those treating the individuals with the particular disease. That is a massive change and it is a really significant challenge to model that. Having the experience of the pandemic and seeing what happens with the total response, lockdown and all the other things that are built into that, that data experience gives us a much better base to plan for the future.

Sir Chris Wormald: I will give one giant caveat on behalf of the chief medical officer. When you have a novel disease, there is so much you do not know. If it had turned out that what we had at the beginning of 2020 was something as infectious as omicron and as dangerous as delta, we would have been in a wildly different place, including on PPE. Heaven forbid that anyone in this room will ever have to do anything like we have done again, but if you have a new, novel disease, even with what we have learned about how people behave and all the things you say, we would still have a massive unknown in the middle of how infectious it is and how deadly it is, but you can only know by observing the thing.

Sarah Olney: By which time you would have ordered your PPE.

Sir Chris Wormald: Exactly, and we took very defensive decisions, which was probably right, given the level of the unknowns, right down to how you might be three months from a vaccine; you might be nine months; you might be never. When you have a novel disease, you cannot know the answers to all those questions until you have seen it in action and analysed it, etc. Anyone would have those levels of uncertainties, and my advice to my successors would be to take defensive decisions. You do not want to run out, and we all know why.

Q159 **Sarah Olney:** Moving on to elective care, waiting lists and the backlog, for your recent delivery plan for tackling the backlog of elected care, you have set ambitions for reducing waiting lists rather than targets. Why have you done that?

Sir Chris Wormald: We discussed this at a previous hearing with the NHS, and I believe you are planning to do so again, Chair. I think there was going to be a follow-up on electives.

Chair: We are always interested in having you back as often as we can.

Sir Chris Wormald: We also had this conversation with Amanda Pritchard at the table, and the reason we have done it in this way is that covid is not finished. The two great unknowns at the moment that we need to nail down are, first, how long covid will go on and the impact of it, because it obviously has a big impact on the NHS capacity, how many patients you can have in at once and all that, and, secondly, how big the bounce-back is going to be. How many of those people who did not seek treatment during covid come back? There are some estimates of that at the moment but not a model based on experience, to use the same equivalent. Our estimation is that, somewhere in the autumn, we will hopefully have enough of an answer. *[Interruption.]* We have fans outside; I have never had that before.

Chair: It is a fan club.

Sir Chris Wormald: I know. That has never happened to me—the 63rd time here and I have never had cheering outside.

Where was I? Hopefully, by when we publish the update, we will have greater certainty on both of those things, at which point you can start setting targets that mean something. We have set it in terms of aspiration at the moment, and we pegged it to level of activity, which of course we can predict. I think 120% of the pre-covid level was the number. As for how that will turn into size of waiting list and, crucially, waiting time, which is much more important than the total size of the waiting list, we need to know a bit more, which is why we have done it like that. It was, to be honest, bluntly, about what we do know, what we do control, what we expect to know and, therefore, when we can turn it into something that means something to the average patient about how long you will wait.

Q160 **Sarah Olney:** Will the £8 billion you are receiving for the elective surgery backlog be enough?

Sir Chris Wormald: That is a very difficult question to answer. It buys a level of activity, and our relentless focus with the NHS is to ensure that it can get the most activity for that level. I suspect whether it is enough or not depends upon your viewpoint, maybe on your side of the table rather than mine. As I say, our focus is on whether we are getting as much activity from that money as we can.

Q161 **Chair:** At the same time as you are getting that, as Ms Olney just highlighted, the NHS is paying, until the end of this month, £75 million to £90 million a month to private hospitals to be on standby in case they are needed to support the NHS during covid. You cannot double count that; you cannot use that for elective surgery at the same time.

Sir Chris Wormald: You have discussed this with the NHS before, and it is much better placed than I am to answer.

Q162 **Chair:** Have they got that provision?

Sir Chris Wormald: I think they can reuse. I will go and check the exact position.

Chair: I am just saying it is a very expensive thing if we are spending that money and not getting anything for it.

Sir Chris Wormald: I will get the NHS to send you an update on that specific.

Shona Dunn: The surge capacity, which is the standby activity, has not been activated. I think the costs are for activity that is being undertaken.

Chair: There was a standing cost even if nothing was going to happen.

Shona Dunn: There was, yes.

Q163 **Chair:** It is very substantial. My worry is that the money has been there to hold them on standby. If they are being paid to stand by, can they also carry out elective surgery for the NHS? No, presumably not, otherwise the taxpayer is paying them twice.

Sir Chris Wormald: I will get the NHS to send you something with some numbers in it, which is probably better than my answer.

Chair: I like numbers. Thank you.

Q164 **Sarah Olney:** Our understanding is that, once the health and social care levy has been used to clear the backlog, it is then going to be spent on social care.

Sir Chris Wormald: Yes.

Q165 **Sarah Olney:** In what year do you anticipate that the majority of the health and social care levy will actually be spent on social care?

Andy Brittain: Essentially, the component of the health and social care levy ramps down on elective activity throughout the spending review period and ramps up on the adult social care investment. It is not a simple switch. It is a transition that we go through in the spending review period.

Q166 **Sarah Olney:** At what point will more of it be spent on social care than on the health service?

Andy Brittain: I think it is definitely by the third year, and quite possibly by the second year.

Q167 **Sarah Olney:** Are you on track to achieve that, as far as you know?

Andy Brittain: Yes.

Sir Chris Wormald: We have not started yet. This begins in April, but the plans are exactly as set out.

Q168 **Sarah Olney:** Looking at the figures in the accounts, your cash position at the year-end looks quite positive. You are in a surplus for the first time in

five years. What are you doing with the cash surplus? Are you using that to reduce the backlog?

Sir Chris Wormald: I think it all returns to the Treasury, does it not?

Andy Brittain: Yes. Essentially, we drew down at supplementary estimate more cash than we ultimately ended up spending. It will not be used and will be returned to the Treasury.

Q169 **Sarah Olney:** What is your plan for the NHS funding mechanism, going forward? Performance-related funding for providers and commissioners was suspended in 2021-22. What is the plan, going forward, to bring that back?

Andy Brittain: When covid started, special financial measures were put in place. Essentially, for the first half of the year, the communications to the NHS organisations were that they would have the support they needed, in terms of resources, to respond to covid. That was because it was such an unusual and uncertain situation at that point. For the second half of the financial year, the regime was changed slightly so that budgets were given for covid-related expenditure because the position was more certain by that point about exactly how much the organisation needed to respond to covid.

Moving froward, from 1 April this calendar year, there will be a return to a more incentivised payment mechanism, whereby organisations will have a block funding to carry out the activity they need, with a variable element on top of that where they will get incentive payments if they do more activity than they are targeted to do, and less funding if they do less. There will be an each-way incentive on them to do more activity.

Q170 **Sarah Olney:** The Health and Care Bill, which I see our lordships are discussing as we speak, is due to make extensive provision for structural change to the NHS. What plans are you putting in place now to prepare for that?

Sir Chris Wormald: The NHS has extensive plans. As I said earlier, the actual level of structural change is not that great compared to some previous NHS Bills we could mention, in that the component parts of the system remain the same. We and our colleagues at the NHS are looking for radical change on how those organisations work together. That is what the objective of ICSs and ICBs is about. We are trying to put a lot more flexibility into the system, about how, for example, people use budgets across health and care, and all those sorts of things, but we are not planning a 2012-style restructure. As I say, this is about how the people work together.

That said, and I think Mr Bailey was pointing towards this earlier, we are looking for local places to design what works for you, your demography, your challenges, your economy and your health needs. We are not expecting this to look identical in different parts of the country, but the

NHS has a very extensive plan around this. Of course, it already has ICSs in place and all of those things.

Since we are here, some of the other things that the Government are legislating on around Ukraine, I understand, limit our time and therefore may affect our implementation date, just for clarity. We all understand why that is necessary.

Q171 **Chair:** On Ukraine, have you had any guidance about the NHS trusts that are buying their energy from Russian gas companies?

Sir Chris Wormald: At the moment, we are seeking information from NHS trusts about what contracts they might or might not have with Russian entities, including on energy, but any decisions would be cross-Government decisions.

Q172 **Chair:** Cross-Government decisions in this area could have a major impact on certain trusts' budgets if they have to change supplier or if sanctions are applied.

Sir Chris Wormald: As you would expect, we have been discussing trust budgets with the NHS. They will be affected by what energy prices are, which will of course be affected by what decisions we take and what decisions other Governments take. It is not a colossal element of the NHS budget, but, in cash-constrained times, any increase is significant. We are discussing that with the NHS.

If you will indulge me for a moment, I would like to thank everyone in the NHS who has been working on this. They have done some incredible work, not just on this, but on supplying things to Ukraine and various other things. They have been doing this having come out of our own crisis. I record my thanks to the NHS staff and all staff in health and care who have been working on this terrible situation. We appreciate it.

Q173 **Chair:** Thank you. We will back that up. I have one last question on the accounts. You are looking at renegotiating some of the covid-19 indemnities that you had with test and trace contracts in particular. How is that going?

Andy Brittain: I will give a broadbrush overview because some of it is commercially sensitive, so we can happily pick that up at the private session. Essentially, it is going successfully. Right at the beginning of the covid outbreak—

Chair: We know at the beginning that you gave a lot of blanket indemnities.

Andy Brittain: Exactly, and as contracts have come up for renegotiation we have had very in-depth negotiations with them about returning back to normal levels.

Q174 **Chair:** Have they been accepting of that?

Andy Brittain: Yes, because, in general terms, there has been open competition. The incentives are on them to go back to normal.

Chair: It is the market rather than the design.

Andy Brittain: It is a bit of both, actually. It is the success. There is the market pressure there, but there is the strong pressure from the Department, negotiating that we need to return to normal now.

Sir Chris Wormald: Quite a lot of it is markets. If you are a single tender action, you have to deal with who is in front of you. If you are in a competitive market, the balance is different. Also, we know a lot more about all these drugs and their effects.

Chair: This was about test and trace, not so much about drugs. That is why I was interested, because the indemnities there were less—

Sir Chris Wormald: As we return to normal markets, we have to return to normal contracts.

Chair: It is just that anyone running a company with a blanket indemnity might be quite happy to continue on that basis.

Sir Chris Wormald: If you have competitors, that is a lot more difficult.

Chair: Thank you very much indeed for your time. This has been a bit of a marathon session, where we have only scratched the surface. We could have gone on a lot more. You are lucky that we and you are flagging at this point. Thank you for your time. We will be producing something on this, and that will be coming out at some point after the Easter recess. Can I thank you very much? The transcript will be up on the website, uncorrected, in the next couple of days.