HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Department of Health and Social Care Annual Report and Accounts 2021-22, HC 997

Monday 20 March 2023

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Olivia Blake; Mr Jonathan Djanogly; Mrs Flick Drummond; Peter Grant; Anne Marie Morris; Nick Smith.

Gareth Davies, Comptroller and Auditor General, Peter Morland, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Questions 1 - 151

Witnesses

I: Sir Chris Wormald, Permanent Secretary, Department of Health and Social Care, Shona Dunn, Second Permanent Secretary, Department of Health and Social Care, Andy Brittain, Director General for Finance, Department of Health and Social Care, Dame Jenny Harries DBE, Chief Executive, UK Health Security Agency and Ian Peters, Chair, UK Health Security Agency.

Examination of witnesses

Witnesses: Sir Chris Wormald, Shona Dunn, Andy Brittain, Dame Jenny Harries DBE and Ian Peters.

Chair: Welcome to the Public Accounts Committee on Monday 20 March 2023. The Department of Health and Social Care is one of the most significant Whitehall Departments, not just because of its responsibilities, but because of its significant budget. Today, we are looking at issues raised in this year's annual report and accounts.

The Department has had a very difficult time during the covid years. It has had a huge increase in the spending that it has had to manage. The accounts have been late and we will be touching on that. Although that is not something that we would be surprised at, we want to see things get back on track.

We have also seen that this Department has written off £14.9 billion of PPE and medical stock. There was a qualification, crucially, to this year's accounts due to issues with the UK Health Security Agency, which was set up in September 2021, partly absorbing Test and Trace and other public health responsibilities. It was set up mid-financial year. There have been some challenges with finalising its accounts this year, so we will be touching on that at the top of our session.

I would like to welcome our witnesses. We have, as ever, Sir Chris Wormald, the permanent secretary at the Department of Health and Social Care, joined by Shona Dunn, who is the second permanent secretary at the Department, and Andy Brittain, the director general for finance. Welcome to you all.

From the UK Health Security Agency, I am pleased to welcome back Professor Dame Jenny Harries, the chief executive, and Ian Peters, the chair. This is your first time in front of this Committee, Mr Peters, so a very warm welcome to you.

Before we go into the main session, I just want to ask Mr Jonathan Djanogly to declare his interest.

Mr Djanogly: I am non-executive chairman of an investment company called Pembroke VCT, which has a minority investment in a company that had a covid testing contract with the Department.

Q1 **Chair:** We had the Budget last week and we have had some negotiations over pay in the NHS, which will mean that a number of staff will be receiving pay increases. I wonder what the situation is and where the money is going to come from to pay for those increases. Will it be out of existing budgets or is there going to be extra funding provided to trusts and others who have to pay them?

Sir Chris Wormald: Ministers answered this question on a number of occasions over the weekend, and I do not have a lot to add. We are very pleased that we have come to a provisional agreement with the Agenda for Change unions to end the strike. That is not the end of the process,

because there are ballots, and we also, of course, have not finished the pay round, because we are going into negotiations with the BMA and others. So the situation is not yet finalised.

In terms of the funding for pay next year, we set out in our Pay Review Body evidence the maximum affordability envelope that the NHS could afford. The agreements that we have come to exceed that amount, and we will need to settle with our colleagues at the Treasury exactly how that is funded. As Ministers made clear in their statements over the weekend, our priority and, indeed, our commitment is to ensure that that does not affect frontline services.

I hesitate to use this phrase, as I use it so often, but, in the usual way, we will discuss with our Treasury colleagues the exact sourcing of that money, including looking at efficiencies within the DHSC budget, across wider Government and elsewhere, and we will announce our conclusions when those conversations are finished.

Q2 **Chair:** When you say "efficiencies" in the DHSC budget, this is money that would be being paid now, in retrospect, for this year. That means remarkably rapid efficiency, Sir Chris.

Sir Chris Wormald: It is different between the two financial years. Clearly, we treat it differently.

Chair: You are thinking of efficiency for next year.

Sir Chris Wormald: Yes. What I should say is that this is no different from what we do with our Treasury colleagues all the time as pressures emerge on NHS and other budgets. We are in pretty much constant discussion with our Treasury colleagues about what can be covered from productivity and efficiency, what requires reprioritisation, and other sources. We will deal with the pressures from the very welcome deal with the Agenda for Change unions in exactly the way we would deal with any other set of pressures in the round.

Q3 **Chair:** We will all be hearing from our local hospital trust and others, I am sure, on how they are managing or not, so I am sure that we will come back to this in future.

Before I hand over to Anne Marie Morris for a general question, before we go into the UK Health Security Agency, I just want to ask Mr Brittain about the timing of next year's accounts. When are you hoping to have those ready for the National Audit Office to look at?

Andy Brittain: As you noted at the start, there have been significant issues, again covid-related, which meant that we managed to get our accounts out just before the statutory deadline this financial year. We are aiming to try to do that at least before Christmas recess next year, and then gradually to improve on that. It remains our ambition to get them out before the summer recess in due course.

Q4 **Chair:** If you are working back gradually, do you have an aim for when

you are going to get them before the summer recess?

Andy Brittain: We are currently working on a jointly agreed, multi-year plan with our NAO colleagues to be able to do that. There are a couple of factors that we will need to work through to get a clear plan to be able to get to pre summer recess. The first is coming up with that multi-year plan in the first place. Then, there are issues that we need to work through with DLUHC and other colleagues on the local audit market. Last is the UKHSA improvement plan, which we will, no doubt, touch on.

In broad terms, our ambition is to try to accelerate it a couple of months each year. Not next year, but, hopefully, the year after or the year after that, we should be back to pre-recess, if we manage to resolve those factors.

Q5 **Chair:** We would encourage you to keep talking to the National Audit Office, which gives us some assurance that you are not just using it as an excuse to be late. I do not mean that—I am using shorthand, but there is a rigour behind getting back on track.

Andy Brittain: Yes, and something that we have really prioritised over the last month is to come up with that jointly agreed plan to do that.

Q6 **Chair:** I was going to raise this later but I will raise it now, in terms of the capacity of trust to do their accounts. We understand that some hospital trusts do not even have auditors appointed for this year yet. This must have a consequence for DHSC group accounts. What are you doing, or what engagement are you having, to try to resolve that?

Andy Brittain: I am engaging regularly with my NHS counterpart to press them to do that and get auditors appointed. It is fair to say that the issues in trusts will be slightly more significant this year, because ICBs were formed mid-year and we have IFRS 16 to contend with as well. However, as I said, we are also working to ease the situation with DLUHC to remove barriers to entry into the market, to look at what fair pricing might be and to simplify what accounts can be done. We are doing all that we can.

Q7 **Chair:** It has been quite catastrophic in the local government sector. It also means that people are making decisions without previously audited accounts for, in some cases, two years. It would be catastrophic to see a slide in the health sector, too, not just for each trust but for the Department as a whole. Are you in touch with the Treasury on this problem as well?

Andy Brittain: Yes. We work closely with the Treasury and DLUHC counterparts on this. It is a joined-up, cross-Government effort.

Chair: As a Committee, we are pushing it as hard as we can from our side and will continue to. There is a message to any child at school now to train to be an auditor, as there is going to be plenty of work going on. This is the Public Accounts Committee and, of course, we would say

something like that.

Q8 **Anne Marie Morris:** Sir Chris, understandably, covid rather threw the Department off course, in terms of its direction and strategic plan. How are you doing in getting back on track, as opposed to focusing on dealing with the legacy of covid?

Sir Chris Wormald: We are in the transition between the two. I would hope we are towards the end of that transition. We have just been talking about one of them. The focus of the Department is now very much more on what you might call traditional health and care issues, and we are, to a large extent, closing down our covid-specific programmes.

There are, of course, some significant things on covid that we still have to do, particularly around vaccine strategy, finalising our position on PPE, which I suspect we will come back to, and concluding on what our steady state pandemic preparedness position is, given what we have learned on covid. There are still significant issues being dealt with in the Department that are covid-related. The vast majority of the Department is, as I say, now back to more traditional health and care issues, although many of those have a covid component.

The Committee is well aware of the backlogs that we have built up during covid, so we are still committing considerable time and effort to those, but much less to the disease management side. That will persist as long as we do not get a vaccine-escaping new variant of covid, which would, of course, change the position.

Q9 **Anne Marie Morris:** By how many months and years has this issue pushed you off course in terms of what you wanted to deliver?

Sir Chris Wormald: It is largely the two years of the pandemic. We are seeing this year as a transition year, which will go on into next year. After that, if nothing happens with covid, we would be, as it were, completely back to traditional—I hesitate to use the word "normal".

Q10 **Anne Marie Morris:** When are the backlogs going to be dealt with? Where are we with the much looked forward to workforce plan?

Sir Chris Wormald: On the backlogs, the primary one that we have been focusing on has been the elective backlog, where we have a published plan. We hit our first major milestone of eliminating the 104-week waiters. The next target is the 78-week waiters, and then, as you know, there are targets beyond that. The position there is exactly as we set out in the elective plan.

On the workforce plan, the Chancellor updated in the Budget that he expected the Government to publish it shortly, and that is the Government's position.

Q11 **Anne Marie Morris:** So we can expect that before the end of the year—she says hopefully.

Sir Chris Wormald: I would not add anything to or subtract anything from the Chancellor's words.

Chair: You do not want to cross the Treasury at the moment, with pay bills coming.

We will now go into our main session and kick off by looking at some of the issues around the UK Health Security Agency.

Q12 **Peter Grant:** Good afternoon to all of our witnesses. Mr Peters, in your chair's report as part of the UKHSA annual report, you recognised the difficulties that you had that led to the very critical NAO report. You said that a lot of it was due to factors that were beyond the control of the then management of UKHSA. We have certainly had a number of sessions where we have looked at what, for you, would have been operational issues about where we were with the pandemic at the time, and there was a lot of quite heated debate by then as to how quickly we could ease restrictions and so on, which we can take as a given.

As far as the governance of UKHSA was concerned, can you give us some examples of the kinds of major issues that had an impact on that and which were not within the control of either yourself or Dame Jenny as chief executive officer?

Ian Peters: I would be very happy to, in the context of the disclaimed accounts. I was appointed on 1 April 2021, prophetically. It typically takes, in general experience, nine to 10 months from commissioning recruitment of a non-executive board, which involves the Prime Minister's sign-off, right through to those non-executives being in place. Typically, I would have expected them to have been appointed in about February, which was towards the end of the financial year.

As it turned out, because the budget for UKHSA for 2022-23 was not agreed until the very end of March, which, in turn, defined the remit and, therefore, the role of the non-execs, those appointments were not made until April, which was after the end of the financial year. So we went through the whole of the six months that are in scope here without the normal non-executive advisory group being in place.

I am pleased to say that those appointments were made at the end of April and, by May of this financial year, 2022-23, we had a fully functioning advisory board, properly established, with four committees, which have worked exactly as you would expect them to. That is the backcloth to the non-executive element of that governance, which is what is relevant to the matter at hand.

I am happy to expand on that and talk about the other contributory factors behind the disclaimer. We had a very helpful discussion with the Comptroller and Auditor General, if you would like me to go into that, but that is the main overview comment on the governance issue that we had.

Q13 **Peter Grant:** You and Dame Jenny were appointed around the same

time in April 2021.

Ian Peters: The same day.

Q14 **Peter Grant:** You said that you would have expected it to have taken until pretty close to the end of the financial year to have a board up and running, but the new organisation became operationally responsible in October, so that was only about six months after you had been appointed. Is it normal, if you are setting up a new organisation, to take over someone else's responsibilities?

Ian Peters: The permanent secretary might comment about what is normal in Government, but you would normally expect best practice and the chairman to decide the mix of roles, backgrounds and experience of their board, because then you get the right dynamic and the right level of diversity of experience and skillset around the table, and it supports the strategy of the organisation. Logically and sequentially, it was done in the right way.

The only other option that the Department may have had—the permanent secretary may wish to comment—was to do it the other way around and to start the recruitment of the non-execs before I was appointed. As chair, I probably would have reacted against that, so it was logically done the right way, but that time lag was built in. I should say that this is an advisory board, not a fiduciary board, and there are important differences in the context of who is holding who to account here.

Sir Chris Wormald: There was nothing normal about this set-up at all. It was done in the middle of a pandemic, for operational reasons. The operational driver was to bring together the work on health protection from Public Health England, Test and Trace and the Joint Biosecurity Centre into a single-focus organisation before that winter. The timing was entirely driven by the state of the disease and the need to fix what was seen by a lot of people as an operational problem around the interaction of those three organisations.

In the normal course of events, we would give ourselves longer to plan the creation of such an organisation and would try to start it at the beginning of a financial year and with all the governance in place. We did it at the speed that we did it for pandemic management reasons, not for traditional governance reasons.

Q15 **Peter Grant:** Mr Peters, when you took up the appointment, did you know that it was going to be almost the end of the year before you were told what your budget was, for example, and that you would get to the end of the year and still be the only non-exec director in post?

Ian Peters: Because of what I have just described to you, I had a reasonable expectation that the other members of the advisory board would be joining quite late through the year.

The budget for 2022-23 is a different topic, because, at the point that I joined, I do not think anybody could foresee the way that the pandemic would evolve. Therefore, there was considerable uncertainty about how to land the budget for the succeeding years. In some respects, it was not a surprise that we were still negotiating until quite late.

The way that our budgets are configured—I agreed with this—is that there is, effectively, one bucket, if I could use that expression, for the covid-related spend and one for the core spend. We were negotiating on both. The reason why the second one is quite important—we might come back to it—is that the remit that UKHSA has is significantly larger than the old Public Health England baseline budget. We were building in new capabilities that required funding. It was quite a difficult conversation at the point where the macroeconomic conditions were known to be getting more difficult.

Q16 **Chair:** Were you asking for more than you were first being offered? Is that what you are saying?

Ian Peters: It did not work like that. Jenny and I were hired by the then Prime Minister and the then Secretary of State against quite an expansive view of what UKHSA might be. It became clear fairly early on that, because of the economic conditions, we were going to have to rein back from that very expansive view. That was fine and I agreed with that in broad terms. Because there was no real baseline, we were arguing from nothing and we came to a reasonable accommodation.

Q17 **Chair:** You incorporated existing bodies, effectively.

Ian Peters: It did and it did not. Public Health England clearly existed, but in a different form. Test and Trace was never a Department. Andy might want to comment, but it was, effectively, a cost centre inside the Department of Health, so it did not have any history in terms of budget and accounting discipline. Likewise, the Joint Biosecurity Centre was never a Department as such.

The analogy that I use is that we were tasked with creating the equivalent of a FTSE 50 company through a three-way merger in six months, with very different cultures, very different systems and very different terms and conditions, while managing the pandemic. These were extraordinarily difficult times and, therefore, while there were challenges with the budget being settled late, it was not a surprise that we were having the discussions right up until the last minute.

Q18 **Peter Grant:** Dame Jenny, when you took up the role as chief executive, did you realise that it was going to be practically into the next financial year before you had any certainty as to what your budget was and who your board members were going to be, and so on? Was that something that was made clear to you when you took up the appointment?

Dame Jenny Harries: For reasons that my chair has just described, we had a good idea that it was a discussion in train in the same way that the

development of the organisation was. As the permanent secretary said, we were very focused—you would expect me particularly to be so—on ensuring that the pandemic was being handled effectively. It is important to note that, in the month after the organisation fully kicked off, we hit the omicron wave, which also produced some questions and some learning about what sorts of budgets you need have to surge and step down again and how you use those effectively.

Both my chair and I realised that, in taking on the roles, it was a period of very high uncertainty, but also of great opportunity to develop things for the future and to take learning from what was happening on the ground at the time.

Q19 **Peter Grant:** There is an argument, is there not, that given the great uncertainty about where the pandemic was going and what may be needed, that added to the significant uncertainty and the significant issues that have been identified in the organisation and some of its responsibilities that you were taking over? Against that background, how much of a concern would it have been to you if you had realised, for example, that you would not have an audit and risk committee for the best part of a year after you started going live, in terms of managing the operations? Is that something that would have concerned you?

Dame Jenny Harries: I will bring my chair in. There are two elements to this. What do I expect, in my role as chief executive, accounting officers to do? In normal circumstances, I would absolutely expect and want to have an audit and risk committee there to oversee, to advise, to check and to respond. That would be good practice, and that is exactly the system that we have at the moment.

However, at the time that we were formed and in the circumstances that were there, we did not have that, so we put in processes, with the executive committee and with the chair, on an interim basis. As Ian has said, the advisory board is not a fiduciary board anyway, so we worked regularly with the Department of Health to ensure that appropriate due governance was there.

Although our first quarterly departmental sponsor meeting was moved from the start of December to the start of January, because of the omicron wave and the rapidity of the response that was required, those were more or less up and running from the first quarter, so it is not that we were working without any governance at all. The fiduciary controls sit with the Department directly to me.

Q20 **Peter Grant:** Is it correct that the audit and risk committee of the Department made it clear that they were not going to carry out the roles of audit and risk committee for UKHSA?

Dame Jenny Harries: I might want the Department to answer that one, but there are two separate questions.

Andy Brittain: I will jump in on that one. The Department's audit and risk committee operated in a very light-touch oversight way on UKHSA as

it was being set up. It did not, nor did it seek to, replace the role of the UKHSA audit and risk committee.

Shona Dunn: That particular arrangement was an example of quite a number of things that the Department did in collaboration with Jenny and Ian to make sure that we were providing an appropriate governance framework in what were quite difficult circumstances. That was one of the things that we did. As Professor Harries said, we also had the framework in place, we had sponsorship arrangements in place, and we met very regularly.

Q21 **Peter Grant:** Dame Jenny, one of the factors that has contributed to the problems in maintaining adequate accounting records was the accounting system that UKHSA used. My understanding is that, effectively, you have parts of three organisations being brought into a new organisation. Rather than use the accounting system that any of those three had been using, you took on one that one of the agencies had started to adopt but had not fully introduced. Would it not have been better to use one of the three systems that had been shown to be at least workable, at least until the new organisation had found its feet?

Dame Jenny Harries: This has been quite a challenge. When it is fully up and running, we will have a state-of-the-art, cloud-based system. It is exactly what the organisation needs and will make us very efficient, I hope. We will be a leading organisation in that light, so that is where we are heading for.

The point you refer to is at the start of that. The decisions were not made by UKHSA. However, at the time, as my chair has said, there were a number of different points. We did not have three existing systems from which to choose one or another to start with. In fact, my understanding is that the decision was made through the transition board. Although PHE had intended to use this system going forward, it had not been implemented. It did not have an existing system that it could take forward. Effectively, the time run had passed through, so it was a very difficult decision.

In hindsight, it may have been better to try to run existing systems side by side until we had such time as to be able to manage them. The problems have been exaggerated and supplemented by the huge churn in staff, both upwards and downwards, which you would expect from a taxpayer value-for-money approach, in terms of right-sizing the organisation both now as well as before the pandemic, although it was a feature of the pandemic.

Ultimately, this is a system that we will be using for accounts, for HR and for payroll and what-have-you, so it is a good point. It has been one of our trickiest points and one where our action plan and implementation is very heavily focused. I am personally involved in trying to ensure that that is implemented robustly as quickly as possible.

Q22 **Peter Grant:** Looking particularly at the finance staff—the ones who

should have been operating this system—did the fact that there was significant disruption to them by being moved into a new organisation, in addition to the fact that they would have realised quite early on that they had inherited a lot of problems that they might not have expected, cause more difficulties in recruitment and retention of key finance staff than there would have been if they had come in from organisations that all fitted well together and things worked from day one?

Dame Jenny Harries: My chair and colleagues at the Department of Health might want to add to this. I would say in starting that staffing has been a challenge right the way through the pandemic. As I said, we had a very rapid rise in numbers. We had about 18,000 staff across the organisation at the peak of the pandemic. We are now down to just over 6,000, so these are significant movements in staff in all categories. In some areas, we rely very heavily on having short-term staffing simply to ensure that we have the right skillsets available, and finance is probably one of those areas where we have had very rapid churn in staff.

As we have said, Test and Trace did not have its own finance team. We had competent people from Public Health England, but, of course, they came through as a smaller group, so we were recruiting in large numbers. JBC had also been a separate organisation. They were also dealing with very different financial matters to those that they had previously. We made our best attempts, but it was a very challenging period, and I would like to think that we are through the most difficult patches and heading forward. I do not know if my chair wants to add to that.

Ian Peters: In one very specific area, the turnover of staff did hamper the audit process. The financial year-end at the end of March coincided with the beginning of the implementation of the living with covid strategy. In the following five months, we downsized, in terms of people, from roughly 18,000 full-time equivalents to 6,700. The finance function and the operational teams, particularly in Test and Trace, bore the brunt of that downsizing. At the very point that the NAO and team were trying to resolve queries, we were dealing with a loss of continuity of knowledge, and that was a genuine factor in some of the issues that we faced.

As Jenny said, that pace of downsizing has stabilised. We are still not where we want to be in terms of permanent staff, and we might come back to that in a different context, but that time period was critical. That was one factor in the issues that the NAO uncovered.

Q23 ***Andy Brittain:*** Just to build on those comments, if we remember the context of those periods, the absolute priority for the finance team during that period was the omicron response. That was agreeing what capabilities were required across the country and then engaging with the Treasury to scale the budget for that. As we moved through into the new year, it was about, as the chair has just said, working to step down the budget to what the living with covid strategy set. That was the absolute

operational priority. Combined with the finance team churn, that has resulted in some of the issues that we are talking about today.

Q24 **Peter Grant:** For the record, Sir Chris, I noted that you were nodding in vigorous agreement when Dame Jenny was confirming that there were a number of factors that had maybe made it difficult to retain and recruit finance teams at the time.

Sir Chris Wormald: That is absolutely right. I agree with everything that Mr Peters and Dame Jenny have said. I also agree with a lot of the points that you are making, Mr Grant. Quite clearly, if we were doing this in peacetime, there are a lot of things that you would do differently. Merging three organisations is pretty tough anyway. Merging three organisations of the type that we are describing is very tough. That was quite clearly the context in which UKHSA was operating at the time.

Q25 **Peter Grant:** As permanent secretary in overall charge of the Department, as a senior civil servant reporting directly to the Secretary of State, did you not consider the contrary argument that, "This is something that we have to get right. If we try to do it in a hurry now, when everybody's attention is on fighting the pandemic, the risk that we will get it wrong becomes much more significant and the consequences of that could be quite serious as well"? Did you consider that the middle of a pandemic was the worst possible time to be doing this?

Sir Chris Wormald: Our driving consideration was to have the most effective system for fighting the pandemic for that coming winter. That was what was driving our decision making. Quite clearly, we knew the risks of that approach, but, as I say, our overwhelming priority was being in a position to have as safe a winter as we could, given the state of the pandemic. In terms of that objective, UKHSA has been extremely successful in bringing together three different organisations and creating a single point of advice.

Q26 **Chair:** That was not quite the point that Mr Grant was asking. It was about when you did it and whether it was the right thing to do at the time.

Sir Chris Wormald: The counterfactual is that we conclude that we wanted a less optimal response to covid than we could have had across that winter, and set up the organisation more easily at the end of that financial year.

Q27 **Chair:** The point is that you can get three organisations to work together, but the governance aspects—we will come back to Mr Peters on some of that in a moment—are quite a lot to set up, in terms of the separate systems and the IT systems. That is a lot of diverting time, and it is not beyond the wit of a Department the size of the Department of Health and Social Care to have just got three bits of the system having protocols to work together, surely.

Sir Chris Wormald: I do not agree with that. What we wanted and what we got, and what we saw in UKHSA's performance as soon as it was

created, was a single management chain that was taking decisions across the piece on the previous functions of Public Health England, Test and Trace and the JBC. We wanted all those things in a single management chain, creating a single source of advice for Ministers and a single operational response.

You cannot do that by having three organisations working together, because somebody has to be in charge and you have to have common systems and all those things. If you look at the operational response, I would say that UKHSA achieved remarkable things in that period—if you look at what it delivered in terms of both the ramping up and then the closing down of Test and Trace, in creating a single source of advice for Ministers on the state of the disease and all those things.

In our view, getting those operational benefits for the management of what was still at the time an extremely dangerous disease to health, society and the economy outweighed the challenges that are described here. That is not to say these things do not matter. They obviously do, but we were in the business of getting the best operational response that we could and then doing the best that we could in very difficult circumstances around the creation of the organisation and the governance. In terms of whether we got the operational payoff that we wanted, I would say that we did.

Q28 **Peter Grant:** Just to be clear, Sir Chris, you are telling us that the consensus view was that the need for quite radical organisational change was so urgent that there was a significant operational need for that to be done before the winter of 2021-22.

Sir Chris Wormald: Yes.

Q29 **Peter Grant:** Were you clear at the time that there were significant risks that the usual standards of governance and accountability would be sacrificed?

Sir Chris Wormald: We knew that we were taking on an extremely difficult set-up.

Q30 **Peter Grant:** I am not talking about a difficult set-up. I am talking about the fact that, with hindsight, looking at the state of the three organisations that were being brought together, it might seem obvious that something was going to have to give. It now looks as if what gave were the standards of public accountability and governance around large amounts of money, which is not what we would usually accept. What I am trying to get to the bottom of is whether you took the decision with your eyes fully open and said, "Clinical performance is more important than governance and accountability. We are willing to take the risk that governance and accountability has to go".

Sir Chris Wormald: It is clearly not an either/or.

Q31 **Peter Grant:** That is what it turned out to be.

Sir Chris Wormald: I do not agree with that at all and there is nothing in the various NAO Reports that suggests that. We prioritised the fighting of the disease and the clinical outcomes above everything else. That is no secret. We did it throughout the pandemic. The public inquiry and others will take a view on whether that was the right thing to do. Personally, I think that it was, given not only the damage to health, but the damage to society and the economy that the pandemic did. We consciously took risks in other areas to allow that focus, of which this was one.

There was no particular surprise or eyes shut on this. Ian and Jenny knew the challenge of the task that they were setting up. They knew the clinical priorities that we were seeking to achieve and, as I say, in terms of the operations of the organisation, we got what we wanted out of the steps that we took. Could we have taken a different decision? Yes, I agree with you—of course we could—but I think that the approach we took was the correct one.

Q32 **Peter Grant:** What is the status with regard to the public being able to see the assessment and the advice on which those decisions were taken? Is that still covered by permanent secretary advice to Ministers?

Sir Chris Wormald: It is policy advice to Ministers, so it is covered by the normal exemptions. That said, we are making absolutely everything available to the public inquiry, as we are required to do. It is not for me to speak for the inquiry, but I would expect that this is a set of decisions that the inquiry would look at. It should be all put out transparently, but done in that wider context that the inquiry is able to do.

Q33 **Peter Grant:** Dame Jenny mentioned that the decision to go ahead with a financial management system that was not fully implemented at that time was taken by the transition board. Who was on the transition board?

Andy Brittain: The transition board was in place to, as it says, manage the transition of the three organisations into one. The SRO was Mr Marron, who has appeared before the Committee before.

Q34 **Peter Grant:** Is that made up of civil servants and Ministers?

Andy Brittain: That was civil servants.

Q35 **Peter Grant:** When you were answering the question about the willingness or otherwise of your Department's audit and risk committee to support the UKHSA when it did not have such a committee of its own, you referred to "light-touch" involvement. What does that mean? How does it differ from becoming a de facto audit and risk committee?

Andy Brittain: The Department's board acts as an audit and risk committee for the Department. It does not get into the business of its ALBs, because they are responsible for their own governance. Because of some of the issues that we have talked about here, the Department's audit and risk committee had a discussion on two occasions about the risks facing UKHSA in its establishment and set-up.

That is what I meant by "light-touch". It looked into it on a couple of occasions. It is fair to say that, during this period, the risks were ongoing, so they had not really reached a resolution by that point. We were aware of what was going on.

Q36 **Peter Grant:** At what point did you realise that the difficulties that UKHSA had inherited were going to become so severe that it would have a significant impact on the Department's annual report and accounts?

Andy Brittain: The chair may wish to speak from an UKHSA perspective. However, from the Department's perspective, we realised that, given the nature of the establishment of the organisation and the fact that the materiality threshold for the new organisation was very much lower than the Department's—for example, when the Test and Trace element moved—UKHSA's first set of accounts would be heavily qualified.

It is fair to say that the precise issues around the financial checks and controls, and the amount of evidence that was not available to the NAO for its audit, came out relatively late—towards the end of the last calendar year and into January this year. That was quite late when that came out or became apparent. It was the NAO's audit that showed that up.

Q37 **Peter Grant:** Mr Brittain, suppose you had been appointed as the chief finance officer at UKHSA at the same time, and somebody had said to you, "You are now responsible for the financial management of this thing. We are going to tell you what accounting system to use, but we don't know whether it works yet. One of the major items on your balance sheet is going to be stocks of PPE, but the people who are handing that responsibility over to you do not really have much of an idea as to how much they have, what condition it is in or sometimes even where it is. You are not going to have an advisory board for the first six months that you are in operation, and you will not have an audit and risk committee".

Would you not have been inclined to think, in those circumstances, that there is no chance that this organisation can succeed in its responsibilities in looking after public funds? There was no chance that it could have delivered the standard of accountability that Parliament and the public expect.

Andy Brittain: It is difficult to answer a hypothetical question.

Q38 **Chair:** What Mr Grant has just laid out are the facts. The only hypothetical bit is if you were the finance director, which is not too difficult to imagine. The rest of it is factual.

Andy Brittain: Yes, indeed. To the first point, it was vaccine stocks where the inventory count had not happened at the point of transfer. If I had gone into that organisation aware of the risks and issues that we were facing, I would have done my absolute best in these circumstances, which I know that the finance team did. It would have been impractical to count the vaccine stocks at the point when the organisation was set up, because they were being used to vaccinate people against covid, which

had to be the priority. The operational response was the priority, as I have set out.

Sir Chris Wormald: In terms of vaccine stocks that you mentioned, this is the ultimate example of how we prioritise the operational over the issues that we have here.

Q39 **Chair:** If you are operationally delivering vaccines, you have a fair idea of how many you have in the pipeline.

Sir Chris Wormald: No. To not receive that qualification, we would have had to shut all our warehouses for a day, count the vaccines to the standards that the NAO rightly expects and then reopen the warehouses. We would have lost a day of vaccination. With eyes completely open, we concluded that, given that this was a life-saving vaccine in a pandemic, we were not going to do that.

Q40 **Chair:** So you made a clear judgment on that.

Sir Chris Wormald: We made a clear judgment. The National Audit Office has audited this to the standards that you would expect, but I do not think that they think that we should have delayed the vaccine programme to do so.

Q41 **Chair:** Their job is to look at the numbers.

Sir Chris Wormald: Yes, absolutely. They did that and they did it absolutely right, but that is the kind of decision that we were taking.

Q42 **Chair:** I am sure that that will all be laid out for the public inquiry. The justification for decisions is part of what the inquiry is looking at.

Sir Chris Wormald: Since you have raised the question, that is a perfect example of where we prioritised the operational fighting of the pandemic against what your normal audit requirements would be. You could come to a different decision, but we did not.

Q43 **Chair:** You put forward a very strong case, Sir Chris, that it was the right thing to do to merge these bodies. Turning to Professor Dame Jenny Harries, to give her her full title, although there is probably lots that we are missing off, you are highly experienced. You were deputy chief medical officer. You have lots of titles and qualifications. You have a chair who backs you. Could you have done it without that set-up and been the person in charge of delivering what you needed to deliver, but without the hassle of the reconfiguration and setting up all the new systems and so on?

Dame Jenny Harries: Notwithstanding the fact that in my first chief executive officer role, I now feel totally prepared to take on absolutely anything, given the complexity that we have just described, I agree with the permanent secretary. The position that we were in—this was one reason why I put myself forward for the role—was that we had multiple parts of the system that, together, could deliver huge success in terms of

combatting not just covid but other infectious diseases and other external hazards, but separately, to some extent, were likely, as we went through the winter, to cause some degree of confusion and duplication.

As an example this winter, our data analytics and surveillance team—the old JBC—has been providing the modelling data for both covid and flu for NHS bed utilisation to support the whole of the health system. That would have been very difficult to do because of data flows, governance and all sorts of things.

Q44 **Chair:** You had a lot of short-term upheaval.

Dame Jenny Harries: We did. I am not underestimating that and I am very grateful to the Committee for recognising that.

Q45 **Chair:** You came in—as you say, it was your first time as chief executive and accounting officer—to a system where we rightly scrutinise what you do. We have already heavily scrutinised Test and Trace, which you are responsible for now, as part of our work for the taxpayer. Did you really understand the challenge that the Department had thrown you in that sense? You understood the public health side, because that is what you are professionally skilled at.

Dame Jenny Harries: I clearly understood that there was huge complexity in putting these organisations together. It is not simply the financial element but the cultural element as well. There were three entirely different ones, and that impacts heavily on things like accounting.

Q46 **Chair:** Looking back, would you—I will throw this out to Mr Peters as well—have asked for different help and support from your sponsoring Department to make sure that you could get the accounts in on time and secure your budget and all of those challenges that we are highlighting today?

Dame Jenny Harries: There are two areas. One is about staffing in terms of finance and the flux in personnel across the system, which the Department has tried to help us with, as has HMT. There is a risk around that. It is difficult to get people in, and we had, as my chair has said, difficulty in providing information simply because of that churn.

Q47 **Chair:** You had difficulty because, if you did not have a budget set, you could not give people long-term contracts.

Dame Jenny Harries: Yes. Having a budget set early is a good thing. Any chief executive would want that. It is particularly important where you are employing, for example, very specialist staff who are looking for a longer-term career. That is a point that would be more helpful going forward to stabilise the organisation.

The other thing is that, as has been highlighted, the NAO has a particular way of working, which we all recognise and is correct for most accounts. In a pandemic situation, value for money for an unknown entity is a

really tricky thing to do, even in routine AO business. Setting that out ahead of the organisation starting full public consumption is helpful.

Q48 **Chair:** The NAO does the accounts, and value for money is a separate document.

Dame Jenny Harries: Yes, but I have to apply value for money each time that I am signing off or looking at a contract. This has highlighted that. It is not so much an action, but getting, from the Department of Health and perhaps from your Committee as well, this understanding and recognition that, for some of these potentially catastrophic infectious disease or external health hazard interventions, some of the routine systems perhaps need a different lens to look through in order to understand the work that is ongoing. Broadly, we have had a lot of support, and that continues. I am particularly grateful to my chair, because we have parallel skillsets and have tried to use those through the early set-up until we come to a settled point, which is broadly now.

Chair: It would never happen instantly, even in peacetime.

Dame Jenny Harries: No, absolutely not. It is worth flagging here—I have in the letter to you—that, for the reasons which you just said, it is quite a long runway into a settled account period. We will be making absolute tracks on getting there as quickly as we can, but, for all the reasons that we just said, it is likely that it will be moving into next year before we have unqualified accounts.

Q49 **Chair:** Mr Peters, going back to the appointment of non-execs and this conflation of roles in governance—which we are, as you can gather, more than slightly concerned about—looking back, could you have pushed the Department more to get you some non-execs in a bit more quickly? You may want the perfect non-execs—we have talked about a balanced board—but we were not in a perfect world. We have UK Government Investments, which brings in experts from across industry, as well as the Shareholder Executive. There are bits of Government that can provide non-execs at short notice. There are non-execs on boards of other Departments who could have possibly twin-tracked as a temporary measure. Did you consider that or did you get any offer from the Department to do that?

Ian Peters: I did reach out and was offered help, which I took, from various parts of Government, including, for example, the procurement commercial team, which was incredibly helpful as we were working through the downsizing. Informally, I was seeking advice and guidance from others I knew within the system.

Could we have pushed harder to formally secure those appointments any earlier? I don't think that we could have pushed any harder, in all honesty. We did it as quickly as we could, and there are always compromises made along the way.

Q50 **Chair:** It must have been quite lonely for you doing both jobs and

wearing both hats without non-execs. When I say "lonely", that makes it sound like I am making a joke, but there is a serious governance point about being without the support.

Ian Peters: There is. That was acknowledged upfront. As the permanent secretary said, when I was appointed, we were effectively employee one and two at the time.

Chair: It is like a Dr Seuss book.

Ian Peters: The Department knew why the Government realised that there would be an extended time lag while those people came onboard. It was acknowledged when I joined that the nature of my role would evolve during that first 12-month period. Jenny, a brilliant public health scientist, just did not have, at that stage, the experience in other elements of being a chief exec, so my role in the first year was never to be an executive but to help Jenny more in some of the functions that she was less experienced in, like technology operations and procurement. As her confidence grew, the executive team was formed and the non-execs joined, I would progressively back off.

Q51 **Chair:** That is very candid of you. I should just clarify a point about the stock count. The vaccines stock inherited from Public Health England was counted. It was the emergency stockpile that could not be counted, which was implicit, but I will just be very explicit about that. The testing inventory inherited from Test and Trace could not be counted.

That does raise questions that we might want to explore in other routes about how you can keep a running count of something that is going out to a frontline and being delivered. At the very end, the testing kits were being given out in large numbers. In my constituency, they were being given out because the NHS could not sell them. At the point that it wound down, they had to just be given away very quickly. There is a whole issue about inventory, which we might want to pick up later.

Sir Chris Wormald: That is a very serious case. We had management information about exactly what we had. That is not the same as having a "point in time" spot audit of what we have at a particular moment on a particular day. There was a lot of management information.

Q52 **Chair:** Not every organisation stock-counts in quite the same old-fashioned way these days.

Sir Chris Wormald: No, but to reach the accounting standard that we needed, we needed more than the management information that we had. Perfectly rightly, that is the accounting standard that we need to reach, but it was not possible in that circumstance.

Ian Peters: The absence of that opening stock balance has implications for how quickly we can progress to a clean audit. It will probably take two financial years to get there, because of the technical accounting requirements, just to manage the Committee's expectations.

Q53 **Anne Marie Morris:** Sir Chris, when you answered Mr Grant's questions, you described the evolution of UKHSA as being very much driven by events to try to get the pandemic under control. These three bodies were the ones most involved and, therefore, you wanted to consolidate them, but you created a separate organisation. Generally, organisations are not single-purpose and time-limited. They are for a longer-term run. When you established this, what, in the Department's mind, was the overall long-term purpose of this new organisation? How is it different from the three from which it has been created?

Sir Chris Wormald: You are spot on. There were two drivers here, one of which is about direction and one of which is about timing. In terms of direction, we concluded that we needed an organisation that was solely focused on health protection. Public Health England was an all-purpose public health agency covering both health protection and health improvement. Those are frequently linked but also different disciplines.

The changes made as part of the Lansley reforms in 2012 had brought the two together in the 2013 creation of Public Health England. Prior to that, there was the Health Protection Agency, which was much more singly focused on health protection. The view that we took was that the experience of the pandemic was that you did want that set of competencies, which are mainly about threats from infectious diseases and CBRN threats. Those are a different type of discipline from what you need to tackle obesity and smoking. Those are extremely important, as you know, but it is a different style of organisation.

There was a set of thinking that, long term, both in the pandemic and beyond, we needed an organisation whose heartbeat was about health protection, in the way that Ian and Jenny have set up, right down to needing different professional disciplines between those two objectives. That was the long-term aim. The short-term aim, as I said, was to create an organisation that was ready for that winter and brought together these rather disparate parts into a single organisation.

In the long term, what we want from UKHSA is that health protection focus around existing infectious disease threats, of which, as you know, there were quite a lot, planning for novel infectious disease threats, and then wider health threats of other types, the most recent incident of which was Salisbury. We took health improvement into the Department and that has become the Office for Health Improvement and Disparities. That is, again, a single-focused organisation, focused on those wider health and lifestyle questions that affect lots of public health. It is the organisational competencies that we were looking for.

Q54 **Anne Marie Morris:** Mr Peters, as you are now chairman of this new organisation, does what Sir Chris describes resonate with you in terms of what you see as the purpose and strategic direction of this new organisation?

Ian Peters: In short, yes. One of the lessons learned from the pandemic was the benefit of bringing together the excellent science that existed

inside Public Health England with a step change in proactive surveillance, which, initially, the Joint Biosecurity Centre brought and has now converted into what Dame Jenny has described, and a focus on operational delivery and vaccine development, which really was not there under Public Health England.

The juxtaposition of those three capabilities is absolutely the right thing to have done. I come back to the remark I made a while ago that that infers the maintenance of a set of capabilities that did not exist in 2019-20. To deliver the benefits that the permanent secretary has outlined, that needs to be recognised in terms of the long-term funding of the organisation.

Q55 **Anne Marie Morris:** In terms of where we go from here, the focus has, for all sorts of understandable reasons, been very much on covid, but as you and Sir Chris have recognised, there are clearly other threats out there. How will you restructure further to ensure that those are properly addressed to meet the strategic objective? I would find it really helpful if you could articulate what that vision and mission statement now is for this body.

Ian Peters: I will answer that question and then hand over to Jenny for the vision and mission statement. In terms of examples of what we have built, we have step-changed our capability in vaccine development. There has been some significant investment in Porton Down, in terms of new laboratory capability. What was the covid taskforce has been brought into our organisation. That would be one.

The step change in surveillance capability would be another. Public Health England had very limited proactive, sophisticated and outward-looking data analytics, which we now have. There is a lot more that we can do to improve it, but that would be the second one. We have upweighted our capability in response, both in the field around the UK as a whole and also centrally. The fourth one, not least in terms of importance, is that we have upweighted our genomics capability, which is central to understanding what we are dealing with.

Those are four and I could go on. We are a long way through all of that. We are looking now to enhance and sustain that, rather than, God forbid, going backwards to where we were in a pre-pandemic setting.

Before I hand over to Dame Jenny, because of the impermanence of our budgetary settlement, really nailing down world-leading scientists and operational experts to sustain the organisation going forward is the last of those missing components. Until we get a multi-year budgetary settlement, that will remain a challenge.

Dame Jenny Harries: My chair has alluded to many of the critical points. I would also like to re-emphasise that last point. We have responded to this pandemic. Going back to the permanent secretary's point about building this single organisation, we have responded to Lassa fever, mpox and hepatitis in a consistent way, with new data and new

research, and that has been internationally recognised. So the value of the organisation has been established.

We have a strategic intent about preparing, responding and building—so preparing to prevent future pandemics or external hazards to health, responding brilliantly when we do, which is a critical component, and then also building this strategic scientific capacity for the nation. The differentiation of the organisation is that it is much more scientifically focused.

For example, you may well have heard about the 100-day mission. The idea is that, as soon as we have a sequence from a pathogen that is likely to cause harm, we try to develop a vaccine within 100 days. That will not always be possible, for a whole range of reasons to do with the structure of the virus or what the pathogen is, but what we are aiming to do now is to use all of the skills that Ian has highlighted to ensure that the country is as ready as possible to do that.

In fact, that is more or less in action now as we work through avian influenza, for example, which is an obvious one where there is some vaccine and we might be able to have a more specific one.

Chair: I know you want to talk about the medical side but we are trying to talk about the money.

Q56 **Anne Marie Morris:** Your chairman said that you would be the one who would be able to answer the question about what your vision was. What is your vision statement? What is your mission statement? Have you got one?

Dame Jenny Harries: It is currently, "Saving lives, protecting livelihoods", but it is under review. We are actually actively reviewing it, learning from the pandemic and the work that we are currently doing with industry, particularly with pharmaceutical companies, in a governance way, to see how we can learn this joint working and speed of development of new interventions. We do not yet have a strategy published on that, partly because we want to ensure that responds to the public inquiry findings and obviously aligns with the budget and the remit as we go forward.

Q57 **Anne Marie Morris:** Will you have one within the year? Of course we have an inquiry. You cannot be a body that responds to an inquiry. You need to be a body that has your own vision and mission. It may be impacted by it, but you cannot not have a vision or a mission.

Dame Jenny Harries: No, we absolutely do. We have a draft, which you will find in the public domain—a short form, if you like—of a strategy, going forward with that vision on there. As you will be aware, we have had a number of changes of Ministers. I will look at my DHSC colleagues, but it requires sign-off through that route, so we are developing it in line with that. There is a public statement to keep us going, and we will be building on it as we go forward.

Q58 **Anne Marie Morris:** That finally takes me to what my Chair would very much like me to cover, which is the money, because if you have no vision and you have no mission, and you tell me you are waiting for what comes out of the review, how on earth are you going to make your case for money for what seems to me something that is actually quite important, which is ensuring that we are ready for any future threat to the health of the nation?

Dame Jenny Harries: We do have a vision and a mission. It is very clear. The bottom line is that we are out to save lives. We are preparing, responding and building.

Q59 **Anne Marie Morris:** Why is it that every time I look at the numbers it looks like your budget is going down, not up? Surely if you are as important as you say, you should be fighting for, and getting, a larger share of the cake to be able to ensure that we absolutely can protect the health of the nation.

Ian Peters: Just to build on what Dame Jenny said, we do have a vision, a purpose and a mission. We have a strategy and priorities. We have used that exactly as you would suggest, to engage in discussions with the Department on the funding to support that strategy. That is there and we are right in the middle of those inevitable trade-offs right now. That is where we are on that process.

In terms of the money coming down, I talked earlier on about how our budgets are now basically split into three: a covid budget, a vaccines budget and a core budget. When we ramped down the organisation at pace for living with covid, the covid money has gone from a run rate of about £15 billion a year in this financial year down to about just over £2 billion a year. That has massively come down, and it is the appropriate thing to do, given the changes.

Q60 **Anne Marie Morris:** What about the core budget? The word is in the name—"core".

Ian Peters: The core budget this year is significantly greater than the old Public Health England budget. That is the first thing I should say. It has not gone down; it has gone up.

Q61 **Anne Marie Morris:** How much is it this year?

Ian Peters: It is in two parts, but the core money is around about £400 million. There is then an element over and above that through self-generated income, which is a level of complexity probably not for this Committee, but it is in two parts.

What we are proposing, in discussions with the Department, is a maintenance of that level of run rate. We are doing two things simultaneously. We are driving internal efficiencies—I hope you have gathered from the way we have downsized that we are very focused on that—to hold flat cash, absorbing inflation and carrying on enhancing the

capability of the organisation. We are in discussions, as you would expect us to be at this time of the year, with the Department and others.

Q62 **Anne Marie Morris:** I hear what you say, Mr Peters, but if this is as important as Dame Jenny has indicated—and she is right—it seems to me there should be some very clear criteria, in terms of, "This is important. These are the criteria that we are trying to meet", because the health of the nation is surely as important as the security of the nation. Therefore, there should already be some markers down, which you then take to Treasury, to say, "If this matters to you, this is why I have been set up. These are the things. This is the cost of actually achieving that".

Sir Chris Wormald: That is exactly the process we are going for. The only thing I would add is to come back to something both Ian and Jenny mentioned. We look at this very much through the lens of capabilities. When we ask ourselves, "What is the health protection system we need?" it goes back to a number of the things that Ian mentioned. What genomic capacity do we think we need to be a safe nation? What surge capacity do we need to be a safe nation? In answering the budgetary questions, we look at it very much through that capability lens as opposed to a vision and strategy lens.

As I have said to this Committee before, as far as I am concerned, possibly the biggest lessons learned on pandemic preparedness is that it is all about capabilities, not plans. How many diagnostic labs do you actually have? How quickly can you actually get a vaccine in the field? All those were the things that made the biggest difference in the pandemic, which is why we look at these things from a capability point of view.

Q63 **Anne Marie Morris:** There are all sorts of reasons why we are where we are, Sir Chris. The planning we had was for flu, not for a pandemic. Consequently, we were where we were, so I am not sure I would accept all that you say. However, my question to you is whether you can therefore guarantee that you are going to be working and arguing with Treasury to ensure the long-term sustainability of this new organisation, given the importance.

Sir Chris Wormald: We make the case for health and care across the board, including this. I always try to be fair to my Treasury colleagues, and indeed to other budgets across health and care. Of course, Ministers and Treasury have to take trade-off decisions in the usual way, because we have a lot of priorities, as you know.

Anne Marie Morris: The answer is no.

Sir Chris Wormald: Do we make the case for this? Yes, of course we do, for exactly the reason you have set out. It is incredibly important, and the capabilities that Ian and Jenny are describing really matter.

Anne Marie Morris: I look forward to seeing what the budget line is long term.

Q64 **Peter Grant:** We spoke earlier on about the difficulties in having certainty as to the stock levels that have affected the audit opinion on last year's accounts. Do you expect to be in a position to do enough of a stock count at the end of this financial year to at least deal with that issue once and for all?

Ian Peters: The short answer is yes. I am not a qualified accountant, before I say the next thing—I may look to people on my left. The way the technical accounting systems work is that yes, we will do a stock take this year, but, because of the history of it, it will take us two financial years to get to a clean audit. I am looking for nodding affirmation from my left.

Gareth Davies: Yes. There is the issue of establishing the opening balance, and then, because every set of accounts includes prior-year comparatives, it takes more than one year to clear a qualification of that.

Ian Peters: Yes is the short answer to the question.

Sir Chris Wormald: Just to be absolutely clear, we are expecting the end-year stock count to be at standard, and that then becomes the baseline for the following year. When you then have the next end stock count, that is the point that you can clear the qualification.

Q65 **Peter Grant:** We discussed the stock values earlier, Sir Chris. You described a scenario where you have to shut down the whole store of vaccines for a day if you are going to count it. Have you looked at the option of continuous partial stock takes all the way through the year, which I gather is very standard practice in a lot of places now?

Sir Chris Wormald: That was not in place at the point that we were doing it.

Q66 **Chair:** What about for the future?

Sir Chris Wormald: I will not argue about the technicalities. That is clearly an option, but it was not an option at the point.

Chair: That may be another learning thing.

Sir Chris Wormald: Yes. Just to be clear, this would have been an exceptional stock count. We have a stock count for the two Marches, the normal end-years. This would have been one in October, an exceptional one that we put in at that point. I am sure there are technological ways we can do this better in the future, but they were not available at that point.

Q67 **Peter Grant:** When you mentioned the issue with the stock count previously, you focused on the practicalities of trying to do a stock count of vaccines while they are being put out the door as quickly as we could use them. How significant was the stock value of vaccines against the overall stock value that there was issue with? My understanding is that there was a Test and Trace stock as well, for example. For the total value

of stock that was handed over to UKHSA on the day it went live, how much of it was able to be counted and how much of it was not? How much of that was because it was vaccines that would have been impractical to try to count?

Andy Brittain: I would need to check and come back to you, but my understanding is that we are talking about vaccine warehouses here that contain covid vaccines and other vaccines that UKHSA have on their stocks. As the permanent secretary said, we would have had to close them in order to do a full count. I would need to come back to you on the precise proportions within each warehouse. I am happy to do that.

Q68 **Mr Djanogly:** I was just going to go back a step. This may have been answered to some degree, but when we talk about the value of stock inventory or the process of auditing it, Mr Brittain, could you just explain what should have happened and what did happen?

Andy Brittain: It is relatively straightforward. On 31 October, when the UKHSA was established, as the permanent secretary said, at that point ideally there should have been a complete stock count of all the stocks that were transferring across to the new organisation. That would have formed the opening balance for the new organisation.

Q69 **Mr Djanogly:** Who does that—the auditors or the staff?

Andy Brittain: The auditors do it with our assistance.

Sir Chris Wormald: The key point is that it is not the number on the page.

Chair: It was set up mid-year.

Sir Chris Wormald: It has a component that is a physical count, i.e. you have to go and review it.

Q70 **Mr Djanogly:** The auditors look at it being done.

Sir Chris Wormald: Yes. It is a sample.

Gareth Davies: They observe it and take a sample.

Andy Brittain: People physically have to go to each warehouse and count it.

Q71 **Mr Djanogly:** That was not done.

Andy Brittain: No, for the reasons the permanent secretary said.

Q72 **Mr Djanogly:** In terms of valuation, what is the accounting basis for the valuation?

Andy Brittain: We have the purchase price and then we establish, on the back of that, a current market valuation off based on the prices at the point of the accounts being signed.

Q73 **Mr Djanogly:** Is that an agreed discount?

Andy Brittain: No, it is the spot price. It is the value at that point.

Q74 **Mr Djanogly:** It is the market value.

Andy Brittain: Yes.

Q75 **Chair:** In this case, that was often much lower than the purchase value.

Andy Brittain: Not for vaccines. For PPE it was very different.

Q76 **Mr Djanogly:** In order to be able to do the audit next year, are there departmental processes that need to be changed in order to facilitate that?

Andy Brittain: There are two different points there. On the vaccines we will be able to do a full stock take. On PPE we will not, because, as we have discussed at the Committee before, quite a lot of it is in sealed containers. It is not practical or value for money to open all those containers and do a full stock count. I can go into that in more detail if that would be helpful.

Q77 **Mr Djanogly:** That is not on the UKHSA account.

Andy Brittain: No, that is the Department's accounts, not UKHSA accounts.

Q78 **Mr Djanogly:** Yes, but would it be done to the satisfaction of the audit next year or is that going to create another problem?

Andy Brittain: Apart from PPE, the stock count should be done to the satisfaction of the auditors next year.

Q79 **Mr Djanogly:** Would the PPE be a large enough proportion of it to qualify?

Andy Brittain: I expect that the existence of inventory qualification will sustain and be the same next year until we have exited the stockpile.

Q80 **Mr Djanogly:** The stocks are obviously lower than they were. Do the accounts take on board the cost needed to replenish stocks to any required level of preparation for future problems?

Andy Brittain: No, they are simply the stocks we have in place at the point the accounts are made. We know we have at least four months of PPE, particularly inventory, in our stockpiles. We will no doubt go into more detail on that, but we have at least four months.

Q81 **Mr Djanogly:** The accounts, as they exist, do not take on board what you might need for the future.

Andy Brittain: No. That would be in future budgets, not in historic accounts.

Q82 **Olivia Blake:** Going back to vaccines and medicines very quickly,

following the write-downs of last year there have been quite significant write-downs for those.

Sir Chris Wormald: Is this in impairments?

Olivia Blake: Yes. We were just wondering why they were required, and if there is going to be any more done to recover some of the value of those.

Sir Chris Wormald: For the two big chunks this year on impairments, quite a small proportion is PPE. That was largely dealt with in last year's accounts. The two big ones are antivirals and some vaccine. Antivirals is, by quite some way, the biggest chunk. What we did with antivirals is that essentially we bought an insurance policy. There were, at the beginning of the omicron wave, concerns that we would basically have a vaccine-escaping variant. That leaves antivirals as the only protection, particularly for the most vulnerable. This is stuff for JCVI 1 to 4, and you either buy the insurance policy or you do not. We did.

Chair: We understand from your hot seat why you did.

Sir Chris Wormald: Yes. The actual position—this is why it is important that it is an impairment, not a write-down—is that this is a forward purchase agreement, rather than stock. It is stock that we do not expect to use but still might. It is valid until the end of 2024. Should we get a vaccine-escaping variant, we would still have antivirals on that contract available. The NAO would then be finding that the impairment was less than we have, because we have used it in a way. The insurance policy is still in place.

If we are in the lucky position that there is no vaccine-escaping variant and we do not need the antivirals at the end of 2024, it becomes a write-down because the stuff will be out of date. As I say, it is either an insurance policy that you take or you do not. We are not expecting to have to do this again, first, because of vaccine development, bivalent vaccines and more adaptable vaccines, and, secondly, because market conditions are obviously very different and we would not expect to have to sign the onerous contracts that got us the availability of antivirals again. We saw this as a one-off insurance policy in a very specific set of circumstances.

Q83 **Olivia Blake:** You are quite confident around that.

Sir Chris Wormald: You can take a different decision, but that is the decision we took.

Olivia Blake: I will move on, because I am aware of time and there is a lot to talk about on PPE.

Sir Chris Wormald: Mr Brittain is looking forward to his discussion on PPE with you.

Q84 **Olivia Blake:** I would like to ask a little more about the location of some

of the PPE and how much of it currently remains in containers or is currently inaccessible, which I know has been raised on this Committee before.

Sir Chris Wormald: I will let Mr Brittain answer this, as we kindly allocated PPE to him before. Before we start, I should say we do not have our PPE expert at the table as we did last year.

Chair: You wrote us a very detailed letter about some of that.

Sir Chris Wormald: We will write to you further if there is stuff that goes beyond our knowledge.

Chair: Let us ask the questions and then we will determine if you need to write to us.

Andy Brittain: With that caveat, I will do my best to answer.

Chair: We do not like the "get out of jail free" card before we have had the answer.

Andy Brittain: In essence we are reducing our PPE stockpile as fast as we can. That is through actually using it—we are using about 650 million units a month—and also by setting up a disposal programme for PPE that we know we are not going to use, which is currently working through about 20,000 pallets a month. We have a warehouse network across the country, but as a consequence of that, we have been able to reduce our number of sites from 51 to about 36 storage sites. They are all around the country.

Olivia Blake: There is still a fair chunk to go.

Sir Chris Wormald: We previously sent you a map of where it all is. We are quite happy to send you an updated map.

Q85 **Olivia Blake:** If I can ask this from a value point of view, Sir Chris, last year you told us that you were disposing of about £4 billion that could not be used. Using that as a number, how much of the value of that £4 billion have you already managed to dispose of?

Andy Brittain: So far we have disposed of about 220,000 pallets, which is about 700 million units so far.

Q86 **Olivia Blake:** What is the value of that? It is a bit difficult to know.

Andy Brittain: I would need to come back to you on the precise amount of the value of that.

Olivia Blake: It sounds like a lot but we know there is a lot, so it does not give me a great idea of how much is still left to go.

Q87 **Chair:** You did write to us telling us the storage cost savings were £25 million a year and the environmental cost savings were £15 million.

Andy Brittain: In terms of storage costs, because we are proceeding, we are going to save around £130 million.

Q88 **Chair:** That is staggering. I skipped over that figure, but the storage cost savings of the 208,000 pallets that you disposed of that you just mentioned is £25.7 million, nearly £26 million a year, which would build quite a few of those 40 hospitals.

Andy Brittain: Yes, exactly. That is why we are pursuing such a robust strategy for reducing our stockpile.

Q89 **Olivia Blake:** We have only got rid of £1 billion of that £4 billion. It is great to know what you are saving from what you have managed to achieve, but I am driving at what you have not managed to achieve.

Andy Brittain: If you look at the letter that Sir Chris sent on 16 March, we have almost a billion units that are not fit for any use, so they will be the next ones for disposal. We will continue to trade off how much we use with how much expires and therefore will need disposal.

Q90 **Olivia Blake:** To go back to the storage sites, how many of the sites are now accessible? Will the Department have undertaken a full stock count by the 31st of this month?

Andy Brittain: We will not have been able to do a full stock count by the end of this month. The reason for that is because we have worked out how much it would cost to complete a full stock count. As most of the stock that is in sealed containers is stock we know we are not going to use, it would cost around about £70 million to count all that stock and unpack all those containers. We do not think that is a value-for-money investment solely to lift this qualification. What we will do is continue to manage the stockpile down, as I have set out, and then allow the qualification to expire.

Q91 **Chair:** Just to be clear, from your letter you are saying you are going to keep providing PPE for free to health and social care providers until the end of March next year, 2024, or until it runs out.

Andy Brittain: While stocks last, yes.

Q92 **Olivia Blake:** What about the stock that is in warehouse rather than in containers? Are you able to count that?

Andy Brittain: We are expecting to do a full stock count on that in this financial year. We are working on that basis.

Q93 **Chair:** You are confident that stuff in the shipping containers, on farmland or wherever it is being stored, will never be used. You have written that off, effectively.

Andy Brittain: It is almost entirely stock we know we are not going to need to use, yes. As we have said before at this Committee, we know what we actually have; it is just that we have not been able to count it precisely with the NAO present to meet the auditing standards.

Q94 **Olivia Blake:** Is there an update on that £4 billion figure, in terms of the value of what you plan to dispose of?

Andy Brittain: I know what numbers we need to dispose of in terms of volume. I need to come back to you on the amount of money that translates to, if that is okay.

Q95 **Olivia Blake:** That is fine. You can see that I am interested in value. It would also be useful to know how much you have had to burn and how much you have managed to recycle.

Andy Brittain: Of those 200,000 pallets I mentioned, that is in the back of Chris's letter. In the final table on the final page, it sets that information out. We have recycled 109,000 of those pallets and nearly 99,000 have been sent to energy from waste. I should just mention for the record that that is energy from waste. We are not simply burning them. It is energy use that would otherwise have been used—coal would have been burned in its place if we had not used that. It is going to a sound environmental policy.

Q96 **Chair:** It is environmentally friendly.

Sir Chris Wormald: It is more environmentally friendly than burning coal, apparently. It apparently produces less carbon.

Q97 **Olivia Blake:** Are you burning it in energy recovery facilities?

Sir Chris Wormald: Yes.

Q98 **Olivia Blake:** Do you feel that is an adequate environmental impact balance of storage?

Andy Brittain: We follow the Government's disposal strategy, which is recycling first, then energy from waste, then landfill. We are fully following the hierarchy there.

Q99 **Olivia Blake:** Sir Chris, do you think that you are taking enough action to recover as much value as possible of that PPE at the moment?

Sir Chris Wormald: It is clearly a tough challenge, but basically yes. We set out a strategy for reducing what we have, which we are following through on. Of course it requires a number of tough decisions, but the hierarchy that Mr Brittain described is a very solid one and is widely accepted as being the right type of hierarchy. We work our way through it.

Q100 **Olivia Blake:** Just going back to the coal issue, in terms of the comparator, is this more expensive than coal to burn?

Sir Chris Wormald: I do not know. It is stuff that we already have—to us, the cost of providing it is zero because it is something that we already have. I cannot imagine it is a cheaper way of doing it than actually using more traditional fuels, but it is stuff that you have that you have no other

use for. You are comparing the cost of zero versus whatever the cost of the fuel is.

Andy Brittain: From a Department's perspective, it is actually value for money, because we are reducing our storage costs faster than we previously assumed.

Chair: It is at a rate that is pretty high.

Q101 **Olivia Blake:** Sir Chris, how are you monitoring the disposal plans and reviewing them? Do you feel that you have the monitoring in place to be able to adapt to any future strategy around this?

Sir Chris Wormald: Yes. Clearly we still have quite a lot of decisions to make. I set out in my letter the four pillars of what we are doing around our PPE strategy. We clearly still have decisions to take about exactly what we want in a stockpile for future pandemics. The normal benchmark that the chief medical officer uses is that you ought to be able to deal with the first three or four months of a pandemic from what you have quick access to. That might be a forward purchase agreement; it might be a stockpile; it might be several things. The detail of exactly what you want in your stockpile is not going to be taken, but at the moment we have considerably in excess of that, so the question does not arise. We have the four clear pillars of the strategy that we set out in the letter, and we now need to be turning that into the practical actions going forward.

Q102 **Olivia Blake:** Finally, on burning waste, are you paying people to burn the waste, or are they paying you for the waste to burn?

Andy Brittain: We have employed some waste contractors to do that for us. We are paying our contractors to dispose of waste.

Q103 **Chair:** PPE still continues to turn a profit.

Andy Brittain: That is the same as with any waste disposal. You would need to pay a waste contractor to do that. As I said, from our perspective, even taking that into account, it is still very significant value for money when you account for the vastly reducing storage costs.

Q104 **Peter Grant:** To pick up on that point, first of all, just to be clear, it is value for money from the starting point as you have already spent hundreds of millions or billions of pounds on this stuff to begin with. That is the context you are saying it in. It is not value for money to use medical equipment as fuel to fire a power station, is it?

Sir Chris Wormald: No. I do not know if you want to rehearse the argument yet again. We have been through, at this Committee on a number of occasions, the reasonable worst-case scenarios and why we bought the stock levels that we did. We can have that discussion again, but I am assuming we can take it as read.

Q105 **Peter Grant:** Sir Chris, you wrote to the Committee a few days ago,

including some confidential information not for publication, with a progress update on the disputed PPE contracts and the work that has been done by the contract dissolution team. What needs to happen before that information can be made available to Parliament, for it to be reasonable to report that to Parliament and to let Parliament and the public know what has happened with all these disputes?

Shona Dunn: We have had this conversation in a previous hearing. We are acutely conscious of the commercial discussions we are having with the contracts where there is some degree of dissatisfaction with what we received. There are 60 of those contracts that we are still engaging on. They have a very substantial value. Our concern about putting lots of detail into the public domain is that that will have an influence over the approach that those organisations take to those negotiations with us.

We are keeping a very close check on our progress through those contracts. We are making a constant judgment about whether the amount of money we are spending to go after the value that we expect back from those contracts is still outweighing the amount of money we are spending doing it. When we get to a point when that equation changes and we move into a different mode, then we will be able to provide more information to Parliament.

Q106 **Peter Grant:** Is there any indication at all as to when that may be, or is even information about when, for reasons of confidentiality, something that you—

Shona Dunn: I would not want to judge when that was going to be, because we will keep going after every penny we can until it is no longer in the interest of the taxpayer to do so. As I say, we monitor that on a very regular basis.

Q107 **Peter Grant:** When you get to the stage where you are comfortable with publishing that information, would you envisage it being published in the same level of detail that has been given in confidence to members of the Committee? Is there any reason why you would want to make it any less detailed than that?

Chair: After the event.

Shona Dunn: Yes, after the event. I suspect that there will be an element of that that may depend on the nature of the terms that we have come to with the individual organisations, so there may be some that we could go into in more detail than others. When we come to that moment, we should have a look at that closely, and of course we should try to put as much information into the public domain as we possibly can.

Q108 **Chair:** It would be very helpful if we could just get a commitment from you to talk to us as a Committee about that. We have done this with other Departments to help.

Shona Dunn: Yes, absolutely.

Q109 **Chair:** If there was a mutual understanding about what Parliament wants to see and what you are prepared to offer, we can help deal with that. MPs and the taxpayer will get what they want. We understand the constraints.

Sir Chris Wormald: The principle has to be that we make everything transparent unless there is some sort of public interest in not doing it. We can debate with you about where the public interest lies.

Q110 **Chair:** It may be helpful to taxpayers, being the ringholder between what you feel you can publish and what we feel you can publish.

Sir Chris Wormald: That sounds very fair.

Chair: Thank you very much for raising that, Mr Grant.

Q111 **Olivia Blake:** I was just going to point to one bit of evidence that we have had that relates to contracting, basically supporting the NAO's recommendation about having a much more standardised form of contracting for emergency crises. Is that an area that the Department is actively considering?

Sir Chris Wormald: I will say one thing first, and then Shona will come in. Yes, of course these are all interesting ideas. The only thing I would say is, what the Vaccine Taskforce did very successfully, and indeed what the vaccine procurements that were there before the Vaccine Taskforce did very successfully, was very frequently not following the standard models that people were using. The question of where you want to standardise and just have a system and where you want to have a set of people with an objective that they pursue, which the Vaccine Taskforce was incredibly good at and this Committee has looked at before, is not a straightforward question.

Shona Dunn: To that point, you certainly need to make these judgments as you go, depending on the context you have, but as a Department we have put in place a standard operating procedure for emergency procurement. As Chris says, that will not always be the right procedure to use, but it does cover many circumstances. That is an operating procedure that is now in common usage and part of our training for people in the organisation.

Q112 **Chair:** Out of interest, how much will you be allowing people to use things like WhatsApp or private emails to discuss things? Do you have any constraints in that process? Those are the channels of communication that we saw used a lot.

Shona Dunn: That comes to a separate question around our data protection policies, and, post the ICO investigation, what we advise people to do, whether it is communicating around commercial contracts or whether it is communicating around any other decision-making in Government.

Q113 **Chair:** "Commercial contracts" has a particular edge to it because there

is money involved, if there is even an appearance that there are little private chats going on in channels that are not routinely open. I know the Department and everyone now brings up that information, but it is quite challenging to do. Going through a proper, transparent route just makes it easier and clearer for those who are actually dealing with the contractual side of things. It protects civil servants.

Shona Dunn: It is very important that we are able to be entirely transparent with all of our decision-making. As you say, it is very important that we are able to do that in the commercial sphere. It is very important that, whatever platform communications take place on, that information is passed into the departmental record. That is absolutely what we focus on. We know that it is advisable, wherever decisions are going to be scrutinised, for communications to happen on departmental systems. All of our policies and guidance advise that.

Chair: That is well landed, let us hope, for future Ministers.

Q114 **Anne Marie Morris:** Sir Chris, when you looked at potential future uses of this material—the PPE—did you just look in the public sector or did you look in the private sector, into, potentially, charities that undertake dirty occupations, whether it is gardening or in a zoo? Did you look at some private companies that, for example, are using waste material to make swimsuits?

Sir Chris Wormald: I will check exactly where we looked. I think we looked across the piece.

Andy Brittain: Yes, we looked very widely. We looked at adult social care, and we provided a lot into adult social care, which is primarily private sector. Quite a bit of it is medical equipment, though, so there is an extent to which it is able to be used outside of those settings.

Anne Marie Morris: It is physical material. You are absolutely right that its prime aim was medical, but it is still physical as a barrier.

Andy Brittain: Yes. We have looked very widely.

Q115 **Anne Marie Morris:** Are there other uses?

Sir Chris Wormald: We will write to you saying exactly where we did look, but we looked pretty widely and offered stuff for sale across the piece.

Q116 **Chair:** It is slightly surreal, Sir Chris. I do not suppose, when you started your civil service career, you were thinking that you would be dealing with excess PPE gloves.

Sir Chris Wormald: I have done many things that I never envisaged myself doing.

Chair: Maybe the book will be forthcoming. You have to almost laugh, or you would cry, about the PPE situation.

Q117 **Mr Djanogly:** Just to wrap up on inventory procurement, we have been looking at the accounts. What are the lessons learned from PPE procurement and the state of the stockpile, in brief? A book could be written on it.

Sir Chris Wormald: Again, I am sure the public inquiry will look at this. I come back to the general point I made about capabilities and plans. The stockpile we held was absolutely invaluable in getting through the first part of the pandemic. Once we get the stock levels down, I am sure we will want to review the exact composition of that stockpile for future pandemics.

There was already a plan, at the point that the pandemic broke out, to enhance our existing stockpile on gowns as well as aprons. I am sure we will want to do that, but on the concept of a stockpile and whether you can you get through the first few months of a pandemic, our experience proved that.

The bit that we need to look at further was that one of our big limitations was our ability to create domestic supply. As I discussed with the Committee before, in peacetime it is considerably cheaper to buy on the international markets than it is to make it domestically. However, we have made quite a lot of progress with domestic make. Quite clearly, the country will be more resilient if it is not only reliant upon the stockpile we have to build up and international supply chains, so that would be a big lesson.

A lot of the challenges that we faced in the pandemic were much more about logistics than they were supply. As I have said to this Committee on a number of occasions, we never actually ever ran out nationally of PPE. That did not equate to there being no problems in hospitals and care homes, as you know. There were very frequently logistical supply issues, particularly into care, which we had never done before. You will remember the comments of the then Chief of the Defence Staff that this was the single biggest logistical challenge he had faced in his 40-year military career. We now have a much better infrastructure for doing that, including the portal. As we stop doing it for free, we will want to maintain the capabilities there around logistics. I suspect those logistical in-country issues are actually going to be some of the biggest learnings around PPE.

The one I am very undecided on—I have debated it with this Committee before—is whether we should have picked some rules and just stuck with them during the pandemic. I am genuinely undecided on this. We changed our advice to people on what PPE was necessary as our understanding of the disease changed. A lot of people found that very difficult, for understandable reasons. However, the alternative approach of knowing there was a better style of PPE and not telling people also does not feel right. I find that balance very difficult.

The final thing that we did not get right at the beginning of the pandemic but made a huge amount of progress on as the pandemic went on, not

just in this field but more generally, was appropriate PPE for people of different backgrounds, right down to what shape of face mask we were providing. Following an excellent study by PHE, Professor Kevin Fenton and others, we made a lot of progress across that. There are lots of learnings, and then there is everything on procurement that was in the Boardman review. There is quite a long list of things we have learned there.

Q118 **Chair:** We could go into that a lot more. We know about the public inquiry and we will keep looking at this issue. I want to turn back, though, to the accounting issue, so really it is your turn, Mr Brittain. We have some big structural changes coming through in the NHS, and once again we are going to see a point outside the normal financial year change. The integrated care boards will be informing part of the new NHS England accounts. There are 106 accounts of CCGs. They will then turn into 42 integrated care boards, but there will be nine months of accounts of integrated care boards and three months of accounts of CCGs. It is all quite complex. First, why on earth do it that way and not inside a financial year? Secondly, how is this going to affect the departmental accounts?

Andy Brittain: I might leave it to others.

Q119 **Chair:** Mr Brittain does not know why we are doing it outside of a financial year. That is interesting.

Andy Brittain: It is essentially because the decision was made to reform NHS in this way, and that is the timing that has been established to do it.

Q120 **Chair:** It does not seem very logical. You are a finance guy. In normal terms, would it not be easier to do it on a financial year basis?

Andy Brittain: I am sure it would have been easier.

Q121 **Chair:** We have seen the problems. We spent the first 45 minutes discussing the problems it caused, so it seems like your Department has learned nothing.

Shona Dunn: Of course it would certainly be easier and neater in accounting terms. It does of course place a significant degree of challenge into the system. We are aware of that. We are aware of the challenges that already exist in the system, and we are having a great deal of discussion about that.

The Department is thinking very carefully about how it supports ICBs to make sure that they are in the best place they can be to undertake the responsibilities that they are going to have. There is obviously a significant amount of work for them to do there. Ministers are very engaged with ICBs, as is the Department, and we will do everything we can to ensure the transition goes smoothly. The point of transition is very much driven by when we were able to bring forward the powers through the passing of the Bill.

Q122 **Chair:** It is to do with the legislative timetable. Was there any consideration in delaying the start point of ICBs?

Shona Dunn: A whole variety of issues were considered in terms of how quickly to bring forward the creation of the ICBs. That was one consideration. There will have been many others. Of course, as you say, that will present a challenge that we will need to work very hard to do.

Q123 **Chair:** Turning on to the challenge, Mr Brittain, you are going to have the challenge of trying to put it all together. What is the actual impact?

Andy Brittain: It is actually the challenge for NHS England in the first instance.

Q124 **Chair:** Yes, absolutely, but then it comes up the chain. I do not know if they consider you up the chain.

Andy Brittain: Yes, I do not think they would say that.

Q125 **Chair:** It comes up to you, Mr Brittain, overall, to see the whole group accounts. What are the practical challenges going to be?

Andy Brittain: I have been closely engaging with NHSE on the specific complexities around this. While it will be a technical challenge to assimilate the accounts in the way you have said, I do not think it will be of the same order of complexity and challenge as we have been talking about in terms of the set-up of UKHSA. Yes, it will be a challenge, but what I am understanding and hearing at the moment from NHSE is that it is a manageable risk.

Q126 **Chair:** Okay, so that is a manageable risk, but then you have some changes to accounting treatment. You have the leases, which is going to be an issue. Leases will now be on the book. This is going to be a big problem for NHS property services particularly, but also for lots of other different parts of the NHS. How is that going to impact on central accounts?

Andy Brittain: Again, that is another significant risk for our accounts for this year coming. We have put quite a lot of time, effort and investment into the Department's finance team, into how we need to work to grip this risk and address it. We are frontloading our core department's efforts to address this.

Q127 **Chair:** You are employing a lot of surveyors, are you? Can you talk through practically what this actually involves?

Andy Brittain: We are engaging with specialists throughout the organisation to make sure we get the correct values in our accounts.

Chair: With the NHS Property Services, there were problems anyway because not all of their subleases to organisations were well valued. Some were paying vastly different rents for square footage.

Andy Brittain: We have been really proactive in addressing this risk. As I said, we have been working very hard in the core department's finance team to work out what we need to do to communicate to the other bits of the organisation what they need to do and by when.

Q128 **Chair:** You do not think that the NAO will have any problems when they are auditing your accounts; you have good processes in place.

Andy Brittain: I cannot guarantee that.

Chair: It is very wise not to guarantee in front of the C&AG.

Andy Brittain: We understand the risk. As I sit here today, we are doing what we can to mitigate it, and we keep that under review with our NAO colleagues.

Q129 **Chair:** Are there any particular areas of the NHS estate that you are worried about? I am not asking you to name particular trusts.

Andy Brittain: Not that have been raised to me specifically, no.

Chair: You think that, once you have the procedure in place, it will be—

Andy Brittain: Yes, and we will keep that under review through our regular meetings.

Q130 **Chair:** You also have NHS Digital abolished in January, so that is going into NHS England for the last two months. You have another split year. What was the reason? Again, was that legislation?

Andy Brittain: That was a desire from Ministers to merge those organisations to get the operational benefits as soon as absolutely possible.

Q131 **Chair:** We are getting a little irritated; I do not know what the word is. We see all these things happening outside the normal financial cycle. We do like neat and tidy. We know the world is not like that, but it just adds another confusion, does it not?

Andy Brittain: Shona may want to come in, but yes, if you look at it from a pure accounting perspective, you would choose to do it around the year-end boundary. However, for these organisations, there are very, very clear operational benefits from doing that. I do not think the accounting perspectives in mature, established organisations such as the ones we are talking about now are going to be the same as the ones we have discussed.

Q132 **Chair:** You are confident that there is not going to be any obfuscation about where money goes.

Andy Brittain: They are mature finance teams with mature finance governance and processes, so they are not the same order of magnitude of risk.

Sir Chris Wormald: I do not think we have had any accounting questions or issues.

Q133 **Chair:** I was just going to turn to the people who can answer that question best. I wonder if Mr Morland from the National Audit Office wanted to say anything about the treatment of this. Do you agree with Mr Brittain's summary?

Peter Morland: In terms of going back to IFRS 16, we all recognise that that is going to be a technical challenge.

Q134 **Chair:** Is this the leases?

Peter Morland: Yes, this is the leases issue. It is one of the largest consolidations within Government that has to happen. One of the unusual features is the large number of inter-lease arrangements that happen within the group. That requires a huge amount of data that needs to be consolidated out, and also consistency of treatment. One of the challenges that we will have to work together on will be looking at that in detail.

Q135 **Chair:** It sounds like you are very confident, Mr Brittain. We will see next year if that confidence is well grounded. I touched earlier on this issue of the capacity of other parts of the group to deal with some of the challenges of finding auditors. We have covered that off a bit. You say you are talking to DLUHC. I will not say it was catastrophic for the local government sector. There is that issue in Leicester. I do not know if you want to mention the Leicester trust issue. These are very big risks to the national health service group accounts. Tell us where your worries are. Is it keeping you awake at night?

Andy Brittain: My main worry on this is, as you have alluded to, that whatever actions I can personally take will not be sufficient to address the issues in the local audit market more broadly because they are very complex and deep-rooted, as you say. I am working closely with the NHS and with colleagues across Government to try to resolve those in the way I have set out earlier. That is one key risk that could impact on the timing of our accounts.

Q136 **Chair:** The University Hospitals of Leicester NHS Trust, for those who may not be following it, has had an adverse opinion on its financial statements. I will not go through all the detail; it is all in the public domain. That is one trust. Where does the oversight lie? Obviously there is NHS England; there is you. How much sight do you have of other hospitals that might be having the same issues?

Andy Brittain: The NHS has a financial oversight framework that looks across a range of financial measures and performance measures in trusts. This particular one, as you would expect, is the subject of some special attention by NHSE. Our expectation is that it is improving. It had an adverse opinion last year. As I understand, it is expecting to finalise its accounts in April. Our anticipation is that it will have a cleaner set of accounts; of course, that is not guaranteed yet.

Q137 **Chair:** While I realise it is NHS England that will be dealing with most of this on a day-to-day basis, they presumably feed up to you. Do you have worries about any other trusts that could be in a similar position? Do you have sight of that from where you are sitting?

Andy Brittain: I have monthly finance meetings and holding-to-account meetings with the NHS at which we talk about the full range of finance issues, and this is one of them. I have not had any other specific trusts raised to me regarding their accounts. There are, of course, other ones we discuss about budgeting forecasts, etc., but on the narrow accounts point, no.

Chair: That is better news than in the local government sector.

Q138 **Olivia Blake:** Just turning back to some evidence that we have had from the Institute of Chartered Accountants of England and Wales, they have an interesting point. This relates to UKHSA, but I just wanted to ask this question. I will read what it says, because it might help you: "ICAEW believes the issues at UKHSA are symptomatic of long-standing issues relating to the strength of financial processes, governance, and controls across DHSC and the NHS, as well as under investment in finance and administrative staffing." Sir Chris, does it concern you that this is the view of the institute about the Department?

Sir Chris Wormald: I have not heard that quote before. I do not agree with it. For the reasons we have described, the UKHSA situation is unique and unlikely to be repeated. That is not the same as saying we do not have challenges in the financial management of what is about 8% of the economy. That obviously brings huge challenges, in terms of both systems and people. I would not deny that we have those sorts of challenges, but I do not recognise the idea that the very unique circumstances of UKHSA are in some way symbolic of anything else that is going on. That is a top-of-the-head reaction to a quote I have not seen before.

Q139 **Olivia Blake:** Just to follow up, they were probably basing this on the next paragraph that they go on to quote, from the Comptroller and Auditor General's report from 2020-21, which "exposed weaknesses in the underlying financial systems and controls that predate the pandemic". I wonder, given those pieces of information, if that gives you any more cause for concern.

Sir Chris Wormald: No, no more than we have had anyway. We have had regular reports from the NAO on financial sustainability and management issues, which we sign off and agree with. We would take that as our assessment of the financial strengths and weaknesses of the system. I do not think the Comptroller pulls any punches when he sees a problem, and we work on those problems.

Q140 **Chair:** Do you have enough people? Do you have enough finance people? Are they the right people?

Sir Chris Wormald: We have got to the bidding bit of the hearing. You always do this to me. It is very unfair.

Andy Brittain: There are two points that have been slightly mixed in that quote, which is around the specific issues we have been discussing. Of course we are always looking to build our finance capability. As I sit here now, I have enough people in post to do what we need to do and then continue improving the function. It is not black or white. There is always more you can do.

Q141 **Chair:** We talked about skills and about surveyors earlier, but do you have the right-skilled people for the new things that are coming on?

Sir Chris Wormald: This would be general across the civil service, but it certainly applies to DHSC. If we were to pick out professions where we need more, we would say financial expertise, commercial expertise and digital expertise.

Q142 **Chair:** That is the same as most Departments.

Sir Chris Wormald: Yes, that is the same as most Departments. Obviously, for us, given the sums of money that we spend, the financial challenges are very great indeed. When we look at the financial capability of the Department, that is not purely the number of people working for Andy. We have a very good finance function that does its job very well. A lot of our focus is on the financial expertise of non-finance.

Q143 **Chair:** Yes. As we say, finance is far too important to be left just to the finance function.

Sir Chris Wormald: Yes. The key thing we focus on is whether we have enough financial literacy in the organisation to know when to consult Andy's people.

Q144 **Chair:** Ms Dunn has been doing some work to improve that.

Shona Dunn: I wrote to you before Christmas on the finance reset. That is quite deep work that is going across every aspect of how we do finance as an organisation and across the system. That is still going exactly to plan.

Chair: We do not need to repeat that.

Q145 **Olivia Blake:** I was going to ask about some of the interesting things around your staffing, and whether you feel that you are doing enough on the finance element for retention of those staff, because it seems like turnover is quite high in your Department at the moment.

Shona Dunn: As Chris said, we are acutely conscious of the risk of losing highly qualified and very valuable finance people. We think quite carefully about how we create an environment where we can keep them. To be fair, of course there are high demands across the whole of Government, and one of the good things about the way the finance function works across Government is, as Mr Brittain has very close relationships with the

head of the finance profession across the whole of Government, our senior people and our very skilled people are, to a degree, used as a sort of civil service-wide resource. We do of course have people move from the Department. We have other people arrive with us at the Department. We do it in a very dynamic and active way.

Chair: Those are lots of words.

Shona Dunn: We manage it very carefully. Where we can do things to retain people with particular skillsets we need, we do.

Q146 **Chair:** Do you have flexibility on pay for that?

Shona Dunn: Where we need to, we can deploy flexibility on pay, and from time to time we do.

Q147 **Chair:** Is it more than the Prime Minister's pay? You cannot go above that.

Shona Dunn: I do not think we have had call to do such a thing, but we think very carefully about how we create an environment where we keep people in our finance function to retain that continuity of service and knowledge.

Q148 **Chair:** What is your turnover?

Andy Brittain: Last year it was about 10%, which is not particularly unusual.

Shona Dunn: It is slightly higher than the Department overall. We are about 8% for the Department overall.

Andy Brittain: We built up to deal with the demands of covid and we have dropped down, but the underlying rate is around 10%.

Q149 **Chair:** We are seeing similar in other Departments, partly because people held on to jobs for longer than they might have done.

Shona Dunn: They stayed longer than intended.

Q150 **Chair:** Just going back quickly to the Leicester issue, you said you had some sight of it. We are concerned about what sight you have. You have the oversight board seeing things. Was the oversight board aware before the auditor's report came out that there was a problem at Leicester?

Andy Brittain: That may well have been before my time.

Sir Chris Wormald: We will go away and check. From memory, yes, it was already on NHSE's list.

Chair: I would be horrified if there was not some awareness in the Department about that.

Sir Chris Wormald: Obviously the local audit is a very important check, but if the system is working, NHSE will have identified the issue before—

Chair: It is perhaps more of a question for NHSE.

Sir Chris Wormald: I am pretty sure it was. I will go away and check.

Q151 **Chair:** I draw the corollary with local government, where we have been critical of the Department for Levelling Up, Housing and Communities because we sometimes see patterns of problems. If one council is overinvesting in office space and that has caused a problem, they need to see the pattern, if that is happening across the sector, because of the risks. Icelandic banks are a case in point. Can you reassure us, Mr Brittain, that you have sight at that board of patterns of problems across trusts?

Andy Brittain: Yes, absolutely. That is what we do. The NHS's financial oversight framework is extremely thorough, covering all financial areas of performance. I regularly review that on a monthly basis with the NHS.

Sir Chris Wormald: Since you mentioned Icelandic banks, I was in DCLG doing local government at the time.

Chair: You have the scars on your back.

Sir Chris Wormald: It is a very different system. Here we are talking about a very clear accounting officer chain that works all the way down. For local government, the primary responsibility is on the organisation itself, which is not in a line with DLUHC. It is a very different style of challenge to see the things in that sector compared to health, where, as I say, there are direct chains.

Chair: Thank you all very much for your time. We have only skimmed across some of the key issues in the accounts in the hefty document that we have here. It is actually easier reading than people who do not read accounts regularly might find.

The transcript of this session will be available, as ever, on the website—thank you to our colleagues at *Hansard* for that—uncorrected in the next couple of days. We will be producing a report on the accounts at some point after the Easter recess. It might even be into May. Thank you very much indeed.