



Department
of Health &
Social Care

David Williams CB

Second Permanent Secretary
8th floor, 39 Victoria Street, SW1H 0EU
T **0207 210 5407**
E David.Williams@dhsc.gov.uk

Huw Yardley
Clerk, Health and Social Care Committee
House of Commons
London SW1A 0AA

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Dear Huw,

Thank you for your letter of 1 July on our 2020-21 Main Estimates publication and I am grateful for your positive words about our adoption of the new guidance on production of estimates. You note the slight delay in sharing the Memorandum, which I can confirm was entirely driven by the need to prioritise Ministerial and Departmental time onto the emergency COVID-19 response in early May.

The Department's Main Estimate and associated spending plans represent best known information at a point in time, which sometimes by necessity are flexed in-year to meet unexpected demands of the Health and Social Care system. I have set out further detail on the areas within our Main Estimate as requested, but these are set against an unprecedented set of complex challenges facing the Department in 2020-21.

Covid-19

To ease pressure on the NHS, DHSC suspended operational planning for 2020-21, and adjusted its financial allocation processes.

- *What benefits have these new arrangements made? Will they be made permanent, and if not, at what point do you expect to return to the previous arrangements?*

From a financial management perspective, operational planning for the NHS is a key component in driving system efficiencies, ensuring financial discipline exists and supporting longer-term financial sustainability. Therefore, the decision to suspend operational planning in 2020-21 was not taken lightly. However, delaying planning whilst introducing a system of block contracts provided the system with immediate income certainty to concentrate all efforts to the pandemic response. As we now move on from the emergency response phase, NHS England & Improvement wrote to the system on 31st July 2020 setting out the third phase of the NHS response to Covid-19. This sets out priorities and asks for a planning return from systems in September. It also outlines financial arrangements for the rest of the year and includes extending the current arrangements for two months, with the intention to introduce system funding envelopes for Covid costs. Rather than Covid costs being covered retrospectively, Providers and CCGs would need to achieve financial balance within these envelopes

with a return to usual financial disciplines. The details of this revised financial framework are currently being finalised with the Department and HM Treasury.

- *DHSC is providing block grants between 1 April and 31 July, with NHS providers being able to claim monthly for additional Covid-19 related costs. What regular information is the DHSC Board receiving on the additional costs to the NHS of the pandemic? Is DHSC able to share this information with the Committee?*

The Chancellor set out further detail in his Summer Statement on the COVID-19 funding envelopes agreed with the Department to date for 2020-21:

- Over £15 billion for Personal Protective Equipment (PPE) procurement to protect frontline staff;
- £10 billion for the government's Test, Trace, Contain and Enable programme to support the unlocking of the economy;
- Over £1 billion to procure additional ventilators to support the NHS; and
- A further £5.5 billion of spending on health services, including the use of Independent Sector Health facilities; enhancing the NHS discharge process so patients who are medically fit to do so can leave hospital quickly and safely; delivering medicines to those who are vulnerable and shielding; keeping our pharmacies and GP practices open during bank holidays so healthcare facilities can stay available to those that need them; and funding for domestic vaccines R&D and manufacturing.

In his Summer Statement, the Chancellor also confirmed additional support for social care, with funding envelopes agreed to date for 2020-21:

- £3.7 billion to help local government support pressures in social care, deliver additional support to vulnerable people and continue to respond to the coronavirus pandemic; and
- £600 million additional funding to support infection control in care homes.

These are agreed funding envelopes where the exact level of spending is being tracked. Outside of these, there are additional costs incurred by the NHS in the emergency response to COVID-19 e.g. workforce costs, where continued discussions with HM Treasury will determine reimbursement levels i.e. the net additional funding requirement of the NHS will take into account both gross additional costs *and* the costs not incurred due to reduced elective and non-elective activity in the first half of the year.

The DHSC Departmental Board recently considered the Group's 2019-20 Q4 financial position, of which COVID-19 costs formed a small part. Whilst the Board will continue to be updated on COVID costs this year, several other governance forums also discuss overall costs including a COVID Oversight Board, with NED representation, and the Department's Audit and Risk Committee. Ministers also receive regular updates.

- *While DHSC has agreed to write off the historic debt of NHS trusts, loans will be converted to equity (public dividend capital) as part of the arrangements¹. What impact will this have on the day to day spending power of those trusts affected?*

We do not expect any material impact on the day to day spending power of those trusts affected.

The Department will issue new cash in the form of public dividend capital (PDC) to enable trusts to repay outstanding loan balances. This will benefit trusts by removing loan liabilities they would have found difficult to repay.

The removal of debt from trusts' balance sheets will remove loan interest charges and have an impact on trusts' PDC dividend payments. To ensure these changes will not create a revenue gain or loss for trusts in deficit, adjustments are being made through the wider financial framework to compensate any differences.

- *Funding for NHS England comes through funding lines A. NHS Commissioning Board, B. NHS Providers and J. NHS Commissioning Board, with the NHS being given a 'green light' to recruit staff in response to the pandemic². How many additional staff have returned to the NHS, or been recruited, within each of these funding lines in response to Covid-19? What is the additional monthly cost to DHSC to pay for these essential front-line workers?*

Funding for the NHS for the additional workforce costs associated with COVID-19 forms part of the wider ongoing discussions with the NHS and HM Treasury to inform a net addition to NHS funding formalised later in the year at the Supplementary Estimate. At Month 2, NHS England and Improvement have reported the year to date total COVID costs associated with expanding the NHS workforce are £126m.

As of 17th July 2020, more than 15,000 returners have completed pre-employment checks. Of these, over 9000 have been passed to a trust, with more than 2000 actively employed so far. The number of staff employed to date is relatively low due to the demands of the peak being lower than anticipated and trusts preferring to use existing staff flexibly.

End of the transition period

In 2020-21, DHSC has a ring-fenced budget of £50 million to ensure continuity of staff resources and to maintain the supply chain following the end of the transition period.

- *Recruitment and retention of appropriately skilled staff, in the right place has presented a challenge for the NHS for several years. What preparations has the NHS made for responding to recruitment challenges following the end of the UK's EU Exit transition period?*

The NHS continues to face several risks associated with winter, future COVID-19 spikes linked to easing of lockdown and the UK's departure from the EU. Plans to be able to mitigate these pressures are being developed.

Specifically, we do not expect there to be a large-scale departure of EU trained staff immediately after 1 January and are therefore managing this additional risk alongside other pressures. We have twice approached a potential situation of a no deal EU exit prior to the transition deal being agreed and, on neither occasion, did this result in a loss of EU health and care staff. While not entirely the same precedent, this helps increase confidence that we do not anticipate a significant immediate drop in workforce numbers at the end of the EU Exit transition period.

- *What steps have been taken to ensure that NHS supply chains are robust enough to ensure continuity of delivery at the end of the transition period?*

Ahead of the UK's exit from the EU, the Department of Health and Social Care, in consultation with the Devolved Administrations (DAs), worked with trade bodies, product suppliers, and the health and care system in England to make detailed plans for the continued supply of medical products to the whole of the UK and its Crown Dependencies in the event of a 'no deal' EU exit. The DAs similarly worked closely with their health and social care systems.

These plans included:

- Working with industry to improve trader readiness in preparation for the new customs procedures that will come into force;
- Supporting suppliers to secure alternative routes (away from the short straits) for goods to continue to come into the UK;
- buffer stocks and stockpiling (where this is practical) or asking industry or NHS Supply Chain to build up buffer stocks in the UK;
- Arrangements to deal with shortages in addition to normal shortage management routes; and
- Changing or clarifying regulatory requirements so that companies can continue to sell their products in the UK.

The Department has been working closely with its partners and will shortly be publishing its plans for the continued supply of medical products to the whole of the UK after the end of the transition period. Our plans should ensure the supply of medicines and medical products remains uninterrupted. As with no-deal preparations, all necessary funding will be made available to support these preparations.

Other

- *DHSC has received significant additional capital funding as a result of the 2017 Budgets, Spending Review 2019, and Spring Budget 2020, with plans to upgrade existing infrastructure, replace old machines, and build new facilities, including 40 new hospitals. As a result, DHSC's 2020-21 Main Estimate seeks £1.1 billion for capital investment. What steps have been taken to boost skills and capacity within DHSC and the NHS to deliver on the projects, and ensure that there is an appropriate level of scrutiny and oversight for all of the projects?*

The Health Infrastructure Plan (HIP), which covers all these major investment programmes, will join the Government Major Projects Portfolio (GMPP) in September. As part of being on the GMPP, the programme will go through an initial Gateway 0 Review at the end of September. Thereafter individual Trusts will be assured through the Gateway Review Process as appropriate and as their business cases are developed, this is mapped out in an Integrated Assurance and Approvals Plan which DHSC will agree with the Infrastructure and Projects Authority (IPA).

A joint governance process between DHSC, NHS England & Improvement and key government stakeholders is also in place which monitors all projects on a monthly basis.

The Department and NHS England and Improvement have introduced several improvements to the business case approvals process:

- This change means the Department and NHS England and Improvement operate a single review and approval process, with Joint Investment Committees established to ensure single point of approvals for all cases valued over £15m.
- The Department has also introduced “Fundamental Criteria” to the review process, which enables Trusts to self-assess their readiness to for national review. These “Fundamental Criteria” will also support a more efficient review process, and work as a clear gateway into a time-limited central review.
- NHS England & Improvement has been running the NHS Better Business Cases Masterclass Programme for almost two years. An online pilot version of the masterclass is about to start, and by Autumn it is anticipated that we will be able to offer a robust online service. To ensure we have the internal capability to continue providing training to STP’s and ICS’s, NHS England and Improvement are in the process of becoming accredited as an Accelerated Training Organisation for delivering Better Business Care training.

Skills and capability gaps are monitored throughout each stage of the business case process to ensure that project teams at trust level are appropriately supported by the Department and NHS England and Improvement. This is monitored and recorded through our joint governance process.

We are currently in conversation with the Infrastructure Project Authority (IPA) to commence a new Leadership Development Programme, which should include a tailored package of measures to provide support and development of those individuals leading on the delivery of the programme of work to build forty new hospitals over the next decade.

This training effort is a high priority for NHS England and Improvement as part of the commitment to increasing capability in response to the Naylor Review (2017).

- *As part of the NHS Long Term Plan, DHSC has commitment to ‘grow investment in mental health services faster than the NHS budget overall for each of the next five years’³. Does this commitment include the additional funding which has been allocated to the NHS in response to Covid-19?*

The commitment to grow mental health spending – amounting to at least £2.3bn of extra mental health funding by 23/24 – was obviously made before the impact of COVID was known. That £2.3bn commitment remains in place.

The additional COVID funding has been made available for specific purposes – securing additional treatment capacity with the Independent Sector, Nightingale hospitals, early discharge from hospitals, and additional workforce costs such as sickness absence. Because the funding is specific to supporting the COVID response there is not the same level of discretion over how funding can be deployed between acute care and mental health in the way there is to core NHS funding and CCG allocations. Nor is the funding recurrent. Consequently, the commitment is not being extended to include the COVID funding.

However, the Government continues to see mental health as a high priority during this COVID period and additional funding continues to be made available. For example, mental health trusts are being funded for the additional costs they have faced in responding to the COVID pandemic, £250m is being provided in 2020-21 to make progress on replacing outdated mental health dormitories with 1,300 single bedrooms across 25 mental health providers in England, and £9.2m is being made available to mental health charities as part of the Government’s support for the voluntary sector.

I hope this reply is helpful and apologise for the delay in replying to the Committee’s questions.

Your sincerely,

A handwritten signature in black ink, appearing to read 'D Williams', with a horizontal line underneath.

DAVID WILLIAMS CB
Second Permanent Secretary