



Department of Health & Social Care

Rt Hon Meg Hillier MP
Chair of Public Accounts Committee
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Dear Chair,

House of Commons Committee of Public Accounts Eighth Report of Session 2019-21, NHS Capital Expenditure and Financial Management

I am writing to provide the Committee with an update from the Department of Health and Social Care and NHS England & NHS Improvement on progress against the outstanding recommendations in the above-named report.

Recommendation 2: To ensure a sustainable NHS, the Department and NHSE&I should review how it directs its support to the most challenged parts of the NHS and how this will support a coherent plan to return to normal services and service improvements after the COVID-19 peak. This includes continuing to take on board our previous recommendations and the current ones in this report on improving financial and service sustainability across the NHS. The Department and NHSE&I should write to us by December 2020 to update us on its progress in this regard.

Recommendation 3: NHSE&I should set out a plan with a timetable of steps aimed at getting the 10 most financially distressed trusts back to financial balance and report back to the Committee on that plan by December 2020.

We wanted to highlight to the Committee the work that has been undertaken so far and the wider context within which this has occurred. We expect to be able to update the Committee this year on the further actions that have been taken to set out a full plan.

Financial response to COVID-19

We have acted in 2020-21 to significantly simplify the financial architecture and free up NHS organisations to devote maximum operational effort to responding to the COVID-19 pandemic.

This has included suspending the operational planning process for the first half of the financial year. In this period, all NHS providers were allocated a guaranteed level of income based on their expected costs and able to access reimbursement for any additional higher costs as a direct result of dealing with the pandemic. A revised financial framework has been in operation



since October 2020 that retains simplified arrangements for payment and contracting, but with a greater focus on system partnership and the restoration of elective services.

Financially challenged organisations

We remain committed to ensuring rigorous and disciplined financial management across all NHS organisations, including reducing the number of trusts and clinical commissioning groups (CCGs) individually in deficit, as set out in the NHS Long Term Plan.

In 2019-20, NHS England & NHS Improvement (NHSE&I) created a Financial Recovery Fund that supported systems and organisations to make all NHS services sustainable and this reduced the number of trusts reporting a deficit in that year by half. NHSE&I will continue to develop plans for reducing the size of sustainability funding received by systems over the coming years, based on multi-year recovery plans. NHSE&I expects to update the system further on the plans for the next financial year in the NHS Operational Planning and Contracting Guidance for 2021-22.

NHSE&I has undertaken steps with their regional teams to review organisations currently in financial special measures (FSM). These assessments have made recommendations on organisations that should now exit FSM, organisations that should remain and the issues that will be better addressed through the RSP. Those remaining in FSM will plan to exit within the next 12 months and systems recommended to enter the RSP will receive intensive support, including expertise, funding and improvement support. The specific arrangements will be set out in a new System Oversight Framework for 2021-22.

Recommendation 5: The Department and NHSE&I should identify a capital strategy and provide clear guidance to local partnerships, that supports the NHS Long Term Plan, including expectations on how backlog maintenance costs will be addressed alongside competing priorities for digital investment and the Health Infrastructure Programme.

Health infrastructure is one of this Government's top priorities. In September 2019, the Department published the Health Infrastructure Plan (HIP) which set out a new, strategic approach to improving hospitals and health infrastructure. As highlighted by the National Audit Office's report 'Review of capital expenditure in the NHS' (February 2020), the HIP offers an overview of the capital strategy which requires further development to ensure we get the most out of our capital investment.

The Department had intended to publish a comprehensive capital strategy in autumn 2020 following the outcome of the multi-year Spending Review. In October it was announced that the Spending Review would set budgets for one year due to uncertainty caused by COVID-19, with multi-year funding certainty for a small number of programmes such as new hospitals and hospital upgrades.

COVID-19 has placed unprecedented burdens upon the NHS, highlighting the importance of its infrastructure and the need for a comprehensive investment strategy.

The Department will also continue to develop a detailed vision for public health and social care infrastructure across its priorities. We will work with HM Treasury to align our priorities and



Department of Health & Social Care

publish a capital strategy in 2021. The final strategy will be informed by the policy ambitions of Government and thorough stakeholder engagement with NHSE&I and across health and social care. The strategy will provide clear guidance to local partnerships and include expectations for supporting the NHS Long Term Plan, managing backlog maintenance, digital investment and building new hospitals.

Recommendation 6: The Department should review the effectiveness of having a separate body overseeing the planning and supply of the NHS's future workforce. NHSE&I should work with Health Education England to evaluate how workforce planning can be improved including the integration of training and education funding models with service planning and delivery in order to overcome persistent challenges. The Department, NHSE&I and Health Education England should write to the Committee by December 2020 to update us on progress in this regard.

Since we last reported to you, the Government decided that SR2020 would be a single year settlement rather than a multi-year settlement with the Government undertaking a further Spending Round in 2021. Spending Round 2020 provides HEE £260 million to continue to grow our NHS workforce and support commitments made in the NHS Long Term Plan. Full details on HEE funding allocations towards NHS workforce budgets in 2021-22 will be subject to a detailed financial planning exercise and finalised in due course. We will work with NHSE&I and HEE to consider how we might best support the NHS workforce going forward and build on the NHS People Plan in 2021.

Yours sincerely,

**SIR CHRIS WORMALD
PERMANENT SECRETARY**