Dear Dame Meg Hillier

RE PUBLIC ACCOUNTS COMMITTEE : NHS SUPPLY CHAIN FINANCE

Please find below a response to your request for further information from the NHS Business Services Authority (NHSBSA) following evidence given to the Public Accounts Committee (PAC) on 15 November regarding NHS Supply Chain Finance.

- Following questions from Sir Geoffrey Clifton-Brown [Qs50-53] Michael Brodie agreed to provide the Committee with more information with regard to the guarantee from Greensill to meet any pharmacy failure connected to the early payments scheme. In particular we would like to know how many pharmacies went bankrupt during the month and how much Greensill paid out under the guarantee.

From May 2019 to March 2020 the NHSBSA carried out a comprehensive assessment of the ability of Greensill Capital UK to meet the financial implications of paying community pharmacies prior to their dispensing activity. Our remit was to support the introduction of a scheme that would pay pharmacies early but minimise the financial risk to the taxpayer from doing so. The NHSBSA consulted DHSC colleagues regarding assessment methodology, and form of documentation In addition, the NHSBSA commissioned our legal team to provide advice on changing the nature of the scheme. These activities were critical to the creation of all the necessary assurance documents to support the introduction of the scheme. These documents included, a Greensill Backed Indemnity, (Greensill Capital UK) a Parent Company Guarantee (from Greensill PTY Ltd in Australia) and a financial Analysis of both companies including a Risk Analysis. This indemnity was agreed and signed between Greensill Capital and NHSBSA on 8 June 2020.
In the period the scheme was operational, no contractors were identified as having ceased trading. Therefore, the indemnities were not called upon, Greensill were not required to make any payments under this indemnity agreement and hence suffered no loss as a result.

After the collapse of Greensill Capital, we identified through our reconciliation process, (which takes place during the period between the early estimated payments and the subsequent adjusted payments based on actual prescriptions dispensed) three contractors which had ceased trading prior to Greensill’s collapse where the final reconciled amounts differed slightly from those estimated and paid under the scheme incurring a combined debt of £4,991, of which £1,800 remains outstanding after recovery action, which would otherwise have been recovered from Greensill under the indemnity.

I hope this is helpful, but please say if you require anything further.

Yours sincerely

Michael Brodie
Chief Executive