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Committee of Public Accounts

The pharmacy early payment and salary advance schemes in the NHS

Thirty-Fifth Report of Session 2021–22

Report, together with formal minutes relating to the report

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Summary

The Department of Health and Social Care and the NHS took up schemes Lex Greensill advised the government on and promoted through his company—Greensill Capital—from 2018 until the company's collapse in March 2021. Neither scheme delivered what it promised and there was no clear rationale for why they were introduced.

The Department is now paying pharmacies earlier anyway and some NHS trusts are now paying salary advance scheme companies for services which were offered for free by Greensill Capital through its subsidiary company Earnd (UK) Limited. There was a considerable lack of curiosity in the Department about the benefits of the early payment for pharmacies, which in the end did not deliver the promised saving. It is extraordinary that in respect of the salary advance scheme, there was no apparent concern that one company could offer a free scheme to NHS trusts which could also have the effect of boosting its reputation by association with the NHS brand and scale in order to win business elsewhere.

There is also no evidence of the proper review of potential conflicts of interests arising from Lex Greensill's various advisory roles between 2011 and 2017 and the commercial activities of Greensill Capital, including its role as the financial guarantor and key subcontractor to Taulia Inc[1]—the company selected as the government supplier for the pharmacy early payment scheme in 2018. Other committees have reported on the relationship between Lex Greensill and Whitehall. This report covers just these two schemes.

The Pharmacy Earlier Payment Scheme (PEPS) was introduced to accelerate reimbursement through use of a private financing arrangement. Lex Greensill advised government that this would deliver savings of £100m per year. But the Department of Health and Social Care (the Department) cannot provide evidence of any realised benefits. Only 14% of pharmacies participated in the scheme, far fewer than the Department's anticipated participation rates of 60–80%. In July 2020 the Department changed the scheme to provide loans prior to the dispensing of prescriptions, but no evaluation was made of this change. When Greensill Capital collapsed in March 2021 no other finance provider was willing to take on the scheme, and government had to step in to pay pharmacies. From November 2021, the Department introduced new arrangements to reimburse pharmacy claims in four business days and this new process does not involve private sector financing.

From 2019 Greensill Capital also marketed another scheme to NHS trusts—a salary advance scheme, which allowed NHS employees to access their wages in advance of payday at no cost. Government advice to avoid these sorts of schemes was never cascaded to NHS trusts. A number of NHS trusts subscribed to Greensill Capital's 'free' scheme but the taxpayer has been left picking up the costs following the collapse of Greensill Capital and the subsequent move of some NHS trusts to paid-for services. The Department claims that NHS trusts were best placed to decide how different pay flexibilities, including salary advance schemes, fit with their overall reward strategies. However, developing a consistent approach for implementing salary advances and

1 Taulia Inc is a US base company, referred to as Taulia in the rest of this report

financial wellbeing matters of this nature across all of the NHS would reduce the risk of employer and employee exploitation by scheme providers and promote transparency in the process.

Introduction

Greensill Capital was involved in the provision of two schemes to the NHS—first, supply chain finance—with particular focus on the Pharmacy Earlier Payment Scheme (PEPS) to pharmacy contractors; and second, the Employer Salary Advance Scheme which allowed NHS employees to access their earned salaries in advance of payday. PEPS was introduced by the Department of Health & Social Care in 2013 in order to improve cashflow to community pharmacies for the reimbursement of dispensing NHS prescriptions. Prior to 2013, community pharmacies were reimbursed up to two months in arrears for dispensing NHS prescriptions. Taulia and its subcontractor Greensill Capital, were appointed to run the early payment to pharmacies from April 2018 and continued to do so until Greensill Capital's collapse in March 2021. Greensill Capital marketed its salary advance scheme, Earnd, to NHS trusts from 2019 and charged no fee to employers and employees for using the service.

Conclusions and recommendations

1. **There is no evidence that the predicted benefits and savings from introducing supply chain finance into pharmacy reimbursement processes were realised.** The Department's 2012 business case for the early payment scheme targeted savings for the NHS of £100 million per year in pharmaceutical supplies through supply chain finance but the Department has said that this figure cannot be validated and estimated savings as of today cannot be measured reliably. The Department has introduced a new payment schedule from November 2021 which allows pharmacies to be paid in four business days following the submission of their claims. HM Treasury was unconvinced back in 2012 that there was market failure or that government needed to be involved in supply chain finance for reimbursing pharmacies. The inability of the department to reliably measure any potential savings and the fact that these reimbursements can now be made within four business days of claims being submitted, validates HM Treasury's scepticism back in 2012.

   Recommendation: ***The HM Treasury letter to accounting officers (DAO 02/19) providing guidance on novel financing arrangements should be reissued and updated to note that supply chain finance does not provide benefits to the taxpayer, and that these kinds of schemes should not be considered or implemented in the future.***

2. **Crown Commercial Service (CCS) failed to sufficiently manage and consider conflicts of interest for the appointment of contractors.** Lex Greensill was appointed as senior adviser to government on supply chain finance in November 2011 and continued to provide advice to government until March 2017. In July 2012 he set up a company (Greensill Capital) which subsequently participated in the provision of supply chain finance to government. In November 2017 Greensill Capital emerged as the key subcontractor and financial guarantor to Taulia, which was appointed in March 2018 as the sole supplier to the Supplier Early Payment Solution framework. Greensill Capital facilitated an operational contract to provide private finance into the pharmacy reimbursement process and, therefore, Lex Greensill stood to gain from his relationship with government. CCS has stated that when it first became aware that Greensill Capital had been appointed as subcontractor to Taulia, it did not consider Lex Greensill's previous engagement with government sufficient grounds under the regulations to reject Taulia's bid. Ex-senior civil servants with privileged access to government officials by virtue of previous senior roles in the civil service on taking up private sector positions exploited this access. This was the case with Greensill Capital's staff who provided a credible face when promoting the Earnd salary advance scheme and other Greensill Capital products to NHS leadership – winning over their confidence.

   Recommendation: ***The Department and CCS should formalise the process for considering conflicts of interest, to ensure that actual and perceived conflicts of interest are managed appropriately.***

3. **Despite previous experience of contractor failures, CCS and the Department did not act on lessons from previous cases.** The Department, CCS and NHS Business Services Authority (NHSBSA) assessments of risks did not flag issues with having a single supplier on the Supplier Early Payment Solution framework or that taxpayers'

funds may be required in the event of supplier failure. We do now know that this risk crystallised, as Greensill Capital eventually failed. Although CCS considered the risk of Taulia failing, and requested a financial guarantor, it did not consider the risk of Greensill Capital failing, and Greensill was the key sub-contractor. This Committee has reported before that understanding what capability government still lacked in letting and managing contracts was an important strategic issue and identifying and plugging these gaps may have helped to avoid the lack of a proper risk assessment on supplier resilience and the consequences of Greensill Capital's failure for government Issues around the continued challenges in quality, accessibility and integrity of data raised by the inquiry into the collapse of Carillion reverberate here, as we now know that the predicted savings for the NHS cannot be reliably measured. The lack of a business case to support the decision made in July 2020 to reimburse pharmacies even earlier than previous arrangements also points to a continuing challenge in the quality, accessibility and integrity of data.

Recommendation: ***The Department and CCS should establish a cohesive and robust methodology for assessing suppliers' risk profiles and resilience and develop steps to improve information sharing between the two organisations and across government. Procedures should include processes for assessing contractors' financial viability; potential to deliver the required goods and services; and that assessments are reviewed at appropriate intervals, such as when contractual arrangements are revised.***

4. **The Department failed to provide adequate oversight to its arm's length bodies (ALBs) and NHS trusts.** Guidance issued by Civil Service Human Resources in December 2020 to accounting officers warned that novel financing arrangements, including salary advance schemes, required caution, and needed departmental accounting officer and HM Treasury approvals. The Department has indicated that owing to an oversight, it only recently cascaded the advice to its ALBs. The Department argues that it would not be normal practice for it to disseminate such advice to NHS trusts, because they are not ALBs of the Department, and so the guidance was not passed to NHS trusts. A number of NHS trusts subscribed to or piloted the Greensill Capital's scheme, and following its collapse, some moved to paid-for scheme providers. There is also evidence that some salary advance scheme providers have sought and received endorsements from NHS staff and have used these along with the NHS logo and branding to promote their products online.

Recommendation: ***The Department, working with NHSE&I, should adopt a formal process for ensuring that government advice is disseminated to NHS trust leadership for consideration and implementation if relevant. The plan should also include a protocol for ensuring that the NHS logo or brand is not exploited or used by unauthorised individuals or companies and that the staff code of practice includes a protocol for personal endorsements.***

5. **The growth in salary advance schemes across the NHS raises questions about their status as unregulated consumer lending.** In February 2021, the Financial Conduct Authority (FCA) published the Woolard Review which noted that the salary advance schemes market was predominantly found in the hospitality, retail and healthcare markets and was still in a stage of relative infancy. It stated that salary advances could result in some users experiencing a shortfall in income at the end

of the month, leading to the risk of persistent use of the product, escalating charges or driving consumers to use mainstream or potentially high-cost credit to 'bridge the gap'. The NAO investigation, which surveyed eight NHS trusts, highlighted that active users of the salary advance scheme ranged from 1.3% to 10% of employees by NHS trust. Following the collapse of Greensill Capital, some trusts have moved to a paid-for scheme provider which charges both the employer and the employee. We understand from NHS Shared Business Services (NHS SBS) that 60 of 100 NHS trusts serviced by NHS SBS were interested in salary advance schemes. It is worth noting that other NHS trusts have contracted directly with scheme providers. The increasing appetite for salary advance schemes clearly brings with it greater risks to customers, but as yet these schemes remain unregulated.

Recommendation: ***The Department along with HM Treasury, should work with the FCA to consider, as a matter of urgency, what measures and regulation can be applied to salary advance schemes to enforce the adoption of a code of good practice by scheme providers and employers.***

1 Unsubstantiated business cases

1. Following the Comptroller and Auditor General's report, we took evidence from the Department of Health and Social Care (the Department), Crown Commercial Service (CCS), NHS Business Services Authority (NHSBSA) and NHS Shared Business Services (NHS SBS) on supply chain finance and salary advance schemes in the NHS.[2]

2. Greensill Capital was involved in the provision of two schemes to the NHS—first, supply chain finance—with particular focus on the Pharmacy Earlier Payment Scheme (PEPS) to pharmacy contractors; and second, the Employer Salary Advance Scheme (salary advance scheme) which allowed NHS employees to access their earned salaries in advance of payday.[3]

3. Supply chain finance is a financial transaction whereby a lender finances a supplier on behalf of the customer. In this case, it allows the pharmacy (supplier) to be paid for prescriptions dispensed earlier than the NHS (customer) timescales in return for a fee or interest charge from the lender (Greensill Capital). Pharmacies paid interest and fees based on the value of their claim and the duration of financing.[4]

4. PEPS was introduced by the Department in 2013 in order to improve cashflow to community pharmacies for the reimbursement of dispensing prescriptions. The normal payment timetable for NHSBSA is to settle claims up to two months in arrears. Under PEPS, pharmacies were paid one month earlier than normal through loans provided initially by Citibank (until 2018), and then from April 2018 by Greensill Capital, as subcontractor to Taulia. In July 2020, under the existing NHSBSA contract, the scheme changed to providing funding to pharmacies up to two months earlier than the normal payment timetable and up to one month in advance of the current month's dispensing of prescriptions.[5]

Unrealised predicted benefits and savings

5. In 2012, the Department finalised a two-part business case for changes to pharmacy payments. The first part was to increase the advance payment to pharmacies from 80% to 100% of estimated prescribing activity. According to the business case this "would remove the working capital requirement (currently estimated at £14.5m) and, subject to agreement, this element can then be removed from pharmacy remuneration". The second part of the business case was to introduce a voluntary supply chain finance scheme, using a private sector partner.[6]

6. The Department's business case targeted annual savings of £100 million in pharmacy margins through early payment settlements with drug manufacturers, based on advice supplied by Lex Greensill in his capacity as government adviser. The Department has stated that it is unable to quantify the savings from the early payment scheme to pharmacies. HM Treasury remained unconvinced that there was market failure or that government needed to be involved but approved the business case in December 2012.[7]

2 C&AG's Report, *Investigation into supply chain finance in the NHS*, Session 2021–22, HC 734, 29 October 2021
3 C&AG's Report, para 1
4 C&AG's Report, para 7
5 C&AG's Report, paras 8, 9
6 C&AG's Report, para 2.8
7 C&AG's Report, para 2.9

7. We asked the Department that given the pharmacy scheme involved an unusual and novel use of public money and in relation to the entire episode with Greensill Capital whether HM Treasury's initial scepticism about the use of supply chain finance in the NHS has been validated. The Department told us that knowing what it knows now, it would not embark on the scheme again. The Committee asked a broad question about the large percentage of suppliers to government—in the high 90%s—paid within 30 days and many paid even more quickly than that and why that mechanism could not have been used at the time the pharmacy scheme was introduced. The Department highlighted that the new scheme for reimbursing pharmacies that has been introduced following the Greensill collapse means that, as of the month of November, pharmacies send their prescriptions to NHSBSA by the fifth of the month and are reimbursed by NHSBSA in four working days.[8]

8. The Department told us that the original business case had quite a large level of projected savings—£100 million as quoted by the National Audit Office. We asked how much of that £100 million quoted in the report was actually realised and the Department confirmed that it would have been much lower than that. The Department also stated that there was an in-principle case that savings ought to be achievable, at almost no cost and no risk to the taxpayer, and that was the basis of the decision in 2012. However, the business case would probably not have been sufficient if government funds were being invested.[9]

9. We asked whether any cash analysis was done in 2012 as to whether the proposed scheme would save any money—it was assumed by the Department that it might. The Department confirmed that there is no accurate basis for estimating the amount of savings that would give a number that that the Department would be confident in, but given the level of take-up in the scheme, any savings would be considerably lower than the original £100 million estimate. The £100 million was clearly a large overestimate of what happened in practice, because the take-up was considerably lower.[10]

8 Qq 8–9; C&AG's Report, para 21
9 Qq 18–20
10 Qq 18, 29–31

2 Contractor risk assessment and evaluation

Conflicts of interest

10. Following his appointment as a senior adviser in November 2011, Lex Greensill advised the government on supply chain finance until March 2017. He also founded Greensill Capital, which was a subcontractor to Taulia as part of its November 2017 bid to provide supply chain finance services to the public sector. Greensill Capital was incorporated in June 2012. Lex Greensill was a government adviser for supply chain finance in the Cabinet Office between 2012 and 2015. He continued to provide market and pricing advice to government on supply chain finance. He attended a key meeting in March 2017 which considered the setting up of a government framework agreement for supply chain finance.[11]

11. Three companies bid to be the framework supplier. One was discarded on failure to meet minimum quality grounds, leaving Citibank and Taulia. CCS's commercial finance accountant's evaluation of Taulia's Dun & Bradstreet score and a review of its accounts required it to nominate a financial guarantor. Taulia nominated Greensill Capital, which was identified as Taulia's key subcontractor in its bid. CCS's assessors initially excluded Taulia from the bidding in January 2018 in line with the published evaluation criteria, as they were concerned about what Taulia said in its bid response about its ability to grow the number of businesses involved in the scheme. Taulia, and Greensill Capital in its role as an identified key subcontractor, protested to CCS. Following a review, and having sought legal advice, CCS asked both bidders to clarify their responses and appointed a new assessment panel, which reinstated Taulia in the competition.[12]

12. We asked why there was no discussion about a potential conflict of interest arising from Lex Greensill providing advice on supply chain finance services and his company, Greensill Capital, then being appointed to supply these services. We asked whether CCS's assessments on fitness could have been expanded when the bids for the contract were put to tender and Taulia's bid ruled out but Lex Greensill threatened legal action. CCS told us that though Mr Greensill tried to contact the CCS chief executive at the time, access was not granted.[13]

13. CCS stated that in terms of procurement regulations, there was no reason to preclude Taulia based on Greensill Capital being a subcontractor named in their bid. CCS also told us that based on submissions received from the various bidding companies, its assessment was that there was no conflict in relation to the procurement itself and, therefore, it carried on with the procurement. CCS also confirmed that Taulia had failed on one particular question during the procurement process. CCS highlighted that it took legal advice from both the Government Legal Department and counsel and both confirmed that CCS could proceed with the procurement.[14]

14. CCS knew, before legal correspondence came in from Taulia, that Greensill Capital was listed as a financial backer—the guarantor—to the Taulia bid. CCS agreed that if there

11 C&AG's Report, para 12, Figure 1
12 C&AG's Report, para 2.21
13 Qq 55–56
14 Qq 57–58

was anything it could have done better as an organisation, it would be the documentation of its consideration around whether there were any conflicts at that point. This was not documented.[15]

15. Mr Bill Crothers was a former Government Commercial Officer and was a director for both Greensill Capital and its subsidiary Earnd (UK) Limited. We asked whether Mr Crothers was using his contacts within the NHS to promote the work of Greensill Capital. CCS told us that though Mr Crothers was copied in on an email which Mr Greensill wrote to the then CCS chief executive, there was no contact between CCS and Mr Crothers. However, there was awareness amongst CCS senior leadership that Mr Crothers was speaking to different NHS organisations across the country, promoting the work of Greensill Capital across both supply chain finance and the Earnd salary advance scheme.[16]

16. The Government is currently considering the recommendations from Nigel Boardman's recent review of standards in public life and we expect that the outcome of those considerations would be far reaching and wide enough to address all of these issues relating to conflicts of interest of senior government officials and advisers.[17]

Contractor failure

17. NHSBSA amended PEPS within the existing arrangements from July 2020 at the request of the Department. This amendment allowed pharmacies to obtain funds at the beginning of the month, prior to dispensing, thereby introducing a higher risk to the lender in the event of a pharmacy failing. Under this existing NHSBSA call-off contract, access to loans were provided with a duration of up to 60 days and issued up to one month before dispensing activity. The lender bore the additional risk of a pharmacy borrowing money at the start of the month but ceasing to trade before dispensing prescriptions in the month ahead.[18]

18. On 1 March 2021, NHSBSA learned that Greensill Capital might be unable to fully fund that month's payments to pharmacies. On the instructions of the Department, NHSBSA took emergency action to make direct payments to all pharmacies within the scheme and processed total payments of £144 million directly from government funds. Approval for this course of action was sought and received from the Department and HM Treasury. NHSBSA halted new applications to the scheme, while continuing it for pharmacies already enrolled. The Department told the National Audit Office that it believed that if it had not intervened, a significant number of PEPS pharmacy contractors could have had financial difficulties and potentially gone out of business. This could have led to a deterioration of access to NHS pharmaceutical services in certain areas of the country. Subsequent to the failure of Greensill Capital, CCS suspended the framework and told Taulia to source a replacement subcontractor, which it was unable to do. Following legal advice and instructions from the Department, NHSBSA terminated the PEPS contract in June 2021.[19]

19. The combined effect of the introduction of an even earlier reimbursement process for pharmacies and the failure of Greensill Capital placed the Department in a position

15 Q 59
16 Qq 65–66
17 Supply Chain Finance in Government: Boardman Review
18 C&AG's Report, para 18
19 C&AG's Report, paras 2.29–2.30

of making payments in advance of need, which Managing Public Money states should be "exceptional, and should only be considered if a good value for money case for the Exchequer can be made". HM Treasury approval was sought and obtained for the payment to pharmacies to be made in advance. We asked NHSBSA if it had no idea in the run up to the end of February that there was a problem? NHSBSA told us that it had seen in the news about Greensill Capital and the difficulties it was having with Credit Suisse. NHSBSA also stated that the risk it was mitigating against was the risk of pharmacies failing.[20]

20. The failure of Greensill Capital resulted in some NHS trusts switching to a paid for salary advance scheme. When Greensill Capital failed in March 2021, the Earnd UK business (formerly FreeUp Finance Limited) ceased to operate. Wagestream, an existing market participant, which provides various wellbeing services (including Earned Wage Access, also known as salary advance) acquired Earnd Australia, along with global trademarks and intellectual property and the rights to approach Earnd's customers in the UK. Wagestream charges for its services—typically an implementation sum or annual software fee to the employer, as well as £1.75 per transaction which is either subsidised by the employer or paid by the employee. Some NHS trusts have switched to this provider, thereby incurring costs where previously they received the service for free.[21]

21. We further questioned CCS if it was normal when dealing with what is, effectively, a financial product, to end up with only one supplier, with no resilience built in. CCS told us that it does not like putting single suppliers on a framework, but it was its engagement with the marketplace that meant that on this occasion, it made sense for it to be a single-supplier framework. CCS stated that market intelligence had suggested that, because of the thin margins, splitting the agreement into two suppliers would likely lead to no market to award the contract to.[22]

22. Over the three-year period of the pharmacy scheme with Taulia and Greensill Capital as subcontractor, a cumulative transaction value of £3.32 billion of pharmacy loans passed through the supply chain finance. Taulia received in the region of £840,000 over the three-year period. We asked CCS whether it felt at any point that it had a role in advising other parts of Government about the marginal benefit to any company of running the scheme and, therefore, the potential risk. CCS stated that it had been asked to deliver on a framework and to procure someone to deliver it. CCS highlighted that it proceeded on the basis that it thought it was the right thing to do and that it was not technically CCS's role to question the approach to supply chain finance but to consider the request from its customers. The consideration in this case, led to CCS thinking that it could bring dynamic discounting into the agreement as well and offer that service more widely to the public sector.[23]

23. CCS told us that it had put an information notice out to say that it was starting to look at the replacement for supply chain finance but the decision had yet to be formalised internally—though it had gone to the CCS board. CCS agreed that its guidance to the board would be to come out of this particular marketplace, especially as the Department

20 Qq 120–123; C&AG's Report, paras 2.27–2.28; HM Treasury, *Managing Public Money*, June 2021. Available at: www.gov.uk/government/publications/managing-public-money

21 C&AG's Report, para 29

22 Qq 88–89

23 Qq 91–94; C&AG's Report, para 16

of Health and Social Care and NHSBSA have now put something else in place for pharmacies. Therefore, the intention is not to put in place a replacement for the Taulia supply chain finance or dynamic discounting agreement across government.[24]

24 Qq 128–131

3 Oversight and assurance

Failure to cascade government advice

24. Greensill Capital actively marketed its salary advance scheme, Earnd, to NHS trusts at no cost to employers or employees. Representatives of Greensill Capital often attended NHS group meetings of trust leadership and senior management to pitch the service. Greensill Capital had explained to NHS trusts that providing a free alternative to high-cost loans for NHS employees was an act of corporate social responsibility.[25]

25. Government advised departments not to implement salary advance schemes, but this advice was not cascaded to the Department's arm's-length bodies (ALBs). Guidance issued by Civil Service Human Resources in December 2020 to accounting officers reminded them that novel financing arrangements, including salary advance schemes, required caution, and needed departmental accounting officer and HM Treasury approvals. There is evidence that some departments declined approaches by Greensill Capital to subscribe to its salary advance scheme, but it appears they may not all have cascaded this information to their ALBs. The Department told us that, owing to an oversight, it cascaded guidance to its ALBs only recently. It also told us that as NHS trusts are not ALBs of the Department it would not be normal practice to disseminate this advice to the NHS.[26]

26. The Department told the National Audit Office that its policy position on salary advance schemes is that their use is a matter for individual NHS trusts and for that reason it would not provide advice or guidance to NHS trusts on the schemes. The Department also told the National Audit Office that NHS trusts were best placed to decide how different pay flexibilities, such as salary advance schemes, fit with their overall reward strategies. The Department also confirmed that it does not offer salary advance schemes or anything resembling this type of salary advance scheme to its own employees.[27]

27. On the basis that there was not a lot of cash to be earned from this scheme by Greensill Capital, we asked what it was that the company was hoping to get out of this line of busines at the time. The National Audit Office has reported that Greensill Capital considered that a track record for Earnd with NHS employers would convince private sector employers to engage on a commercial basis. Greensill Capital also proposed other supply chain finance solutions to NHS trusts, but trusts surveyed by the National Audit Office reported that they had not taken this forward. The Department told us that the NHS logo and the NHS is a trademark owned by the Secretary of State and cannot be used without his permission. The Department stated that it intervenes when companies and others seek to do so and recognised the concern. The Department highlighted that people trying to access the NHS brand, which is a very powerful brand, was something it took direct interest in, with set measures in place to protect the NHS brand and also take action where misuse is identified.[28]

25 C&AG's Report, para 23
26 C&AG's Report, para 28
27 , Qq 142–147; C&AG's Report, para 27
28 Qq 173–174; C&AG's Report, paras 3.16–3.17,

Unregulated consumer lending

28. Employer Salary Advance Schemes (ESAS, or salary advance schemes) are not regulated by the Financial Conduct Authority (FCA). These salary advance schemes link an employer payroll process to an employee smartphone app to offer advances of accrued earnings from a finance provider before payday. They do not usually involve the provision of credit or other credit-related regulated activities. In July 2020 the FCA published a statement setting out its views on the benefits and risks of salary advance schemes and how to mitigate these risks. In February 2021, the FCA published a report by Chris Woolard that recommended that scheme providers and employers develop a code of good practice for salary advance schemes. The FCA also told the National Audit Office in July 2021 that it planned no further interventions for the sector.[29]

29. The National Audit Office reported that between 1.3% and 10% of staff at NHS trusts were looking at using these services, so, clearly, a substantial number of people. We asked NHS SBS what expectations it had of usage of payday advance schemes. Given NHS SBS was providing payroll services for around 400,000 people, that would be between 5000 and 40,000 people a month who would potentially be using the services. NHS SBS told us that at the point it started the pilot, it was really hard to estimate because the pilot it was running for NHS providers was one of many. The differentiator was that the scheme from NHS SBS was free at the point of use. It was voluntary and there was no cost to the employer and the employee and its estimates were a 2% adoption over the five-year period.[30]

30. The Woolard review noted that the salary advance schemes market was predominantly found in the hospitality, retail and healthcare markets and was still in a stage of relative infancy. It stated that salary advances could result in some users experiencing a shortfall in income at the end of the month, leading to the risk of persistent use of the product, escalating charges or driving consumers to use mainstream or potentially high-cost credit to 'bridge the gap. The review identified the importance of providers and employers monitoring usage and proactively engaging with employees when there are indications they are in financial difficulty, and the need for greater clarity over who has ultimate responsibility for monitoring and supporting individual employees who may be in financial difficulty.[31]

31. Greensill Capital's approach coincided with NHS trusts' own research into salary advance scheme providers in the context of staff financial wellbeing and employee benefits. NHS trust working papers also showed that employers considered the service could provide additional benefits, including reductions in agency bills, increased take up of additional shifts, and improved recruitment and retention. We asked NHS SBS, in its role as service provider to many NHS trusts, whether there was evidence that salary advance schemes had helped with retention or helped increase recruitment and lower agency bills. NHS SBS told us that it was too early to tell as the first pilot started in July 2020 but that the demand which started back in 2017 had continued with requests from

29 C&AG's Report, para 22, Appendix 3; Woolard Review;
30 Q 160; C&AG's Report, para 3.25
31 C&AG's Report, Appendix 3, paras 4–5

NHS trusts. NHS SBS told us that it had identified 60 NHS organisations using financial wellbeing schemes. The Committee questioned why there was a difference between what civil servants and NHS staff can access when it comes to salary advance schemes.[32]

32. We asked if there were lessons particularly for the Department about promoting these products that have no FCA imprint. An employee on a low salary might decide to take some early advance and it is not actually a regulated product at all. There may be other less advantageous loan schemes, but they will have some regulation. The Department agreed that it was certainly worth noting that the National Audit Office reported that when trusts go into these schemes, it is very frequently to give their employees options that are not much more expensive loans. The Department told the Committee that there is expectation that NHS trusts, in considering these schemes take all information into account.[33]

32 Qq 158–159, 162; C&AG's Report, para 3.14

33 Q 203

Formal minutes

Wednesday 26 January 2022

Members present:

Dame Meg Hillier, in the Chair

Shaun Bailey

Sir Geoffrey Clifton-Brown

Mr Mark Francois

Peter Grant

Mr Richard Holden

Sarah Olney

Nick Smith

James Wild

The pharmacy early payment and salary advance schemes in the NHS

Draft Report (*The pharmacy early payment and salary advance schemes in the NHS*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 32 read and agreed to.

Summary agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Resolved, That the Report be the Thirty-fifth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjournment

Adjourned till Monday 31 January at 3:00pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Monday 15 November 2021

Sir Chris Wormald, Permanent Secretary, Department of Health and Social Care; **Simon Tse**, Chief Executive, Crown Commercial Service; **Michael Brodie**, Chief Executive, NHS Business Service Authority; **Erika Bannerman**, Managing Director, NHS Shared Business Services Q1–205

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

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1st	Low emission cars	HC 186
2nd	BBC strategic financial management	HC 187
3rd	COVID-19: Support for children's education	HC 240
4th	COVID-19: Local government finance	HC 239
5th	COVID-19: Government Support for Charities	HC 250
6th	Public Sector Pensions	HC 289
7th	Adult Social Care Markets	HC 252
8th	COVID 19: Culture Recovery Fund	HC 340
9th	Fraud and Error	HC 253
10th	Overview of the English rail system	HC 170
11th	Local auditor reporting on local government in England	HC 171
12th	COVID 19: Cost Tracker Update	HC 173
13th	Initial lessons from the government's response to the COVID-19 pandemic	HC 175
14th	Windrush Compensation Scheme	HC 174
15th	DWP Employment support	HC 177
16th	Principles of effective regulation	HC 176
17th	High Speed 2: Progress at Summer 2021	HC 329
18th	Government's delivery through arm's-length bodies	HC 181
19th	Protecting consumers from unsafe products	HC 180
20th	Optimising the defence estate	HC 179
21st	School Funding	HC 183
22nd	Improving the performance of major defence equipment contracts	HC 185
23rd	Test and Trace update	HC 182
24th	Crossrail: A progress update	HC 184
25th	The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system	HC 633
26th	Lessons from Greensill Capital: accreditation to business support schemes	HC 169
27th	Green Homes Grant Voucher Scheme	HC 635

Number	Title	Reference
28th	Efficiency in government	HC 636
29th	The National Law Enforcement Data Programme	HC 638
30th	Challenges in implementing digital change	HC 637
31st	Environmental Land Management Scheme	HC 639
32nd	Delivering gigabitcapable broadband	HC 743
33rd	Underpayments of the State Pension	HC 654
34th	Local Government Finance System: Overview and Challenges	HC 646
1st Special Report	Fifth Annual Report of the Chair of the Committee of Public Accounts	HC 222

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2nd	Defence Nuclear Infrastructure	HC 86
3rd	High Speed 2: Spring 2020 Update	HC 84
4th	EU Exit: Get ready for Brexit Campaign	HC 131
5th	University technical colleges	HC 87
6th	Excess votes 2018–19	HC 243
7th	Gambling regulation: problem gambling and protecting vulnerable people	HC 134
8th	NHS capital expenditure and financial management	HC 344
9th	Water supply and demand management	HC 378
10th	Defence capability and the Equipment Plan	HC 247
11th	Local authority investment in commercial property	HC 312
12th	Management of tax reliefs	HC 379
13th	Whole of Government Response to COVID-19	HC 404
14th	Readying the NHS and social care for the COVID-19 peak	HC 405
15th	Improving the prison estate	HC 244
16th	Progress in remediating dangerous cladding	HC 406
17th	Immigration enforcement	HC 407
18th	NHS nursing workforce	HC 408
19th	Restoration and renewal of the Palace of Westminster	HC 549
20th	Tackling the tax gap	HC 650
21st	Government support for UK exporters	HC 679
22nd	Digital transformation in the NHS	HC 680
23rd	Delivering carrier strike	HC 684

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24th	Selecting towns for the Towns Fund	HC 651
25th	Asylum accommodation and support transformation programme	HC 683
26th	Department of Work and Pensions Accounts 2019–20	HC 681
27th	Covid-19: Supply of ventilators	HC 685
28th	The Nuclear Decommissioning Authority’s management of the Magnox contract	HC 653
29th	Whitehall preparations for EU Exit	HC 682
30th	The production and distribution of cash	HC 654
31st	Starter Homes	HC 88
32nd	Specialist Skills in the civil service	HC 686
33rd	Covid-19: Bounce Back Loan Scheme	HC 687
34th	Covid-19: Support for jobs	HC 920
35th	Improving Broadband	HC 688
36th	HMRC performance 2019–20	HC 690
37th	Whole of Government Accounts 2018–19	HC 655
38th	Managing colleges’ financial sustainability	HC 692
39th	Lessons from major projects and programmes	HC 694
40th	Achieving government’s long-term environmental goals	HC 927
41st	COVID 19: the free school meals voucher scheme	HC 689
42nd	COVID-19: Government procurement and supply of Personal Protective Equipment	HC 928
43rd	COVID-19: Planning for a vaccine Part 1	HC 930
44th	Excess Votes 2019–20	HC 1205
45th	Managing flood risk	HC 931
46th	Achieving Net Zero	HC 935
47th	COVID-19: Test, track and trace (part 1)	HC 932
48th	Digital Services at the Border	HC 936
49th	COVID-19: housing people sleeping rough	HC 934
50th	Defence Equipment Plan 2020–2030	HC 693
51st	Managing the expiry of PFI contracts	HC 1114
52nd	Key challenges facing the Ministry of Justice	HC 1190
53rd	Covid 19: supporting the vulnerable during lockdown	HC 938
54th	Improving single living accommodation for service personnel	HC 940
55th	Environmental tax measures	HC 937
56th	Industrial Strategy Challenge Fund	HC 941