



Department
of Health

David Williams

Director General, Finance and Group Operations



Meg Hillier MP
Chair of the Committee of Public
Accounts
House of Commons
London SW1A 0AA

Sent via email to: pubaccom@parliament.uk

17 March 2017

Dear Ms Hillier

Late Payment of Creditors

At the Public Accounts Committee hearing on NHS Financial Sustainability on 11 January, I said that the Department of Health and NHS Improvement were closely monitoring whether Trusts were delaying payments to suppliers. I understand the issue was raised with my Permanent Secretary at the Access to General Practice PAC hearing last week. Whilst I am satisfied that my evidence to the Committee was accurate, this is quite a complex picture and I wanted to supplement my evidence to ensure greater clarity.

I want to reassure you that the Department takes this issue seriously. The Government is committed to making improvements to payment practices across the public and private sector, with a particular focus on actions that support smaller businesses. The Department is therefore interested in the performance of the NHS against the measures introduced to tackle late and unfair payment practices in the public sector. Trusts know their obligations under the “Better Payment Practice Code” and, whilst we are aware that some Trusts have stretched payments to creditors, the Department does not endorse this approach and does not support extension of credit terms beyond 30 days. The Government has issued guidance to public bodies on prompt payment (<https://www.gov.uk/guidance/paying-undisputed-invoices-within-30-days>). The Department has also asked NHS Improvement to use their monthly bulletins to Trusts to raise awareness of the scheme (<https://improvement.nhs.uk/news-alerts/provider-bulletin-8-june-2016/>).

The Department formally monitors prompt payment performance through annual financial accounts returns, against the requirement that 95% of undisputed, valid invoices should be paid within 30 days, as set out in the Public Contract Regulations 2015. NHS Trusts are required to report against this, but Foundation Trusts are not. The data available to us corresponds with that reported by the NAO, namely that the position is getting worse over time. The Department also reviews information published in NHS Foundation Trusts Consolidated Accounts and individual NHS organisations’ Annual Report and Accounts on payment of statutory interest to suppliers where undisputed and valid invoices are not paid within 30 days.



These formal returns are supplemented by data on the performance of individual Trusts, including Foundation Trusts, although this is not comprehensive. For example, the Department has followed up the findings of Crown Commercial Services payment terms surveys where a number of Trusts and Foundation Trusts were cited as falling short of required performance levels. Suppliers are also able to leave feedback on dealing with the public sector through the Crown Commercial Services 'Mystery Shopper' exercise. Whenever a Trust is cited for poor bill payment, the Department contacts the supplier and organisation concerned to facilitate resolution of the issue.

Knowledge of bill payment performance of individual organisations provides additional context for the related assessments of Trust liquidity which both the Department and NHSI undertake routinely. Through the Single Oversight Framework, NHS Improvement uses a measure of the financial liquidity of NHS Trusts and Foundation Trusts to support its assessment of financial performance, including the level of creditor balances organisations are carrying. Similarly the Department draws on a range of supporting information, including creditor days, when assessing the need for interim financial support to individual providers. The Department's aim in providing such finance is to ensure the provider is focussed on controlling costs and not on delaying payments. The Department has been clear that it does not expect Trusts to defer the payment to creditors to avoid the need for Departmental support and the support that the Department provides is structured on the basis that providers continue to meet these obligations.

I hope this additional information provides clarity and assurance to you and the Committee that the Department along with NHS Improvement is actively engaged on this issue. Although I am satisfied with my evidence to your Committee, reflecting further on both the NAO report and your own questioning, I have asked my finance and commercial teams to consider how we could be more systematic in our collection and exploitation of bill payment performance across the system. I will be happy to update you on the outcome of this and way forward as part of the formal Government response to your Committee's report on Financial Sustainability. I apologise in the meantime for any confusion on this issue that the Department or I have inadvertently caused.

Yours sincerely

DAVID WILLIAMS
DIRECTOR GENERAL, FINANCE and GROUP OPERATIONS