Dear Meg,

Thank you for your letter of 20 July concerning the publication of the Department’s Annual Report and Accounts.

You raised concerns that the laying date of the accounts was too close to the date Parliament rises for summer recess to allow for proper parliamentary scrutiny; I do not agree. The Department’s Annual Report and Accounts consolidates in excess of over 450 health and care organisations with net expenditure of circa £129 billion and total assets of circa £66 billion. Given the size and scale of this task, publishing before summer recess is a major achievement. The NAO certified the Annual Report and Accounts on the 17 July and they were laid on the 18 July; three days earlier than in recent years, 6 months in advance of the statutory deadline and ahead of all but 5 other government departments. My Department’s Permanent Secretary and Finance Director General would have been happy to meet with the PAC in the last few days of parliament had the committee been formed, and will of course attend the PAC session in September to talk about the departmental accounts.

The Comptroller and Auditor General’s report noted the improvement in financial control but that there is work to do to achieve financial sustainability. This year has been challenging for the health and care system. However, the system has risen to the challenge and in July 2016, NHS England and NHS Improvement set out a new approach for instilling financial rigour. This has seen an overall return to financial balance in 2016/17 and the improvement in financial discipline during 2016/17 has set the direction of travel which the health and care system will need to adhere to over the coming years.

As part of helping move to a sustainable financial footing, providers have benefitted from a £1.8 billion Sustainability and Transformation Fund in 2016/17. This fund has
rewarded NHS providers who successfully met a combination of financial control and performance targets. This funding is helping to achieve overall sustainability by driving maximum efficiencies.

As part of prudent forward planning, in the 2015 Spending review, £1.2 billion was earmarked for transfer from the capital to the revenue budget for 2016/17, to help meet overall spending priorities. This was agreed by Parliament in its approval of our Supplementary Estimate. An affordable capital envelope was set for the NHS provider sector and the Department worked closely with NHS Improvement during the year to monitor provider expenditure plans.

I do of course recognise the importance of investing in the future. That’s precisely what this Government is doing. On 19 July 2017 I announced £325 million of capital investment for local projects that will help the NHS to modernise and transform care for patients, plans include up to £50 million to help hospitals deliver significant improvements in urgent and emergency care by concentrating services in four hub sites across Greater Manchester, expected to save around 300 lives each year in general surgery alone; £30 million - £50 million will be used to improve access to chemo and radiotherapy in Cumbria by establishing a brand new cancer centre, complete with new equipment at Cumberland Infirmary; and up to £30 million of investment to create an ‘Urgent Care Village’ at the Royal Derby with GP services, a frailty clinic and mental health services to ensure patients receive the right care in the right place, first time, and avoid going to A&E unnecessarily. This initial tranche of funding has been targeted at the strongest and most advanced schemes in Sustainability and Transformation Partnerships (formerly Plans). This is in addition to £100 million A&E capital funding, outlined in the spring Budget by the Chancellor, to ease pressure on emergency departments in time for next winter.

Whilst significant progress has been made in 2016/17 with the direction of travel firmly on the right footing, I am clear there is still much to do to ensure financial rigour remains and continues into future years. In working towards this I appreciate the well informed views of your committee and those of others such as the Comptroller and Auditor General.