30 October 2018

Dear Chair,

Public Accounts Committee – DHSC Annual Accounts

At the evidence session held on 17 October 2018, I undertook to write to you to provide some additional information that I was not able to provide on the day. I have set this out below.

Software procurement and small businesses

The Committee asked what the Department is doing to ensure small providers of software who meet the required standards are not being driven out of business in the context of Trusts and Clinical Commissioning Groups sourcing their own software. Decisions on working with small suppliers are managed as part of local procurement processes. Through the recent publication of ‘The Future of Healthcare: our vision for digital, data and technology in health and care’ we are working to ensure standards are in place across all levels of the system and encouraging the NHS to open up the market to small suppliers and innovation.

Wannacry

The Committee asked if a large-scale Autumn 2018 cyber security exercise had taken place, referring to recommendation 19 of the Chief Information Officer’s Lessons Learned Review of WannaCry. The CIO’s recommendation is for a national cyber rehearsal to take place annually. The Department is working with NHS Digital, NHS England and NHS Improvement on drill exercises to test key elements of the incident response system, and these will be
completed this December. The next large scale cyber security exercise is planned for Spring 2019.

AME budget

The Department’s Annually Managed Expenditure (AME) measure is primarily an estimate of the increase over the financial year in NHS Resolution’s total clinical negligence claims provisions across all of its schemes. This AME outturn is compared to the budget agreed by Parliament through the HM-Treasury Estimate process.

At the hearing related to the DHSC Accounts and Annual report, you asked what AME Parliament had voted for at the beginning of the financial year and roughly how much of that has been spent so far.

For the reasons below, I cannot answer the latter part of your question, but on the former; the 2018-19 AME budget for NHS Resolution that was published in DHSC’s 2018-19 Main Parliamentary Estimates (https://www.gov.uk/government/collections/hmt-main-estimates) was £7.667 billion. The level of this budget will be reviewed by NHS Resolution and DHSC will notify Parliament through the 2018-19 Supplementary Estimates due to be published in February 2019.

This Supplementary Estimate process is the final point at which the Department can request a change to the AME budget, and thus the final opportunity for NHS Resolution to update their expenditure requirements for the year ahead of the year-end calculations.

At the point of Estimate process, a significant level of uncertainty remains given the final provision is not determined until after the year-end; and dependent on data made available by The Government Actuary’s Department (‘GAD’) after the end of Q3. The provision can change significantly year-on-year because any changes in assumptions impact on the claims from all previous incident years, not only the year just gone. The Department: and NHS Resolution have previously agreed that duplicating or pulling forward the GAD work would not be a proportionate use of taxpayer’s resources for the purposes of forecasting a non-fiscal budget. Given the uncertainties within the data, there is no guarantee that this would bring about any additional certainty of forecasting accuracy.

In exploring whether more could be done to increase confidence in the estimate at the point of the Parliamentary Estimate, GAD have suggested alternative approaches which involve either repeating the exercise earlier in the financial-year at the end of Q2 and again at the end of Q3, or pulling forward the work from Q3. Unfortunately, neither of these options are feasible for 2018/19 as plans and resourcing have been set for this year’s reserving round.

The work in NHS Resolution to calculate the AME outturn commences in December and runs through to March, requiring intensive management and staff involvement in testing assumptions and making judgements, and costs around £300k in actuarial support each year, plus extensive management time within NHS Resolution.

NHS Resolution and the Department are committed to exploring alternative ways in which forecasting can be improved - it is proposed we begin this immediately by using the GAD
Experience Monitoring Pack (EMP) to get a sense of direction of travel, alongside the in-year budget v spend position of negligence claims settled, the in-year movement on known claims and Periodic Payment Order provisions, and additional intelligence on the underlying reasons for claims values.

CCGs – underspends

At the hearing the Committee asked for clarification of the scale of overspends reported by CCGs 17/18. I can confirm that 31 of the 75 CCGs reporting overspends were greater that 2% of the CCG’s allocation. Urgent action is already underway with each of these CCGs to address the factors driving the overspend. NHS England has provided additional support with the development of efficiency plans, and the CCGs have all developed financial recovery plans which are then scrutinised by NHS England before being implemented by the CCG. The remaining CCGs had an overspend that was under 2%.

Advice to trusts on procurement post Brexit

The Committee asked about contingency measures being put in place in relation to Exiting the European Union. The Department is not putting specific contingency measures in place in relation to the stockpiling of capital equipment. However, the supply of all the associated spare parts for such equipment (i.e. x-rays and scanners) is being considered as part of the medical devices and clinical consumables contingency plans.

The Department is also enhancing its National Supply Disruption Response capability for responding to specific product supply disruptions that arise post exit, in line with established DHSC response systems. Urgent capital equipment needs (i.e. specific requests for equipment) are being considered as part of this work.

Where arrangements to provide and service equipment have been outsourced, Trusts are responsible for assessing the supply chain for these products. The Department wrote to NHS Trusts on 12 October asking them to review their contracts for supplies of goods and services not being covered by the Department’s central contingency planning. The letter set out the self-assessment methodology for Trusts to use to review the contracts they have in place and asked them to report their high impact areas to the Department by 30 November 2018.

Pay award and Tariff

The Committee also asked about the impact of the national pay scale. The NHS financial reimbursement system i.e. the national tariff, is set by NHS England and NHS Improvement, not the Department. NHS Improvement have published guidance on the Market Forces Factor (MFF) element of the tariff on their website. This guidance includes an explanation of why the MFF varies more than national pay scales, essentially it says that if wages are above/below the going rate for an area it can lead to lower/higher use of agency staff, vacancy and turnover rates.

NHS England and NHS Improvement are reviewing the MFF as part of their long-term plan work but we are expecting that the underlying premise about establishing a rate consistent with the area will remain.
Staging of pay award

In his evidence, David Williams noted a small financial pressure in 2018/19 related to speciality and associate specialist doctors pay. This amounted to £7M and reflects a decision to award a 3% pay award to this group. It was however staged from 1st October 2018 as with other hospital doctors, rather than being backdated. As David Williams said, the main financial pressure in year from the Doctors' and Dentists' Review Body recommendations relates to General Practitioners.

Schemes to recruit nurses post Brexit

In October 2017 the former Secretary of State announced he wanted to make more training places available for nurses. He announced funding to increase the number of training place by 25% (5,170 extra places) in 2018, with 25,850 places now available each year. The Department chairs the NHS Workforce Supply Board which oversees a number of initiatives with HEE, NHS Improvement and NHS Employers on a range of issues across the following areas:

- Improving retention and morale
- Nursing return to practice
- Improving/reducing sickness absence rates
- Nursing overseas recruitment
- Developing new routes into the nursing workforce

In May the government announced an offer to some postgraduate students of £10,000 when they finish university and started working in the NHS in certain nursing disciplines, Learning Disability, Mental Health and District Nursing.

In 2015 Health Education England established the Reducing Pre-Registration Attrition and Improving Retention (RePAIR) project, to help improve the retention of students on nursing courses. The findings are allowing HEE to work more effectively with universities on key issues, one area of work is to improve the level of support that students receive throughout their training.

Flu vaccination

Public Health England publish weekly provisional data on the uptake of flu vaccinations. The data as of Thursday 25 October is in the provided below:
From the Permanent Secretary
Sir Chris Wormald

<table>
<thead>
<tr>
<th>Patient Group</th>
<th>2018/19 (%)</th>
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<tbody>
<tr>
<td>Patients aged 65 and over</td>
<td>33.8</td>
</tr>
<tr>
<td>Patients aged 6 months to under 65 in at-risk groups</td>
<td>22.2</td>
</tr>
<tr>
<td>Pregnant women</td>
<td>24.8</td>
</tr>
<tr>
<td>Children aged 2</td>
<td>10.1</td>
</tr>
<tr>
<td>Children aged 3</td>
<td>10.7</td>
</tr>
</tbody>
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Note: Provisional data from a sample of 41.0% of all automated GP practices participating in the 2018/19 sentinel survey. EMIS data was not submitted in time and, therefore, excluded.

Data on flu vaccine uptake in healthcare workers, and children vaccinated in schools (September 2018 – October 2018) will be published on 22 November.

Winter

At the hearing the Committee asked about the postponement of elective procedures. To clarify, the National Emergency Pressures Panel (NEPP) guidance in 2017/18 was not a ‘flat ban on any continuation of elective work’ but to ask Trusts to review elective plans and consider where they could free up further capacity to support non-elective care and to keep this under regular review.

This year the NHS planning guidance required that winter plans are embedded in both their system and individual organisations’ operating plans, including realistic phasing of non-elective and elective activity across the year. To support this there was a requirement for each system to produce a separate winter demand and capacity plan, triangulating the finance and activity implications. The intention is to avoid trusts booking elective activity during winter that may then need to be cancelled.

I hope this is helpful.

Yours sincerely,

SIR CHRIS WORMALD
PERMANENT SECRETARY