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

4 August 2022

Dear Dame Meg Hillier MP

Re: Public Accounts Committee, Sixth Report of Session 2022-23 Department of Health and Social Care 2020-21 Annual Reports and Accounts

I am writing to provide the committee with details of how the Department will monitor and control the approval of all redundancy payments made by entities within the Departmental Group to ensure such payments are properly authorised in advance and are not irregular, as referred to in our Treasury Minute response to recommendation 6 of the above Report:

PAC recommendation: *The Department should write to us alongside its Treasury Minute response setting out how it will monitor and control the approval of all redundancy payments made by entities within the Departmental Group to ensure such payments are properly authorised in advance and are not irregular.*

The department has processes in place for monitoring and controlling the approval of exit payments.

Arm's Length Bodies (ALBs) are required to comply with schedules of delegation issued by the department. These delegations include the approvals required in respect of special severance and redundancy payments. Updated ALB delegations were issued on 4 May 2022. Further details of the processes in place for core Department and ALBs are set out below.

Special Severance payments (HMT Financial Delegation Control)

All special severance payments (SSPs), defined by HMT as any payments in excess of, or outside of, statutory or contractual entitlements, relating to both the **core Department and ALBs**, require HMT approval regardless of value. There is a requirement for cases to be presented to the DHSC Reward Team (HR) who obtain the relevant approvals.

All SSPs must be approved through the DHSC Governance and Assurance Committee (GAC) prior to submission to HMT. GAC acts on behalf of the Department to ensure all DHSC's Executive Agencies and ALBs comply with the required

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redundancy and exit payments policies and processes and comprises the DHSC HR Director and DHSC Finance Director.

Redundancy and Compensation (Cabinet Office Spend Control)

All redundancy and compensation schemes, both core and ALBs, using the Civil Service Compensation Scheme require DHSC Governance Assurance Committee (GAC) and Cabinet Office approval. For those not covered by the Civil Service Compensation Scheme, (e.g., the NHS Pension scheme) DHSC Governance Assurance Committee (GAC) approval is required for the following:

- redundancies with capitalised costs over £100k.
- ten or more redundancies irrespective of capitalised costs.
- payments in Lieu of Notice (PILON) of £50k or above.
- All special severance payments also require Senior Sponsor support and HM Treasury approval irrespective of value.
- financial incentive/retention payments.
- all novel, contentious or repercussive cases.
- change programmes/major restructuring; and
- voluntary redundancy/voluntary exit schemes.

Redundancy and Compensation Confidentiality Clauses

Accounting Officers are required to seek the prior approval of the Departmental Minister for any use of a confidentiality clause and then the approval of the Minister for the Cabinet Office in specified scenarios, one of which is a proposed payment of £100,000 or more (at any grade).

Details regarding arrangements for **commissioners (CCGs) and providers** are set out below.

Long standing guidance to CCGs on losses and special payments, including special severance payments, is clear that all special severance payments must be approved by HM Treasury. As such the unauthorised payments to which the PAC conclusion refers did not result from unclear guidance, and DHSC, working in conjunction with NHS England, is focusing on promoting awareness and compliance with the existing control framework.

Guidance to Integrated Care Boards (ICBs) was issued on losses and special payments including severance payments through the ICB programme on 31 May 2022. Additionally, the importance of due process relating to exit payments was further emphasised to commissioners and providers at a series of roadshows and workshops over the last six months.

In April 2022, detailed written guidance relating to exit payment processes and approvals was circulated to CCGs and the proposed ICBs.

Special severance payments which occurred in CCGs were submitted via the Region to the NHS England Executive Human Resources Sub Group (EHRSG). The EHRSG

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is chaired by a National Director and reviews and scrutinises the appropriateness of such payments. Any CCG case which was approved was then submitted by NHS England to Treasury via the Department of Health and Social Care. The same process is to be applied for Integrated Care Boards (ICBs) with enhanced assurance reporting from regions over such payments.

For Trusts there is an internal process whereby the Trust Appointments and Approvals Committee (TAAC) scrutinises and approves the following proposed severance cases to ensure they are properly authorised in advance and are not irregular. TAAC members include the corresponding Regional Director and Regional Director of Workforce and OD.

- All severance payments (contractual or non-contractual) to Chief Executives and Directors of NHS Trusts.
- Non-contractual severance payments to all staff of NHS trusts (including Chief Executives and Directors) before being sent to HM Treasury for final approval.
- Contractual payments over £100,000 to all staff of NHS trusts (including Chief Executives and Directors)

In relation to foundation trusts, NHS England does not approve severance payments (all non-contractual severance payments are approved by HM Treasury). However, NHS England does conduct a due diligence check on all non-contractual severance payments to ensure probity and compliance with Managing Public Money.

All the above cases are reported quarterly to the NHS England Board via the People, Remuneration and Nominations Committees to provide additional governance at very senior level.

Residual Risk

Despite the clear processes and improvements set out above, it is important to note that ensuring full compliance across such a diverse and sizable group is inherently challenging, and that compliance remains the responsibility of individual group bodies. In addition, as seen with the 2020-21 NHS England Group account, a single instance of non-compliance can, quite rightly, result in an accounts qualification regardless of value. As such whilst we believe the processes and controls in place represent a proportionate and robust risk mitigation, they do not always guarantee full compliance from all bodies.

Yours sincerely,



Shona Dunn
Second Permanent Secretary