IN THE COVID PUBLIC INQUIRY

BEFORE THE RT. HON BARONESS HALLET

DEPARTMENT OF HEALTH AND SOCIAL CARE

OPENING SUBMISSION

INTRODUCTION

1. The Department of Health and Social Care ("the Department") expresses its deepest sympathies to all those who lost relatives and friends during the pandemic and to those who continue to deal with the consequences of the pandemic. The disruption and effects of COVID-19 on our society were profound and were particularly felt within the health and social care system.
2. The Department recognises the sustained pressure on those working in health and social care and the fear they felt during an unprecedented time. The Department also repeats its thanks to those who responded to the pandemic, particularly, those working within the NHS and social care sector and to those who responded to the Government's 'Call to Arms'.
3. Throughout the pandemic, both permanent and temporary staff worked tirelessly to ensure that PPE, oxygen and ventilators were made available to those who needed them most. The Department would like to take this opportunity to thank them as well.
4. The Department first became involved in the pandemic as a result of its role as the Lead Government Department (LGD) for pandemic preparedness, response and recovery. Following the shift to a government-wide response, the Department, along with other government departments, became directly involved in and responsible for procurement and distribution, including for oxygen, ventilators and PPE.
5. Other bodies, agencies and regulators, some of which were overseen by the Department, were also involved in the procurement of medical equipment and devices. These included:
    a. The UK Health Security Agency formerly, Public Health England (PHE), an executive agency of the Department that was responsible for the ownership of the Pandemic Influenza Preparedness Programme (PIPP) stockpile. PHE would release PPE as and when directed by the Department. PHE also provided the secretariat for the New and Emerging Respiratory Virus Threats

Advisory Group (NERVTAG) which provided the Department with independent scientific advice;

b. NHS England (NHSE), the largest of the Department's arm's-length bodies, leads and oversees the National Health Service (NHS) in England;

c. NHS Trusts, are separate legal autonomous entities responsible for their own delivery of clinical services, including procurement of equipment and supplies;

d. The Medicines & Healthcare products Regulatory Agency (MHRA), an executive agency of the Department responsible for providing minimum acceptable technical standards for the use of ventilators, and some PPE such as Class I face masks and face coverings, within the UK;

e. The Office for Product Safety and Standards (OPSS) were largely responsible for the minimum safety standards for PPE and provided guidance throughout the pandemic.

f. The Health and Safety Executive (HSE) is the national regulator for health and safety in the workplace and provided guidance on a range of health and safety products, including PPE; and

g. Supply Chain Coordination Ltd (SCCL), a government-owned company that had a specialist buying function for clinical consumables and other supplies, and a logistics provider called Unipart.

BACKGROUND

6. The Department, alongside the rest of Government, was reacting to a global pandemic of unprecedented scale and dealing with a novel virus of which, in the early months of 2020, there was little scientific understanding. There were plans and preparations in place to respond to an influenza pandemic, following reasonable worst-case scenario (RWCS) modelling. With oversight from the Department, the UK Government maintained a centralised stockpile (PIPP) of relevant products, such as PPE. This was held alongside contracts agreed in advance for the provision of further stock to supplement business-as-usual (BAU) procurement.

7. The types and volumes of PPE held in the PIPP stockpile were based on clinical recommendations from NERVTAG. The stockpile was overseen by PHE with England's portion of the stock being held by Movianto, a subcontractor of SCCL.

8. In 2017/18, NHSE produced a paper on NHS escalation capabilities during an influenza pandemic and found that an increase in the baseline capacity of ventilators (3,500 with a maximum surge capacity of 7,000) was not necessary in a pandemic influenza scenario. Accordingly, ventilators did not form part of the PIPP stockpile.

9. The emergence of COVID-19 resulted in unprecedented increases in global demand for medical equipment and devices and significant disruption to supply chains. The majority of ventilators and PPE was manufactured in far east countries such as China and Malaysia, and there was a limited UK manufacturing base.[1] The first wave of the pandemic began in China which brought about restrictions on the movement of people and had a consequent effect on manufacturing. As a result, there was already limited availability at the point when the pandemic escalated in the UK. The Chinese government's decision to bring large numbers of manufacturers into public ownership and to only allow certain exporters on a 'white-list' to export goods, worsened matters. The situation was exacerbated by other nation's 'gazumping' offering above market prices to secure products, which was caused by a state of flux in the commercial market. These acute challenges created strain on established BAU procurement channels and the UK media started to report on potential PPE shortages and limited ventilator capacity. Despite what was reported, at no point during the pandemic did the Department run out of centralised stock. Nevertheless, the Department was conscious of the impact that extreme supply constraints and uncertainty undoubtedly had on frontline health and social care staff.
10. Prior to the COVID-19 pandemic, BAU procurement and the necessary processes to identify fraud and other risks were the responsibility of the individual provider. For the NHS, procurement was either carried out directly with private wholesalers, via intermediaries or via SCCL. For non-NHS providers (including adult social care and GPs), private wholesalers were the main source of PPE.
11. BAU procurement channels could not cope, including SCCL, whose efficiency-led procurement model faced significant challenges in scaling-up the necessary capacity to plan, source, buy, make, store and deliver the necessary equipment and devices needed to meet the increased level of demand; this placed lives at risk and made intervention inevitable and became crucial.

OXYGEN AND VENTILATION EQUIPMENT INTERVENTION

12. In the early weeks of the pandemic, there was significant uncertainty regarding the impact of hospital admissions on ventilator bed demand. Available estimates at that time were that the NHS's maximum surge ventilator capacity, of around 7,000 beds, could be maintained for a maximum of two weeks[2] leading to increased demand as NHS Trusts attempted to procure localised stockpiles. BAU NHS procurement routes,

[1] JM/132 - INQ000551565; JM/133 - INQ000551599
[2] MS4/8 - INQ000057495-*Pandemic Influenza Briefing Paper: NHS Surge and Triage*

such as SCCL, were unable to cope with this increased demand, therefore, on 3 March 2020,[3] the Department established the new Oxygen, Ventilation, Medical Devices and Clinical Consumables (O2VMD&CC) programme.

13. Working together with NHSE, the Department became one of the main organisations through which data on ventilator demand was collected and assessed, and from which the distribution of ventilators was coordinated.

Phases of Operation

14. As the Department's understanding of COVID-19 improved, the O2VMD&CC programme was constantly developed to meet the changing environment of the pandemic. The programme had four distinct phases:[4]
    a. Phase 1 (March 2020 – May 2020) comprised of the Department's rapid mobilisation and response to the initial surge in demand. During this phase there were significant activities to understand, and procure against, the changing clinical requirement as well as activities to establish data gathering, logistics, allocation, and distribution processes;
    b. Phase 2 (June 2020 – November 2020) represented the Department's shift from a crisis response to structured preparation for winter 2020/21. Ventilator procurement largely ceased and efforts turned to receiving, assessing, and deploying ventilators to build surplus capacity. In parallel, a structured programme was initiated to improve oxygen infrastructure and utilisation, which included trust-level piping upgrade projects and Medical Gas Pipeline System (MGPS) enhancements;
    c. Phase 3 (December 2020 – March 2021) enacted the Department's contingency measures planned in Phase 2; and
    d. Phase 4 (April 2021 – September 2021) focused on transitioning the responsibilities of the programme into longer-term governance structures.

Demand

15. Predicting the demand of equipment was challenging because there was little scientific understanding of COVID-19, the speed of transmission or the impact it could have on hospital admissions. Between 12 February 2020 and 17 March 2020, modelling estimations ranged from 59,000 to 138,000 ventilator beds needed. On 6 March 2020, to increase confidence in these estimations, the Department organised a rapid modelling session with leading professional modellers. By mid-April 2020, the anticipated surge in demand had not materialised. Ministers then reduced procurement

[3] MS4/4 - INQ000514285 - *Supply Resilience MedTech Overview*
[4] INQ000535034 - *page 3 of the MedTech Narrative Document*

targets to 18,000 and 30,000 ventilators by the end of April 2020 and June 2020, respectively.

Ventilator Procurement

16. Despite the majority of contracts being agreed via SCCL with existing framework-agreed suppliers, the Department also worked with the Foreign and Commonwealth Office (FCO) and Department for International Trade (DIT), who, through their network of embassies, supported the identification of new sources of international supply. Following the Prime Minister's 'Call to Arms' on 16 March 2020, then BEIS, on behalf of the Department, provided a triage service in response to a high-volume of offers received from new sources of UK supply. Whilst in parallel, the Cabinet Office (CO) launched the Ventilator Challenge with the objective of procuring additional ventilators, from non-established suppliers that could shift manufacturing capacity.
17. By 9 March 2020, the Department had placed its first set of orders using existing SCCL framework agreements, which were designed to ensure competitive pricing.
18. At all times, the Department was focused on and prioritised clinical care with mechanical ventilators being prioritised for procurement, initially. However, as clinical recommendations were updated, the Department sought to procure non-invasive ventilators like bilevel positive airway pressure (BiPAP) and continuous positive airway pressure (CPAP) devices.

Assessing Offers

19. For contracts entered into with new suppliers, the Department remained the sole contracting authority. To support decision-making, a standard pack of information or proforma recommendation was produced following an assessment of the offer received. The process for assessing offers was as follows:
    a. Models offered were compared against a list of known devices that had already been considered as acceptable, or unacceptable, by clinicians. If the device offered wasn't on either list, the specification would be sent for clinician review and then added to the appropriate list;
    b. The credibility of the offer was assessed, considering factors such as the nature of the supplier, the volumes, and proposed lead times given location; and
    c. The commercial offer was considered, primarily in light of what premium was being sought for the devices over and above normal market value.

Spending Controls

20. The total budget allocated to the Department by HMT for ventilators, consumables and related equipment was £600m.[5] The Department was given a clear steer from HMT

[5] MS4/128 - INQ000514282 - Briefing Note – Funding Arrangements

that the primary consideration was ensuring as much ventilator capacity as we could source in order to save lives. This aligned with the Government's public messaging at the time. In this context, decision-making was primarily steered by confidence and delivery risk, rather than price considerations.

21. On the basis of these considerations, a risk-benefit analysis was taken. The primary risks considered were:
    a. In a predominantly 'cash upfront' environment, the risks of not receiving ventilators or being able to recover costs;
    b. The risk of new or novel ventilators, purchased on the basis of specification, not being acceptable to NHS clinicians;
    c. The risk of overpaying for ventilators should we subsequently be able to identify cheaper sources of supply; and
    d. The risk of ventilators arriving after peak UK demand.

Device Testing and Quality Assurance

22. As part of Phase 1, the initial surge response, Trusts requested that they received ventilators as quickly as possible in order for them to build equipment capacity ahead of the expected demand. The Department operated in line with this 'deliver it now' model until it was agreed with the NHS to establish a centralised 'test it, then deliver it' model which was gradually introduced during March-April 2020.
23. To mitigate against some of the issues that Trusts faced through the 'deliver it now' model, the Department introduced Quarantine Protocols and Clinical Due Diligence processes, led by a team of clinicians, to resolve any immediate issues identified upon receipt of products before then being received by the Technical Due Diligence teams. Intensive care ventilators were sent to the Medical Device Testing and Evaluation Centre, a specialist device testing facility.
24. This consolidated review process culminated in a recommendation of one of four outcomes determining whether the devices would be released (subject to guidance), remain in quarantine pending additional components or consumables, or be deemed unusable and not released. This structured approach ensured ventilators met both clinical and technical requirements before being distributed to healthcare providers.

Distribution of Ventilators

25. NHS warehousing facilities and logistics were unable to accommodate the increase in demand. Together with the MoD, facilities in Donnington were rapidly converted to track and receive incoming goods, support export and import control protocols, perform technical due diligence activities and support the delivery of goods to Trusts. In parallel, and at pace, the Department developed an allocation process that ensured

devices were appropriately and fairly distributed; prioritising immediate medical need during surge periods and capacity building between surges.

26. A clinically driven National Ventilator Allocation Panel (NVAP) was established to provide strategic direction and oversight of this allocation process. The NVAP received requests from NHS Trusts and were able to consider immediate clinical needs, with the support of daily capacity and COVID-19 trajectory data, and building capacity requests, with consideration of a broader range of factors.

Surplus Capacity

27. By the second half of 2020, the UK had exceeded its target of having 30,000 ventilators available, with further deliveries expected,[6] and future projections of demand were decreasing. By September 2020, the RWCS predicted a peak demand of 6,500 ventilators across the NHS, which allowed the Department to consider donations to other countries without impacting UK capacity or resilience. Between August 2020 and April 2021, an average of 3,591 mechanically ventilated beds were occupied, peaking at 6,664 in March 2021. As a result, additional ventilator donations were made in April 2021 and May 2021[7].

PERSONAL PROTECTIVE EQUIPMENT INTERVENTION

28. As NHS Trusts prepared to respond to the health emergency in line with Infection Prevention and Control guidance provided on 15 January 2020, they found they were less able to source the items needed. This led to SCCL reporting increased volumes of orders for PPE. At the end of January 2020, at the request of the NHSE Incident Response Team, the Department convened the 'Supply Chain Cell' ("the Cell") to manage challenges in product supply issues alongside other key stakeholders.[8] The Cell provided strategic oversight alongside other key stakeholders, of the constant supply of all clinical consumables, which included PPE, through BAU routes.

29. From 5 February 2020, the EU stockpile was made available for release.[9] On 7 February 2020, SCCL were instructed to procure additional PPE[10] and from 3 March 2020, products were released from the PIPP stockpile. To ensure frontline health and social care facilities (including GPs, adult social care providers, and pharmacies, etc.) had an initial supply of PPE early in the pandemic, The Department organised

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[6] MS4/162 - INQ000514230-Submission – Surplus supply Peru.
[7] MS4/162 - INQ000514230-*Submission – Surplus supply Peru; MS4/167* - INQ000514263-*UK India Asset Donation Arrangement*; MS4/168 - INQ000514265 -*Nepal Asset Donation Agreement*
[8] JM/115- INQ000339171
[9] JM/117 - INQ000551491; JM/118 - INQ000551492
[10] JM/120 - INQ000339116

emergency drops to healthcare providers across England. The Department's National Supply Distribution Response (NSDR) team was created to support with a 'no-deal' EU exit was reactivated on 16 March 2020 to support access to emergency PPE supplies for providers expecting to run out of PPE within 72-hours.[11] The NSDR had three core roles:

a. Operating a 24/7 helpline to respond to urgent requirements for PPE;

b. Managing delivery volumes and delivery dates; and

c. Co-ordinating the 'freight desk' to select, package and deliver PPE.

30. The NSDR supported the delivery of 22.05 million items of PPE, including, Type IIR facemasks, aprons and gloves in March 2020.[12]

The PPE Cell and Parallel Supply Chain

31. By mid-March 2020, it was made clear that SCCL's existing infrastructure for procurement and distribution could not deliver the volume of PPE required to the wide range of health and care services that needed it. As a result, a full intervention by the Department with a new end-to-end procurement route was established to model demand, procure products, import to the UK and distribute to supplement SCCL's existing infrastructure. This became known as the 'Parallel Supply Chain'. A 'PPE Cell' was established in the Department to manage this effort.

32. Whilst ultimately insufficient, the PIPP stockpile was critical in the first wave of the pandemic as it held significant volumes of PPE items needed to protect patients and staff from influenza, a Severe Acute Respiratory Syndrome (SARS) Coronavirus (COVID-19), or indeed any other airborne respiratory infection, until products purchased by the Parallel Supply Chain were received.

33. Whilst the final decision-making and contracting authority of the PPE Cell and Parallel Supply Chain sat within the Department, it was largely operated collaboratively with the CO and NHSE. It brought together staff from SCCL, FCO, Government Commercial and Logistics experts and members of the Armed Forces.

34. Despite being built from scratch; the PPE Cell and Parallel Supply Chain were almost immediately operational with offers for PPE being carefully assessed whilst the first iterations of the governance structures and the end-to-end procurement process were formalised. The Department agreed its first contract on 22 March 2020.

Procurement Structure

35. The procurement of PPE was organised into four teams, all operating under the authority of the Department and the delegated Accounting Officers:

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[11] JM/141 - INQ000049616

[12] JM/140 - INQ000496777

a. The 'Existing Suppliers Team', from SCCL, that continued to procure from the suppliers on its framework agreements. This was the Department's primary procurement route, as suppliers were known, and due diligence had already been completed at the point of joining a framework;

b. The 'China Buy Team', based out of FCO, that worked with the Embassy in Beijing to procure PPE directly from China. As the largest supplier of PPE and with officials on the ground in China liaising directly with experienced manufacturers and intermediaries, this was seen as the Department's secondary procurement route whilst UK manufacturing was scaled up;

c. The 'UK Make Team', from the Department of Business Energy and Industrial Strategy (BEIS) and established UK-based manufacture of PPE; and

d. The 'New Opportunities Team', based out of Cabinet Office, that considered offers from other sources, including suppliers without a history of supplying PPE. Around 24,000 offers of PPE were received from over 15,000 suppliers.

The High-Priority Lane (HPL)

36. As a result of the concern across government and the wider public sector regarding availability of PPE, individuals, including a broad base of senior officials and MPs, received offers directly from suppliers. The individuals who referred offers would be chased for updates by suppliers and so in turn would chase the caseworker processing the offer. This led to an inefficient use of resource. In order to manage the process, what would become the 'High Priority Lane' (HPL), known at the time as the 'VIP and Donations Team,' was formalised. The use of the phrases "*high priority*" and "*VIP*" were interpreted in the media and elsewhere as having inferred preferential treatment to the referrer and the referee. The 7 May 2021 Boardman Review of 'COVID-19 Procurement' reported that he had "*not seen evidence that any contract within the scope of the review was awarded on grounds of favouritism; however, there were factors which may have encouraged such a suspicion.*" Boardman made a series of recommendations which would mean that arrangements like the HPL will not be needed in a future crisis. The recommendations were accepted and implemented in full by the Government.

The Assurance Process

37. Regardless of whether an opportunity arose from one of the teams within the PPE Cell or via the HPL, the assurance process remained the same. There were eight stages involved in the progressing of procurement opportunities:

a. Initial data triage: a review of opportunities including those from existing suppliers and, subsequently, new suppliers which had made themselves known due to the Coronavirus Support from Business Scheme;

b. Prioritising of opportunities: reviewing those offers and determining which ought to be prioritised on the basis of priority and quantity available;

c. Validate Opportunities: this involved confirming they remained viable following the completion of basic checks on the product;

d. Commercial Due Diligence: this was initially completed internally but subsequently sub-contracted to Contingent for a Red/Amber/Green (RAG) rating to be prepared. This process was carried out alongside the government SPOTLIGHT system;

e. Technical Review: This was initially carried out by SCCL's corrective and preventative actions (CaPA) team. The Technical Assurance Team, primarily made up of volunteers from the Ministry of Defence's (MoD) Defence Equipment and Support (DE&S) Team and later, the Defence Quality Assurance Field Force (DQAFF), was operational by April 2020;

f. Close Terms and Conditions: the Closing Team would then consider the information that they had been provided with and seek to negotiate costs and terms of payment. This stage included the consideration of any conflicts of interest and any legal risks that arose;

g. Approval Documentation: the Closing Team completed a checklist of documentation and provided a recommendation to an Approval Officer;

h. Accounting Officer Assessment: David Williams[13] and Sir Chris Wormald[14] were the Accounting Officers (AOs) during the pandemic; however, due to the number of contracts under consideration, David Williams delegated authority to Chris Young[15] and Jon Fundrey[16] for contracts under £100 million. The AO assessment was entirely separate from the Closing Team and the PPE Cell. The AOs applied the objective criteria based on the Managing Public Money guidance. Whilst the PPE Cell largely operated outside of the Department's Commercial Team, the contracting authority remained with the Department and final sign-off for contracts was retained by Edward James.[17]

38. The Department initially sought to enter into contracts on standard terms of payment being made within 30 days of delivery. There was a focus at an early stage on ensuring that prices paid were not above market rate. It became quickly apparent that other countries were willing to pay substantial deposits and would agree contracts priced in excess of the market rate. A higher financial risk than BAU procurement was accepted

[13] Deputy Permanent Secretary
[14] Permanent Secretary
[15] Finance Director
[16] Deputy Finance Director
[17] Deputy Commercial Director

during the pandemic because the main focus of the Department was to protect and save lives, ensuring everyone, including health care professionals delivering patient care, had access to the PPE they needed. This meant that there was a risk that some contracts would not be fulfilled, or defective product could be supplied. The requirement for prior approval from HMT for payment in advance of goods being delivered was relaxed by HMT during the pandemic as set out in Procurement Policy Note (PPN) 02/20.

39. With the commercial market in a state of flux, the product demand from different user groups created a 'seller's market' and suppliers were very much aware of the time-critical necessity to obtain PPE. Consequently, the Department considered that Regulation 32(2)(c) PCR 2015 was engaged, it not being either practical or possible to comply with the normal procurement practices during the initial phase (March 2020 – July 2020) of the pandemic. Contracts entered into by the Department were therefore treated as 'direct awards'.
40. The Department understands the significant concerns expressed by those of ethnic minority backgrounds about access to appropriate PPE early in the pandemic. Our approach during the first wave focussed on buying and distributing PPE to meet increased demand. Efforts were then made to ensure effective PPE was supplied for as many staff as possible by increasing the number of types of masks from 4 to 12, increasing fit testing capacity and launching staff engagement projects. The Department was not aware of concerns from staff with ethnic minority backgrounds about PPE before the pandemic but accepts that more could and should have been done earlier in the pandemic to address these concerns as they emerged and that lessons learned should be embedded in future planning around the supply of PPE during a future pandemic.

Modelling Demand

41. The devolved nature of procurement and logistics meant there was no centralised information on supply resilience in the health and social care sector at the point when the pandemic began. This presented a particular challenge for the setting up of the new end-to-end procurement channel as the Department had no sight of the product levels within the health and social care system. That added to the absence of a clear demand signal, which created a complex modelling challenge.
42. This modelling challenge was identified at an early stage and McKinsey, a management consultancy firm, was contracted to support the Department in producing a RWCS projection of PPE required over a 90-day period from the end of March 2020. Modelling was based on assumptions for the numbers of COVID-19 cases and the use of PPE in the health and social care sector required in accordance with IPC guidance.

Consideration was also given to PPE needed for treating COVID-19 patients and protecting patients most at risk from COVID-19, whilst also considering all BAU NHS requirements.

43. The imposition of lockdowns and the rollout of test and trace directly impacted the Department's ability to model demand and resulted in a range of projections between March to May 2020. The SAGE RWCS was used to mitigate this whilst models were refined and improved until three demand modelling products became stable. There included a 'daily dashboard' for the latest status by PPE item, a 'ready reckoner' that provided a short-term (up to 7-days) view of expected demand and an 'inventory model' that provided a longer-term (up to 90-days) view on inventory levels.
44. During the Department's emergency procurement period (March 2020 – July 2020), models were developed to consider the Government's evolving understanding of the virus, for example, the confirmation of asymptomatic transmission and updated IPC guidance. This led to a much wider use of PPE for all staff interactions regardless of if these were with COVID-19 patients. The successful rollout of COVID-19 vaccines in December 2020 further impacted demand usage; however, the impact of this was several months after the Department ceased purchasing PPE.

Distribution

45. The distribution of PPE was also a significant challenge. On 22 April 2020, the Chief of the Defence Staff, General Sir Nicholas Carter, said, "*that in all my more than 40 years of service this is the single greatest logistic challenge that I've come across.*"
46. A distribution network was established to warehouse, sort and distribute PPE across the country, with NHS Trusts initially receiving daily deliveries of PPE proactively via a 'push model' and wholesalers via direct drops to meet acute needs.
47. From 6 April 2020, recognising that additional support was needed to meet the diverse requirement of the social care sector, a network of Local Resilience Forums (LRFs) were engaged to create a further temporary emergency channel of supply and coordinate response to local issues. LRFs acted as hubs for receiving PPE for onward distribution, at no cost, to social care and other services that could not access PPE supplies in other ways.
48. Logistical challenges persisted; therefore, the Department commenced the pilot of an e-Portal, on 9 April 2020, through an online platform partnered with eBay, Clipper Logistics, Royal Mail, NHS, Volo, and Unipart. The roll-out progressed with 22,000 eligible GPs and smaller Adult Social Care providers registering by 26 June 2020. All

community and care settings being granted access by September 2020. The e-Portal remained in place until 31 March 2024.[18]

49. Prior to the pandemic, there was a supply chain in place designed to accommodate delivery to 226 National Health Service Trusts. By August 2020, essential PPE was supplied to 58,000 different settings, including care homes, hospices and community care organisations. Between 25 February 2020 and 18 August 2020, over 2.4 billion items of PPE across the health and social care system were delivered within England. This included over 198.5 million items of PPE authorised for release to designated wholesalers for onward sale to primary and social care providers, community pharmacies and dentists and 151 million items of PPE to the Local Resilience Forums.

Spending Controls and Funding

50. The Department put steps in place at each stage of the procurement process to maximise value when procuring PPE. As a result, there were criteria which had to be applied to meet the requirements for any increase in spend. This included a focus on seeking to ensure that the price was within 25% of the average price paid to date and ensuring any overseas companies were assessed as reputable by the FCO. Increases sought in respect of the total funding envelope were based on forecasted demand and historic spend. At all times the Department complied with HMT's guidance on Managing Public Money, including financial controls, financial management, risk, management and asset control.[19]

51. In order to ensure value for money, the sourcing and closing teams were expected to focus on procuring PPE at the best value possible. Furthermore, as the pandemic progressed, the focus of Accounting Officers' decision-making moved from availability to seeking reduced prices.

Stabilisation of PPE Procurement and Building Resilience

52. Sourcing activity for new suppliers of PPE stopped in June 2020 when the Department was confident sufficient supply to meet immediate needs was met and additional stock was in hand to meet the demand from future waves of COVID-19. The Department's actions to stabilise PPE supply and delivery, early in the pandemic, were an influencing factor in the Prime Minister's decision to relax restrictions during the first national lockdown. The use of direct awards under emergency procurement powers ceased and we returned to procurement under framework contracts and competition.

[18] JM/500 - INQ000551675
[19] CY/01 - INQ000496882

53. In total, the Department procured 20.8 billion PPE items through contracts worth circa £8.6 billion and SCCL procured 17.4 billion PPE items through contracts worth circa £5.2 billion.

54. In July 2020, a 'Critical Friend Review' performed by a Civil Service Independent Assurance Review Team looking into the Parallel Supply Chain, found that:

> *"The programme has performed exceptionally well – rapidly responding to the crisis and delivering solutions. The initial situation was chaotic with uncoordinated demands for PPE, global simultaneous requests for the same products, complex international supply chains, a lack of data and insufficient or inexperienced resources. We see that the programme has not only solved the national PPE stock concerns through a driven, purposeful spot-buying process but, amid that, has brought structure and order by designing and establishing effective category management solutions and demand forecasting processes and models".*

55. Following recommendations made in this review, the Department sought to further stabilise the PPE supply chain by improving and reorganising the programme. As staff returned to their home Departments, additional procurement and logistics experts were brought in by the Department to continue to lead the PPE Cell and Parallel Supply Chain, which also freed up valuable resources that the Armed Forces had previously allocated to the emergency procurement efforts. Action was taken to better manage the large volumes of PPE arriving in the UK to reduce storage costs and free PPE continued to be made available to health and care providers through direct deliveries to NHSE Trusts and via the e-Portal for smaller providers.

56. As of 30 June 2023, 26.9 billion of the 38.6 billion items of PPE bought had been distributed for use.

Post-Procurement Efforts to Ensure Value for Money

57. By October 2020, the Department was confident that it had excess stock in some categories of PPE. As such, the Department looked to ensure value for money through use in other sectors, sales and donations, recycling and, where most cost-effective to do so, disposing of PPE. The remaining PPE was transferred to form the core of new pandemic stockpiles.

58. Contract management was enhanced in April 2022 when the Dissolution Workstream was established. This Workstream was tasked with analysing contracts where there was an issue with the products supplied and value for money was in issue. Of the 38.85 billion items received, 3.86 billion items were marked as 'Do Not Supply' (DNS).1.4 billion items were classed as not fit for any purpose. Value for money was maximised through replacement products, recovery of cash and/or negotiated contractual savings.

59. Throughout the end-to-end procurement process, the Parallel Supply Chain completed due diligence and technical assurance on all potential suppliers and PPE products offered, respectively, to reduce the risk of fraud. The Department's dedicated Anti-Fraud Unit (AFU) also conducted additional due diligence checks where a heightened risk of fraud was identified and performed Post Event Assurance exercises. Where suspicions of criminal conduct were identified, the AFU intervened to prevent loss and recover funds. The Department referred these cases on to the relevant authorities for further investigation where appropriate.

IMPACT OF EU EXIT ON PROCUREMENT

60. At the time the pandemic began, the UK was in the process of transitioning out of the European Union and retained its existing access to the EU single market and customs union until 31 December 2020. There were four Joint Procurement Agreements (JPA) announced between February 2020 and March 2020, which the Department did not receive an invitation to, as is made clear in the Foreign Secretary's letter to the Foreign Affairs Committee (FAC). On 12 March 2020, a contract award notice announced that the first JPA for PPE failed. Orders for the JPA for ventilators were not placed until May 2020, with deliveries due in July 2020, by which time, the Department had reached its target of 30,000 ventilators. It is the Department's view that EU joint procurement activity would not have provided the volumes needed in the time required to meet demand for the UK's health and social care system. However, in preparation for a 'no-deal' EU exit, the Department had developed a deeper understanding of global medical supply chains. This included the formation of stronger relationships with industry and procurement of increased stockpiles. It is the Department's view that these preparations meant the UK was better prepared for health-related emergencies.

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