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The Rt Hon Matt Hancock MP
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Department of Health and Social Care
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The Rt Hon Michael Gove MP
Chancellor of the Duchy of Lancaster and Minister of State for Cabinet Office
Cabinet Office
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24 April 2020

Dear Matt and Michael,

COVID 19 KEY MEDICAL SUPPLIES FUNDING AGREEMENTS

1. I am writing to formally confirm the funding envelopes agreed between HM Treasury (HMT) and the Department of Health and Social Care (DHSC) for the procurement of ventilators, personal protective equipment (PPE) and testing programmes, and between HMT and the Cabinet Office (CO) for the UK manufacture of ventilators, as part of the Covid-19 response.
2. Nothing is more important than protecting patients and providing health and social care workers with the quality machinery, testing capability and personal protective equipment that they need. I and the wider Treasury stand fully behind this aim.
3. Between 18 and 25 March, I received and approved a series of standalone payment requests from DHSC related to the urgent purchase of this equipment. The payment request on 18 March was the first one received by HMT across the testing, PPE and ventilator workstreams. In all these cases, DHSC were given clearance to proceed within 24 hours, in order to meet the deadlines set by your department. This was on the basis that, without agreement within these timescales, we understood there was a risk orders would be lost; indeed, one order had to be cleared retrospectively given your



concerns around pace. As a result of this, HMT relied on the condition that the DHSC accounting officer was content with those approvals to ensure due diligence and scrutiny was being applied appropriately. To support this, HMT approved the appointment of a second accounting officer who took on his new responsibilities from the 6 March.

4. Subsequently, given the critical need to avoid any risk of slowing down the procurement process, and hence ensure the NHS, social care and wider public services get the supplies they need in time, I took the exceptional step of providing delegated envelopes to DHSC on 19 March for testing kits (requested on 19 March) and 25 March for PPE and ventilators (requested on 22 and 23 March respectively), and to CO on 3 April (requested on 1 April). These envelopes allow you to continue to rapidly purchase key equipment without the need to secure advance HMT approval for each individual payment sent or contract signed. Details of these agreements and subsequent changes are set out below.

Ventilators

5. To reflect the two separate but complementary workstreams on ventilator procurement, I provided separate envelopes to DHSC and Cabinet Office.

6. To support the DHSC led UK-wide ventilator procurement through existing NHS and international supply chains, I initially provided DHSC a CDEL envelope of £330m (excl. VAT) for ventilator and linked purchasing on 25 March 2020. This envelope was subsequently increased to £600m (excl. VAT) on 31 March 2020 and is the current amount within which DHSC must operate subject to further HMT approvals.

7. To support the CO led UK-wide manufacture and distribution of ventilators from new-to-market British firms who responded to the PM's ventilator challenge and call to arms, I initially agreed CO spending of £15m on 20 March to cover the initial design contracts, followed by an additional £163m on 27 March to pay for the first manufacturing contracts. I agreed a delegated envelope of an additional £276m (excl. VAT) on 3 April, which is the current CDEL envelope within which CO must operate subject to further HMT approvals. CO is best placed to lead this work, partially given their



procurement expertise, but also to allow the Medicines and Healthcare products Regulatory Agency (an ALB of DHSC) to conduct an impartial audit and review of new medical designs.

PPE

8. To support DHSC led procurement of PPE from existing NHS and international supply chains, as well as from new British manufacturers who have offered to assist the PPE effort, I initially provided DHSC with an RDEL envelope of £100m (excl. VAT) on 25 March 2020, increased to £500m (excl. VAT) on 4 April, and subsequently increased to £1 billion (excl. VAT) on 11 April 2020, which is the current amount within which DHSC must operate subject to further HMT approvals. While the initial envelope of £100m was designed to support DHSC's PPE procurement for the health and care sector in England, the scope has now been expanded to reflect the DHSC led UK-wide procurement approach.

Testing

9. To support the DHSC led UK-wide procurement of testing workstreams, I initially provided an envelope of £100m (excl. VAT) on 19 March for the purchase of home testing kits, alongside retrospective approval for £65m for an order placed on 18 March. Subsequently, I expanded the envelope to £300m RDEL on 25 March to include testing programmes across all the workstreams, which is the current amount within which DHSC must operate subject to further HMT approvals.

10. These envelopes will be kept under review and adjusted as required based on need or any changes to the government-wide covid-19 response.

Conditions

11. I also want to ensure that as robust a procurement process as possible is being followed in the time allowed. This is critical in order to ensure that any equipment being purchased will be suitable and safe for NHS patients, health workers and wider public services to use, without slowing down orders. I have therefore placed certain conditions