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**From:** Symes, Elkie - HMT[/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=AA19DC4EDF9F4AF8AEC5366C846A22DA-SYMES, ELKI]  
**Sent:** Sun 22/03/2020 8:24:43 PM (UTC)  
**To:** Barclay, Steve - HMT[SB@hmtreasury.gov.uk]  
**Cc:** CST Action - HMT[Action.CST@hmtreasury.gov.uk]; Name Redacted  
Name Redacted  
**Subject:** PPE Funding Request

Hi Steve,

Philippa mentioned this funding request would be coming on the phone yesterday. In summary (full advice from the team below):

- The UK currently has a 2 week supply of PPE circulating in the system before we run out.
- DHSC with the CO are looking to buy up stock from suppliers around the world.
- DHSC are looking to place one order of \$20m to a Chinese company called Meheco tonight (with \$5m paid upfront, and \$15m later).
- Because this is novel and contentious (not least as it requires payment in advance), you are being asked to approve.
- DHSC have asked that at the same time we agree to a £100m pot for PPE such as this, so that they do not need to come back to us at short notice for purchases such as these.
- As Philippa mentioned yesterday, there are three potential risks with this procurement approach: i) the legitimacy of the companies themselves; ii) the quality of their products (which may be unsuitable for the NHS – the British Medical Association are already running a campaign around poor quality PPE in circulation); and iii) the T&Cs and advance payment.
- The team continue to have vfm and propriety concerns with this purchase, although these are lower than discussed yesterday given it appears that Meheco is at least a legitimate company (DHSC have carried out further checks based on HMT steers). However, the team are still concerned that the equipment may not work, no contract has yet been seen and payment in advance of receipt is inherently risky. Compared to the multiple asks we have signed off over the last week, this therefore carries by far the most risk from propriety, regularity and vfm perspectives.
- However, given the current circumstances, the fact that some due diligence has been undertaken, and the relatively low cost of this transaction, the team suggest that you approve this purchase on a one off basis. The team do not suggest that you agree to a £100m PPE pot until we have had time to work through some of our wider concerns with DHSC/CO in (slightly) slower time.
- We understand that DHSC AO is content for this purchase to go ahead on regularity, propriety and vfm grounds, and on this basis (subject to written confirmation) recommend that you provide HMT approval for \$20m spend.

**Are you content to approval the purchase?**

Unfortunately DHSC are looking to put this order in this evening, and are therefore asking for your clearance tonight.

Thanks,

Elkie

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**FUNDING REQUEST: PPE**

- ∇ DHSC, working with Cabinet Office, are looking to buy up stock of Personal Protective Equipment (PPE) from suppliers around the world to support the response to covid-19. PPE includes equipment such as masks and gloves for use by clinical staff, and is in very high

demand from governments worldwide.

- ∇ We briefly discussed this issue on the call with you (CX and CST) on Saturday – the situation has now moved on and DHSC are looking to place one order (of \$20m with a company called Meheco - \$5m will be paid now and \$15m later) tonight.

Background:

- ∇ The UK has currently a 2 week supply of PPE circulating in the system before we run out, although there are already existing hotspots in England where Trusts have shortages.
- ∇ We understand the PM is planning to issue a call to arms to British Manufacturers to ask for assistance in providing PPE to the NHS, much like the ventilator call to arms to British engineering firms.
- ∇ However, in the meantime, DHSC/CO have been made aware of opportunities for further supply from manufacturers in China ramping up production. We understand there are a set of Chinese companies that are willing to take orders from governments, but are asking for deposit payments upfront.

Ask:

- ∇ **DHSC SofS has approved the purchase of \$20m PPE from a Chinese provider called Meheco.** Because this is novel and contentious (not least as it requires payment in advance), you are being asked to approve.
- ∇ DHSC have asked that at the same time we agree to a £100m pot for PPE such as this, so that they do not need to come back to us at short notice for purchases such as these.

Risks:

- ∇ As discussed yesterday, there are three potential risks with this procurement approach: i) the legitimacy of the companies themselves; ii) the quality of their products (which may be unsuitable for the NHS – the British Medical Association are already running a campaign around poor quality PPE in circulation); and iii) the T&Cs and advance payment.
- ∇ On i) we have more assurance than at this time yesterday:
  - We requested that further due diligence be done by post, who have this afternoon confirmed that they a good level of confidence in Meheco being a reputable company (75%+). They are confident that it is a Chinese State Owned Enterprise (essentially backed by the Chinese Government), with its own factories that produce anti-epidemic materials.
  - We understand that post are being judicious here, and have already rejected offers/requests from other companies on the basis they did not have sufficient confidence that companies were genuine.
- ∇ On ii) we are less assured, and DHSC accept that the level of due diligence on the products themselves is not watertight:
  - Post has asked for time-stamped photographs of products (boxed and unboxed) to prove the products do exist, but DHSC have yet to see these.
  - There has been an independent technical assurance undertaken on the proposed procurements (Clinical and Product Assurance – also used by NHS Supply Chain). This process highlighted some low and medium risks, but the products have 'passed' the CaPa technical due diligence.
  - However, DHSC/CO say that there is no ability to check that the quality of the products is suitable for the NHS. Given BMA and other concerns about quality of PPE equipment, quality assurance will need to be undertaken on receipt of goods before they enter the supply chain.
- We have asked DHSC whether there is really no option to employ someone to check this stock in person before we pay the full bill to work out whether it will be useable in the NHS. As

yet, we have had no answer on this but will continue to push.

- ∇ On iii), CO have yet not seen the contract for the deal:
  - It is expected suppliers will be using their T&Cs not the standard CO T&Cs, so there will be no firm UK Government commercial protection.
  - 25% payment in advance has been requested. DHSC believe that it is likely all other deals with the Chinese suppliers for PPE will require some form of payment in advance – the commercial judgement is this is primarily due to market conditions but also to a lesser degree to manage supplier cashflows.
- ∇ You should also note that there is likely to be a significant mark up on this equipment compared to usual price, but we have not yet received details from DHSC.

Recommendation:

- ∇ We continue to have vfm and propriety concerns with this purchase, although these are lower than discussed yesterday given it appears that Meheco is at least a legitimate company. We are still concerned that the equipment may not work, no contract has yet been seen and payment in advance of receipt is inherently risky. Compared to the multiple asks we have signed off over the last week, this therefore carries by far the most risk from propriety, regularity and vfm perspectives.
- ∇ However, given the current circumstances, the fact that some due diligence has been undertaken, and the relatively low cost of this transaction, we suggest that you approve this purchase on a one off basis. We do not suggest that you agree to a £100m PPE pot until we have had time to work through some of our wider concerns with DHSC/CO in (slightly) slower time.
- ∇ **We understand that DHSC AO is content for this purchase to go ahead on regularity, propriety and vfm grounds, and on this basis (subject to written confirmation) recommend that you provide HMT approval for \$20m spend.**

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