HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: Management of PPE Contracts, HC 1214

Wednesday 20 April 2022

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Shaun Bailey; Dan Carden; Sir Geoffrey Clifton-Brown; Peter Grant; Mr Louie French; Sarah Olney; Nick Smith.

Gareth Davies, Comptroller and Auditor General, Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, and Lee Summerfield, Director, National Audit Office, were in attendance.

Questions 1-121

Witnesses

I: Sir Chris Wormald, Permanent Secretary, Department of Health and Social Care, Shona Dunn, Second Permanent Secretary, Department of Health and Social Care, and Jonathan Marron, Director General, Office for Health Improvement and Disparities, Department of Health and Social Care.

HOUSE OF COMMONS

Report by the Comptroller and Auditor General

Investigation into the management of PPE contracts (HC 1144)

Examination of witnesses

Witnesses: Sir Chris Wormald, Shona Dunn and Jonathan Marron.

Chair: Welcome to the Public Accounts Committee on Wednesday 20 April 2022. Today we are looking again at the Department of Health and Social Care's management of PPE contracts.

During the pandemic, as we all know, the Government spent hundreds of millions of pounds trying to secure personal protective equipment from all over the world for our healthcare and social care workers at the frontline, which it was obviously essentially to do. However, it has emerged that some of those contracts did not deliver or provide the right equipment, and some were not fit for purpose for any use at all.

Today we have senior officials from the Department to probe even deeper into how these contracts are being managed now and whether there is any chance of money being recouped for the taxpayer. Obviously, we are constantly looking at lessons for the future as well.

I welcome our witnesses from the Department of Health and Social Care. Welcome back to Sir Chris Wormald, the permanent secretary; Shona Dunn, the second permanent secretary, who is also a regular visitor to this Committee; and Jonathan Marron, the director general for the Office for Health Improvement and Disparities and, if I were mean, I would be tempted to say the bonfire of the PPE, but we will be getting into that a little later. It is true that some of it is actually being burned, but we will go into that with more subtlety in a moment.

I will ask Nick Smith MP to kick off. Over to you, Mr Smith.

Q1 **Nick Smith:** Welcome, everybody. It is good to see you again. My first question is to Sir Chris. What assurance can you give us now that you know where all your PPE is and whether it is the right quality?

Sir Chris Wormald: I will ask Jonathan to add the detail. We have just written to the Committee again, including an exciting new map of exactly where all our PPE is, which we thought was the best way to communicate this to the Committee and the wider public. We are clear that we know exactly where it all is. It is increasingly in proper warehouse accommodation, moving out of ports and shipping containers. We are making considerable progress on auditing its quality exactly, and I will leave Jonathan to describe the details of that.

Q2 **Nick Smith:** Sir Chris, did you say it is out of shipping containers now?

Sir Chris Wormald: First you want it out of ports. It can then be in shipping containers in storage, but ideally in the long term you want it in warehousing, because it is cheaper and easier to access.

Q3 **Nick Smith:** I meant did you say it is out of shipping containers?

Sir Chris Wormald: No, it's not out of shipping containers; it is out of ports. If you look at our map, we have broken it down by those components. You always have some in shipping containers because you have stuff in transit and so on.

Nick Smith: It's okay; I just misunderstood you.

Sir Chris Wormald: The key thing is not to clog up ports, as you know. Jonathan, would you like to add some detail?

Jonathan Marron: Our PPE is in 70 locations across the country. We have 50 warehouses of our own. We still have a significant number of containers—about 11,500 containers currently. We then have a small amount of PPE with suppliers and there is a warehouse in China that we are still holding.

Some PPE that we ordered has not yet been delivered—largely more recent orders of gloves. At the time of the Report, there were about 5 billion outstanding items, including 4.3 billion gloves and some other things. The number of items we have not yet received is now down to about 300 million, so most of it is with us.

In terms of the containers, we have opened them all. I remember we had discussions about what has been checked, and there are 769 containers that we have opened without fully completing the categorisation of the quality checks. That leaves us with about 1.39 billion items that have not been fully quality checked of the 33 billion items that we have received.

Q4 **Nick Smith:** Okay, so that's 1.3 billion items that you have not quality checked.

Jonathan Marron: For which we have not completed our checks, yes.

Sir Chris Wormald: Just to be clear, that is completed checks. It has all been viewed—every container has been opened, but not everything has been through every quality check that we do. That's the point.

Q5 **Nick Smith:** I just want to double check the figures you have given us, because the NAO told us that they could not reconcile the numbers from your stock model and could not give assurances on the accuracy.

Jonathan Marron: We have spoken at length to the NAO about this. The stock model is exactly that: it is a model to try to help us make management decisions on the locations and movements of 16 billion items. It is not and was never intended to be a fully accurate account of all of our stock. In terms of contract management in the accounts, we work from a different set of systems that basically manage our contracts, payments and inventory. Those are all fully reconciled and we are

confident in those. The stock model, essentially, was built to help us to manage the system and ensure that we can move things around effectively. The small discrepancies the NAO found did not surprise us—we never expected the stock model to give that level of precision. It is essentially a management tool.

Nick Smith: Okay, so you are saying it is apples and pears. The 1.3 billion items that you have not looked at—

Sir Chris Wormald: No, we have looked at all of it. We haven't completed our quality control checks on all of it.

Jonathan Marron: We haven't completed the checks.

Q6 **Nick Smith:** When do you think you will have completed your quality control checks on those items?

Jonathan Marron: We continue to work through them. As I say, between January and now, nearly 4.5 billion further items have arrived in country. The process is not finished. We continue to work through them.

Q7 **Nick Smith:** What is your estimate of how long it will take?

Jonathan Marron: I think it will take us another couple of months, to be completely sure. We are working through them.

Q8 **Nick Smith:** Two or three months?

Jonathan Marron: I am not absolutely precisely certain.

Chair: Maybe by the summer recess.

Q9 **Nick Smith:** Thank you for the letter you sent us; we received it yesterday, although I only had the chance to look at it a quarter of an hour ago. We will probably have to look at it again separately. I want to confirm one of the points that I raised at the last meeting, which you are providing information on now. You say that 1.1 billion items were identified as not fit for any use at all—you have done a tally of them over the page. The value of those items, if I understand it properly, is nearly £461 million. Is that right?

Jonathan Marron: That is correct.

Q10 **Nick Smith:** Wow. The urgent care centre built in Gwent, for a population of about 600,000, cost £350 million and it is brand spanking new. That is more than the cost of a brand new hospital.

Jonathan Marron: Yes. It is about the quality of the stock that we bought. Clearly we bought really significant amounts of PPE and we have used huge amounts. Up to the end of last month, 19.8 billion items of PPE have been distributed across health and social care; indeed, 675 million items were used last month, in March. They are just enormous figures for the volumes that we have needed to keep patients and the public safe.

Chair: But this stuff wasn't fit for use.

Q11 **Nick Smith:** I am just trying to understand. Was it not fit for any use at all?

Jonathan Marron: It is 3% of the total that we purchased, so it is quite a small proportion. In normal times, I would think that was a very high number, but if we go back to when we bought the PPE, with the market conditions and the real difficulties in buying, it feels—you know?

Q12 **Nick Smith:** Mr Marron, thanks for that last answer. Sir Chris, what assurance can you give us that the PPE in stock matches what was supposed to be delivered by your contracts? Big picture.

Sir Chris Wormald: That is part of the quality control checks that we do. You are doing two things, aren't you, Jonathan? You are checking that what is there is what you expect to be there, and then you are checking that it meets the quality standards that we have set. So when we say that something has been fully checked, we have checked both of those things. For the total that we have fully checked, we can give you an absolute assurance to the level of our checks; for the stuff where we have not completed yet, we cannot give you that assurance, but we will be able to when we have finished. That is basically it.

Jonathan Marron: At the first stage we fully reconciled orders to deliveries. We are confident that we got what we ordered and that we have paid for the things that we have receipt of. As the permanent secretary states, we have not quite completed the technical checks on all of the items.

Q13 **Nick Smith:** Although you have done sufficient checking to know that you have 176 contracts where you need mediation about where things are not right, where there are real problems.

Jonathan Marron: Yes, we have 176 contracts where there are concerns about either the quality or the performance of the contract. Those move through a process starting with a set of commercial discussions between the team and the contractor. Our contracts all then require a formal mediation process to try to resolve the dispute. Obviously, if we are unsuccessful at that stage, we have the option to move to a more legal process to pursue damages against the contracts that did not perform. We are currently working through that process. It is quite hard to give detailed updates on performance against the individual contracts. The commercial negotiations are not complete, so it is difficult to talk about in an open session.

Q14 **Nick Smith:** It must be a massive exercise—huge—and very expensive, involving lots of top lawyers, I'm sure. You have sent us the list and asked us not to share it. I accept that confidence, but of, what is the overall amount of money that the Department is disputing with the contractors involved in these 176 contracts?

Jonathan Marron: The total value of the 176 contracts is £3.9 billion, but not all of the £3.9 billion is in dispute. In many of the contracts, we ordered more than one product and products have come that are perfectly acceptable, whereas with others we have had difficulties.

Q15 **Nick Smith:** What is the total amount of money that is in dispute for the contracts that you have?

Jonathan Marron: The value of the areas where we have disputes with the contract is £2.7 billion.

Chair: Can I bring in Dan Carden MP at this point?

Q16 **Dan Carden:** On these 176 contracts, there is a possibility that the number of billions of pounds spent on PPE equipment that will ultimately not be able to be used could be much higher than the figure that my colleague has quoted. I was just looking back at an answer from a Health Minister that I was given in response to a written question, which said that there was £1.46 billion of PPE that "cannot be used". I will have to go back and see where these figures do not agree with each other.

As you look at the individual contracts, how close are you to referring any companies to the police or to taking legal action?

Sir Chris Wormald: I will comment on the first bit and Jonathan can comment on the second. It would not surprise me at all if the numbers you were given historically are different from the numbers that we are giving you now. What we have been trying to do—I appreciate it is difficult because the numbers move around—is give the Committee our snapshot today so you can see how it moves.

Chair: I should add that we did the annual report and accounts, which covers that first period, so these will be different.

Sir Chris Wormald: Yes. Well, this was going to be the second thing. The point where it fixes in stone is when the NAO has audited it annually, and in between that we are giving you updates that we know will change, so I would not be surprised if it was a slightly different number. It ought to be able to be reconcilable, but, as I say, the "official" number is the one that the Comptroller will find.

Chair: What we need to draw from this is that Mr Carden and the Committee are looking very closely at these numbers.

Sir Chris Wormald: Which is why we give you continuous updates. On the second point, it is not unusual to be in dispute on some contracts at any given time. If you look across the NHS and the health service, some of those will be resolved entirely amicably, and some will get to the other end of the spectrum where we believe there has been wrongdoing. It is not in itself unusual to be in the mediation bit.

Q17 **Dan Carden:** Let me come back with another question. Will you be able to come to the Committee or write to the Committee and tell us how many companies you have paid money to that have not delivered any usable PPE?

Sir Chris Wormald: We intend to continue to give the Committee as transparently as we can, either publicly or privately, updates on all these issues. I can't give you a date where we will be able to say, "Here is the

final number" and so on, but that is what we are trying to do, given the level of public interest—to give you a running commentary on what is happening. As we say, some of that has to be in private for reasons that I know you understand, but I will seek to give you all the information that we have.

Q18 **Chair:** While we accept private stuff in the interim, we are of course the Public Accounts Committee and we want to do things in public as much as possible, when it is the right time.

Sir Chris Wormald: Yes, exactly. We can be much more open about what the macro totals are; it is the individual contract stuff that might—

Q19 **Chair:** Also, as guardians of taxpayers' money, we don't want to queer the pitch of the dispute where we might get taxpayers' money back. That is the only reason we will hold it privately. We obviously want it to be as public as soon as possible.

Mr Marron, on the point about criminal issues?

Jonathan Marron: What I can say is that we are working really closely with our internal fraud teams and the broader fraud authorities. That is part of what we are looking at in how we might bring to resolution these disputes. Clearly, where possible that we can create a commercial agreement that makes sense for all parties, we are trying to do that, but all options are on the table.

Q20 **Dan Carden:** Do you think there has been fraud, and can the public expect to have some of this money returned?

Sir Chris Wormald: As the Committee knows, fraud in contracting is a fact of life regardless of the circumstances and you are always trying to a) minimise it happening and b) get it back when you identify it. It would be astonishing if this were the only large set of Government contracts on which there was no fraud at all.

Q21 **Dan Carden:** Can you send the message to the companies that have defrauded the public purse?

Sir Chris Wormald: Exactly. We have been working with the National Audit Office on this. We don't believe, from what we have seen, that the levels of fraud are higher in percentage terms in this set of contracts than standard—although I hate to say standard, because obviously all fraud is unacceptable.

Q22 **Chair:** Percentage terms—but because it was large value, a percentage of a large value—

Sir Chris Wormald: Is a large value, of course, and any pound of fraud is of course too many. What we haven't seen is this set of contracts appearing to be more susceptible to fraud than the average. That is still too high, obviously.

That said—I will bring Shona in on this—we are looking very carefully both at what we do on these contracts and how we improve our fraud

techniques going forward. I might ask Jonathan to talk about the messages we are sending on fraud and then Shona to talk about what we are doing going forwards on the same subject.

Jonathan Marron: We are looking really closely at the 176 contracts where we have concerns. We are co-operating with the fraud authorities. There are some contracts where there is interest. I don't yet know whether that will turn out to be fraud.

Q23 **Dan Carden:** How many?

Jonathan Marron: I would rather not say. I think it is quite important that we allow the investigation to run and not speculate at this stage, but we will continue to come back to the Committee with the information we can give you.

There are other reasons that are not fraudulent—simply the production of goods that didn't meet standards—on which we are in discussion with firms. Some of those discussions feel highly productive and some feel more difficult. I am sure that we will need to use all the steps in our process.

Q24 **Chair:** Can I just be clear? The fact that you are in contact with some of the fraud authorities means that you do think that there are some that you might take through all the way and that there might be a chance of getting money back.

Sir Chris Wormald: Yes. Now, as I say, that is, as you know, not unusual.

Q25 **Chair:** Just be clear on timescales—how long could it take?

Sir Chris Wormald: For that bit, particularly if it involves going to court on the fraud, as you know, it takes as long as it takes and that can be really quite some time.

As I think Mr Carden was hinting towards, the message to people that we do not tolerate fraud, and when we pursue it, we will pursue it for as long as it takes, is important in itself in deterring future fraud as well as getting our money back, and we will certainly be doing that.

Q26 **Chair:** We will be leaving a memo to our successor Committee—it depends how long this takes.

Sir Chris Wormald: We will both still be here, Chair, I am pretty sure.

Chair: Happily, some members of this Committee are young enough to be here when eventually this all comes out.

Sir Chris Wormald: Do you want to get into what we are doing in future on fraud too?

Chair: Briefly.

Shona Dunn: Just briefly, Chair. Of course, we have learned an enormous number of lessons, as have everybody, during the course of the last two years. We have developed a counter-fraud strategy, which is helping us, as a Department, and as a wider health family, develop our processes throughout the life cycle of policymaking, through to designing delivery and ensuring that, as far as possible, we are designing fraud out.

Our counter-fraud strategy covers everything from getting the basics right, building capability in the organisation, working together with our ALBs across the wider health landscape, and putting in place basic processes like initial fraud evaluation assessments at the outset of processes, so that we can try to design things out at the outset. A lot is going on, with high levels of discussion in the organisation. I have talked before about the resets that we are doing across commercial, finance, and so on, to make sure that all our controls and compliance are where we want them to be, and fraud is part of that picture.

Q27 **Chair:** Certainly, but let's be clear, some of these issues in the Department did predate the pandemic, so that is helpful to hear. However, we are focusing today, mostly, on what has happened, because we do not have time, in the time we have, to go into other things.

Jonathan Marron: Chair, just very briefly, on PPE, as the NAO set out in the Report, our current estimate is that we think that we have prevent £139 million worth of fraud, and we have already recovered £18 million, so there has been some fraud detected and recovered. Obviously, we have a much wider programme, with 176 contracts that we will come back and talk about.

Chair: Yes, I mean, you always celebrate the successes, but let's be clear about the scale of that, in relation to the overall picture.

Q28 **Peter Grant:** Sir Chris, you have described some of the steps you have been able to take against fraud; what steps have you been able to take to deal with blatant and obvious profiteering?

Sir Chris Wormald: Jonathan, do you want to answer that?

Jonathan Marron: The reality of the process is, when we were buying—remember that the period we are really talking about is March to June in 2020, which was the height of the pandemic and of the global supply problems—the opportunities to buy were not there for very long. Our essential requirement was either that we met the price, or some other purchaser would have met them.

In that stage, we were not really looking at what happened down the supply chain. Our questions were, "Do you have PPE of appropriate quality?", "Can you deliver it in the timescales that we need?", "Do we believe that our financial due diligence on the companies is also acceptable?", and finally, "What is the price on offer?"—was the price within the range that we felt was the market price? If those conditions were met, we were prepared to contract.

The real desire, here, was to make sure that we had access to PPE, and perhaps some of the things that, in normal circumstances, you might spend more time looking at, we just simply did not do. The requirement and objective was to secure PPE from people who had it. If you remember, those who had supplies of PPE at that stage really were in a seller's market.

Sir Chris Wormald: And as you will know from your previous life, Mr Grant, taking action retrospectively against international companies on profit is, basically, not doable. Going forward, as I think we have said to the Committee before, the thing that would guard against this in future is greater diversity of supply—

Chair: We will come on to some of that in a moment—

Sir Chris Wormald:—and that was, as I said, a problem in February to April.

Chair: Okay. We do need to move on.

Q29 **Peter Grant:** With respect, Sir Chris, I think it might be more strictly correct to say that taking action retrospectively on excess profits can only be done if you built it into the contract at the time. Profit sharing is quite often used in these kinds of contracts, but we can understand why—

Sir Chris Wormald: At that point in the market, that was not possible. I completely agree with your point, but at that stage in the market, that was not going to happen.

Chair: Let us be clear; that plays into some of the problems with contracting in the Department from before, as well.

Peter Grant: I may want to pick that point up later on, Chair, but I think other members want to come in.

Chair: Yes, I think I may bring you back in at a later point, Mr Grant. Back to Mr Nick Smith, who has been patiently waiting.

Q30 **Nick Smith:** Not at all; thanks, Chair. Mr Marron, I want to come on to the mountain of shipping containers for the PPE—and the warehouses. How confident are you that you will be able to distribute the 10 billion items of PPE that are in storage, and are still needed, before they pass their sell-by date and are wasted?

Jonathan Marron: I think we now have a really secure system for distributing PPE, not only to the NHS and hospitals through the bulk deliveries through Clipper, but to social care and GP surgeries through our e-portal, which has over 58,000 people signed up to it. So, I think our distribution system is solid.

We have focused on ensuring that we have the product available to distribute. Our warehouses hold the things that we need; we have worked through our storage and logistics to make sure that we are prioritising the

goods that we are expecting to use; and we are working hard to ensure we get the stuff with a shorter shelf life out first.

There may be some elements where, depending on how long this crisis goes on, we may get to the point that we have certain products that expire from their shelf life. We are already looking at whether they can be extended. You might remember that at the beginning of the crisis, we relied heavily on the Department's PIPP stock, which had been bought in the late 2000s. The life of some of those products had been extended several times. We are looking at that.

Q31 **Nick Smith:** My shorthand for your comments and responses is that you are pretty confident that you can get materials distributed without being wasted, but you did talk about some items where you thought there were difficulties. Could you give us more information about where you think there might be difficulties?

Jonathan Marron: I think our key challenge is future demand. We are now running at about 675 million items a month. If that continues, it will shift a significant volume of our products. At that sort of demand, getting into next year, we may have products that are beginning to come to the end of their shelf life. Some items will come out of shelf life this year, and a significant volume in the following year. It really sort of slightly depends on how demand plays out, but we are confident we can meet the requirements going forward.

Q32 **Nick Smith:** Okay, good. Do you have any specific worries?

Jonathan Marron: In terms of being able to meet demand?

Nick Smith: About the very short life stuff not being used.

Jonathan Marron: The materials with the shortest shelf life are largely things such as masks, so that is where we will have the greatest attention on whether we are able to extend and use them effectively. We have had success in extending masks in the past, so that is an area where we think we might be successful.

Q33 **Nick Smith:** Thanks—that has given me some confidence and it is pleasing. What update can you give us on the 3.9 billion items you need to dispose of because you do not need them?

Jonathan Marron: On disposals, we have very recently signed a contract with two lead waste providers who will help us work through our excess stock and the materials that we leave for disposal. They have just come on board, so they are working through the first 15 SKUs or product types that we have asked them to look at, and they are coming up with a plan for how we can dispose of those, looking first at recycling options, and then of course, if recycling is not possible, they will look at other options. We hope to see that plan—

Q34 **Nick Smith:** What do you mean by other options?

Jonathan Marron: Heat from waste is the most obvious one—

Chair: Burning them.

Jonathan Marron: Well, burning them in order to produce power and energy in replacement for other fuels that would otherwise be burned in the incinerator—that is an effective way of using them. Our first choice is of course recycling.

Q35 **Nick Smith:** How much of it will go towards producing heat from waste, and how much will just be incinerated with no added value? Do you know?

Jonathan Marron: Currently, we do not have a clearer view of the total amount that can be recycled and the volumes that might then go to heat from waste. Clearly, straight incineration is not something we are currently looking at. We would like to see heat from waste use, and we would like to see recycling ahead of it. Of course, we are still looking at whether there are opportunities for international donations or sales, so that we get the best possible use out of the products.

As the lead waste providers come back with their proposal, we will have a much clearer idea of what can be done. Our estimate is that we can shift around 15,000 pallets a month, either into recycling or into heat waste, but that is our estimate rather than the experts'.

Q36 **Nick Smith:** When you move between different measurements of PPE, it is sometimes hard to make sense of. When you say 15,000 pallets a month, how many items of PPE would that be?

Jonathan Marron: Obviously it depends on type. I can look it up and tell you if you would like me to—I have it.

Sir Chris Wormald: While he looks at that, just to be clear on your previous point, we are not planning any not-for-energy incineration at the moment. It depends on the work that is done with the two companies, but that is not part of our plan. That is correct, isn't it?

Jonathan Marron: That is exactly correct. This is what you get on a pallet: 58,000 aprons—

Q37 **Nick Smith:** No, for the 15,000 pallets that will go to incineration this year for heat for use, how many items are there?

Jonathan Marron: The point is that it will depend what they are.

Sir Chris Wormald: We will come back to you. I don't think we had thought of that calculation.

Jonathan Marron: We will come back. Things like aprons are the easiest to recycle—single polymer, easily separated, and can be used then to make other plastic things. We then have complicated things like visors, with moving parts that need to be disassembled. So we just need to work through what can be done.

Q38 **Nick Smith:** Sorry to interrupt, but I have read your letter now, although we only got it maybe an hour ago. I am just reading through it, and the section on excess stock is really quite thin. It is good that you have

appointed an asset disposal specialist. They will be a big help, I am sure. But could we please have much more detail on this aspect of our concern, because it is not—

Sir Chris Wormald: Yes, you can. It will have to be after our specialists have done their work, in order to answer your questions properly, but yes.

Nick Smith: Thank you.

Jonathan Marron: The one other thing I would add, which I think is also in our letter, is that we are working with BEIS and Innovate UK to look at whether actually there are other ways of recycling some of these products and more innovative things we can do. So, while we will explore with our lead waste contractors the currently available options, there may be other ways of doing this, and we are looking at that as well. Really driving recycling is very important to us.

Q39 **Nick Smith:** On PPE in containers and penalty charges, I understand that there is, so far, £436 million in penalty charges that have had to be paid—extra money. It equates to roughly £16 per household across the UK. Tell us more about that. Is that £436 million figure likely to go up? Is it going to go north of £500 million shortly, or has it already? What is going on there, please, Mr Marron?

Jonathan Marron: In the trade these payments are known as detention and demurrage. Sorry, we are going to get into details of—

Chair: You thought you were working for the Department of Health!

Jonathan Marron: Yes, I have learned things that I did not expect to learn in the last two years. Essentially, when you have a contract for shipping and shipping containers, you get a certain amount of time in the port, which is written in the contract, and then you pay extra.

Nick Smith: We get that. We are learning lots too, I can assure you.

Jonathan Marron: So the first block of these charges was because we had containers in ports longer than the free period. And then the second, demurrage, is because, if you hold on to a container longer than expected, you pay an additional charge.

As you have seen, there are some excellent charts in the Report showing the numbers of items that came in. In that period in autumn 2020, we had very large volumes of PPE arriving and limited warehouse space. Between then and now, we have essentially increased our warehouses; actually, we have bought some containers of our own, and we have got out of the detention and demurrage. So you should not see these going up; that has been done.

Q40 **Nick Smith:** So you think it is going to stop at £436 million—

Jonathan Marron: Yes.

Nick Smith: —in penalty charges now.

Sir Chris Wormald: No, sorry, they are not penalty charges. We do have to use the words right, because obviously those words have connotations.

Chair: Well, we understand what they are, whichever way we describe them.

Q41 **Nick Smith:** What would be your shorthand description of them, please?

Sir Chris Wormald: I would use exactly the description—

Jonathan Marron: Detention and demurrage.

Sir Chris Wormald: Yes.

Jonathan Marron: Actually, I'm not sure I can spell "demurrage", but I can say it.

Sir Chris Wormald: It is a pedantic point, but it's not.

Nick Smith: Use the right language—we get it.

Sir Chris Wormald: That is the wording in the contracts that we signed, as it were, and penalty charges are, as we know, something different.

Chair: It underlines the importance of logistics and moving things along.

Jonathan Marron: There is another way to illustrate this. The initial numbers are in the Report. Back in November 2020, we were paying £103 million a month for storage. By November '21, that was down to £27 million—largely as we got out of some of this detention and demurrage and we got more warehouse space, which is obviously cheaper. We are now down to £15.2 million, so it has halved again—

Q42 **Chair:** This is big bucks.

Jonathan Marron: Yes.

Chair: Okay. Can I just be very clear about this? We have votes in 45 minutes, so we need to step it up. As much as the extra information is interesting, we want to focus on answers to our questions.

Q43 **Nick Smith:** One last question from me, and I would be grateful if you could give me the best answer you can, please, Mr Marron. How much PPE do you think will eventually be incinerated?

Jonathan Marron: I do not have an estimate of that today. I am sure that as we have reports back from our lead waste providers and we have a better understanding of their view of what can be recycled and, indeed, used for heat from waste, we can come back to you, but I do not have that estimate at hand.

Q44 **Nick Smith:** Can we have it in a written response as soon as your asset disposal people are able to provide it?

Jonathan Marron: Yes.

Nick Smith: Thanks ever so much.

Q45 **Sir Geoffrey Clifton-Brown:** Good afternoon. Sir Chris, you declared a red incident in the NHS on 30 January 2020.

Sir Chris Wormald: No, I didn't declare it; the NHS declared it.

Sir Geoffrey Clifton-Brown: All right, they did.

Sir Chris Wormald: From memory—I will believe you on the date.

Chair: But you agree with the fact that it happened.

Q46 **Sir Geoffrey Clifton-Brown:** That is a very important day because it indicated that things were going to get very serious. Otherwise the NHS would not have entered that red alert.

Sir Chris Wormald: Yes.

Q47 **Sir Geoffrey Clifton-Brown:** At that point you had a strategic reserve of PPE, although it was not suitable for a corona-type virus; it was predicated on an influenza-type virus.

Sir Chris Wormald: But we did not know that at the time, which I will come back to.

Q48 **Sir Geoffrey Clifton-Brown:** How quickly did you find out that it was not suitable, and when did you start to secure PPE that was suitable?

Sir Chris Wormald: We went into the market very, very quickly, but not at the scale that we eventually did. It is not the case that what we had in the stockpile was not suitable; it was that there was not enough of it for this type of pandemic. We used an enormous amount of our PIPP stockpile.

The key point, when everybody's estimates of demand and our understanding of the disease changed, was in early April. That is when it became clear that asymptomatic transmission was a much more significant part of the pandemic than was believed. These things changed very quickly. I do not remember the exact date, but very early in April the WHO was still saying that it had no significant confirmed cases of asymptomatic transmission; then, there was a study by the CDC—from memory, on 3 or 4 April—proving that there was. Basically, that was the point when all our demand assumptions on PPE changed because we had to use it in far more circumstances.

The PIPP stock was basically what is needed for hospitals in a pandemic. Asymptomatic transmission expanded the number of circumstances in which you needed PPE. That is the point when our guidance changed and when our demand changed.

We were out in the market before that—in February, Jonathan?

Jonathan Marron: Yes.

Sir Chris Wormald: So we were buying PPE at that point. Our demand assumptions and therefore how much we needed to buy, and the creation of a parallel route and all that stems from that change in our understanding of the pandemic in early April.

Q49 **Sir Geoffrey Clifton-Brown:** We went into lockdown on 23 March, so given what you have just said, it would be an unfair accusation that you were behind the curve in making your acquisitions, because it wasn't clear to you? Even though we went into a national lockdown—a pretty serious situation—on 23 March, it was not until April that you really stepped up your purchases of PPE.

Sir Chris Wormald: With the benefits of hindsight, you would do lots of things differently at that point, as you know, and I am sure the public inquiry will look at this. Could you have looked at the evidence and made a decision slightly earlier? Well, possibly, but I don't think so. Personally, having looked at this several times, I think the course of events that I set out shows a rational set of decisions. That is not the same as saying that you could not have made different decisions in the same circumstances, so there is of course some truth to your question, but having been through it several times, I think that the evidence matched with the decisions we took was a rational set of things to do. That is not the same as saying you would do it again knowing what you know now, or that somebody else could not have made a different decision, but I do think it was rational.

Q50 **Sir Geoffrey Clifton-Brown:** We will come later to what hindsight might teach you for the future. During the month of April, a very important thing happened not only in the health service but in social care: it was clear that their purchasing ability, which had been to do it privately, on their own, became impossible, so you started supplying PPE to the social care sector. Does that still occur today?

Sir Chris Wormald: Yes, and it all flows out of exactly the same set of evidence. Once we had identified significant asymptomatic transmission, the biggest sector that we knew would have to use very large amounts of PPE was social care. You needed more in the NHS, because you needed it in more settings, but you needed it for the whole of social care and then for quite a lot of other parts of the economy. A very big part of the demand jump is social care.

You know the structure of the social care market—it buys its own stuff and so on—and it was quite clear that for that emergency, that was not going to work, which is why we built an entirely separate and new supply chain to both source stuff for social care and distribute it to this enormous number of people, and it still runs now. Jonathan, do you want to give an update on where it is now?

Sir Geoffrey Clifton-Brown: Sir Chris, we want to keep these answers fairly tight.

Jonathan Marron: Last month, 675 million PPE items were distributed as a whole, of which 364 million were through our PPE portal, which is largely

social care and a small amount of primary care provision. So there are still very significant volumes being provided to social care, month on month.

Q51 **Sir Geoffrey Clifton-Brown:** To the two of you, or whichever, for the foreseeable future will it continue to be the case that you will supply the social care sector?

Jonathan Marron: The Government are committed to providing free PPE to health and social care while the IPC guidance is in place requiring the covid levels of use—so while it is needed, we are providing it.

Q52 **Sir Geoffrey Clifton-Brown:** Does that apply to any other, wider Government organisations? For example, I am thinking about schools and prisons. If you have this massive amount of PPE, some of which is going to go out of date, surely it would be better to give it away to places like prisons and schools rather than let it go out of date? What are you doing about supplying wider organisations?

Jonathan Marron: We have provided to prisons in the past. Last autumn, we made almost 2 million items of PPE available to schools. We are able to help people, if other Government Departments are interested in picking up those requirements.

Chair: You are pitching your advert there.

Q53 **Sir Geoffrey Clifton-Brown:** Having had a strategic reserve of PPE, have you built up another strategic reserve of PPE? If so, what diseases are you looking at? We don't want to get into another situation whereby you've got it all for covid, and suddenly something else comes along.

Sir Chris Wormald: We debated some of this last time I was here. We will certainly have a reserve; effectively, we have that at the moment because we have a large surplus of PPE. The decision about how big a reserve to have going forward is not straightforward and we have not taken it yet. I think I gave you some numbers the last time I was here. If you had a stockpile that would allow you to deal with covid, you would have to have a pandemic every 12 years.

Chair: Yes, we had some very good figures on that.

Sir Chris Wormald: Clearly, you will probably want something that is bigger than what we had last time, although it was the amount that was essential to managing to disease. It looks from our numbers like you will want it to be smaller than being big enough to deal with a pandemic of this scale simply out of reserve. As Jonathan's stockpile diminishes, we will have a decision to take—sorry, I shouldn't call it Jonathan's stockpile, should I? The Government's stockpile. That decision is not yet taken as to how big a reserve we will have going forward. As I say, it is going to be between those two points. We don't take it as read that we will want to stockpile first.

Q54 **Sir Geoffrey Clifton-Brown:** I understand your difficulty, Sir Chris. That raises two important questions. Going back to Mr Smith's questions, when you have decided what the size of that strategic reserve is, you need to

decide how much storage space you have got. Is that thinking going alongside that?

Sir Chris Wormald: Yes, and as I say these decisions have not been taken yet. There are two big things we have to deal with, both of which have already come up. One is how much you are prepared to pay for storage, as well as how much you want to buy, and the other is the "When it goes out of date" question. Ideally, of course, you take out of one end of the stockpile and replace, but at a certain size of stockpile you are unable to do that because you can't take out enough that is usable, so you would build in a cost of wastage by having a stockpile so large. That would be one of the factors we take into account.

Q55 **Sir Geoffrey Clifton-Brown:** Presumably that implies an Amazon-type stock management control system, so you know precisely what you have got, when it is going to go out of date and where to move it.

Sir Chris Wormald: Yes, exactly, and we that do on lots of things. We do it with various of our antiviral stores, for example. You take out of one end and put back in at the other.

Chair: Let's not discuss logistics.

Q56 **Sir Geoffrey Clifton-Brown:** One final question from me, which we have discussed before. We want to build up the resilience of UK-produced PPE. Can you give us an update on that?

Jonathan Marron: As we have already said, we had about 37 contracts with UK firms that were very successful. Of those, a number of firms have stopped producing PPE. We had some good manufacturers who were really creative at an early stage, but they have other products to make. We have five or seven firms that are still making PPE under contract to other people. NHS Scotland is contracting with one of the firms. Clearly, we are not in the market to buy at the moment, but a number of firms—I think seven, but I will correct that if I am wrong—are on SCCL's future frameworks, so we will be able to bid for PPE contracts as they come through. I think, in all, it has a really successful process. Both existing UK manufacturers are able to produce PPE. The bin bags being manufactured into aprons was a huge success story; it only required a small adjustment to the line. With the production of respirators, the process has also brought really high-tech kit into the country.

Chair: Great, okay. Shaun Bailey.

Q57 **Shaun Bailey:** Thank you. Sir Chris, I just want to turn to the length of time in dealing with contractual disputes. I am conscious that the Department does not expect to resolve 35% of its contractual disputes until next year. Why is it taking so long to resolve these disputes? Mr Marron, you may want to come in on this.

Jonathan Marron: I think there are two things. First, the procurement process was complicated, given the environment we are in and the difficulties we face. That adds some complexity. Secondly, the process we want to step through starts with—as is required in the contracts we

signed—a commercial negotiation and moves to a very early mediation phase. Then it would progress. So I think the complexity of this and ensuring we get a good deal for taxpayers means we want to do it properly rather than rush it.

Sir Chris Wormald: And—full disclosure—for the ones that go to court, I suspect some of them will be a lot longer than that.

Chair: We have covered that.

Q58 **Shaun Bailey:** Just to touch on what you said there about the early commercial phase, Mr Marron, the NAO Report says £1.834 billion is in the initial commercial discussion phase at the moment, combined with another £994 million that is in mediation. That is a lot of money to be sat at what seems to be a bit of a logjam. Is that sat in a logjam? Why is that still there? Why have we not released that?

Jonathan Marron: No, I don't think this is a logjam. I think we are working through these contracts in a professional manner and looking to get the best resolution. With some of these deals, we are taking the contracts to a point at which we can be satisfied that the goods meet the requirements that we have accepted. Maybe that early phase on commercial negotiation is really satisfying us that the tech specs are met and that there is appropriate evidence to allow us to be confident we can use the PPE, or it could be in terms of a settlement. It is quite a significant task. We have a team dedicated to this in the Department, and we have held on to that. They have access to the full range of external specialists that they may need to pursue this, be that discovery firms, legal support and so on.

Q59 **Shaun Bailey:** How confident are you that you are going to be able to move the bulk of that further on in that process? Will there be further processes to ensure those initial discussions? In terms of volume and an actual figure, how much would you estimate, as a Department, that you would be able to move further down the process? There is roughly £3 billion sat there in either mediation or commercial discussion. How much of that is going to move on, in your estimation?

Jonathan Marron: Again, I am slightly wary of giving overall numbers.

Q60 **Shaun Bailey:** No, but I would assume that you have done some sort of estimate as to what you expect?

Jonathan Marron: We are on track against where we expected to be for this quarter that we have just finished, and we are looking good for next quarter. If you would like to discuss that in more detail, I would like to find a way of doing that more confidentially, if that is okay?

Q61 **Shaun Bailey:** Okay, I respect that. More broadly about the process, I am conscious, Ms Dunn, that the big thing the Department has been doing is its commercial reset and the development of that commercial directorate. How is that feeding into this work? I am conscious that some of the expertise from the commercial directorate will feed into these discussions. How have you tried to manage the impact of this reset as part of what we

are doing around commercial negotiation and discussion as part of dispute resolution? That must have fed into that in some way, surely?

Shona Dunn: You are quite right, Mr Bailey. The dissolution team, who are working specifically on these contracts, obviously has a huge amount of expertise. They are also able to draw on the wider expertise that exists in the commercial function in the Department but also in Government more broadly as. The commercial reset for the Department is effectively a moment in time where we can make sure—for commercial experts and non-commercial experts, those who are procuring goods and services, and those managing contracts—that everybody has the right level of training, understands the controls that are in place and the approvals they need to get. It is those sorts of things. The reset is a more general raising of the bar. The connection here is very much at the senior levels of the commercial team, making sure that that expertise is readily available across the board.

Q62 **Shaun Bailey:** Will that involve bringing more staff within the Department? I am conscious that under 25% of contracting staff are permanent employees of the civil service. You outsource a lot of this, from what I understand, to contractors and specific specialists. Am I right on that?

Shona Dunn: One of the tasks, although we have already made quite a lot of progress on this—I haven't got further detail here, Mr Bailey, but I can give it to you—is to make sure the commercial team is on a stable footing. We had quite high numbers of temporary staff, and we have been making progress on that.

Q63 **Shaun Bailey:** Is part of that handling turnover? I notice that you had 42% turnover of staff. What is the mitigation around that? Clearly, that will have fed into some of the difficulties, so staff retention is a key part of that, I assume.

Shona Dunn: It is not unusual, particularly at the moment when you have teams that have been working very intensively on particular areas for some time, to get an element of churn. A lot of people stayed for a long time in roles that they might have gone from sooner, because of the pandemic, so you expect a degree of turnover. You also have quite a lot of professional development that needs to be done for people, particularly in the functions where they are developing a career. You are quite right that we need to get the balance right.

Q64 **Shaun Bailey:** What is your benchmark on turnover?

Shona Dunn: The benchmark on turnover in the Department is about 10%.

Q65 **Shaun Bailey:** So you are at 42%.

Sir Chris Wormald: Can I add two things? First, of course, we doubled in size over covid, and we will be reducing—probably not back to our original number, but we are getting smaller. Secondly, we are trying to return quite a lot of the commercial activity that we nationalised and get it out of

the Department back out to the system. We expect the NHS to go back to doing quite a lot of their procurement. So we would expect a lot of turnover and for the end state to be not like we were at the height of the pandemic.

Q66 **Shaun Bailey:** Which I appreciate, Sir Chris, but given the ongoing situation with commercial discussions around fraud and contracts that have not been delivered and given what you have in the pipeline—I know you have said that you are not quite going to get to pre-pandemic BAU—there is clearly still going to need to be enhanced provision. Is that still being accounted for? I wasn't quite clear on that response.

Shona Dunn: I can be absolutely clear—I am sure that Mr Marron will confirm this—that the dissolution team has stable funding and stable resourcing and absolutely will pursue these contract discussions all the way through.

Jonathan Marron: I would characterise it as having three phases. The first phase was the emergency response, and we had over 400 people and the military. That scaled right down to the 170 or so that are mentioned in this Report. We are now moving on again. We have about 70 or 80 left in the Department. Others have moved to SCCL and are now managing the logistics for us. That has left finance and the dissolution team. I am really pleased that we have held on to some key expertise in the dissolution team, who have been with us all the way through. On the conversation that we were having earlier, I partly don't want to expand the team because that knowledge of what has happened over the period will be absolutely critical.

Chair: And actually, when we get to lessons learned—if we get that far—it will be critical there too.

Q67 **Sarah Olney:** Looking at the list that has been provided in the appendix to your letter, there is quite a high proportion when we are looking at the—

Sir Chris Wormald: The confidential—

Q68 **Sarah Olney:** I am merely referring to it; I am not going to pick out any detail—

Sir Chris Wormald: Just checking.

Q69 **Sarah Olney:** —other than just to note that there is a high proportion where the total value of the contract is at risk. That seems to imply that the difficulty is with the supplier rather than the individual contracts they are delivering under.

Sir Chris Wormald: I think it's a mix, isn't it?

Chair: Well—

Jonathan Marron: Overall, we have a mix.

Q70 **Sarah Olney:** I'm saying it is a high proportion; I'm not saying it is every

single one.

Jonathan Marron: It's true that we have some contracts where—

Q71 **Sarah Olney:** Where the total value is at risk.

Jonathan Marron: Yes, and some where some elements of the contract were delivered satisfactorily and some elements weren't. Both those exist.

Q72 **Chair:** Okay, but let's be clear—we are not going to talk about numbers or individuals at this point for reasons that we have explained—for the vast majority, it is the whole contract.

Sir Chris Wormald: On the total numbers we gave you earlier, it was approximately two thirds, wasn't it?

Q73 **Sarah Olney:** The point I am making is that it implies there were issues with the supplier, rather than the individual contracts. That comes back to the point about due diligence on suppliers, which we have addressed in earlier hearings. How can you be confident that your due diligence was thorough enough, taking into account everything we have said already about the circumstances under which these contracts were agreed, given the large sums that are at risk?

Sir Chris Wormald: I will give you a very similar answer to the one that I gave to Sir Geoffrey on a different subject. We continue to think that the due diligence checks that we did were appropriate in the circumstances. We raised our risk threshold, as you know, but we retained the key checks that we do. Again, having reviewed this several times, I continue to believe that those decisions were rational and defensible. But, again, could someone have taken a different decision, and would you take a different decision in retrospect? That is perfectly possible. There are a number of things that we have discussed with this Committee that we would not do again. If we were in the awful situation of having the same situation, we would not do it exactly as we did, but on the basic principles of what we did—setting a specifically high-risk threshold to ensure that we got enough in, while retaining key checks. We would keep the same broad framework; we would not do everything exactly as we did. Of course, we evolved it as we went.

One of the things we did, as you know, was to have a much more specific role for the embassy in Beijing, with a list of things that they did. Obviously, if we were doing it again, we would do that straightaway on day one rather than on whatever day it was. We introduced that as we looked. There are quite a lot of things where we would take the end state of what we did and do it from day one. That is probably the fairest answer to your question.

Jonathan Marron: The only thing I would add is that the data we are giving you is from our retrospective checks. Because we took high-risk decisions at the purchase stage in order to secure the PPE we desperately needed, we have done more retrospectively to try and make sure that we have not released material that does not meet our standards, and so that

we are able to pursue contracts that did not perform. We are trying to do that retrospective—

Chair: More thoroughly.

Jonathan Marron: Because we know it was a high-risk procurement.

Q74 **Sarah Olney:** On these suppliers, you were not able to do thorough checks on their financial stability, so where you are looking to reclaim money from suppliers, how confident are you that they have sufficient cash flow or financial stability to be able to refund, should they be found to be in default?

Jonathan Marron: We are in discussions with the firms. Critical elements will include the total value of the contract and how much the non-performers owe us, and of course their ability to pay will also be part of the discussions. Again, I don't really want to go into how we are determining what we think they can pay but, crucially, what we are really after is how we get the best possible value for the taxpayer against these contracts where we are concerned that we have not had—

Q75 **Sarah Olney:** So where some of these sums are at risk, you are not 100% certain that you will be able to reclaim them from some of these suppliers, because you did not check up front that they were sufficiently financially secure.

Jonathan Marron: I don't think it is necessarily connected to whether the check was done up front.

Q76 **Sarah Olney:** It's not a standard check under normal circumstances to check financial robustness.

Jonathan Marron: We checked financial due diligence. I am confident that we took sufficient steps to make sure that the parties we were contracting with were credible. Indeed, that particular point has been tested in court, and in the two contracts that they looked at in depth they found that our technical and financial due diligence processes were appropriate given the circumstances. Obviously, in different circumstances, we would be able to do more. The ability of the companies to pay will clearly be part of the discussion. I find it hard to go any further without worrying about queering the pitch.

Chair: Let's be clear: we have a confidential appendix, but we will come back to that in public at the right moment.

Q77 **Sarah Olney:** On the VIP lane—I think you have a different name for it, but we will call it the VIP lane—there were some 493 suppliers that were referred to you through that, of which 51 suppliers were awarded 115 contracts. What were the main reasons for awarding contracts to those suppliers rather than any of the others?

Jonathan Marron: The reasons for awarding contracts were the same for those that came through what we call the high-priority lane and those that came through the general open-source procurement. We were looking at

whether the supplier had credible provision of PPE—did they have the right stuff? Did it meet the technical requirements? Could they deliver decent volumes? A provider offering a few million would not be prioritised over a provider offering hundreds of millions. We also looked at their price. Those basic criteria were the same regardless of the source.

Sir Chris Wormald: And the checks that were done were identical. The high-priority lane was about how quickly the thing was looked at, not what checks were done before a contract. Those were identical for the high-priority lane and the rest. There was no difference in criteria.

Q78 **Sarah Olney:** Would you use a VIP—high-priority—lane in the future?

Sir Chris Wormald: Given that we lost in court on one part of it, no. As I say, we would keep the same basic structure. Would we have a triage system where, out of a large number of offers, we attempt to identify the most promising and do them first? Yes, we would. We would keep that triage. Would we do it in the same way as we did the high-priority lane? No, we would not.

Q79 **Chair:** Why did you use it in the first place?

Sir Chris Wormald: As we have explained, we thought the principle of it was good. The way we ran it—obviously, the court has found one element not compliant, so obviously we would do it differently.

Q80 **Chair:** The principle that a random MP, such as myself, might have a better idea about who is a PPE contractor compared with someone who is actually already manufacturing something seems extraordinary.

Sir Chris Wormald: What we would do, as I say, is have a triage system—

Q81 **Chair:** Which you did. You had a tool on the website, which I directed any queries I had to. Well, I may have directed some to the Minister, given the pace things were coming in. Many of them would not have passed that first hurdle, so that would have sorted things out straightaway, wouldn't it?

Sir Chris Wormald: Yes. As I say, if we were doing this again, we would continue to have a triage system and attempt to identify—

Chair: Of course, but you had two triage systems. You had the fast-track route.

Sir Chris Wormald: What we would do, basically, is do what we were doing with considerably more transparency about what was happening. That was the area in which the court found against us. Of course, while we defended our use, as we know, we accept the court judgment.

Chair: Yes. We don't need to go through the court hearing, but the lack of transparency was one part of it, which we have also touched on.

Q82 **Sarah Olney:** Obviously, we know up-front payments were necessary in certain circumstances to secure some of the supplies. What extra checks

did you do on those companies that you made up-front payments to?

Jonathan Marron: The key thing is that we made up-front payments, as you say, where there was no other way of securing the supplies. Essentially, the balance of payments was then held until we had delivery of PPE. We would pay some up front, then the PPE would arrive in country and we would confirm we had it, and that would release the rest of the balance. We did not pay full contracts up front, but we made various sized payments at different times in the pandemic, basically against our need for the PPE and the difficulties in securing it in the market.

Q83 **Sarah Olney:** To what extent are those companies with up-front payments more likely to be in dispute with you now than the ones without such payments?

Jonathan Marron: I have not checked that precise question, but up-front payments were the norm in that period, so everything that came through the parallel supply chain, if you like, trying to find new sources of PPE, would largely be associated with up-front payments. The places that were not were either calling down our existing contracts—we started from the manufacturers that we had relationships with. That is listed in the Report as the SCCL contracts—a really significant part of the effort. Of course, the UK Make contracts were a completely different process where we set a long-term supply contract, which had different requirements.

Sir Chris Wormald: We will go away, check and come back to you on whether there is in fact a differential. We would not expect there to be because the up-front payments were in everything, but we will check since you have asked the question.

Chair: Thank you. Peter Grant MP—a very brief question, please.

Q84 **Peter Grant:** One of the companies that managed to corner the market long after the NHS possibly should have moved in itself was PPE Medpro. It did not actually exist until May 2020, but it was still able to buy in £46 million of equipment and hand it on to you for £122 million. It made a £76 million profit, which would not have been made if the NHS had moved in quicker. At the time you signed the contract with that company—a total contract of £203 million—your Department was aware, wasn't it, that Baroness Michelle Mone, who had referred the company to the high-priority lane, had links to PPE Medpro?

Jonathan Marron: Again, I don't particularly want to comment on the specific case, but, in the process of signing the contracts, the accounting officer would not normally have any information in front of him about the source of the referral. The final decision would have been to go with Medpro on the basis of the price it was offering against the market prices, the volumes that it could supply and the demand for the services. We had different accounting officers for different levels of contracts, but, at that level, they wouldn't know where it had come from. A completely different team had handled that.

Q85 **Peter Grant:** But it is correct, isn't it, that Edward Argar—a Minister in

your Department—said in a ministerial answer that "Departmental records reflect that a link between Baroness Mone and PPE Medpro was clear prior to contracts being awarded"? Given that there was a clear link between the company being awarded the contract and the Member of the House of Lords who had referred them, what additional checks were undertaken to make sure that that contract award was appropriate?

Chair: Sir Chris?

Sir Chris Wormald: We will check, but I think the checks were identical for all contracts, and rightly so.

Chair: But that contract went through the VIP lane.

Sir Chris Wormald: As I say, the checks that were done on the high-priority lane and those that were done on the things not in the high-priority lane were identical. The high-priority lane got you on to the list—

Chair: Well, exactly.

Sir Chris Wormald: —but the assessment was identical for all contract types, and that is the right position.

Jonathan Marron: The financial due diligence and the technical due diligence were done by separate teams, and they were done in the same way for all the contracts concerned. The final approvals went through an AO sign-off in the same way for all contracts, and without any particular indication of where the original referrals had come from.

Q86 **Peter Grant:** How do you do due diligence on a company's trustworthiness and ability to fulfil a contract when that company didn't exist until last week? Remember, the company legally did not exist until a few weeks earlier. It couldn't have had any kind of track record for delivery, trustworthiness or reliability. What kind of due diligence is it that gives a company like that £200 million of public money?

Jonathan Marron: We were looking at the companies, their track record, their assets and their financial standing against the size of the contracts we were awarding. I don't have the details of the due diligence on that particular company in front of me.

Q87 **Peter Grant:** It transpired that they sold this stuff to you at a mark-up of more than 150%—they made a £76 million profit almost overnight. They provided you with 25 million sterile gowns, and it has been very widely reported that not a single one has been fit to be used, as yet. Given all of that—£200 million is a lot of money—do you understand why people will look at that contract and think that it raises serious questions about propriety?

Sir Chris Wormald: As I say, we don't have the details of that contract in front of us. All our contracts went through exactly the same due diligence process, which has been tested several times in court and has not had anything found wrong with it. If we are going to continue discussing that

contract, we had better go away and look at the exact details so that we can answer your questions in the best way we can.

Q88 **Peter Grant:** Are you able to provide the Committee with details—in confidence, if necessary—of exactly what due diligence meant in this context?

Sir Chris Wormald: As I say, the due diligence was exactly the same for all contracts, which has been tested several times.

Q89 **Chair:** We reserve the right to see some of those contracts—we have done this with other Departments—in private. We recognise that there is a sensitivity to things where you might take issue, particularly in the appendix to the letter you sent us.

Following on from Mr Grant's questions, I would just highlight that we had evidence from Tecman, which was contacted proactively by the Department, had a lot of discussions and was then stood down. Some companies that didn't exist seemed to get a foot in the door and got contracts, and there are some in the appendix with quite eye-watering sums of money that didn't deliver—or, sorry, are in dispute or in remediation with you at the moment over questionable delivery—and yet other companies were stood down. I think people out there will question why some got through and others did not. Some of these companies did not have a strong pedigree beforehand.

Sir Chris Wormald: We can discuss some of that with you in private, but I go back to my previous answer: our procedures have been tested several times in court—

Chair: The challenge, of course, is that we are a bit constrained, when it goes to court, in what we can discuss with you. We would like to pursue what we can in private, but, ultimately, as the Public Accounts Committee, we want to see all of this in the public domain.

Sir Chris Wormald: But in these cases, I am talking about completed court cases where our procedures were given a clean bill of health.

Chair: Okay, well we've got all of that on the record, which we can refer to. We do have votes coming, so I need to turn to Sir Geoffrey Clifton-Brown.

Q90 **Sir Geoffrey Clifton-Brown:** Chris, I need very quick answers, otherwise you are going to be saved by the voting bell, and I wouldn't want that.

Chair: We can bring you back after.

Sir Chris Wormald: If it is more important, you can bring me back.

Sir Geoffrey Clifton-Brown: I wonder whether you slightly gilded the lily in answer to my earlier question about doing things differently on the procurement in March and April, because you previously admitted to us that your commercial procurement was not as good as it should be, but you have now had a reset of your commercial procurement policy. How has that gone, and what benefits has it achieved?

Sir Chris Wormald: Just to be clear, there are two things. Pre-pandemic, the two big organisational development things I wanted to do were commercial expertise outside of commercial—the commercial expertise of generalists in the Department—and digital skills in the same. You are factually correct that it was one of our areas, but that was not about the commercial function itself.

During the pandemic, we had a very good commercial function both in the Department and in the NHS—it was Emily Lawson in the NHS who was doing all this—and the challenge there was simply the scale. As you know, the Crown Commercial Service came and assisted us and we had assistance from all across Government, so we had a much bigger commercial function than we started with. The commercial reset—

Shona Dunn: I will happily talk about in a little more depth.

Sir Geoffrey Clifton-Brown: Fairly briefly, if you can.

Shona Dunn: Very briefly. This is quite a comprehensive programme in which we have been looking at the capability of our commercial experts in the team. We have been doing a refresh throughout the commercial team to make sure they have the skills they need, but we have also been looking throughout the Department. We have a programme running called Think Commercial, which is raising commercial awareness through the whole organisation so that people understand what is required of them when they are procuring services and goods, or when they are managing a contract.

We have put more commercial assurance processes in place, not just across the Department but across the health family, and we are making sure that we are benchmarking our performance across other organisations as well to make sure that we improve. We have a broad spectrum programme that is designed overall to improve what we are doing, and we are underpinning that with a new operating model that now involves combined finance and commercial business partners, so we have expertise in the line, making sure that as people are undertaking commercial and financial activities, they are doing so with the right underpinning.

Q91 **Sir Geoffrey Clifton-Brown:** So you have the Crown commercial agents benchmarking the performance of your commercial activity.

Shona Dunn: We are using the Government commercial function standards and assurance framework to benchmark our activity against others.

Sir Chris Wormald: Most of our commercial staff are members of the Crown Commercial Service, and work to their standards. I will give you a very specific example of what we are talking about: when we talk to our commercial experts, one of the things they say is that sometimes, they are brought in too late by the policy team that is dealing with it, so the policy team needs greater commercial expertise to identify when we need the commercial expertise.

Q92 **Sir Geoffrey Clifton-Brown:** We are getting closer to the votes. You are going to transfer your responsibility for managing the supply of PPE—you have already done so in April—to Supply Chain Coordination Ltd, so just one or two questions to see how that has gone and what it is achieving. Why is it taking so long to update your strategy, and why was the strategy not in place before the transfer of responsibilities to SCCL, before April?

Jonathan Marron: I think the transfer to SCCL has gone extremely well—very smoothly. We continue to make deliveries, so nothing has really been interrupted. The reality is that we were working hand in glove before the transition. We had looked at whether we could make a transition earlier, but frankly, with the challenge of the number of items that were coming in and the need to manage disposals, we felt that we should go at a more measured pace. We moved in April, so now the management of all those 70 locations and the deliveries is through SCCL, and they are maintaining an in-house capacity to do this.

You may remember that before the pandemic SCCL largely contracted out the management of the different procurement towers, as SCCL called them. Here, facial protective equipment, or FPE, will stay in-house and they are taking some steps to bring some more of their complex purchasing decisions in-house, just to build on the really close relationship with the user base that I think we have built on PPE. We have seen the benefits of it, so they will continue that model. That has gone very well.

There are some things that we know are still difficult, so we are holding on to them. The first of those is the contract dissolution. How do we make sure that we work through the 176 contracts that we have talked about today? The Department is doing that. And we are also continuing to work on disposal, so that we are confident that we get a really, really turbo-charged plan for recycling and disposal, that we will hand on later—

Q93 **Sir Geoffrey Clifton-Brown:** I think you have answered my next question. Is SCCL working both prospectively—contracts going forwards—and retrospectively, to deal with all the problems that we have been discussing so far this afternoon?

Jonathan Marron: Yes, and we have held on our balance sheet the excess stock, so that is not transferred but effectively they are managing that for us as our agent. All the logistics—the practical decisions—are with them as the experts in logistics, and management and the policy remain with the Department.

Q94 **Sir Geoffrey Clifton-Brown:** I want to be very clear: what is the relationship between SCCL and the Department?

Jonathan Marron: SCCL are now a company of NHS England. Again, you will recall that they used to be a wholly owned company of the Department; they transferred to NHS England, I want to say that was on 1 October 2021. *[Interruption.]* Shona's nodding, so that is right. They are now part of the NHS.

Sir Chris Wormald: Which was always the plan. The plan for it was to be created in the Department and then it would be handed to the NHS when it was created; the pandemic obviously changed things.

Q95 **Sir Geoffrey Clifton-Brown:** What is the governance structure? Who runs it—a chief executive, a senior responsible owner?

Jonathan Marron: There is a chief executive, a gentleman called Andrew New, who is a logistics and distribution expert; he arrived shortly before the transfer to run that function. I think he has done a great job of really gripping the organisation and stepping up to, first, taking on PPE, and then the move into NHS England. And I believe that in NHS England, they are reporting to their commercial director, as the overall structure.

Q96 **Sir Geoffrey Clifton-Brown:** And you are confident that he has the resources and personnel to be able to handle this massive task?

Jonathan Marron: Yes, and he has taken a significant chunk of the resource that I had working in the Department; that has transferred to SCCL in the short term, to make the transfer. In the longer term I am sure he will be able to bring that into a more standard, sustainable position.

Q97 **Sir Geoffrey Clifton-Brown:** We did touch on this question—I touched on this in an earlier question, with a rather jocular question that you will need a stock management system similar to Amazon—but it is actually really quite a serious question. How are you going to improve your stock management system? At the moment, you have containers all over the place; you have storage in China and you have storage in different bits of the country. That is very unsatisfactory. What is the plan moving forward to have a really 21st-century stock management system?

Jonathan Marron: I think that if you came to our core warehouses in Daventry, you would be impressed at what we have. We've got so much that essentially we have a set of core warehouses that we run distribution from. They are, as you would expect, both in terms of pallets on to lorries for hospitals and allowing people to make very small orders for their care home and get them dispatched, in the main. So I think that's a good operation.

Obviously, we have things in outlying sites that are stored, and as we need them we bring them into that major system.

Q98 **Chair:** This is the shipping containers—not on farmland?

Jonathan Marron: It's not on farmland.

Q99 **Chair:** But in the countryside?

Jonathan Marron: Yes.

Sir Geoffrey Clifton-Brown: Pardon me?

Jonathan Marron: You asked us—*[Interruption.]*

Chair: I would just remind you that the deputy Chairman is a farmer, so

be careful about what you say. *[Laughter.]*

Sir Chris Wormald: We were answering a very specific question that we were asked. *[Laughter.]*

Q100 **Chair:** We did think that it was a clever mandarin thing, Sir Chris, but realistically they are in fields somewhere, even if those fields are not being used as farmland.

Jonathan Marron: Anyway, so—*[Laughter.]*

Chair: Man does not deny it; I take that as a yes. *[Interruption.]*

Sir Chris Wormald: No, we are not accepting the premise of that question. Anyway, let's move on.

Q101 **Sir Geoffrey Clifton-Brown:** Just continue, Mr Marron. We have two minutes, so you will have to do it very quickly.

Jonathan Marron: One of the advantages of SCCL running both the distribution of the stock we're using and the level of safety stock we have at the moment is that it allows them to have stock rotation and management over both things. If you remember, before the pandemic Public Health England held an emergency stockpile in deep storage on behalf of the Department, and SCCL ran part of the supply chain for the NHS as one of the contributors to that market. We now have the chance to bring some of that together and have a much more effective system.

Q102 **Sir Geoffrey Clifton-Brown:** This is really the final question, because we are going to get saved by the bell. We don't want to keep bringing this subject forward on this Committee, and I appreciate that the prosecutions for fraud may go on for many years to come, but in terms of stock management and handling and procurement of PPE, when will we get to a situation whereby it is properly run, as Amazon would run it, with proper warehouses and all the PPE in warehouses, and not in containers and not scattered all around the world? When will we get to that situation, so you know precisely where it is, what you've got and when the sell-by dates are going to expire?

Jonathan Marron: I think we know precisely what we have and our sell-by dates' expiry. We know that now.

Q103 **Sir Geoffrey Clifton-Brown:** You cannot easily get them out now because they are behind lots of other stuff—I think we heard that earlier.

Jonathan Marron: As we move forward in the coming months, we are still using nearly 700 million items a month. That is obviously pulling us out of the warehouse space; we are allowed to bring stuff closer in. With the excess stock, we are accelerating our disposal. I think over the course of the next year we will have a much clearer position of an ongoing core—

Q104 **Sir Geoffrey Clifton-Brown:** So it will take a year to get to the position that I described?

Jonathan Marron: I would not accept the premise of a year for all of your things. If you are really asking, when will we get away from having large numbers, large sites and stock in several locations, then I think that will take us some time. However, I think we know what we have got now.

Q105 **Chair:** Some time?

Jonathan Marron: Certainly into the next financial year after this one.

Q106 **Sir Geoffrey Clifton-Brown:** By which time you will have got to a steady state and Ministers will have made a decision on what the strategic reserve should be—what size it should be and what it should contain. You are saying that all of that is going to take up to a year?

Jonathan Marron: We are hoping to have a PPE strategy in the summer that will deal with some of those questions. As ever, we will answer those questions one at a time, rather than having a complete finish to the story—

Sir Chris Wormald: All subject, of course, to the course of the pandemic. Obviously, we will not reach steady state until we are no longer providing emergency PPE supplies. That is one of the few elements of proactive stuff that we are still doing in the pandemic, and it is dependent on infection rates and variants—all the things that you know about.

Q107 **Sir Geoffrey Clifton-Brown:** On a related question, since we have got a minute without being saved by the bell, you have now stopped supplying free covid tests—can I be sure that we are not going to have vast supplies of tests in warehouses?

Sir Chris Wormald: In terms of tests, we are still supplying in some sectors, as you know. We published our plans on that. UKHSA retains a stockpile of tests to deal with outbreaks and returns. We hope, clutching wood about variants and those things, that we are close to a steady-state position on testing, where we retain a stockpile that we keep for emergencies—

Q108 **Chair:** The NHS and the agency are not allowed to sell those tests commercially—is that right?

Sir Chris Wormald: I cannot imagine they are.

Q109 **Chair:** They were giving them out like smarties, frankly, in the last week before they went out of action.

Sir Chris Wormald: I will check for certain that it is banned. I have never—

Q110 **Chair:** The NHS couldn't just put a price tag on them and sell them to people, like you can get from a high street pharmacy?

Sir Chris Wormald: I am 99% sure that they can't. I will go and check the last 1%.

Q111 **Chair:** My point is that they had them—so there is a glut out there.

Sir Chris Wormald: Yes, there are a lot out in the community. In terms of what the Government are doing, we hope that we are close to a steady state.

Q112 **Chair:** Picking up on Sir Geoffrey's point about logistics, there are a couple of questions. One is about the testing; a lot of mine expire by 1 January 2023, which is fast approaching. Are you confident that UKHSA has seen that?

Sir Chris Wormald: They are doing exactly what I described earlier; you take out of the front end of the stockpile and buy towards the back end.

Q113 **Chair:** That brings me to the logistics of hospitals, Mr Marron. It was interesting that when I visited Denmark, I saw that logistics are a very big part of their health system. Having done some mystery shopping in the NHS, that is clearly not the case in parts of our hospital system. Are you worried about the management of the stockpile at the frontline in acute hospitals?

Jonathan Marron: I think we have made tremendous steps forward in the supply of PPE and logistics management. As you know, at the start of the pandemic we had no view of what was happening in each individual hospital, and we were essentially selecting a volume that we thought was right for them and they were adjusting it. We now have a digital connection to how much stock they have, and an agreement to keep them filled at seven or 14 days supply—whichever it is they choose. I think we have made tremendous strides, and I hope we will be able to build on that in other areas.

Q114 **Chair:** Clearly that is very important in terms of financial management in the NHS. Finally, when PPE was being procured, one of the reasons you said some of it wasn't fit for use was not because it wasn't fit for any use, but that the standards required in a hospital setting had changed. There were clearly critical timescales around those decisions both ways. What are you doing to learn lessons for the future to try and make sure those clinical decisions reach the procurement chain in time—so that you are not wasting money on things that will not be used?

Jonathan Marron: I think we have reached the stage where we have a very clear set of specifications that we know we would buy to in the future. That gives us a much more solid position. The easiest to explain is FFP2 masks. They are WHO standard, but not NHS standard. We bought those in case we ran out of FFP3 or 2R.

Q115 **Chair:** You still have a stockpile of those. That is all you are allowed to have in Germany on public transport—did you know that? There's a market for you.

Sir Chris Wormald: I'm glad the Committee has been travelling the world testing this.

Q116 **Chair:** There you go—to my surprise, having never worn an FFP2 before in my life.

Jonathan Marron: Unfortunately, we didn't buy that many FFP2s, given that we don't use them.

Q117 **Sir Geoffrey Clifton-Brown:** Just one last serious question. Gloucestershire MPs had weekly calls all through the pandemic, so we knew what was happening in real time, and our health authorities and trusts were tearing their hair out at the very short notice for changes in specification for PPE—particularly masks. They were not able to get those masks because they simply were not available. Can we be assured that in any future pandemic, the relationship between specifications of PPE and a change in requirements will be closer?

Sir Chris Wormald: Hopefully, yes. It is incredibly difficult, and these were some of the dilemmas that we faced at the time. As we learn new things about the disease, you have a choice between not changing all your guidance—in other words, denying people that information in order to create stability—and putting the information out there as soon as you get it, knowing that it will cause people problems because specs and practice will change. We took the view—and I still think it was right—that we would do the latter. When we learned new things about the disease, we shared that information pretty much straightaway, and that did cause those kinds of problems. Again, as in the previous answers, it would be possible to take a different decision, but actually I think we would do the same again. In a very uncertain situation, transparency trumped stability.

Q118 **Chair:** That brings in the importance of modelling. We had SARS and MERS, and there were other examples, yet somehow we were caught—

Sir Chris Wormald: The distinction is that with both SARS and MERS, asymptomatic transmission is not a big thing. They transmit more like flu, as it happens. The distinction was not between coronaviruses and flu; it was between this coronavirus, and previous coronaviruses and flu. That is one of the enormous challenges, of course. Until you have analysed your pandemic, you don't know exactly what its characteristics are. Therefore, you are taking best-available-information decisions, and as you learn things you didn't know before, you are putting that stuff out there. As I say, it is a very difficult judgment. I think we got it right, actually. I think the right approach was to share information about what we knew as soon as we got it, even if that caused people—

Q119 **Chair:** You could hardly have sat on it.

Sir Chris Wormald: But I completely recognise Sir Geoffrey's point. That was incredibly difficult for people.

Q120 **Sir Geoffrey Clifton-Brown:** Presumably one of the benefits of the pandemic is that it has enhanced our scientific knowledge of genotyping, of which we are one of the world's leaders, so that when a new pandemic comes along, you will be able to learn more about its characteristics much quicker.

Sir Chris Wormald: Well, hopefully.

Q121 **Sir Geoffrey Clifton-Brown:** Is that a correct assumption?

Sir Chris Wormald: It depends upon the nature of the disease. You are going to go very quickly outside my area of competence; I am reporting things that others have said to me. It depends how close the disease is to one that we know. As you know, for HIV, it took people a very long time to understand what it was, how it transmitted and how it worked. I suspect that if we got another coronavirus or respiratory disease, the world would now be in a very good place to analyse it quickly. As you say, we were the complete world leaders on this. I think we had the first test for covid and all that. Obviously, our universities lead the world on this. If it is similar, you are right, but not if it was a different disease type. It took the world quite a long time to get its head around Zika, which was a very different type of disease. I think it would depend. The chief medical officer would give you a much more sophisticated answer than that but, repeating what I have heard experts say, that would be what I think. I will come back to you if that turns out to be incorrect.

Chair: We are expecting a vote, so I think we will adjourn there. I thank our witnesses very much indeed. We will be producing a report on this, which will now be after Prorogation at some point—we have various gaps in our timetable with that and the recesses. Thank you for your time. We will be keeping a very close eye on this. We are crawling through that private appendix, and we will continue to challenge you on that in public, but we may also seek a private meeting so you can explain some of the elements of it, which obviously will be on a confidential basis. I stress again that we expect all this to be in the public domain, subject to some of those commercial and financial mediations that are ongoing. Thank you for your time.