From the Permanent Secretary
Sir Chris Wormald

Department of Health & Social Care

39 Victoria Street
London
SW1H 0EU
permanent.secretary@dhsc.gov.uk

Rt Hon Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

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pubaccom@parliament.uk

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Dear Chair

PAC HEARING – INITIAL LESSONS LEARNED

Following my appearance at your Committee on 10 June focusing on the initial learning from COVID-19, I committed to writing to you on several points around PPE. These are addressed below.

1. **To provide a letter setting out the best estimate for PPE use in the year ahead, given the large numbers of stock in supply and the cost of it.**

The PPE programme has a comprehensive and robust process for estimating future demand for PPE, and projections are updated regularly as part of a standard demand planning process. Our demand assessment takes account of the following factors, which are reviewed on a monthly basis through the Sales & Operations Planning model (S&OP):

- Past distribution of PPE each week, across over 100 detailed categories and across all major customer groups in health and social care;
- A modelled assessment of baseline demand, using past data to assess how much PPE would be used in a typical week when case numbers are low;
- Projections of recent trends in PPE usage, using the last 8 weeks of data;
- Analysis of past data to assess the relationship between PPE volumes and indicators of COVID volumes, such as the number of COVID patients in hospital;
- Applying known past models to future projections of COVID cases from cross-Government scenarios (currently using the SPI-M winter wave projection);
- Direct customer data feeds from major programmes such as Test & Trace and the vaccine programme; and

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- A collaboration and sign off process with input and commentary from all key customer groups.

Projections assume that PPE will continue to be provided for free to frontline services until March 2022. The current 'reasonable planning basis' demand projections for the full year from 1 June 2021 are set out in the following table, which shows projected demand for routine use of around 11.7bn items for the year.

Aprons	Body Bags	Clinical Waste Bags	Eye Protectors	FFP3	Type IIR	Gloves	Gowns	Hand Hygiene (litres)
1,349m	115k	27m	72m	66m	1,757m	8,330m	48m	6m

2. To provide the Committee with information on which NHS leaders have been involved in UK Make Innovation Hubs; how they were selected; and how consultation through these Hubs fed into decisions such as those on PPE supply.

The Innovation Hub was set up in December 2020, with the aim of gathering information and facilitating two-way communication between manufacturers, end users and clinicians. These stakeholder engagement events are an open forum where health professionals can discuss without prejudice a range of topics relating to PPE, including sustainability, modern slavery and social value. These discussions are attended by a range of colleagues:

- NHS Procurement leads from NHS organisation and also NHSE/I
- NHS Sustainability leads
- NHS Clinical leads for PPE
- Wider academic and associated links (including Academic Health Science Networks)
- Royal College and associated professional bodies
- Other Government Departments
- Colleagues DHSC including the PPE programme.
- Devolved Administrations
- Local Government

The Hub is an open network focusing on NHS and care users of PPE. Accordingly, the only criterion for joining is a relevant background and current attendees have been identified by relevant teams within the PPE Programme. This collaborative hub is the only forum used by the UK Make and Re-use, Innovation and Sustainability teams, which ensures a single mechanism for the sharing of good practice and learning in the use of PPE.

The purpose of the Innovation Hub is not to inform supply decisions and it has not been involved in the awarding of any contract. However, it has delivered a number of

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functions, such as providing advice to support the resolution of issues; developing wider systems to approach the delivery of PPE and reusables to better manage wastage; advice on specific product requirements; and the development of pilots.

3. **To include in an update, information on the push for UK manufacturing of PPE production and where the balance is between manufacturing for resilience and price.**

The PPE Cell in the Department is working directly with 30 companies manufacturing PPE in the UK. Conversations with these manufacturers suggest that UK companies are confident that they can compete on price in the global market. These UK manufacturers have invested heavily in automated production lines and have also vertically integrated into raw material production, allowing them to build resilience domestically. This significant investment has led to companies being able to produce products, such as Type IIR and FFP3 masks, aprons and clinical waste bags, at globally competitive prices.

There are some products where the UK is currently unable to compete on global pricing. For example, gloves are not yet manufactured in the UK, therefore the timeline for achieving competitive pricing is longer. However, market research has demonstrated a clear indication that this will be possible in the future and suppliers are already starting to develop proto-type machinery.

Currently UK companies are unable to offer competitive global pricing on gowns. While the price has significantly reduced in the UK over the past year, competing with Far East labour prices will continue to limit our scope to be competitive for these products. Nevertheless, UK companies are committed to automating gown production and innovation, which is driving costs down.

As the PPE market has stabilised and returned to a more business as usual operation, UK manufacturers have continued to supply directly to NHS Trusts while also diversifying to supply private sector users, too. This has allowed companies to capitalise on the opportunities to supply globally at a competitive price point. We are proud of the efforts from these UK companies as they continue to invest for the future, expanding manufacturing facilities and increasing technical skills for employees. These ongoing efforts have helped to mitigate the future risk of PPE shortages and they will be an important part of future resilience.

4. **To provide the Committee with a regular update/letter detailing what percentage of PPE is not suitable for medical use. Sir Chris Wormald agreed to provide a breakdown of how much of this PPE is suitable for use elsewhere in the economy and how much of this is unsuitable for use at all.**

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The PPE programme has a standard process for assessing and assuring the PPE products that have been purchased. Where a product has been through the standard process and has been deemed not suitable for the original intended purpose this is categorised as 'do not supply' (DNS) and items are subject to further checks. This is stock which we are not actively pushing to the NHS, the bulk of which is not cleared as safe to use within the NHS. The programme has classified DNS stock into five different categories:

- Items are subject to an ongoing process of checks;
- Items identified for potential use in other settings;
- Donated stock or PIPP stockpile, and not currently suitable to supply;
- Items due to be re-categorised as suitable for supply, subject to formal sign off from category experts;
- Items categorised as not suitable for any use, 'wastage', of all items manufactured so far.

The table below shows these values at four time points (percentages are of the number of items purchased may not total due to rounding):

	7 January 2021		3 February 2021		24 May 2021		7 June 2021	
	%	Items (millions)	%	Items (millions)	%	Items (millions)	%	Items (millions)
Do Not Supply (DNS)	9.5	2,971	10.2	3,300	11.9	3,543	6.8	2, 125
Ongoing checks	0.48	149	0.58	187	0.76	224	0.87	269
Potential use in other settings	8.43	2,625	9.06	2,920	9.84	2,906	4.50	1,396
Donated or Pandemic Influenza Preparedness Plan	0.20	62	0.20	64	0.22	66	0.22	69
Re-categorised subject to sign off	0.04	13	0.04	13	0.02	7	0.03	9
Wastage	0.48	122	0.43	116	0.91	248	0.84	247

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The Department works with regulators on quality assurance, which is an ongoing process and, therefore, the numbers are subject to revision. For example, the recent drop in stock held in DNS is in part due to regulators agreeing a way forward on biocompatibility, the assessment that PPE is biologically safe for humans to wear. The percentage of items identified as DNS is therefore very dynamic and can vary up or down over time.

We are happy to write to the Committee on a quarterly basis to update on the amount of PPE which is not suitable for medical use.

5. **To provide answers to the following outstanding questions they have on PPE:**

    - **What are the Government's plans for the 2.9 billion items of PPE which did not pass quality assurance for use in medical settings? What settings would this PPE be suitable for if not medical?**

Where a product cannot be used in a medical setting, we are exploring other options for where this PPE can be used. This is an ongoing process and work continues to determine the best use of our stock. This includes exploring if these products can be used by other countries in an appropriate way.

We have already made good process on repurposing some of the products in DNS, supporting the reopening of the economy by supplying over 140 million items to other sectors, including schools, polling stations, transport operators and prisons. Among this provision, we have sent out Type IIs to be used as face coverings; these masks are safe to use as face coverings, but do not have the properties of a Type IIR mask that is used in heath and care settings.

A further example of how we have repurposed DNS stock is with aprons, which were included in the 2.9 billion figure. These aprons have passed quality assurance. However, they do not meet the usability requirements for the NHS. This is because these aprons are in boxes instead of being on a roll and NHS Trusts have a strong preference for aprons on rolls. However, these aprons can and are being used by social care providers and primary care settings, with these settings able to order them from our PPE Portal.

    - **How much did DHSC spend on the 2.9 billion items in question?**

The 2.9 billion items of PPE recorded for 24 May 2021 refers to the amount of PPE items held in the UK stock, with an assurance status of DNS. The total cost of the 2.9 billion items was £2.674 billion. As our assurance processes continue over time, this figure is likely to fluctuate; for example, by 7 June, this had reduced to 1.6 billion items in this category with a cost of £2.05 billion.

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While the 2.9 billion figure refers to items currently held in UK stock, the figures quoted in question 4 are higher as they include items currently held in China storage, in transit or are identified as future inbound supply.

- **Was any of the 2.9 billion PPE purchased on the basis that they could not be used in medical settings?**

During the early months of the pandemic, the Department worked at pace to secure significant volumes of PPE in a highly disrupted market. We procured stock with the view to it being used in healthcare settings. However, as the global scientific understanding of COVID-19 improved, the specifications for PPE and requirements across categories evolved. Some of these changes occurred after we had placed orders which effectively ruled out the use of some items.

An example of this, which the Committee is already aware of, is ear looped FFP3 masks. During March and April 2020, the Department procured FFP2 and FFP3 masks that were available in the market. These masks either had ear loops or a head strap, as during this time the specification did not include a specific requirement for a particular type of strap. In early May 2020, the Health and Safety Executive ruled that ear looped masks were not acceptable in the NHS, because they were frequently not providing adequate leakage-prevention levels for FFP3 masks.

Only a small proportion of the items delivered did not meet the requirements of the contract. Where this was the case, we are seeking recovery of funds.

- **Does the Government plan to reclaim any of the money spent on PPE which did not pass quality assurance?**

Yes. If a product is identified as having failed quality assurance, DHSC reviews the terms of the relevant contract in order to determine whether the reason the product has failed represents a breach of the contract with the supplier. In some instances, this may not be the case. For example, as outlined above, the applicable guidance and regulations in relation to PPE products may have been revised or updated since the point at which the product was purchased meaning the product can no longer be used in the NHS.

If a breached of contract is identified, the Department pursues its rights under the contract. As with any legal action the Department is required by the Civil Procedure Rules to explore all available options for settlement of disputes prior to issuing proceedings. Often this will require the Department to seek commercial solutions to disputes with suppliers. Most of the Department's contracts also provide that the parties engage in mediation in advance of the issue of formal proceedings. The Department receives legal advice, as appropriate, in relation to its efforts to reclaim moneys owed to it in respect of defective PPE.

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- **Why did Government not notice that its PPE procurement had been more successful than estimated and slow the procurement of further orders from June 2020 onwards when it was clear that demand was decreasing?**

During the early months of the pandemic, across the globe there were significant challenges with the procurement of PPE. This was driven by the significant increase in demand, coupled with countries placing export bans on PPE which created a highly competitive market. The Government worked night and day to get PPE into the country through every possible avenue. The Department placed orders with some degree of risk, as it was not possible to determine quality and reliability until products had been received in the UK warehouse. Given the dynamic market in which we were operating, it was vital to secure a strong and continuous supply of PPE to the frontline.

As scientific understanding about COVID-19 improved, we adapted and refined our demand model to better reflect the latest evidence and guidance on PPE usage, improving our demand signal and understanding of inbound products at a category level. Finally, as the market stabilised, we were able to have more reliability in contracts delivery and quality of products. Nevertheless, our buying activities were also more successful than would have been otherwise prudent to predict, both in terms of the amount that actually arrived and then met the necessary standards, particularly given the global situation in which we were operating.

The combination of these factors resulted in a large volume of PPE being purchased in short order. This was favourable to the risk associated with turning off the buy signal too soon, which could have seen the country run out of essential supplies.

In June 2020, we introduced S&OP which has resulted in a more precise, demand-driven purchasing model that targeted key PPE categories based on demand. As a result of the Department better understanding demand coupled with the introduction of S&OP, orders were slowed throughout June 2020 with various buy signals switched off at different time points throughout the month across different categories. The total number of contracts signed during May, June and July 2020 were 2,518, 2,358 and 505 respectively. In June 2020 we had only 30,000 pallets in the UK compared to December 2020 when we had secured a four-month stockpile of COVID critical PPE.

From August 2020 onwards, no new PPE contracts were signed and instead in the period of September to December 2020, DHSC initiated a programme to delay and reduce the inbound supply of PPE.

- **Are you taking action to cancel many of the orders for the 8.4 billion outstanding items still to be delivered?**

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As stated above, once we were confident in our supply, we stopped signing PPE contracts and initiated a programme intended to reduce the inbound supply of PPE by varying or, where possible, cancelling contracts.

In some instances, where stock has not yet arrived, or where stock does not meet requirements, it may be possible to cancel inbound orders or to seek refunds from the supplier. In the majority of cases, however, DHSC is subject to binding contracts and is required to reach agreement with the supplier concerned in relation to any proposal to reduce contracted volume.

- **How long will your most over stocked items last? For example, you currently have over 1 billion eye protectors in stock but you distributed approximately 41 million from March to July 2020**

We have established a safety stock across all categories of PPE, ensuring we have at least 4 months' supply at peak usage. In some categories stock is above those levels and we have excess, particularly in eye protectors.

We are actively pursuing options to manage, redistribute or repurpose and, as a last resort, dispose of any excess stock. We have already donated 187,000 items of PPE to Lebanon and 20,000 to Nepal and have approached the Government of India to offer PPE support. We have also supported the reopening of the economy by supplying over 100million items of PPE to 12 other government departments for use by the services that they oversee – including schools, polling stations, transport operators and prisons – and have supplied over 5.5 million items to crown dependencies and charities. We are also exploring options to repurpose the materials; for example, we have recycled 22million tiger eyewear products to make plastic containers for food. These were date-expired eye protectors from the original PIPP stock.

As mentioned above, in some cases we might be able to seek refunds from suppliers where stock has not arrived.

It is possible to calculate a simple ratio of current stock levels to current projected demand at broad category level, as shown in the table below. This does not imply that we expect to hold excess stock for that length of time, as broader processes to re-purpose or re-use stock will reduce and manage any surplus. The surplus position varies at a more detailed category level, for example on FFP3 face masks that require a fit test before switching to a different specific product.

	Current Stock Level (million)	Monthly demand (million)	Months of stock
Eye Protectors	896	6	160
Hand Hygiene (litres)	33	0.43	78

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Gowns	233	3	69
Clinical Waste Bags	72	2	64
Face Mask FFP3	163	5	49
Body Bags	0.265	0.006	43
Aprons	4,017	120	34
Face Mask IIR	4,211	178	24
Gloves	4,087	641	6

These figures are regularly reviewed and will change if planning assumptions change, for example if guidance changes to require use of FFP3 face masks in a greater range of settings.

Yours sincerely,

Chris Wormald

SIR CHRIS WORMALD
PERMANENT SECRETARY