

From the Permanent Secretary
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Department
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Rt Hon Dame Meg Hillier MP
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Dear Chair

House of Commons Committee of Public Accounts Thirteenth Report of Session 2021-22, *Initial Lessons from the Government's Response to the COVID-19 Pandemic.*

I am writing to provide the Committee with the second quarterly update from the Department of Health and Social Care with the data requested in recommendation 1 in the above-named report.

- ***the number and cost of PPE items which, during the quarter: have been received; have been cancelled, with all relevant prepayments recovered; have been (received and) quality assured; have been distributed; have failed the initial quality assurance and are not fit for use in medical settings (i.e. 'not fit for intended purpose');***; ***have failed the initial quality assurance and are not fit for any purpose ('exit stock');***;
- ***the percentage of the total items of PPE ordered in the last complete quarter which were manufactured in the UK;***
- ***the number and cost of items of PPE currently held in central/pandemic stocks;***
- ***whether there are any types of PPE for which the central stocks do not contain at least 4-months' supply under the Department's current planning assumptions (if yes, describe); and***
- ***the weekly cost of storage of the central stocks of PPE (or, if preferred, the total running cost to date of PPE storage).***

Contract management

Since February 2020, over 36.4 billion items of PPE have been ordered, 31.4 billion of which had been received by 6 December 2021. The balance of the remaining items can be accounted for as follows:



- Almost 2.2 billion items are recent orders for gloves that are marked as not yet booked in order systems;
- A further 2.9 billion items are recorded as inbound inventory, which means the items are scheduled to be delivered to DHSC in future. This figure includes 2.3 billion gloves;
- A proportion of items await internal reconciliation between DHSC's internal systems and various data sources; and
- In some instances, suppliers have defaulted on their contractual obligations, resulting in a shortfall against an individual contract. The Department is working through next steps and remedies in these cases.

With regard to the current status of DHSC's ongoing commercial reconciliation the Department:

- has reduced the supply of PPE by varying and curtailing contracts. As at 18 December, the Department had negotiated the cancellation or variation of contracts to reduce the original supply of PPE by 1.21 billion items with an associated reduction in value of £572 million; and
- is currently undertaking commercial discussions (potentially leading to litigation) in relation to 28 contracts with a corresponding value of £1.14 billion in relation to 2.31 billion items of PPE.

Do Not Supply

The PPE programme has a standard process for assessing and assuring the PPE products that have been purchased. By 6 December 2021, 87.8 per cent of stock had been quality assured.

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 programme has classified DNS stock into different categories:

- Items are subject to an ongoing process of checks;
- Items identified for potential use in other settings;
- Donated stock or former PIPP stockpile, and not currently suitable to supply;



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- 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;
- Items that are not currently suitable for supply to the front line for other reasons, for example for stock management reasons.

The Department works with regulators on quality assurance, which is an ongoing process and, therefore, the numbers are subject to revision.

The table below includes the latest data from 6 December 2021 (percentages are of the number of items purchased and may not total due to rounding):

* Columns do not sum due to items on temporary hold, which are explained below.

	03-Feb-21		07-Jun-21		16-Aug-21		06-Dec-21*	
	%	Items (millions)	%	Items (millions)	%	Items (millions)	%	Items (millions)
Do Not Supply (DNS)	10.2	3,300	6.8	2,125	8.4	2,997	19.1	6,955
Ongoing checks	0.58	187	0.87	269	0.7	250	1.0	379
Potential use in other settings	9.06	2,920	4.5	1,396	5.2	1,865	3.7	1,344
Donated or Pandemic Influenza Preparedness Plan	0.20	64	0.22	69	0.2	70	0.2	68
Re-categorised subject to sign off	0.04	13	0.03	9	0	0	0	0
Wastage	0.43	116	0.84	247	1.77	633	3.3	1,220

The figure for wastage includes around 800m aprons in two categories that have passed their expiry date and for which we are not likely to be able to extend shelf-life. These items are relatively easy to recycle and the Department will pursue options as part of our wider strategy on disposal.



As the Department has previously explained to the Committee, the DNS figures will fluctuate as a result of the processes we are undertaking to reassess and manage stock and may not always be a linear number heading in a single direction.

An example of this is the Department has recently modified its taxonomy of goods not currently being supplied to frontline services, to also count items on temporary hold. These items are included in the table above within the DNS category. They meet technical standards and would otherwise have been available for supply to frontline services but are on hold for a range of technical reasons:

- 3,473 million gloves that have passed all regulatory product checks but are on temporary hold because there are allegations of modern slavery. Decisions about the future use or otherwise of these items will be made once our investigations have concluded.
- 95 million items that appear to have reached their stated expiry date (almost all in the eye protectors category). On these, the Department is exploring whether it is possible to extend shelf life.
- 69 million items that are recent inbound purchases, placed on temporary hold to ensure good stock management (all of these are nitrile gloves)

UK manufacture

We have established a resilient UK-based supply chain for all items of COVID-19 critical PPE, excluding gloves.

The Department has now signed contracts with 31 UK-based companies for 3.9 billion units of PPE. 3.77 billion of which had been successfully delivered. Currently, 132 million items are still to be manufactured, but all orders are scheduled to be delivered by the end of March 2022.

The Department has not placed any orders during this reporting period.

Stock levels

As of 6 December 2021, 12.4 billion items of PPE in are held in pandemic stock (excluding “do not supply”)



The table below has been updated to provide the stock levels at 6 December 2021, broken down to category level together with forecast monthly demand:

PPE Items, millions										
	Aprons	Body Bags	Clinical Waste Bags	Eye Protectors	FFP3	Type IIR	Gloves	Gowns	Hand Hygiene (litres)	
Stock Level (7 June)	4,017	0.265	72	896	163	4,211	4,087	233	33	
Stock Level (13 September)	3,582	0.247	77	768	217	4,821	2,685	214	29	
Stock Level (6 December)	3,170	0.068	76	854	217	4,396	2,280	418	28	
Monthly Demand (7 June)	120	0.006	2	6	5	178	641	3	0.43	
Monthly Demand (13 September)	95	0.006	1.4	4	5	120	509	4	0.12	
Monthly Demand (6 December)	99	0.005	2.5	4	6	145	592	4	0.44	

Figures are regularly reviewed and will change if planning assumptions change, for example if guidance changes were to recommend the use of a particular item of PPE in a greater range of settings. Under current planning assumptions, the central stocks of PPE contain 4 months' supply of all items of PPE.

Storage

The Department is continuing to prioritise efforts to reduce the costs associated with the storage of PPE. In October 2020, the average cost of storing a pallet of PPE was £20 per week; by December 2021 this had reduced to £3.27. Weekly storage costs have significantly reduced since the peak of £18.5 million in October 2020, to £11.6 million in January 2021



and by August 2021 weekly storage costs were £5.6 million. By December 2021 the weekly storage cost had reduced to £4.2 million per week.

The total costs for storage for the period from April 2020 and the end of November 2021 are £755.8 million. For the period between 1 September and 30 November 2021 it was £78.2 million. This consisted of £21.5 million for warehousing, £29.2 million for SCCL storage costs, and £5.8 million for China warehousing. To mitigate detention costs, the Department purchased shipping containers costing £1.1 million for the period.

	April 2020 – 31 May 2021	1 June 2021 – 31 August 2021	1 Sept 2021 – 30 November 2021	Total (£m)
Warehousing	37.5	17.7	21.5	76.7
SCCL storage costs	127.6	41.2	29.2	197.4
China warehousing	16.0	5.8	5.8	27.6
Purchase of shipping containers	25.2	0.0	1.1	26.3
Storage total	206.3	64.7	57.6	328.0
Detention	214.4	45.6	16.6	276.6
Demurrage	111.5	0.0	0.0	111.5
Storage/shunting/lifting	29.1	6.1	4.0	39.2
Charges total	354.9	51.7	20.6	427.3
TOTAL	561.2	116.4	78.2	755.3

Yours sincerely,

**SIR CHRIS WORMALD
PERMANENT SECRETARY**