

From the Permanent Secretary
Sir Chris Wormald



Department of Health & Social Care

Dame Meg Hillier MP
Chair of Public Accounts Committee
House of Commons
London
SW1A 9NA

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

Sent via email to: pubaccom@parliament.uk

16 March 2023

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 fifth quarterly update from the Department of Health and Social Care with the data requested in recommendation 1 in the above-named report. The recommendation asks for data across a range of different elements of the PPE programme, which are set out below.

The number and cost of PPE items which, during the quarter have been received, have been cancelled with all relevant pre-payments recovered.

Since 25 February 2020, 39.2 billion items of PPE have been ordered, of which 38.5 billion are confirmed as having been received by 30 December 2022. The Department is constantly reviewing and quality assuring its data on stock held.

The remaining 673 million items include items that have arrived in storage locations in China and are subject to ongoing decision making around disposal or transit to the UK. A small quantity of items from more recent orders are still identified as future inbound. The Department continues to focus on resolving contracts with which there is some element of dissatisfaction and has committed to providing the Committee with regular updates on progress. The commercially sensitive information is annexed in confidence to this letter.

Meanwhile, at a high level, by the end of December 2022, the investigations into contracts where there was some degree of dissatisfaction due to our high standards of quality control, or due to clear contractual breach related to 60 contracts of 394 in total that the department made. The total value of these contracts is £1.77 billion with an estimated £1.62 billion at risk. Of the 60 contracts under review, commercial discussions alongside legal review were underway for 58 of them and 1 was subject to litigation.



Department of Health & Social Care

The Dissolution Team's portfolio has now expanded to include contracts awarded by Supply Chain Coordination Ltd (SCCL) that are in dispute. It has been identified that 35 SCCL suppliers are under investigation for being in breach of their obligations, with an aggregate value at risk of £548 million. At a high level, by the end of December 2022 this stood at 12 suppliers, with an aggregate value at risk of £240 million.

The amount of PPE that has been quality assured; have been distributed; have failed the initial quality assurance and are not fit for use in medical settings; have failed the initial quality assurance and are not fit for any purpose.

The PPE programme has a standard process for assessing and assuring the PPE products that have been purchased. By 30 December 2022, 98.7 per cent of stock had been quality assured. This is a decrease of 0.2 percentage points since the last update, because the total now includes an additional recent order of gloves which had not completed testing by 30 December.

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

The reduction in the quantity of stock held is greater than the increase in the total amount distributed as several billion items were disposed of between 30 June 2022 and 30 December 2022. The estimate of how many items have been disposed of is based upon validated management information which is being prepared for publication in a statistical release.

| (All figures in millions) | All items ordered | | All items received | | Items used or distributed | | Remaining stock | |
|--|-------------------|---------------|--------------------|---------------|---------------------------|---------------|-----------------|---------------|
| | 30 June 2022 | 30 Dec 2022 | 30 June 2022 | 30 Dec 2022 | 30 June 2022 | 30 Dec 2022 | 30 June 2022 | 30 Dec 2022 |
| Total | 38,067 | 39,200 | 37,412 | 38,527 | 20,528 | 24,622 | 16,883 | 11,282 |
| Items marked for release - good to use | 33,936 | 34,823 | 33,297 | 34,383 | 20,528 | 24,622 | 12,769 | 7,718 |



| | | | | | | | | |
|---|--------------------|-------|--------------------|-------|---|---|-------|-------|
| Assessment in progress or not started | 403 | 492 | 403 | 487 | - | - | 403 | 366 |
| Items not currently being distributed: | 3,728 ¹ | 3,885 | 3,711 ¹ | 3,656 | - | - | 3,711 | 3,197 |
| <i>Cleared technical checks, but ongoing checks to assess useability in health and care</i> | 984 | 842 | 984 | 838 | - | - | 984 | 765 |
| <i>Potential use in other settings</i> | 1,185 | 958 | 1,175 | 849 | - | - | 1,175 | 821 |
| <i>Waste - Not fit for any use</i> | 1,187 | 1,308 | 1,180 | 1,147 | - | - | 1,180 | 969 |
| <i>Expired</i> | 34 | 96 | 34 | 96 | - | - | 34 | 95 |
| <i>Awaiting further assessment</i> | - | - | - | - | - | - | - | - |
| <i>Temp hold – allegations of modern day slavery</i> | 338 | 682 | 338 | 681 | - | - | 338 | 546 |

*Numbers may not total due to rounding

The percentage of the total items of PPE ordered in the last complete quarter which were manufactured in the UK;

Over the course of the pandemic, we stood up a significant UK manufacturing capacity in response to COVID-19. This domestic capability has allowed us to ensure sufficient stocks of PPE on the frontline during a period of instability in international markets. Contracts have been signed with around 30 UK-based companies for 3.9billion units of PPE, all of which has now been delivered.

¹ These numbers are higher than previous quarter as some stock recorded in the assessment in progress or not started category in the previous quarter has subsequently been moved into the do not supply categories



Department of Health & Social Care

The department has not placed any orders with UK manufacturers during this reporting period. This is because there are sufficient volumes to maintain the provision of free COVID 19 PPE across all categories until March 2023, after which the provision of PPE transfers to the NHS Supply Chain. From April 2023, the NHS Supply Chain will continue to supply the department's COVID 19 PPE free of charge, while stocks last. These stocks are in addition to our safety stockpiles for resilience purposes.

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);

Management and oversight of remaining stocks of free PPE will transfer to NHS Supply Chain on 1 April 2023. To provide ongoing resilience and ensure readiness for any future pandemic, the Department will secure a replenished pandemic preparedness stockpile. The pandemic stockpile will hold some residual stocks from those purchased during COVID-19 and will also be replenished with additional items where current stock levels are insufficient.

The Department will continue to provide free PPE to health and social care services until 31 March 2023. Provision of free PPE will continue after that until stocks run out, or until 31 March 2024, whichever is sooner. As existing stocks of free PPE are exhausted, NHS Supply Chain will continue to provide PPE on a business-as-usual basis. Standard operational processes within NHS Supply Chain will ensure that sufficient operating stock is held to meet ongoing demand.

To provide resilience and ensure readiness for any future pandemic, the Department will secure a replenished pandemic preparedness stockpile. The pandemic stockpile will hold some residual stocks from those purchased during COVID-19 and will also be replenished with additional items where current stock levels are insufficient.

As of 31 December 2022, 8.1 billion items of PPE in are held in pandemic stock, excluding items deemed as "do not supply". Those items are sufficient to meet remaining demand until the end of March across all categories of PPE. The table below shows the stock position and remaining forecast monthly demand across all categories:

| | Remaining PPE stock at 30 Dec 2022 (excluding "do not supply") <i>Items millions</i> | Forecast monthly demand until end of March 2023 (estimated in December 2022) <i>Items millions</i> |
|-----------|---|---|
| Aprons | 1,531 | 52 |
| Body bags | 0.068 | 0.006 |



| | | |
|-----------------------|-------|-----|
| Clinical waste bags | 11 | 2.0 |
| Eye protectors | 519 | 1.3 |
| FFP3 | 301 | 1.0 |
| Type IIR | 2,322 | 86 |
| Gloves | 2,618 | 482 |
| Gowns | 243 | 1.1 |
| Hand hygiene (litres) | 42 | 0.8 |

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 at least a 4 months' supply of all items of PPE.

Demand for key items has declined in the second half of the year following changes in guidance for universal use of facemasks. Previously there appeared to be a statistical relationship between usage of certain items (gowns, FFP3 masks and eye protectors) and the number of patients in hospital with Covid, however this seems to have weakened recently leading to lower projected demand for these items.

The weekly cost of storage of the central stocks of PPE (or, if preferred, the total running cost to date of PPE storage).

For the period between 1 April 2022 and 31 December 2022 £199.5 million was spent on storage and associated charges. The equivalent figure for 1 April 2021 to 31 December 2021 was £315.4m. A thorough review of costs was taken in the last quarter to ensure that invoices and related credit notes were more closely aligned to the period the costs were incurred rather than the dates the invoices were received. This has resulted in a revision to the costs reported for prior periods in previous reports. The following table sets out the breakdown.



Department of Health & Social Care

| (millions) | 1 Apr 2020 – 31 May 2021 | 1 June 2021 – 31 Aug 2021 | 1 Sept 2021 – 30 Nov 2021 | 1 Dec 2021 – 31 Mar 2022 ⁽¹⁾ | 1 Apr 2022 – 30 Jun 2022 | 1 July 2022 – 31 Dec 2022 ⁽²⁾ | Total costs from April 2020 to Dec 2022 (£m) |
|--|-----------------------------------|------------------------------------|---------------------------------------|--|-----------------------------------|---|--|
| DHSC UK storage costs (warehousing and containers) | 33.13 | 26.73 | 22.56 | 53.10 | 32.72 | 38.65 | 206.88 |
| SCCL storage costs (warehousing and containers) | 132.73 | 35.48 | 32.11 | 48.70 | 29.21 | 78.28 | 356.50 |
| China warehousing | 15.98 | 5.80 | 5.85 | 8.07 | 7.40 | 13.19 | 56.29 |
| Purchase of shipping containers | 25.22 | 0.00 | 1.51 | 5.88 | 0.00 | 0.00 | 32.61 |
| Storage total | 207.05 | 68.01 | 62.03 | 115.75 | 69.33 | 130.11 | 652.27 |
| | | | | | | | |
| Detention | 222.42 | 38.82 | 23.54 | 15.54 | 0.00 | 0.00 | 300.32 |
| Demurrage | 111.45 | 0.05 | 0.07 | 0.00 | 0.04 | -0.01 | 111.61 |
| Storage/shunting/lifting | 29.65 | 6.49 | 4.66 | 6.20 | 0.00 | 0.00 | 47.00 |
| Charges total | 363.52 | 45.36 | 28.28 | 21.74 | 0.04 | -0.01 | 458.93 |
| TOTAL | 570.57 | 113.36 | 90.30 | 137.49 | 69.36 | 130.10 | 1,111.20 |

(1) To note, this covered the extended period of December – March to align the report cycle with the rest of the data provided in this report.

(2) To note, this covers two complete quarters of data.

The volume of PPE that has been disposed of and the associated costs and benefits.

Through recommendation 1 of Treasury Minute 6, the department committed to including an update of progress on disposal in this quarterly report.

The Lead Waste Partners appointed in March 2022 have been assessing the products in our recovery pipeline to identify recovery options (focusing on recycling and energy recovery). As of 30 December 2022, 208.2k pallets have been disposed of.



Department
of Health &
Social Care

| | Disposals (March- December 2022) |
|---|----------------------------------|
| Volume of pallets disposed of | 208,232 |
| Method of disposal: | |
| Recycling | 109,323 pallets (53%) |
| EfW | 98,909 pallets (47%) |
| Storage cost savings <i>Annual storage cost saving</i> | £25.7m per year |
| Environmental cost savings | £15m |

The department's excess PPE would replace the coal that would normally be burnt in these kilns, so would offset the burning of that fuel. The 47% disposed of as EfW this quarter will result in around a £15m environmental saving² through the switching of coal to plastic PPE to fuel the cement kilns. Based upon current storage costs it would have cost £25.7m to store this volume of stock each year.

More detailed data on the volume of stock that has been disposed of via this route and sold or donated is prepared for a forthcoming statistical publication, currently planned for late March 2023.

Yours sincerely,

SIR CHRIS WORMALD
PERMANENT SECRETARY

² Environmental impacts are calculated by taking the carbon emissions per tonne of materials incinerated and multiplying this by the carbon values that are produced by BEIS ([Valuation of greenhouse gas emissions: for policy appraisal and evaluation](https://www.gov.uk/government/publications/valuation-of-greenhouse-gas-emissions-for-policy-appraisal-and-evaluation) - GOV.UK (www.gov.uk))