

Record of decisions taken by an officer under Standing Order 54 – urgent decision making



Title:	COVID-19 Surrey County Council Response to Covid – PPE Procurement
Divisions Affected:	All / List
Key Decision:	Yes
Reason Key:	Over £1m / Affects two or more Divisions
Decision taken under delegation by virtue of:	Standing order 54 – urgent decision making
Meeting date/time	15/5/2020
Meeting title	<i>Decision by Chief Executive on PPE Bulk Procurement</i>

Summary

The Council is responding to the Covid-19 major incident and therefore needs to make urgent decisions to ensure that residents are protected. Urgent decisions taken at the above named meeting are listed below with reasons.

The Local Resilience Forum (LRF) has signalled its intent to act as a provider of last resort for Personal Protective Equipment (PPE) where supplies from Central Government sources are insufficient to meet demand. The LRF is currently servicing upwards of 800 individual customers with PPE. The volumes involved outstrip the supply provided by MHCLG, donations and the “make” initiative by approximately 70%. *The decision to seek to provide additional supply via private procurement was agreed by the LRF via [decision of the joint chairs/sign off at SCG] on 15/5/2020*

The LRF is not a legal entity and does not instruct its members, who simply have a duty to co-operate. To enable the fulfilment of the LRF’s intent, one of the partner bodies needs to undertake the procurement on behalf of the LRF. The County Council is considered best placed to adopt this responsibility based on available capacity, resources and expertise.

The current supply routes have been unstable due the national shortage of PPE and have created a ‘hand-to-mouth’ daily struggle to obtain and reprioritise stock, mainly through expensive spot purchase arrangements, in order to meet essential demand. This creates an ongoing threat of not being able to supply critical PPE with the associated health and reputational risks.

As it stands today, the PPE team have been able to meet current demand and there have been no occasions where failure to supply PPE has resulted in premises closing or

staff/public being placed at significant risk. However, this is an ongoing situation, and this may not continue to be the case without significant procurement action. Ensuring that this situation does not arise, and that the welfare of carers and other front-line responders and service providers is prioritised, is considered to be an overriding objective.

The national Clipper service was forecast to be in place to deal with all PPE supply but is unlikely to be functional in the medium or potentially even long term. MHCLG supplies are not intended to meet all needs and are designed to be additional to LRF/local authority procurement. Their availability to Surrey will continue to be unpredictable as they are servicing the whole country.

The current market for PPE in the UK is extremely volatile. As a base example, the price for a pack of 100 Nitrile examination gloves has increased approximately 400% in 4 months. UK based suppliers make up less than 10 % of available supply and as such, the astronomical growth in PPE requirement has led to a supply chain that was previously based on next day delivery being now being up to 6 weeks for some products.

The inflated pricing in the marketplace has attracted suppliers who do not class PPE as a core activity, or even general sales of consumables. Their knowledge of their supply chains outside the EU, and the regulatory requirements of the products are minimal, which is leading to very questionable proposals and a much-increased need for vigilance on the part of any procurement activity.

In order to try and mitigate some of risks within the supply chain, the SCC procurement team have introduced, with assistance from the internal Audit team, a systematic process to establish an appropriate and reasonable level of assurance on the goods, supply chain and manufacturer through certification. This is especially required where goods are being sourced directly from Chinese based suppliers or trading companies.

The competition for PPE is extremely fierce and the availability of the product is constantly changing, which is leading to an even steeper growth in pricing and an ever-growing need for procurement decisions to be made in uncomfortable time frames. However, buying in small quantities has meant additional costs of around 40% over the benefits of bulk ordering.

The LRF logistic team have worked to forecast the PPE demand which are informed by most recent forecasts taking into account the demand mitigation processes put in place to ensure providers are not over-ordering (this has been a significant issue) and presumes continuation of receipt of MHCLG stock at the current somewhat unpredictable level. Without these mitigation processes the amount and cost of stock will be significantly higher, or the stock procured will last for a shorter period.

As such, the LRF has requested that the SCC Procurement Team identify and source supply routes for certain categories of PPE and manage the procurement process accordingly.

Appendix 1 outlines the recommendations for bulk purchase, and these are based on the following key points:

- **Volume revisions** – Based on the latest information from Wray Park and MHCLG deliveries being more frequent, the total number of lines ordered has reduced. Gloves

and Aprons have been removed from the bulk buy scenario as Glove supply has been secured at a much below market rate and Aprons are a regular purchase with a UK supplier along with a significant supply from MHCLG. We have no need for additional hand sanitiser as stocks are currently plentiful. Some volumes have been revised upwards based on Wray Park requirements and the demand need.

- **Future forecasts** – Based on the current situation, MHCLG deliveries, the procurement of 5 weeks orders in order to ascertain usage together with the potential for a greater pull on the LRF as lockdown conditions alter, there is no available evidence that the volumes required will decrease over the next 12 weeks. The much more likely occurrence is that needs will stay stable with definite spikes based on outbreaks.
- **Risks from a ‘Direct to China supply’ policy** – The risks of this approach include non-supply, competitors buying stock that was dedicated for SCC, loss of funds, lack of control, and inability to return stock (which can be partially mitigated through Letters of Credit and contract penalties which are being investigated by Finance).
- **Direct to China supply is therefore not recommended** based on the risks involved and feedback received. Given some the price changes recently seen in the marketplace and the reduction of the risk premium by using UK distributors, the recommendation focuses on procurement through a UK based channel. The volume involved allows for breathing space to continue to review future supply lines including those direct from China. Given this greater time capacity, the team will now have the potential for independent testing of products received by other councils before SCC purchase to assure quality. Whilst a risk premium is payable for UK sourcing, the benefits in terms of contractual actions in the event of failure, improved commercial terms, and financial risk exposure outweigh the increased pricing.
- There is still an inherent risk of the UK Sourced products suitability due to the specific medical nature and regulatory standards. To mitigate this, the Internal Audit team have put in a robust process to verify all documentation, such as test certificates. The County Council’s Health and Safety Team will remain the final point of sign off before any purchases can be made. **No UK purchases will be made on 100% upfront payments. They will be made up of 50% upfront/50% on passing QA after delivery or standard 30-day terms thereby further mitigating some of the financial and commercial risks associated with this procurement activity.**
- **All prices outlined are correct as of 14th May 2020.** The market is extremely volatile and another spike, a change in policy from China, India/Malaysia restarting export, or any number of factors could change that.
- All prices quoted **include freight and insurance costs where appropriate**
- It is likely that further PPE orders will be needed in the coming weeks and months. As the demand stabilises and supply routes through centralised routes become established, sources routes and bulk purchase considerations will be tested at each stage to ensure appropriate purchasing decisions are considered.
- **In summary, the three options considered and estimated spend for 6 weeks supply (at prevailing prices and demand estimates) are:**

Spot Buying	UK Distributor Bulk Buy	Direct to China Bulk Buy
£2,665,000	£1,665,000	£1,316,000

It should be worth noting that this request for purchase from the LRF is based on current

known volumes. Although the situation can be seen to be a little more under control, the LRF are still only seeing orders from approximately 35% of the customers registered with the LRF for potential supply.

Section 151 Comments:

Based on current prices, the bulk purchase for 6 weeks supply from UK distributors is estimated to be £1,655,000. If the same stock is to be purchased at current spot prices, it is estimated to cost £2,655,000. The cost of this PPE will be charged to the government Covid response grant and has been assumed in projections.

However, the possibility of recharging for the stock is being explored, which would reduce the call on the grant (which is already over-committed). If recharging were either not to be introduced or customers failed to pay, the council would have to fund the entire cost.

Given the current nature of the emergency, the s151 Officer supports the recommendation that the bulk purchase is agreed from UK distributors, subject to all procurement checks, and that officers work with the LRF to agree a distribution and recharging policy.

Decision made

Decision made:

It was AGREED that:

Surrey County Council act as the lead agency to procure PPE on behalf of the LRF in fulfilling that requirement, the County Council adopts the procurement approach set out in Appendix 1

Surrey County Council Officers will work with the LRF team to establish an appropriate distribution and recharging policy that meets the agreed objectives.

Reasons for Decision:

Secure the short-term provision of PPE for the Council and meet the LRF obligations to ensure that all organisations/staff requiring PPE have appropriate PPE and the residents and carers are kept safe

There is an expectation, that the Council should use the COVID-19 Grant funding towards meeting or contributing to the costs of providing essential equipment and services, for which there is no other source

The LRF is also exploring the possibilities of recharging part of the spend on PPE and the Surrey County Council Officers will work with the LRF team to establish an appropriate distribution and recharging policy that meets the agreed objectives

Forward-purchase (bulk buy) items of PPE through a distributed supply chain thus minimising the risk PPE supply outages and over exposure to spot purchase and price fluctuations, ensuring that all organisations and staff requiring PPE have access to a regular supply thereby ensuring the safety of residents and carers.

Build a resilient and reliable supply chain that reduces the risk of using non-compliant PPE

and stabilises costs in the short term.

To minimise the risk of reduced supply from the government supply chain which to date has been inconsistent both in quantity and scheduling.

Create a buffer of PPE stock of around 6 weeks. This will help us to better support providers and clients. Given the current demand forecast, it is unlikely that any PPE will remain unused given the ongoing demand. If in the unlikely event there is surplus stock, it is expected that it could be provided to other parties such as the NHS as the items meet approved standards. However, at this stage any potential recharging mechanism hasn't been agreed.

Create a stock level in order to maintain services until such times as government supply chain and demand.

Government, Donations and requests to 'Make' do not support the current demand.

Factor in a level of contingency into the pricing assumption to alleviate any price/currency fluctuations

Decisions taken by:	Joanna Killian, Chief Executive
Decisions taken on:	14 th May 2020
To be implemented on:	15 th May 2020

Decision taken in consultation with

Leader of the Council

SCC Finance – Leigh Whitehouse, Section 151 Officer

SCC Legal

LRF logistic lead

LRF Goods and Service Cell Lead

TCG

SCG

SCC Procurement

Appendix 1 Supplier List

The table below set out the PPE product to the purchase, the suggested volumes to be procured, current costs and recommended supplier route in Green.

Product	Spot Buying unit Price	UK Distributor Bulk Price	Direct to China Bulk Price
Coveralls	£20.00	£8 - sole supply	£20 - sole supply
Goggles EN166	£7.00	£4.12 - sole supply	£3.48 - sole supply
Gowns	£11.50	£11.50	£5.43 - sole supply
Type I Mask	£0.55	£0.52 - split supply	£0.43 - sole supply
Type IIR Mask	£1.18	£0.53 - split supply	£0.44 - split supply
Visors	£4.75	£3.85 - sole supply	£1.30 - sole supply

Product	Original Bulk Volume	Altered request	Spot Buying Cost	UK Distributor Bulk Cost	Direct to China Bulk Cost	Reasoning
Coveralls	5,000	10,000 - Based on Wray Park information, there is a larger requirement	£200,000	£80,000	£200,000	The product being offered from China is a higher specification than the one noted in Gov guidelines
Goggles EN166	50,000	50,000	£350,000	£206,000	£174,000	The Chinese supplier will only release unredacted, English test reports if an order is placed. We are also liaising with a UK safetywear supplier who is proposing a £4 price for 50k goggles but has not submitted the full proposal yet
Gowns	10,000	10,000	£115,000	£115,000	£54,300	The specification, availability and reliability of gown supply is extremely volatile. We would recommend trying to work on sourcing a trusted supplier on this product, even if it takes a little longer
Type I Mask	600,000	800,000 - Based on Wray Park information, there is a larger requirement	£440,000	£416,000	£344,000	The direct to China price is based on market assumptions. Neither of the routes investigated offered this product but it is easily sourcable
Type IIR Mask	2,000,000	1,000,000 - Reduced due to demand being managed and MHCLG deliveries - gives time to review continued usage and consider a further order	£1,180,000	£530,000	£440,000	We have revised the recommendation from 2m to 1m based on figures from Wray Park. Additionally, this volume is securable in the UK (split supply) with 500k in 3-6 days and the remaining volume in 2 -3 weeks.
Visors	50,000	80,000 - Based on Wray Park information, there is a larger requirement	£380,000	£308,000	£104,000	The supplier we are working with is locally based (South Godstone) and has agreed to deliver in stages (10k per week) at a reduced price if we make an order for the full volume. The product has been well received and meets requirements
Total	2,715,000	1,950,000	£2,665,000	£1,655,000	£1,316,300	

Appendix 2

PPE Specification used for regulatory compliance and CE certification

PPE Equipment	EN Standard	PPE Directive	Specifications
Disposable gloves	EN 455-1, -2, -3, -4	89/686/EEC	Gloves Spec
Disposable plastic aprons		89/686/EEC	Aprons Spec (no EN number - just the minimum requirements for NHS Supply Chain)
Disposable fluid resistant gown	EN 13795:2019	2016/425	Gowns Spec
Disposable fluid resistant overall	EN 13795:2019	2016/425	Coveralls Spec
Type 1 Mask	EN 14683:2019		Mask Spec
Fluid – resistant (type IIR) surgical mask	EN 14683:2019		Mask Spec
Filtering face piece respirator (FFP 3)	EN 149:2001+A1:2009		FFP Spec
Eye / face protection	EN 166:2002		Goggles Spec
Hand sanitiser	Various - 60% Alcohol		Hand Sanitiser Spec

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