

## Finance Comments – PPE coronavirus

### Summary

The value of this decision is for **£6.500m** and seeks approval to:

1. Purchase PPE face masks on behalf of the Nottingham Local Resilience Forum (LRF) partners including Nottinghamshire County Council and Blue Light services for **£4.290m**. LRF partners are purchasing other forms of PPE which Nottingham City Council will draw down. For Nottingham City Council these will be distributed internal across in-house care services.

Further work is being undertaken by Procurement to establish how partner recharges will occur (see below). This also needs to capture how this is recorded by City Council services.

2. Establish a contingency for the purchase of further masks or other PPE that cannot be drawn down from the LRF stock. This could equate in total to **£2.210m** (£0.170m per week).
3. Dispensation from Contract Procedure Rules in accordance with Financial Regulation 3.29 due to the urgency and availability of PPE.
4. To support, for each batch purchase, up to a 50% upfront payment where required, to secure supply.
5. Monitoring will be set up to track actuals and recharging between partners and will be captured as part of the routine COVID 19 financial monitoring.
6. The funding of this expenditure is due to impact of COVID 19. Central government have issued grants to Local Authorities to support this cost however based on the current allocation this is not sufficient for Nottingham City Council.

Any shortfall in funding will impact the Medium Term Financial Plan, increase budget gaps and reduce budget flexibility further. Therefore it is paramount that all expenditure (either business as usual and/or COVID 19 related) represents value for money.

### Detail

The value of this decision has been calculated on the worst case scenario assumption that up to 300,000 face masks (purchased at the request by the LRF) will be needed per week over a 13 week period from April 2020 – June 2020 at a cost of £1.12 per unit. This unit price is based on masks already bought however this could vary if different suppliers are used. Also contained within the £6.500m is an amount of £0.170m per week to cover further PPE purchases such as aprons, gloves, hand sanitisers, wipes etc. should Nottingham City Council (NCC) not be able to draw down stock from the LRF stock, as well as further face masks if needed.

The face masks purchased will have a 5 year lifespan therefore there are options should NCC be left with a surplus of stock once demand for the products has reduced. These include retaining them should another surge of Covid-19 cases materialises and/or allocating or selling them to organisations that use them in their business as usual activities. These options will be developed once any unused quantities are known.

NCC has been asked to focus on purchasing face masks only via the LRF. Due to this all stock purchased will not be for the sole use of NCC. A joint Procurement paper is to be shared at the

Finance Cell of the LRF to present options on recharging amounts of PPE to LRF partners mentioned above for their usage. If any recharging to other Partners occurs then it will result in a reduced net cost to NCC in relation to this PPE decision. It needs to be noted however that should any recharging between Partners be agreed then NCC should expect being charged from Nottinghamshire County Council for the PPE they have bought on behalf of the city via the LRF also (gloves, aprons, hand sanitisers etc). The amount of this is unquantifiable at present.

The funding of this decision value will be offset against Central Government funding where possible. Central Government has allocated unringfenced funding of £10.678m to NCC in response to the Covid-19 pandemic with a second instalment of the same amount expected (although amount unconfirmed at the time of writing). This funding however is anticipated to be insufficient to cover all NCC related Covid-19 costs and loss of income. There is a risk that the full cost of this decision will not be reimbursed in full by Central Government. Any shortfall in funding will impact the Medium Term Financial Plan, increase budget gaps and reduce budget flexibility further. Therefore it is paramount that all expenditure (either business as usual and/or COVID 19 related) represents value for money.

It also needs to be noted that due to the urgency and stock issues from suppliers there is a need to part pay suppliers in advance to secure the PPE. Whilst this is not standard practice it is deemed necessary in the current circumstances to protect those in need but this comes with financial risk that cannot be fully mitigated. Below details the steps taken to enable payment in advance for both purchase cards and bank transfers of PPE, including preventative steps to minimise the risk of fraud.

- Purchase card limits have been increased for the procurement cards to £100k per single transaction
- Any payments in advance over £25,000 to be pre-approved by a senior officer
- Any payments in advance over £25,000 to companies that are not an existing NCC supplier, to be subject to a credit check (to give some assurance of the financial health of the organisation)
- Pro-forma invoice to be provided by the company
- Where paying by purchase card for goods over £25,000, the card holder must make payment directly with the supplier
- Where paying by bank transfer, confirmation of Payee checks are performed prior to making payment

The above steps only part mitigates the financial risk of using new suppliers and paying in advance but not in fully should the agreed goods not be delivered. If this occurs then it becomes a legal matter to retrieve outstanding goods or money with no guarantee of success.

This decision also seeks Dispensation from Contract Procedure Rules in accordance with Financial Regulation 3.29 (emergency action) to enter into agreements with suppliers and to pay in advance where requested. This is deemed appropriate under the current emergency situation.

All covid-19 related purchases need to be monitored using the specific code set up in Finance in order to aid and support any Central Government claims or requests for information. Whilst the cost will initially sit in Procurement it will ultimately need to be recharged internally to the service areas consuming the PPE to ensure the full cost of service is captured and recorded accurately.

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