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RESILIENT STATE

All hands on deck

Public-private partnerships during COVID-19

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Acknowledgements

Interviewees

The authors are grateful to the ten individuals who were interviewed as background for this paper. Interviewees spoke with *Reform* under the Chatham House rule. All have worked with the Government during the pandemic.

About

Reform is established as the leading Westminster think tank for public service reform. We are dedicated to achieving better and smarter public services. Our mission is to set out ideas that will improve public services for all and deliver value for money.

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These are long essays, akin to a newspaper long reads, showcasing a particular opinion or angle on a policy issue. These are meant to be thought provoking, challenging the status quo of public policy.

Extreme disruption in a global pandemic is inevitable, but how resilient a state is determines how well it can cope with such a crisis. A truly resilient state quickly puts in place mitigations to that disruption, simultaneously responding to the crisis while continuing to deliver core services. The degree to which the Government has flattened the curve of infections is thus only part of the measure of success – equally important is the extent to which the State has achieved this while continuing its normal functions.

Public-Private-Partnerships (PPPs) are playing a vital role in this effort. Without the private sector, the State would have struggled to rapidly expand its capacity, bolster existing services and stand up entirely new ones.

PPPs have, rightly, been subject to intense scrutiny throughout the pandemic. There have been many examples of highly effective partnership working – such as the creation of Nightingale Hospitals in a matter of weeks – but there have also been significant challenges, and some very public failures to deliver. It is vital that both the successes and the failures are examined, and the lessons learned.

As we move towards recovery, the private sector will be delivering key aspects of the Government's strategy, from skills and employment support to vaccine distribution. PPPs will also be central to the State's response to future threats – whether another pandemic, a cyberattack by a state actor, or something as of yet unforeseen. Asking how well the Government has leveraged the resources of the private sector to this point can help us understand how to increase resilience for the future.

Public-private partnerships in the first wave

After a decade of austerity, the public sector went into this crisis with little 'spare' capacity in any service. There is a separate conversation to be had about the balance between lean services and spare, 'just-in-case' capacity, but there is no doubt that private sector capacity became indispensable.

The scope and cost of private sector involvement in the Government's response to the coronavirus has been significant. The value of all published coronavirus-related contract awards since March is £18.6 billion. The majority of that spending occurred in April and May, the largest portion of which was on PPE.¹

The pandemic required goods and services – PPE, ventilators, entirely new hospitals – almost overnight. In these emergency circumstances, it was right that some of the normal conventions of procurement were relaxed: contracts could be awarded directly, call-offs could be expedited, and in some cases cost was given less weighting than usual.

¹ 'Latest Updates on UK Government COVID-19 Contracts and Spending', Web Page, Tussell, 30 November 2020. N.b. this is the value of contracts that have been awarded and published. There is a time lag between award dates and publication, and some contract awards may not be published

Leveraging the private sector in a crisis

The speed and scale at which the private sector could deliver was impressive. The Ventilator Challenge, for example, prompted a consortium of 33 businesses to massively scale up the manufacture of ventilators produced by Smith Group and Penlon. These two businesses combined would normally produce 60 ventilators a week; in 12 weeks, the consortium produced 12,300 – a decade’s worth of ventilators.²

Although neither the target of 18,000 ventilators by the end of April nor 30,000 by the end of June were met, the demand for these never materialised, and by early August that number was surpassed.

The seven Nightingale hospitals constructed in a matter of weeks in England is another example of effective partnerships. Building a hospital requires not only medical staff and supplies but complex building and plumbing work, logistics, IT infrastructure, and security and facilities management. This could not have been implemented so quickly without partnership working with industry. It is not only the number of services, or even the scale at which they could be provided, that was impressive, but the way that they worked together to deliver at such a rapid pace.³

At the same time, partnerships that received none of the fanfare of the Nightingales or ventilator procurement were no less critical. Large outsourcers faced all the same workforce challenges as the public sector during this crisis, but continued to provide both pandemic response and business-as-usual services.

Private sector services, like facilities management and catering, were fundamental parts of the pandemic response, from the Nightingales themselves, to keeping schools open for the children of key workers. In addition, the private sector continued to provide pre-existing services through lockdown, like refuse collection and public transport, which was crucial to allowing other keyworkers to continue working. Many private-sector workers were on the frontline of public service delivery, and risked their own health in the same way as public-sector workers.

These examples of agility, creativity, and service resilience show PPPs at their best – and without such partnerships England would have fared much worse.

Yet alongside them, there have also been less impressive examples of partnership working. In some instances, this has been the result of poor performance by providers. However, in others, these have been the result of government failure to effectively leverage the private sector in a way that would maximise the value it could offer.

There are three key, overarching lessons that Government must learn from the past nine months: first, planning for procurement in a crisis lays the foundations for an effective response; second, Government needs to be able to leverage all of the resources at its

² *Public-Private Partnerships: Lessons from COVID-19* (CBI, 2020).

³ *Ibid.*, 18.

disposal, not just those closest to hand; lastly, transparent decision making is more important than ever when 'urgent' procurement becomes necessary.

Poor procurement, poor value

The clearest example of failure to date has been in relation to the purchase of PPE. The purchase of 50 million FFP2 medical masks for an estimated £150 million – part of a £252 million contract between the Department for Health and Social Care (DHSC) and Ayanda Capital – is perhaps the best-known incidence. The masks were unsuitable for use in clinical settings because they did not have the correct fittings.⁴ This is a huge sum of money wasted – enough to train over 6,500 teachers⁵ – albeit a fraction of the overall £15 billion spend on PPE.

However, the failure rate by volume of PPE has been only 0.5 per cent, meaning the overwhelming majority has been fit for purpose.⁶ The concerning issue is the extent to which value-for-money was achieved with PPE spend. According to the *Financial Times*, as of July, the DHSC was the single biggest purchaser of PPE in the EU, and the average value of UK Government contracts, at £6.6 million, was more than 16 times the EU average.⁷ These figures would suggest that, in a haste to get PPE at short notice, the Government overpaid.

Public-private partnerships cannot deliver the best value if the service the private sector is tasked to deliver is poorly functioning or designed. A clear example of this is the contact tracing service provided by Serco and Sitel as part of NHS Test & Trace, for which the cost of the directly-awarded contract with Serco was £108 million.⁸ After NHS contact tracers contact those who have tested positive to identify their close contacts, around 10,000 call centre staff employed by these two companies attempt to reach these close contacts of cases not being handled by local Health Protection Teams ('complex cases' – around 3% of total cases⁹), so that they can be notified of possible exposure and told to self-isolate.

Overall, contact tracing is performing poorly – nearly three in every ten close contacts of these 'non-complex' cases are not reached.¹⁰ However, this total measure of 'close

⁴ Tabby Kinder, 'UK Government Spent £156m on Single Contract for Ineffective PPE', *Financial Times*, 6 August 2020.

⁵ Rebecca Allan et al., *The Longer-Term Costs and Benefits of Different Initial Teacher Training Routes* (Institute for Fiscal Studies, 2016). N.B. assumes teacher training cost of 23,000/teacher.

⁶ National Audit Office, *Investigation into Government Procurement during the COVID-19 Pandemic*, HC 959 (London: The Stationery Office, 2020).

⁷ Gill Plimmer, 'UK's Record Spending on PPE Comes under Growing Scrutiny', *The Financial Times*, 26 July 2020.

⁸ Department of Health and Social Care, 'Serco - Contact Centre DHSC', Web Page, GOV.UK Contracts Finder, 24 July 2020.

⁹ Department of Health and Social Care, *Weekly Statistics for NHS Test and Trace (England) and Coronavirus Testing (UK) 12 November to 18 November, 2020*, 18.

¹⁰ *Ibid.*, 26.

contacts' includes those whose communication details were not known by Test and Trace – there was simply no way to contact these people. For the latest data, around one in seven close contacts of non-complex cases had no communication details.¹¹ The call centre staff employed by Serco and Sitel are only asked to attempt to reach close contacts whose communication details *are* known. In fact, of this cohort, Serco and Sitel staff are reaching more than *eight* in every ten close contacts. So, it is not the fault of this service that Test and Trace is failing to reach enough close contacts – a large part of the problem is upstream of this, in acquiring communication details.

There are, however, problems with call centre staff reaching close contacts whose details are known. In the latest data over 14 per cent were not reached, many of whom may simply not pick up the phone for an unrecognised number.¹² Further, at first, call centre capacity was much greater than demand for contract tracers so many went several shifts without a case to process, and in the end 6,000 were laid off. This contrasts with local contract tracing teams; which benefit from local knowledge, being able to go door-to-door, and working through local institutions to trace contacts; and which are reaching nearly 98 per cent of contacts.¹³ Now, local contact tracers move in if contact cannot be made within 48 hours.¹⁴

These issues do not seem to have been anticipated in the centralised system, despite people calling for a locally delivered, centrally funded model early on.¹⁵ The Government's decision to press ahead with procuring a top-down system has cost time and money, and SAGE judge that it is having a "marginal" impact on transition.¹⁶

Better-laid plans

Above all else, these failures speak to poor planning. Expediting procurements in crises and accepting higher levels of risk and sometimes spend, is to be expected. However, urgent procurement should not mean rushed procurement. Civil protection planning with the private sector should lay the groundwork for effective partnership working in the event of crisis, so important decisions do not have to be made in haste.

This means considering ahead of time what goods and services are needed when responding to different kinds of civil emergencies, and in some cases which businesses

¹¹ Department of Health and Social Care, *Weekly Statistics for NHS Test and Trace (England) and Coronavirus Testing (UK): 19 November to 25 November, 2020*, 27.

¹² Ibid.

¹³ Ibid.

¹⁴ Laura Hughes, Anna Gross, and Andy Bounds, 'UK Government Abandons Centralised Approach to Contact Tracing in England', *The Financial Times*, 10 August 2020.

¹⁵ Sarah Boosley, 'Contact Tracing Can't Be Run by Westminster, Experts Warn', *The Guardian*, 28 April 2020.; Edward Malnick, 'Councils Urge Use of Own Experts to Help with Contact Tracing', *The Telegraph*, 9 May 2020.

¹⁶ Scientific Advisory Group for Emergencies, 'Summary of the Effectiveness and Harms of Different Non-Pharmaceutical Interventions (NPIs)', Web Page, 21 September 2020, 5.

would be best placed to provide them. Without this, it may become much more difficult to identify and secure appropriate suppliers, do due diligence, or iron out problems at short notice.

Groupthink is the enemy of effective planning. Government needs to plan for the full range of civil emergencies and possible scenarios, even the less probable ones. The most recent planning exercise, 'Cygnus' was for an influenza pandemic, and so our pandemic preparations were made on the basis of that being the threat.¹⁷ This fell far short – influenza and no-deal Brexit PPE stockpiles *combined* would last NHS and social care staff only 14 days in a coronavirus pandemic.¹⁸ A key takeaway of this year must be to review of our preparedness for all of the threats we face, not just those we are confident that we could withstand.

As well as covering all eventualities, planning has to be comprehensive. As the Public Accounts Committee has concluded, the “astonishing” failure to plan for the economic impacts of a pandemic meant that there were significant gaps in the UK’s preparedness.¹⁹ Without whole-of-government planning, procurement needs will not be fully anticipated.

Even where plans had been made, shallow thinking that constituted “preparedness on paper only” was not enough to prepare the UK for the real thing.²⁰ Reliance on ‘just-in-time’ procurements²¹ that are not initiated until goods are needed made the UK vulnerable to the global rush to source PPE.²² This procurement strategy keeps costs down, but it assumes that supply chains will be resilient in the event that they are needed, and this was not the case with COVID-19. Disruption to Chinese PPE production (China is a leading manufacturer of PPE), travel disruption, a global rush to source PPE, and the fact that the UK was slow to initiate procurements, meant that UK ran into severe difficulties.²³

These arrangements meant that, not only did procurements have to be run at extremely short notice, but goods and services like PPE and testing capacity were not in place as quickly as they could have been. As one interviewee for this *Perspectives* claimed, Government “faced really serious challenges preparing...for things which had already happened, [which] swallowed up enormous resources and caused panicked decision making.”

On PPE procurement, Government took steps ahead of the second wave to reduce our reliance on foreign manufacturers, and forecast that 70 per cent of demand (excluding

¹⁷ Department of Health and Social Care, *UK Pandemic Preparedness*, 2020.

¹⁸ National Audit Office, *Investigation into Government Procurement during the COVID-19 Pandemic*, p. 9.

¹⁹ House of Commons Public Accounts Committee, *Whole of Government Response to COVID-19: Thirteenth Report of Session 2019 - 21*, HC 404 (London: The Stationery Office, 2020).

²⁰ C. Bryce et al., 'Resilience in the Face of Uncertainty: Early Lessons from the COVID-19 Pandemic', *Journal of Risk Research*, 3 May 2020.

²¹ *Ibid.*

²² *Ibid.*

²³ *Ibid.*

gloves) would be met by UK-based suppliers in December.²⁴ This makes the UK less vulnerable to global supply chain disruption and is a significant achievement, but in the next crisis, it might not be PPE that is needed. Therefore, more thorough exercises are needed across all kinds of civil emergency planning, which map out private sector capability and supply chains for critical goods and services. In a global pandemic when every country in the world is trying to buy the same things simultaneously, these preparations can go a long way. Government wargaming for civil emergencies needs to involve prospective suppliers, so that both are ready to work together.

Coordinating resources

Government will undoubtedly rely on trusted, existing suppliers in an emergency, and several of those interviewed for this paper stressed the value of productive, existing relationships with Government in the early days of the pandemic.

But understanding the full extent of what is on offer from the private sector can be critical in mounting an effective response. For one, in an emergency of this scale, new goods and services will be required which existing suppliers alone might not be able – or best placed – to provide. Unless government has smart mechanisms to process offers of help and build new supplier arrangements at speed, it will be difficult to act quickly or understand the full extent of what is on offer.

The absence of effective mechanisms is indicated by the reliance on a “high-priority lane” for processing procurement leads flagged by government officials and politicians. Around one-in-ten businesses in this lane were awarded a contract, compared to fewer than one in 100 in the “ordinary” lane.²⁵ One of these, Pestfix, a pest control company, was added to the high priority lane in error and awarded contracts worth £350 million. 660,000 face masks they provided were not suitable for hospital use.²⁶ It has been suggested that this system was due to “a mixture of trust, convenience and a panicked need to deliver, rather than a desire [for government officials] to benefit themselves financially.”²⁷

Even so, reliance on personal networks suggests an inability to rapidly understand the landscape of private sector resources that were available and coordinate these most effectively. Government was not prepared to deal with a procurement challenge of this scale, and this is likely to have delivered poorer value as a result.

Not only will government struggle to understand what the private sector can offer, but without smart processes, businesses will struggle to communicate what they can provide – reducing situational awareness on both sides. This may be particularly true for SME providers, who already find it difficult to enter government supply chains. Large, existing suppliers with Crown Representatives will have had the benefit of existing relationships

²⁴ Department of Health and Social Care, *Personal Protective Equipment (PPE) Strategy: Stabilise and Build Resilience*, 2020.

²⁵ National Audit Office, *Investigation into Government Procurement during the COVID-19 Pandemic*.

²⁶ Oliver Wright and Billy Kenber, ‘Political “cronies” given Fast Track to PPE Contracts Worth Billions’, *The Times*, 18 November 2020.

²⁷ Gabriel Pogrud and Tom Calver, ‘Chumocracy First in Line as Ministers Splash Covid Cash’, *The Times*, 15 November 2020.

and direct communication with Cabinet Office from the outset; SMEs that have not worked with government before do not have these advantages. In this way, opportunities will be missed.

Government needs to create channels with which to quickly ask for, or receive offers of, help; process offers of help to understand their utility; and action them quickly if they are valuable. During the first wave, channels established for this purpose were under huge pressure. The Cabinet Office created a portal where businesses could offer services and received 28,300 submissions. At peak times, this had 70 civil servants reviewing between 1,500 and 2,000 submissions a day, which spanned all aspects of the Government's pandemic response.

Many of these submissions could have been unsuitable, but it is also likely that legitimate offers were not picked up and actioned quickly – something that was raised in interviews for this paper. This process is not likely to have been an efficient or effective way of assessing and coordinating private sector resources. Automating technologies could have been used to create faster and more accurate referrals; for instance, by flagging new or possible 'phoenix'²⁸ companies that may be unsuitable, or triaging offers to relevant department teams by keyword association.

Procurement under pressure

A good understanding of what the private sector can offer, and efficient processes to mobilise it, must be underpinned by good procurement practice. Even with thorough planning to minimise rushed decision-making, emergency, direct procurements without competition, while sometimes justified, raise the risk of awards being unfair or poor value. This seems to have been a particular issue in the UK – according to the *Financial Times*, 73 per cent of PPE contracts were awarded without competitive tender, compared to 61 per cent in Europe.²⁹

These circumstances make transparency all the more important. Commercial decisions must be well documented for internal audit and public scrutiny to check whether they are good value; it is unacceptable that examples have emerged of failures to document why a supplier was chosen and how the risks associated with suspending competition were mitigated.³⁰ This has been found by the NAO to be the case even in contracts awarded via a 'high-priority lane'.³¹ Where the potential for conflicts of interests is higher, the Government cannot afford to skimp on transparency.

As *Reform* research has shown, poor transparency damages accountability for government spending,³² and now, especially, it undermines public trust. To ensure value is protected in emergency procurements, procurement in future crises must be far less

²⁸ The Insolvency Service, *Phoenix Companies and the Role of the Insolvency Service*, 2017.

²⁹ Gill Plimmer, 'UK's Record Spending on PPE Comes under Growing Scrutiny'.

³⁰ National Audit Office, *Investigation into Government Procurement during the COVID-19 Pandemic*.

³¹ *Ibid.*

³² Joshua Prichard and Rose Lasko-Skinner, *Please Procure Responsibly: The State of Public Services Commissioning* (Reform, 2019).

opaque. A clear record must be kept in all cases of direct awards as to why this decision was made, why a particular supplier was chosen, what due diligence was conducted of the supplier's ability to deliver and their finances, and how the risks associated with non-competitive procurement were managed. Details of contracts must be published in a timely way to allow for oversight and maintain public trust. Anything short of this creates space for speculation and accusations of cronyism that, without full and proper disclosures, become more difficult to answer.

Direct awards are justifiable in situations of "extreme urgency",³³ and a pandemic certainly qualifies for this. However, consideration needs to be given to how long government relies on emergency procurement practices in a civil emergency that lasts for months, or even years. The coronavirus response is now much more established than it was in March, which raises questions about the ongoing appropriateness of undertaking procurement in this way.³⁴ Government must be able to justify ongoing procurements without competition, and should consider whether a sustained civil emergency requires additional protections.³⁵

Conclusion

The pandemic has been an exercise in how well the Government can leverage all the resources it has – across the public, private, and third sectors – in the most extreme circumstances. There have been many excellent examples of public-private partnerships over the last eight months, but those that failed to deliver have exposed weaknesses in government practice, as well as a poor-quality delivery by suppliers.

Above all, better civil protection planning with the private sector could have improved government's understanding of what partnerships could deliver, where relationships were underdeveloped or non-existent, and how to best coordinate the resources the private sector could offer. It is vital that government learns these lessons: not only to improve performance, but also to rebuild the public's already-fragile trust in government's working with the private sector.

³³ Cabinet Office, *Procurement Policy Note - Responding to COVID-19*, 2020.

³⁴ Mark Vipan and Megan Williams, 'Public Procurement in the UK during the COVID-19 Pandemic: Navigating a Return to a "New Normal"', Web Page, n.d., accessed 1 December 2020.

³⁵ National Audit Office, *Investigation into Government Procurement during the COVID-19 Pandemic*.

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