

**BOARD PAPER - NHS COMMISSIONING BOARD AUTHORITY (NHS CBA)**

**Title:** An integrated finance and accounting system for the NHS Commissioning Board (NHS CB) and CCGs.

**Clearance:** Paul Taylor, Interim Director of Finance

**Purpose of Paper:**

To update the Board on progress to secure an integrated finance and accounting system for the NHS CB and CCGs.

**Key Issues and Recommendations:**

The use of a common integrated finance and accountancy system across the NHS Commissioning Board (NHS CB) and CCGs has a number of service benefits. The NHS Commissioning Board Authority (NHS CBA) is seeking to realise these benefits through procurement of this system.

**Actions Required by Board Members:**

The Board is asked to:

1. Note the paper and the actions taken under delegated powers by the Chief Executive and Interim Director of Finance.
2. Confirm that the use of the integrated finance and accountancy system will be a condition of authorisation for all CCGs.
3. Confirm that the cost of providing the integrated finance and accountancy system will be retained by the NHS CB and not passed onto CCGs for the life-time of the contract.

# **BRIEF PAPER OUTLINING THE ISSUE AND MAKING RECOMMENDATIONS TO THE BOARD**

## **NHS Commissioning Board Authority**

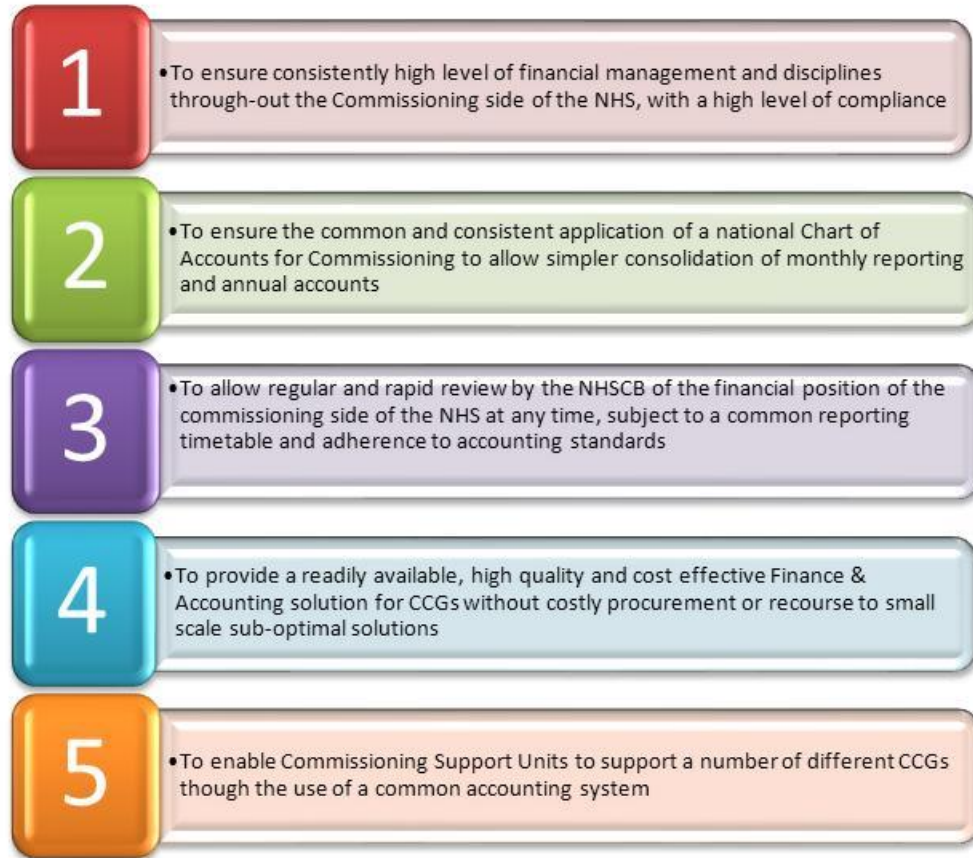
**Date of Meeting 13th April 2012**

### **A Integrated Finance and Accounting System for the Commissioning Board and the Clinical Commissioning Groups**

#### **1. Introduction**

- 1.1. Approval has been given by the NHS CBA to sign a contract with NHS Shared Business Services (SBS) – a joint venture between Steria and the NHS – to provide an integrated single financial environment (IFSE) service to the NHS CB from 1<sup>st</sup> October 2012 and to the Clinical Commissioning Groups (CCGs) from April 2013. It has been agreed that it would be an authorisation requirement for CCGs to use the IFSE and that the NHS CB would meet the contract price in full and not pass it on to CCGs.
- 1.2. The Chief Executive and Interim Director of Finance signed the contract with SBS on 29<sup>th</sup> March 2012 under the terms of a Framework Agreement between SBS and the NHS.
- 1.3. The terms of the agreement remain commercial in confidence but the contract has been validated by the Cabinet Office as representing value for money, and can be met from within NHS CB budgets in 2012-13 and beyond.

#### **2. The rationale for procuring a IFSE is:**



- 2.1 The SBS finance and accounting (F&A) solution is currently used by 80 of the 150 PCTs in England), and eight of the ten SHAs, with significant coverage in the South, London and East Midlands. User satisfaction with SBS has risen from 39% in 2007 to 95% in 2010.
- 2.2 The use of a common integrated finance and accounting system across the NHS CB and CCGs has a number of service benefits (greater consistency, reduced transitional risk, adoption of best practice business processes) and economic benefits (economies of scale). An IFSE could potentially either be:
- procured traditionally by writing a specification and undertaking an OJEU procurement;
  - undertaken by an in-house development team; or
  - adopted from an existing solution at scale (such as SBS).
- 2.3 It is considered that adopting SBS under the existing supplier framework agreement is the only option because:

- a. it is not considered feasible to either develop or to procure afresh a new system in time for implementation on 1st April 2013;
- b. the SBS solution is already the most widely used F&A system in the NHS (for both commissioners and providers); and
- c. procurement and development costs are likely to be high for any alternative.

2.4 The downside of the proposal would be:

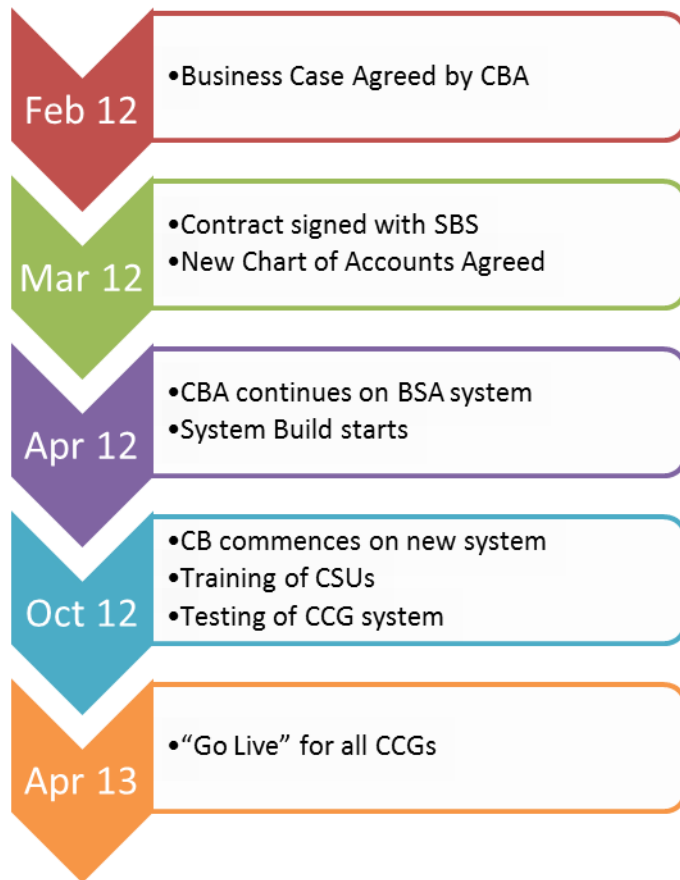
- a. concern over the value for money of the proposal as there would be no competitive tension in the procurement process; and
- b. abreaction from the CCGs that local flexibility in choosing their own F&A system had been taken away from them.

2.5 It is considered that there is no practical alternative to the SBS solution being commissioned because the timescales for implementation, even of an existing tried and tested system, will be challenging.

2.6 Due diligence has been carried out on the technical solution, how the implementation may work, and on value for money considerations during January and February 2012 to ensure the solution is workable.

### **3. How might the SBS proposal work?**

3.1. The following implementation path has been agreed with SBS:



3.2 It is not recommended that all existing PCTs be required to adopt SBS before 1st April 2013. The NHS CB accredited F&A system must be a requirement of authorisation for this solution to work, therefore many PCTs in pre-commissioning support unit (CSU) mode will wish to be SBS compliant and may move willingly to the new solution ahead of schedule. This would make the implementation on 1st April 2013 easier for all parties

#### 4. Commercial terms

- 4.1 the contract agreed with SBS is for six years from 1st October 2012 with an annual break clause with 12 months' notice effective from 31st March 2016 and annually thereafter.
- 4.2 The annual value of the contract is £15.38m per annum at current prices, and is subject to an annual inflationary uplift.
- 4.3 There is a significant 18 month implementation period which will be paid on a "job costed" basis with rates for staff agreed and confirmed as being incurred. The anticipated cost of the implementation is £17.6m spread across three financial years.

- 4.4 The NHS CB contract would be charged on a transaction basis from 1st October 2012.
- 4.5 The full on-going cost becomes payable from 1st April 2013 and is a combination of fixed and variable charges which reflect the SBS cost structure. The key cost drivers are the number of transactions (assumed to be 2.776m) and the number of sets of accounting books to be kept (assumed to be 230).
- 4.6 The anticipated number of transactions of 2.776m and 230 sets of books has been based on current PCT experience and an estimate of the number of CCGs.
- 4.7 The fixed element of the contract serves to stabilise the contract pricing structure.
- 4.8 In addition an implementation team within the NHS NHS CBA would need to be established to oversee the implementation of the project. The scale and scope of this team has been established and can be accommodated from within the sum set aside in the 2012-13 budget for this project and the finance directorate.
- 4.9 The implementation of the NHS Commissioning Board ledger would be the responsibility of the Director of Finance's team within the confines of the approved establishment for the NHS CBA in 2012-13.
- 4.10 Finally, resources at a local PCT level will be required to implement the integrated F&A system – mostly at a CSU level. This will need to be done within the delegated resources of PCTs in their establishment of CSUs to support CCGs in 2012-13. The scale will be determined locally and will depend on the size of the local infrastructure; whether SBS is already being used locally and the size of the CSU.

## **5. Contract assurance**

- 5.1 As part of the contract agreement process the NHS CB took assurance from three pieces of due diligence commissioned from third party experts:
  - that the technical solution was suitable;
  - that the implementation plan was robust; and
  - that the contract represented good value for money.
- on this point at the pre-final contract level of £17.0m per annum, the contract was shown to be better than median pricing for an equivalent deal – although comparisons are difficult because of the unique nature of this configuration.

- 5.2 In addition, because of its size, the contract was subject to Cabinet Office approval. Through their involvement the annual contract price was reduced by £1.8m – partly through anticipated efficiencies and partly through the removal of a technological refresh towards the end of the contract.
- 5.3 The Cabinet Office gave its approval to procurement on the revised terms in March 2012.
- 5.4 The NHS CBA gave its approval to the business case at the higher level on 2nd February 2012 subject to Cabinet Office approval and securing the necessary budget in 2012-13. Both of these conditions have now been met.

## **5. Recommendations**

- 5.1 The NHS NHS CBA is asked to note the signing of a contract with SBS by the Chief Executive and Interim Director of Finance under delegated authority on 29<sup>th</sup> March 2012. The contract will provide an ISFE for the NHS CB from 1st October 2012 and for the CCGs from 1st April 2013.
- 5.2 In addition, the NHS NHS CBA is asked to confirm that the use of the IFSE by CCGs will be a condition of authorisation for all CCGs, and that the contract cost of the service will be retained by the NHS CB and not passed onto the CCGs through out the lifetime of the contract.

Paul Taylor  
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NHS Commissioning Board Authority  
27th March 2012