

PRIVATE BOARD PAPER - NHS ENGLAND

Title: Transforming Primary Care Support Services

From: Karen Wheeler, National Director: Transformation and Corporate Operations

Rationale for this Paper being discussed in the Private Session:
This information is shared in confidence as negotiations are continuing.

Purpose of Paper:

- To update the Board on the challenges facing the procurement.
- To describe the approach to contingency planning.

Actions for the Board:

- Confirm they are assured by the progress and arrangements being put in place to manage the procurement timetable.
- Discuss and provide a steer on the various risks and mitigations set out in this paper.

Transforming Primary Care Support Services

Purpose of the Paper

1. The purpose of this paper is to describe the risks to the procurement and timetable, and the options for how these can be managed; and ask for support from the Board on the approach to contingency planning.

Challenges Facing the Procurement

2. The key challenges facing this procurement are:
 - a. ensuring that we have final bids which provide NHS England with an out-sourced service which represents value for money; and
 - b. managing the procurement timetable over the election period.

Final Bids and Value for Money

3. We are at the stage in the procurement where bidders are preparing their interim bids, due with us on 23 January 2015. All bidders are confident of achieving the target 40% reduction in operating costs. But they have all expressed concerns about being able to commit to supporting the investment required to price the service at the target cost, from 1 April 2015, in addition to funding transformation and redundancy costs.
4. NHS England could respond by:
 - a. reducing the requirement for price to be delivered at 40% reduction in year 1;
 - b. contributing to the redundancy and transformation costs in year 1; and
 - c. accepting the additional cost of the supplier having to source private capital to fund year 1.
5. Our priority is to achieve the best value for money over the life of the contract. So we are working with the finance team to model and compare these options, so we will be able to compare the bids and assess which represent best value for money.

[TEXT REDACTED]

6. ***[TEXT REDACTED]***

Operational Costs and Efficiencies

7. The Outline Business Case was predicated on an operating cost baseline of £85m, which was based on the month 3 position at the time the business case was prepared. As at November 2014, a revised forecast out-turn for the 14/15

financial year is £89.8m. The Operational Management Team is responsible for delivering an operational efficiency programme to deliver a run rate equivalent to annual operating costs of £85m in June 2015.

8. Given we received 500 voluntary redundancy (VR) applications in December, we expect to be able to align the efficiency plans with the VR applications, which will benefit many staff who want to leave, achieve efficiencies and further stabilise the service for transition.
9. There is also scope for more radical change of the Primary Care Service (PCS) services by consolidating services to regional centres and creating national service centres for some services. We are exploring these options as part of our contingency planning in the event we have more time to run the service before a transition to a new provider.
10. We have briefed the bidders on the service changes we have already made, and agreed to share lessons, and to share the next tranche of plans. The bidders have been very positive on the changes, which all help to minimise their initial operating costs and transition risks. By reducing the complexity of the service and therefore the transformational changes required, we would expect the benefit to be reflected in price.

Managing the Procurement Timetable

11. ***[TEXT REDACTED]***
12. ***[TEXT REDACTED]***
13. ***[TEXT REDACTED]***
14. ***[TEXT REDACTED]***
15. ***[TEXT REDACTED]***

Approach to Contingency Planning

16. We are modelling the potential timing scenarios for confirming Award of Contract, which could extend to September/ October 2015.
17. In the unlikely but feasible event that we cannot proceed with the procurement because we fail to secure approval we are considering three contingency options: one where the services continue to be delivered in house but in a radically different model to that of today; the second where we de-construct the service with each of the 6 core service elements being supplied separately under new arrangements. For example, using existing frameworks medical records, logistics and storage would be outsourced to a private supplier; ophthalmic payments and probity could transfer to the NHS Business Services Authority (BSA). The third option is a blend of the two.

18. In all contingency options, the best mitigation we can plan for right now is to proceed with maximising the efficiencies already identified, in order to minimise the cost risk to NHS England and deliver the target operating cost as quickly and safely as possible.
19. **[TEXT REDACTED]**
20. We are currently working-up the target operating model and the detail of the first two tranches of this efficiencies programme. Tranche 1 of efficiencies is planned to be delivered by March/April 2015, including agreed redundancies, so that we can accrue for 14/15 programme funds.

Summary and Next Steps

21. In January the PCS Services programme will continue to work with the bidders on the development of their interim bids which are due on 23 January.
22. On 27 and 28 January we have two events where bidders will meet staff and stakeholders. These events will be held in London and will give the bidders an opportunity to hear what is important to the customers of the PCS Service and those who deliver the services. The national officer for Unison will also have the opportunity to raise issues and concerns on behalf staff within the trade unions.
23. We will work with the Finance team within NHS England to address the risks associated with the year 1 investment required by bidders.
24. We will continue to work on the efficiencies programme with a view to delivering the run rate for the business case in Q1 and to lay a good foundation for the contingency plan.
25. The contingency plan will be further worked-up and a detailed investment case for each tranche produced.

Actions for the Board:

- Confirm they are assured by the progress and arrangements being put in place to manage the procurement timetable.
- Discuss and provide a steer on the various risks and mitigations set out in this paper.

Karen Wheeler
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