

PRIVATE BOARD PAPER - NHS ENGLAND**Title:**

Temporary amendment to Specialised Commissioning contract signing limits

Lead Director:

Paul Baumann – Chief Financial Officer

Purpose of Paper:

For Board members to note and approve the proposed temporary amendment to clinical contract signing limits for Specialised Commissioning contracts due to multi-year planning.

Summary of Paper:-

Request to the NHS England Board to approve the temporary amendment to the contract signing approval limit of the National Director: Operations and Information, Regional Directors and Regional Directors of Finance in relation to clinical contracts in Specialised Commissioning. This will involve a temporary change to Standing Financial Instructions.

The temporary increase in the contract approval limit for the National Director: Operations and Information, NHS England Regional Directors and NHS England Regional Directors of Finance will be effective up to and including the **28th of February 2017**. After that date the contract approval limit will revert to the current limit of £500m.

The Board is invited to:

Note and approve the proposed amendment.

Temporary amendment to Specialised Commissioning contract signing limits

PURPOSE

1. To seek approval from the NHS England Board on the proposed temporary amendment to clinical contract signing limits for Specialised Commissioning contracts. This has been driven by the move to a multi-year planning round. It is proposed that the National Director: Operations and Information, nominated Regional Directors, and Regional Directors of Finance, are delegated with the authority to approve contracts up to a value of £1bn whole life cost, capped at a value of £500m per annum.
2. Clinical contracts exceeding the value of £1bn would escalate to the Chief Financial Officer or Chief Executive for sign off having had assurance from the National Director: Operations and Information and Regional Directors.

BACKGROUND

3. One of key changes within the NHS planning guidance 2017-19 is that the annual planning round has been replaced by a two year planning round, backed by two year contracts.
4. In previous years, the value of Specialised contracts fell within the delegated limits of the Regional Directors, which is currently up to £500m.
5. However, the introduction of a two year planning round has led to a number of contracts with a whole life value of over £500m (there are 18 of these based on the 7th December Specialised contract tracker).
6. The new Public Contracts regulations 2015 (PCR15) have been implemented for health care procurements from 18th April, 2016. A Prior Information Notice (PIN) (ref: 2016/S201-362912) was published as a call for competition in Official Journal of European Union (OJEU) to award contracts for Prescribed Specialised Services to an estimated total value of £15bn. The contracts awarded will have an option to extend beyond the initial two year period. The longer term arrangement for contracts with extension provisions were undertaken to manage the future consequences of PCR15.

IMPLICATIONS

7. It is proposed that the delegated approval limits for the National Director: Operations and Information, Regional Directors, and Regional Directors of Finance, should be increased to £1bn (whole life contract value), capped at an annual value of £500m, from the current limit of £500m (whole life contract value) on a temporary basis until 28th February 2017 to cover the implications of the two year planning and contracting round.
8. After 28th February 2017 there will be a piece of work to look at the potential for permanent changes to clinical contract approval limits as a result of multi-year planning.
9. The implications of the proposed changes have been shown in the diagrams below, on **pages 4 and 5**.

RECOMMENDATIONS

10. It is recommended that the delegated approval limits for the National Director: Operations and Information, Regional Directors and Regional Directors of Finance should be increased to £1bn (whole life contract value), and capped at an annual value of £500m, from the current limit of £500m (whole life contract value) on a temporary basis until 28th of February 2017 clinical contracts in Specialised Commissioning.

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Date: December 2016

Current SFI approval limits for clinical contracts

		Clinical Contracts	
Contracts	Above £500m	Up to £500m	
Approvers and/or Restrictions	All Cost Centres		
	Chief Executive and Chief Financial Officer on the recommendation of the relevant Devolution Chief Officer or Regional or National Director	Regional Director and Regional Director of Finance	

Summary of proposed changes to approval limits for clinical contracts in Specialised Services

Contracts	Clinical Contracts	
	Above £1bn whole contract life (or above £500m annual value)	Up to £1bn whole contract life (and up to £500m annual value)
Approvers and/or Restrictions	All Cost Centres	
	Chief Executive and Chief Financial Officer on the recommendation of the relevant Devolution Chief Officer or Regional AND National Director: Operations and Information	Regional Director and Regional Director of Finance, AND National Director: Operations and Information