

Quantification of the value delivered by NPfIT in the National Programme procurement

A Report

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Executive Summary

Definition of Value

In undertaking a study of this nature the first task has to be to define what is meant by “value”. For the purposes of the work discussed here we have defined “value” to be the difference in cost between the systems procured by the National Programme and the equivalent costs of those systems that they are either replacing or that would have been procured had the National Programme not been introduced.

This process only looks at the lifetime contract costs of the systems procured and does not consider any training or other deployment costs which are funded outside of the National Programme. We have also not taken into account any estimates of financial implications associated with any risks that may arise through either the use of a contractor within the National Programme or the alternative option of local procurement.

Contracts Investigated

In the course of the study Ovum investigated the following contracts:

Contract	Lead Contractor
e-Mail	Cable & Wireless
N3	BT
e-Booking	Atos-Origin (Sema)
ICRS	BT
LSP – London	BT
LSP – South	Fujitsu
LSP – North-West & West Midlands	CSC
LSP – East	Accenture
LSP – North East	Accenture
Enterprise Wide Agreements	Various
PACS	Various

Estimate of Overall Value delivered from the National Programme

Financial Benefits

Without a doubt the primary benefit that NPfIT brings to the procurement of IT solutions for the NHS is one of scale and with it the ability to negotiate very favourable pricing terms from the suppliers. Ovum estimates that the overall financial

value derived from the National Programme to be £4.7bn over the lifetime of the contracts in place. This represents a saving equivalent to almost 64% of the value of the contracts let under the National Programme (£7.4bn).

The table below provides an insight into the make-up of the savings identified:

Contract	Contract Value	NPfIT "Value"
e-Mail	£64m	£14m
N3	£563m	£675m
e-Booking	£65m	£61m
ICRS	£621m	-
LSP	£4,960m	£3,680m
Enterprise Wide Agreements	-	£187m
PACS Contracts Let	£800m	£89m
PACS Contracts Not Let (estimated)	£287m	(£12m)
Total	£7,355m	£4,694m

The basis for determining these savings is described in detail in the appropriate section in the remainder of this report. Against this figure has to be offset the costs of the National Programme, which are estimated to be £1,066m, over the lifetime of these contracts, giving a total saving of £3,628bn.

The maximum duration of the contracts let under the National Programme is 10 years, although in some cases there is provision for a continuation to allow for transfer to a new contract with the same or different supplier. With most of the contracts being let in 2003 the effective end date for the longest contracts is 2013. It is therefore possible that replacement contracts in the future, for those contracts with a term of less than 10 years, will deliver additional savings to be offset against the future costs of running the National Programme Office. The figure above assumes no additional savings are achieved in future contracts.

Other National Programme Benefits

Whilst this study focuses on the financial benefits derived from the National Programme, in evaluating the overall value NPfIT has delivered it is necessary to also consider some other less quantifiable achievements, notably:

- The public sector has a poor track record of successfully managing and delivering on large scale IT investments with many procurements being delivered late and significantly over budget. The nature of the contracts that have been put in place by the National Programme are such that, whilst they do not guarantee on time delivery, they do ensure that the penalties for late delivery are borne by the supplier not the NHS and that the costs will not rise above those agreed at the outset of the contract. It is unlikely that a single hospital trust procuring similar systems on their own would have had sufficient clout to negotiate and enforce such a contract on their own

- In addition to providing a radical overhaul of the IT infrastructure that will help deliver a “Health Service fit for the 21st Century” at a local level, the National Programme is also enabling a level of interoperability between NHS Trusts across England which requires a national co-ordinated approach that would not have been possible had localised procurement continued.
- Speed of procurement and deployment are also major benefits that can be attributed to the adoption of the National Programme. It is inconceivable that all of the NHS Trusts in England would have embarked upon a procurement process on the same day and that the process would have been completed for all trusts, enabling the same aggressive timetable for deployment of systems to be met as will be delivered by the National Programme. The speed of the deployment from the National Programme will enable the medical and non-medical benefits to be achieved by the NHS much sooner than might have been the case with a piecemeal approach.

Additionally with a multiplicity of variations of similar systems being procured and developed, it is questionable whether there would have been sufficient capacity within the IT industry to develop and implement all of the different systems in the same timeframe. The National Programme has avoided this by developing a much smaller number of solutions that are deployed multiple times.

- With a much-reduced number of systems being developed and deployed there is a further benefit in the area of training. The NHS has a significant number of agency staff performing frontline services, such as nursing. This presents a challenge to the deployment of technology since these staff by their very nature move from hospital to hospital, both within a trust and also between trusts. Under a trust based procurement model, it is highly probable that these staff would have needed to be trained or re-trained in the systems in use at each trust where they worked as there would be little or no commonality. This training cost would have been considerable and have had to be borne by the trusts themselves. With the National Programme, all of the trusts within a region will be using common systems and as a result retraining will only be required, and even then probably only in a limited way, should a member of staff move from a trust in one LSP region to another.

These are all additional benefits to the Health Service that the National Programme has enabled and these will all result in further savings, which at this time cannot be quantified. These savings are thus in addition to the financial savings mentioned earlier.

Methodology

Where there has been any cause of doubt or interpretation of the information made available, Ovum has taken a very conservative view of the savings that have been made to ensure that the figures quoted are fully achievable and can survive scrutiny from third parties.