



## HSE Board Briefing Template

**Subject: Change Control Note (CCN-009)** to the IFMS System Integrator contract for SAP Implementation Support for a new Integrated Financial Management System for the Health Service Executive (HSE 17935)

Submitted for Board meeting on: **27 March 2024**

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### Why is this information being brought to the Boards attention?

HSE National Financial Regulations require that HSE Board approval is obtained for any contractual commitments exceeding €10m.

This paper was considered by the HSE Audit and Risk Committee (ARC) at their meeting on 22 March. This briefing paper reflects the feedback of the ARC, and recommends approval of this Change Control Note by the HSE Board.

### Is there an action by the Board required? If so, please provide detail:

The purpose of this paper is to seek the approval of the Change Control Note (CCN-009) to the IFMS System Integrator contract for SAP Implementation Support for a new Integrated Financial Management System for the Health Service Executive (HSE 17935)

Please indicate which of the **objectives** this relates to ;

- The development and implementing of an effective Corporate Governance Framework, incorporating clinical governance and a performance management and accountability system;
- Developing a plan for building public trust and confidence in the HSE and the wider health service;
- Ensuring the HSE's full support for and implementation of the Government's programme of health reform as set out in the Sláintecare Implementation Strategy;
- Exercising effective budgetary management, including improving the value achieved with existing resources and securing target saving, with the objective of delivering the National Service Plan within Budget.

Brief summary of link to objectives.

### **Enabling Healthcare Delivery**

Delivery of NSP2024 is dependent on a number of key enablers, which underpin service delivery.

### **Priorities and Actions**

- Providing the necessary professional financial advice analysis and insight to support service colleagues with the operational decisions and actions necessary to manage and improve services, while also enabling delivery of the required productivity, savings, and control improvements
- Focus on supporting the roll-out of National Finance and Procurement System (IFMS) and the changes necessary to realise its benefits in terms of enhanced reporting and the implementation of a revised organisation design

- Statutory obligations and transactional processing support
- Set out and get agreement to rebased accelerated roll-out plan following impact of initial go-live in HSE East and Fórsa dispute

## Key Messages

The below provides a summary of the key points in relation to the modification of the HSE's contract with the System Integrator.

### 1. IFMS Accelerated Re-plan

- Programme governance granted approval (December 2023) to complete the detailed planning on an IFMS accelerated implementation, of a minimum 15-month/maximum 18-month time period. This decision was in response to **i)** delays arising from the Forsa industrial action and **ii)** the Department of Health (DoH) providing additional funding of €40m in the HSE's 2024 Letter of Determination for the purposes of accelerating IFMS.
- The scope of the IFMS acceleration is confined to all HSE Statutory entities. Section 38 and Section 39 voluntary organisations remain in scope for the next phase. The accelerated plan was approved by Programme Governance on 29 February 2024, subject to agreement and HSE Board approval of the associated changes to the System Integrator contract under **Change Control Note (CCN-009) for c €19.9m.**

### 2. Procurement Compliance

The Change Control Note as presented falls within the scope of the provisions under Article 72 Directive and at €19.9m (33.5%) does not exceed 50% of the value of €59.4m of the original contract. **On the basis of the above, the HSE Head of Procurement has confirmed that the contract extension complies with the applicable Public Procurement rules.**

### 3. CCN-009 c€19.9m for accelerated implementation

The System Integrator is providing:

- New Regional Teams aligned to each Health Region that will provided dedicated on the ground support through a combination of project management and functional (Finance, Order to Cash, Procure to Pay) resources who will collaborate with HSE regional teams and local subject matter experts to deliver the activities that need to be completed to enable the rollouts.
- An enhanced and fully resourced central team to support a national fit validation, build, test and deployment to remaining HSE Statutory in 2025.

### 4. Finance Reform Programme Budget

- The overall capital budget for the programme is €82m. The programme has incurred €76.2m, and is within the €82m budget, there are already committed, and to be committed costs meaning that the total costs of the project will exceed the €82m budget over the next number of years. Accordingly, it will be necessary now to seek an adjustment to the current €82m ICT Capital budget.
- Some points of note that will be relevant when the case to adjust the budget is being made will include:
  - The budget approval was received in 2016 based on work done in 2014 & 2015.
  - All figures from this period were pre-tender estimates.
  - The business case submitted, in line with The Public Spending Code requirements, was for €82m excluding VAT.
  - The original ICT Capital budget did not provide for the accelerated implementation of IFMS.
- There are estimated ICT Capital costs of c. **€25.4m**, associated with the accelerated implementation plan, a significant proportion of which will not fall due for payment until 2025. These are analysed along

similar lines to the request from and the submission to the Department of Health that gave rise to the allocation, as follows:

- CCNs for the period September 2023 (post Hypercare) to January 2024 inclusive, total €5.5m. These CCNs related to delays to IG2 preparation and the protracted period of industrial action.
- **CCN-009 for c. €19.9m (subject to governance approval) in respect of accelerated implementation plan.** A significant proportion of this figure will not be due for payment until 2025. Based on pricing in the original contract, this cost will include a CPI indexation adjustment from July 2024 onwards.

#### **5. Additional €40m non-capital allocation in NSP2024 and adjustment to €82m ICT Capital Budget**

There is ongoing formal engagement with the Department of Health and the Department of Public Expenditure, NDP Delivery and Reform on:

- i. The uplift required to the €82m ICT Capital budget, as previously reported, and set out in 1. above;
- ii. The reclassification of the additional €40m non-capital allocation provided in NSP2024, for the accelerated implementation of IFMS, into ICT Capital and non-capital components given that the additional 2024 and 2025 SI expenditure associated with the acceleration is classified as ICT Capital expenditure.

The outcome of (i) and (ii) above, once determined, will need to be reflected in an updated ICT Capital Plan as the projected ICT Capital expenditure in 2024 is ahead of that included in the ICT Capital Plan prepared in Q4 2023.

#### **Conclusion**

The Change Control Note as presented falls within the scope of the provisions under Article 72 Directive and at €19.9m (33.5%) does not exceed 50% of the value of €59.4m of the original contract. **On the basis of the above, the HSE Head of Procurement has confirmed that the contract extension complies with the applicable Public Procurement rules.**

Approval of the Change Control Note (CCN-009), via the governance process, will allow the programme to:

- Proceed with the implementation of IFMS in line with the re-baselined accelerated plan approved by programme governance in February 2024.
- Progress ongoing engagement with the Department of Health and the Department of Public Expenditure, NDP Delivery and Reform on:
  - The uplift required to the €82m ICT Capital budget
  - The reclassification of the additional €40m non-capital allocation provided in NSP2024
- Update the ICT Capital Plan 2024, as appropriate.

#### **Recommendation**

The ARC recommends approval of this Change Control Note by the HSE Board.