



## HSE Board Briefing Template

**Subject: Change Control Notice Approval Request for IFMS Post Go-Live Support under System Integrator Contract for the Integrated Financial Management System (IFMS) for the Health Service [HSE Ref: 17935].**

Submitted for meeting on: **26 April 2023**

Name & title of author: **Valerie Plant (ACFO) on behalf of Stephen Mulvany, CFO**

### Why is this information being brought to the Board's attention?

HSE National Financial Regulations require that HSE Board approval is obtained for contracts with a value in excess of €10m.

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

The purpose of this paper is to seek approval from the HSE Board on the recommendation from the Finance Reform Programme Governance and the HSE Audit and Risk Committee / Technology and Transformation Committee to approve the Change Control Note in respect of IFMS Post Go-Live Support under the System Integrator contract for the Integrated Financial Management System (IFMS) for the Health Service (Ref 17935).

Please indicate which of the **Boards 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 Board objectives.

#### Enabling Healthcare Delivery

The Minister has, in recent years, included the implementation of IFMS as part of his annual statement of priorities that informed the National Service Plan and IFMS is also specifically referenced in the HSE Corporate Plan as a key enabler.

#### Priorities and Actions

- Deliver the core digital programmes advancing the Sláintecare Implementation Strategy
- Progress major enterprise resource planning initiatives for the health environment
- Support the organisation to secure and demonstrate value in terms of the economy, efficiency and effectiveness in order to maintain and enhance appropriate investment in our health service.

## Key Messages

- In June 2022, the HSE Board approved a contract with a System Integrator for the design, build, test and implementation of the Integrated Financial Management System (IFMS) for the Health Service. The contract also included provision of post go-live support (PGLS) for ten years, the drawdown quantum of which would be fully defined during the build and test stage (October 2022 to June 2023). PGLS includes end user support, minor enhancements, break-fix and service management and reporting.
- The Invitation to Submit Final Tenders (ISFT) sought tenders for a maximum daily blended rate for draw down of PGLS (subject to CPI adjustment from September 2024). This approach was adopted as it was not possible to fully define the scope (response times, hours of coverage, etc.) and quantum of effort and the detailed RACI between the SI and the SAP Centre of Excellence (CoE), for the estimated 11,000 IFMS users across c. 30 SAP modules, at the Procurement stage.
- The structuring of the ISFT in this way allowed for a like-for-like comparison of tenders for PGLS.
- Level 1 PGLS is provided in-house by the SAP CoE. External Level 3 and Level 4 support would always be required, due to the level of specialist skills involved. In line with SAP CoE best practice, the SI proposed one resource per SAP module, with the exception of those modules with high numbers of users. This proposed model facilitated significant synergies in combining Level 2 and Level 3 support provision by the SI in the medium term, at lower cost than the HSE could achieve by providing Level 2 PGLS in-house, while also reducing/removing the challenge of SAP-certified staff retention in a competitive and dynamic employment market.
- The drawdown quantum of PGLS has now been defined by the IFMS project in conjunction with the SAP CoE and the SI, and has been approved by Finance Reform Programme governance. The mechanism to give effect to this service is a Change Control Note under the existing SI contract.
- This CCN must be approved by the HSE Board as it commits the HSE to a contract whose value exceeds €10m.
- The recommended PGLS model was approved by Finance Reform Programme Steering Committee in February 2023. This model comprises a ratio of onshore and nearshore/offshore personnel, with the majority (c. 76%) located offshore. This has resulted in a cost-effective daily rate when compared with onshore resourcing. Based on this PGLS model for Level 2, 3 and 4 support, the total Revenue cost to the HSE for the three (3) year term of the PGLS is €20,266,572 (subject to an annualised Irish Consumer Price Index adjustment to the daily rate, from the commencement of Year 2) over the contract duration of three years, as follows:

Fixed Price Annual Support Charges for Level 2-4 Support - Year 1 (Sep 2023 to Aug 2024)	██████████
Fixed Price <sup>1</sup> Annual Support Charges for Level 2-4 Support - Year 2 (Sep 2024 to Aug 2025)	██████████
Fixed Price <sup>1</sup> Annual Support Charges for Level 2-4 Support - Year 3 (Sep 2025 to Aug 2026)	██████████
<b>Total Cost including VAT at 23%</b>	<b>€20,266,572</b>

- Costs for 2023 (Sep-Dec) of ██████████ are provided for within 2023 Revenue funding. Funding for 2024-2026 will form part of the 2024 Estimates submission.

<sup>1</sup> Subject to an annualised Irish Consumer Price Index adjustment to the daily rate, from the commencement of Year 2.

## Background

A Contract Approval Request (CAR) for a System Integrator for the Integrated Financial Management System (IFMS) for the Health Service was approved by governance following conclusion of a public procurement process in June 2022 [HSE Ref: 17935]. Approval of Finance Reform Programme, HSE and External (DPER and DGOU) governance was confirmed as follows:

HSE Executive Management Team	14 June 2022
FRP Steering Committee	15 June 2022
Finance Reform Board	16 June 2022
HSE Risk and Audit Committee	16 June 2022
External Peer Review Group/DGOU	28 June 2022
HSE Board	29 June 2022

*(final authorisation by the HSE Board was also subject to written approval from DGOU in accordance with DPER circular 02/16)*

As part of the public procurement process, the Statement of Requirements (SoR) and the Invitation to Submit Final Tender (ISFT) specified a requirement for the System Integrator (SI) to provide Post Go-Live SAP application support services (PGLS) for the IFMS SAP Solution following completion of hypercare for the first wave to go-live. This PGLS is required through each deployment and onto subsequent deployment phases of IFMS.

The published SoR specified 350 days of PGLS for 10 years. More detail and working assumptions were requested by the shortlisted candidates on the type of PGLS model and sizing to inform their bids. In the consideration of the various PGLS models, the procurement negotiation team considered team size, number of calls, response times and expected requirements over 10 years. In finalising the ISFT, the Finance Reform Programme Steering Committee approved the recommendation of the procurement negotiation team that a Managed Service model with a Service Level Agreement best meets the requirements of IFMS and that the requirement be updated in the ISFT to include the requirement for a maximum daily blended rate for draw down of PGLS.

Following the engagement of the SI a detailed scoping and resource sizing exercise was undertaken in conjunction with eHealth and SAP Centre of Excellence and a proposal was developed by the SI to provide the agreed PGLS under a capacity-based managed service model. This will provide resources with the necessary technical and configuration skills to provide the agreed support services for IFMS. The PGLS service covers the following main elements:

- Transition to the PGLS support service from the IFMS implementation team by the end of the Hypercare for Implementation Group 1. Similar transition for delta functionality delivered by the SI for each of the subsequent four (4) Implementation Groups under Stage 1 of the IFMS Programme;
- Provision of Level 2 support for system users of the IFMS SAP solution to supplement support provided by the HSE Shared Services and the Business (year 1 initially, with an option to extend for years 2 and 3);
- Provision of Level 3 break-fix support for the IFMS SAP solution;
- Provision of Level 4 support;
- Minor Enhancements including changes to existing functionality and new functionality to meet requirements from the business (with less than 40hrs effort) within the service resource capacity;
- Service Management and Reporting.

The scope of PGLS as specified in the IFMS SoR was expanded to include Level 2 support for an initial period of one year (with an option to extend), due to lack of availability of suitable internal resources in this specialist area.

The contract value of the proposed PGLS model is based on a ground up sizing of the service scope, expressed in days, at the contracted draw down rate per the SI contract approved in June 2022.

This proposed PGLS model was approved by Finance Reform Programme governance in February 2023 and is now recommended to the [EMT/Board Subcommittee/Board] for approval.

If approved, the PGLS will be given effect under the change control process provided for under the approved SI contract, the mechanism being a Change Control Notice.

**Further supporting information is provided in the attached appendices:**

Appendix 1: IFMS SAP Application Support Proposal (As approved by Finance Reform Steering Committee)

Appendix 2: CCN003 SAP Application Support (DRAFT Change Control Notice)

**Highlight any implications that the Board should be made aware of in its consideration such as;**

- Current status
- Budget ✓
- Resources
- Impact to delivery of services
- Corporate Plan
- Sláintecare ✓
- Social factors (e.g. impact on specific area such as the elderly, disabilities)
- Technological factors ✓
- Legal factors

#### **Conclusion**

Approval of the contract, via the governance process set out in the *Recommendation / Decision Sought* section below, will authorise:

- The Programme to finalise the CCN and SLA with the SI for PGLS; and
- The HSE Accounting Officer (HSE CEO) to sign the contract on behalf of the HSE Board as the Contracting Authority.

#### **Recommendation**

The Finance Reform Programme Steering Committee recommend that the approval of the Change Control Note to give effect under the existing SI contract to the IFMS PGLS model as approved by Programme governance. HSE Executive Management Team (EMT) members will, at the EMT meeting of 25 April, consider this recommendation for submission to the HSE Technology and Transformation Committee, and subject to their approval, onward to the HSE Board.