

Richard Bacon MP

*Room 537
Richmond House
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Dear Mr Bacon

14 April 2011

Thank you for your email of 2 March and I apologise for the delay in my reply.

I reply to your points and questions in turn below, however, the decision as to whether to enter into contract re-negotiations is one made within the Department, in conjunction with the Accounting Officer and Ministers. It would be inappropriate for any one individual to be able to seek to influence that accountability. Moving to your specific questions;

Q1. Whether the contract renegotiations with BT and Cerner represented best value for taxpayers' money

A1. The Department concluded that they did. In my letter of the 24th January, I explained the approach being taken by the Secretary of State to deliver IT services into the NHS in the future. That letter explained, in detail, the due diligence that had been applied across the Programme and Government to ensure value for money.

Q2. My point about the Cerner product in London was that originally planned deployments of GP systems, a London Ambulance solution and a number of systems in acute trusts were included in the original contract price of £1.2 billion and are not now being delivered. I note that you do not comment on my observation that only about half the original contract will be delivered, but that payments have been reduced by only £112 million. I cannot see how this can be value for money to taxpayers and I note that you do not claim that it is.

A2. The points concerning the Cerner, GPs and London Ambulance were addressed on page 2, paragraph 1, of my letter dated 24 January 2011. In summary, it is agreed that the volume of services has reduced, but the range of functionality in the services to the reduced volume, the more modular approach to delivery and the significant additional effort to deploy the services in line with the changing needs of the NHS in London also needs to be taken into account.

Q3. You say that I am "misinformed" about the level of Cerner functionality, which you say "has not been reduced". I must refer you to page 23 of the June 2006 NAO report in which it is stated that Cerner Millennium was being supplied in four releases, covering the same functionality as the original five IDX releases. This included a Patient Administration System, a GP system, a web based referrer, a pharmacy system, and systems for acute

departments, emergency care and mental health, all to be delivered as an integrated Cerner solution. Much of this has now been dropped, or replaced with cheaper departmental systems such as RiO, but I cannot see that taxpayers have seen an appropriate consequent saving.

- A3 Thank you for providing further information to clarify what you meant by 'the functionality of Cerner Millennium has been cut back drastically' in your original email. The NAO report that you refer to was written after the Fujitsu LSP contract that replaced IDX with Cerner was signed in the South but before the BT LSP contract that replaced IDX with Cerner was signed in London. The former of these did envisage an integrated Cerner solution that covered each care setting but the latter only provided for Cerner in the Acute care setting. Community and Mental Health care settings were to be serviced by the CSE Servelec RiO product. When the Fujitsu LSP contract was terminated, this model of separate products by care setting was replicated in the South. There has been no material change in the functionality you outline, save for the Web based referrer. It should be noted that whilst Fujitsu said they would develop a Mental Health solution (within the Cerner product), they had failed to do so at the point the contract was terminated.

As our previous reply indicated, recently the scope of the Cerner Acute care setting provision has been increased in London by providing access to the full scope of the Cerner product.

- Q4 You acknowledge that the history of delivery of Lorenzo is "very unsatisfactory", a point on which we can certainly agree. My additional point is that there is no good reason to think that the long record of unmet promises, missed deadlines and in some cases outright misrepresentation is about to change. Therefore, I can see no good reason for the Department to persist with supporting the deployment of the Lorenzo system through the contract with CSC. I note that the Chief Executive of the NHS and the President of CSC were scheduled to meet to discuss this matter and I sincerely hope that this does not simply result in further unreliable promises and consequent failures.

- A4 I can confirm Sir David Nicholson, the Chief Executive of the NHS and the President of CSC attended the planned meeting to which you refer. This involved challenging and frank discussions, including the concerns you have raised and resulted in CSC being instructed to present a response to the Authority issues. The details of their replies are currently being considered and evaluated by the Authority. Whilst I cannot comment on the details of these discussions at this point, I can confirm that the Authority is considering all contractual options available to it under the current contract.

- Q5 In relation to the price of the RiO product, I would observe that the systems supplied directly by CSE Servelec seem to be functioning in practice as well as the LSP version, so I cannot see how there is a good reason for the price of the LSP versions to be around ten times as high. As you say, this is likely to be considered by the NAO. In the interim, I should be happy to supply a list of non-NPfiT RiO users if that would assist you in making the comparison. My concern about value for money to taxpayers is of course not

related to whether the decision was made entirely by your Department or with some involvement by the Treasury.

- A5 The points concerning the price of RiO are fully addressed in paragraph 4 of my letter to you of 24 January 2011. If you wish to supply comparative data, that reflect the services, including disaster recovery, data centre hosting, service levels and functionality, this may be useful.
- Q6 Since my letter to you there have been further reports that raise doubts over the effectiveness of LSP systems, including:

serious under-use of Lorenzo at NHS Bury;
a failure to go live with Lorenzo at Pennine Care NHS Trust; and
a call for compensation by North Bristol NHS Trust for late delivery of a PAS system.

These reports simply add to my concern that you seem to remain committed to the delivery of systems through LSPs that have been shown to be unreliable, subject to serious delays and, even after contract renegotiations, unreasonably expensive. Quite apart from the burden this places on taxpayers at a time of exception stringency in public spending, it is also surely not in the interests of the NHS and its patients.

- A6 The Early Adopter Lorenzo solution deployed at NHS Bury replaced an existing iPM solution and is following a phased roll out plan, as agreed by, the local Trust. I cannot comment on the usage within the Trust as this is an issue, quite rightly, which is determined locally.

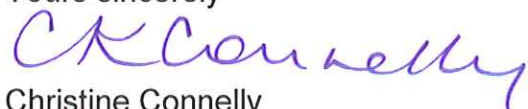
The failure of CSC to meet the Pennine Care NHS Trust planned Go Live date was very disappointing, particularly given the assurances given to the Minister for the Cabinet Office when he and I met with CSC in December. Following extensive discussions Pennine Care NHS Trust have agreed, with their SHA, that they will no longer deploy Lorenzo and will be considering all available options open to them.

However, other Trusts in the North Midlands and East are considering becoming the Early Adopter of Lorenzo Mental Health functionality and this is currently being explored further.

North Bristol are one of the Greenfield sites in the South. The Trust has demonstrated a continued commitment to receiving software under the LSP arrangement. If the Trust were entitled to delay deductions, in agreement with the SHA, these would be payable. However, I understand that this is not the case and that North Bristol have confirmed to the press, in response to your letter, that they are not seeking any such compensation.

I trust this has been helpful.

Yours sincerely



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