

SofS 43425

Richard Bacon MP
House of Commons
London
SW1A 0AA

RECEIVED
7 - SEP 2006

Richmond House
79 Whitehall
London
SW1A 2NS

Tel: 020 7210 3000

05 SEP 2006

Dear Richard,

I am responding to your letter dated 9 August 2006, which asked for details of any advance payments made to iSOFT by NHS Connecting for Health.

The Department of Health has an Enterprise Wide Arrangement with iSOFT, negotiated by NHS Connecting for Health, in respect of the contracts with individual NHS trusts. The arrangement is not part of the National Programme for IT as you imply in your letter but relates to the existing contracts with iSOFT held by individual NHS trusts. Under this arrangement, the Department agreed to make advance payments in April 2005 and April 2006 against the charges payable by NHS trusts to iSOFT.

In consideration of these advance payments, iSOFT agreed price reductions (approximately £20m over three years) and, in addition, removed some obligations on certain trusts, waived certain termination provisions on existing NHS trust contracts and provided greater flexibility for contract extensions. This benefited a number of NHS trusts who would otherwise have incurred costs for contractual obligations, for termination of existing contracts or for extensions. The advance payments are protected by Letters of Credit that entitle the amounts to be recovered by the Department at any time.

Payments of £58 million and £23.8 million excluding VAT have been made by the Department of Health to iSOFT in April 2005 and April 2006 respectively. Each month iSOFT collect the revenues due from existing contracts held by Trusts/GPs and pass these in full to the Department of Health. Following the end of each quarter the Department of Health adjusts the value of the Bond in line with the monthly payments received from iSOFT. Up to the end of July 2006, iSOFT had collected and passed back to the Department of Health £37.9 million. NHS Connecting for Health, acting on behalf of the Department of Health, has complete visibility of iSOFT's bank account used to collect revenues. Full financial audit rights are available if required.

There has been no indication from iSOFT that the advance payments made by the Department of Health are the subject of the suspected accounting irregularities that the iSOFT Board are investigating.

Yours,
Patricia

PATRICIA HEWITT