

Explanatory Memorandum to the Health Services (Provider Selection Regime) (Wales) Regulations 2025

This Explanatory Memorandum has been prepared by the Health, Social Care and Early Years Group of the Welsh Government and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Cabinet Secretary's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Health Services (Provider Selection Regime) (Wales) Regulations 2025. I am satisfied that the benefits justify the likely costs.

Jeremy Miles MS
Cabinet Secretary for Health and Social Care
7 January 2025

PART 1

Description

1. The Health Services (Provider Selection Regime) (Wales) Regulations 2025 ('the Regulations') make changes to the way in which health services, provided as part of the NHS in Wales, are procured.
2. The Regulations replace the existing public procurement regime provided by the Public Contracts Regulations 2015 ('PCR 2015')¹. The Regulations also respond to wider changes in the public procurement legal landscape in the UK which has seen a number of important changes since the UK left the European Union (EU). Key developments have included the UK Government's Procurement Act 2023², which reforms the way in which public bodies procure goods and services in the UK and repeals the PCR 2015. Separately, changes to the way health care services are procured in England have occurred with the introduction of the Provider Selection Regime (PSR),³ by the UK Government's Department of Health and Social Care (DHSC) under the Health and Care Act 2022⁴ and National Health Service Act 2006⁵.
3. In light of these changes, the Health Service Procurement (Wales) Act 2024⁶ ('the Act') provides the Welsh Ministers with powers to implement changes to health service procurement in Wales. The Regulations provide for the introduction of a bespoke procurement regime, to be known as the 'Provider Selection Regime Wales' or 'PSR Wales', for the procurement of health services provided as part of the NHS in Wales. The Regulations broadly seek to restore the 'level playing field' for health service procurement across England and Wales; providing a modern regime governing the procurement of these services in Wales.
4. These Regulations include:
 - i. provisions to disapply the Procurement Act 2023 so that they do not apply to contracts where these Regulations apply;
 - ii. the procurement principles, key criteria and basic criteria for decision-making when procuring such health services under these Regulations;
 - iii. the detail of the procurement processes and when each process applies, including two direct award processes, the 'most suitable provider process' and the 'competitive process'; and the detail of the notices which must be published as part of those processes;

¹ [The Public Contracts Regulations 2015 \(legislation.gov.uk\)](https://legislation.gov.uk)

² [Procurement Act 2023 \(legislation.gov.uk\)](https://legislation.gov.uk)

³ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](https://legislation.gov.uk)

⁴ [Health and Care Act 2022 \(legislation.gov.uk\)](https://legislation.gov.uk) section 79

⁵ [National Health Service Act 2006 \(legislation.gov.uk\)](https://legislation.gov.uk)

⁶ [Health Service Procurement \(Wales\) Act 2024 \(legislation.gov.uk\)](https://legislation.gov.uk)

- iv. monitoring, transitional and modification arrangements, as well as procedures for urgent awards, managing conflicts of interest and standstill periods for the new procurement regime;
 - v. a list of Common Procurement Vocabulary (CPV) codes in Schedule 1 to the Regulations to define the types of ‘health services’ that are covered as part the new procurement regime;
 - vi. a provision for ‘mixed procurement’ of relevant health services with other goods or services that are connected to those services under the Regulations;
 - vii. provision in respect of framework agreements; how they may be concluded; how additional providers may be selected and the processes to be followed when procuring under a framework agreement; and
 - viii. provision for an independent review panel to provide oversight of decisions under the regime.
5. The Regulations will apply to ‘relevant authorities’ as defined in section 10A(9) of the National Health Service (Wales) Act 2006⁷, when procuring health services provided as part of the NHS in Wales.

Matters of special interest to the Legislation, Justice and Constitution Committee

6. These Regulations include updates to those which were laid on 13 August 2024 and subsequently withdrawn on 19 September 2024, following the decision to delay commencement of the UK Government’s Procurement Act until February 2025⁸.
7. In line with recommendations made by the Legislation, Justice and Constitution Committee during its scrutiny of the Act, and as required by the provisions of the Act, the operational principles which underpin the Regulations were consulted upon before the Regulations were brought forward. A summary of the consultation responses has been published on Welsh Government’s website.⁹ Further detail about the consultation is provided in paragraph 28 of this Explanatory Memorandum.
8. During the passage of the Act, the Legislation, Justice and Constitution Committee raised a number of matters which have informed the development of the Regulations. For example, the Regulations have been developed with due regard to how issues of ‘mixed procurement’ of both health services, and goods or services connected to those health services, will be impacted by the new regime. The position relating to these limited types of procurement has also been informed by the position which DHSC has taken to these issues in its PSR in England. Further operational detail about how these procurements should be managed under the PSR Wales is provided in the Statutory Guidance accompanying these Regulations.

⁷ [National Health Service \(Wales\) Act 2006 \(legislation.gov.uk\)](#) – section 10A

⁸ [Written Statement: Withdrawal of the Health Services \(Provider Selection Regime\) \(Wales\) Regulations 2024 \(19 September 2024\) | GOV.WALES](#)

⁹ [Health service procurement in Wales | GOV.WALES](#)

9. The Committee also raised questions regarding the relationship between the Act and the United Kingdom Internal Market Act 2020¹⁰ ('UKIMA'). The Committee was concerned as to whether future regulations to be made under the Act, in respect of the procurement of goods connected to health services, may be limited in their practical effect if they trigger the non-discrimination principle for goods set out in UKIMA. This issue was also raised by the Health and Social Care Committee during its scrutiny of the Act, and the Committee recommended in its stage 1 report that an assessment should be made as to whether any of the objectives in the future regulations engage UKIMA¹¹.
10. An assessment has been undertaken on this matter which concluded that the Senedd's legislative competence is not impacted by UKIMA. That is, when the Senedd legislates in non-reserved areas, it does so free from the requirements of the Act. This includes where the Senedd legislates to confer regulation making powers on the Welsh Ministers, such that those regulation making powers will, when exercised, be exercisable free from the requirements of UKIMA.

Matters of special interest to other Senedd scrutiny committees during the scrutiny of the Act

Health and Social Care Committee

11. In addition to the interplay with UKIMA, the Health and Social Care Committee made recommendations in relation to stakeholder engagement and training on the implementation of the new health service procurement regime¹². Further information has been set out in part 1 of this Explanatory Memorandum on the public consultation on the operational principles which underpin the Regulations. Part 2 of this Explanatory Memorandum includes information on the training provision for relevant authorities to familiarise themselves with the requirements of the new procurement regime.
12. The Committee also recommended that the proposed new health service procurement regime should make provision to ensure that service users are consulted when relevant authorities make procurement decisions¹³. In response, the then Minister for Health and Social Services made a commitment to consider this further during the development of the Regulations and Statutory Guidance, whilst being mindful of the practicalities of consulting the general public alongside delivering individual service contracts. During the development of the Regulations, engagement took place with 'Llais', the Citizen Voice Body for Health and Social Care in Wales¹⁴. As a result, specific references to the role of 'Llais' have been included in the Statutory Guidance to accompany the Regulations, setting out how relevant authorities are expected to have due regard to any representations made by Llais when procuring health services in Wales.

¹⁰ LJCC - [Report on the Health Service Procurement \(Wales\) Bill \(senedd.wales\)](#) – paragraph 63

¹¹ <https://senedd.wales/media/nplhofww/cr-ld15809-e.pdf>, P 56 - recommendation 11

¹² [Senedd Cymru - recommendation 6 and 9](#)

¹³ [cr-ld15809-e.pdf \(senedd.wales\)](#) page 28

¹⁴ [Citizen Voice Body for Health and Social Care | GOV.WALES](#)

Finance Committee

13. The Finance Committee made a specific recommendation during its scrutiny of the Act in relation to providing a full and robust Regulatory Impact Assessment (RIA) for any regulations made using the powers provided by the Act; as well as recommending that an assessment should take place to understand the risks and financial impact of temporarily having two different health service procurement regimes operating in England and Wales¹⁵. Information, in so far as it is practicable to provide, has been included in part 2 of this Explanatory Memorandum.

Legislative background

14. The Regulations will be made using powers under section 120A of the Procurement Act 2023 and section 10A of the National Health Service (Wales) Act 2006, as amended by the Health Services Procurement (Wales) Act 2024. Arrangements regarding procurement for the types of services covered by the Regulations were previously set out in the Public Contracts Regulations 2015.

15. The Regulations disapply the provisions set out in the Procurement Act 2023¹⁶, to the extent that it would apply to the procurement of health services in Wales and replace it with the new PSR Wales regime. The Regulations have been developed in line with the requirements set out in section 10A of the National Health Service (Wales) Act 2006.

16. The Regulations are being made under the draft affirmative procedure.

Purpose and intended effect of the legislation

17. Procurement can act as a key enabler to support the delivery of strategic priorities. Previously, the main legal framework governing the procurement of health services in England and Wales was the so-called 'light touch regime'¹⁷ set out in regulation 74 of PCR 2015.

18. Light touch services (which include health, social services and related services) were not subject to the full procurement regime under PCR 2015. This allowed greater flexibility for contracting authorities in relation to the form of procurement to be undertaken and allowed contracting authorities to adapt a procedure to meet their particular needs, as long as the procedure adopted was sufficient to ensure compliance with the core principles of transparency and equal treatment.

19. Following the UK's departure from the EU, various changes are being made to the way that public bodies procure goods and services, with a view to arrangements better meeting the needs of countries in the UK. A key change is a new procurement regime introduced by UK Government under the Procurement Act 2023 and associated subordinate legislation

¹⁵ [Senedd Cymru -cr-ld15795-e.pdf \(senedd.wales\) recommendations 1 and 2](#)

¹⁶ [Procurement Act 2023 \(legislation.gov.uk\)](#)

¹⁷ [Microsoft Word - LTR guidance v28 updated October 2015 to publish \(1\).docx \(publishing.service.gov.uk\)](#)

including the Procurement (Wales) Regulations 2024¹⁸. The Welsh Ministers made the decision for 'Welsh Contracting Authorities' to be included in the UK Government's procurement reforms as part of the Procurement Act 2023.

20. Separately, proposals to change the way health care services are procured in England were brought forward under provisions in the UK Government's Health and Care Act 2022¹⁹ and National Health Service Act 2006. This Act enables the procurement of health care services in **England** to be removed from the scope of general public procurement rules and allows a new set of rules to be put in place specifically for these services. These rules are set out in the Health Care Services (Provider Selection Regime) Regulations 2023²⁰, brought forward by the UK Government's Department of Health and Social Care.
21. From 1 January 2024, DHSC's new PSR has applied to NHS 'health care services' procurements in England only. Its overall aim is to move away from the expectation of competition in all circumstances and towards a system of collaboration and partnership, which helps join services together across the whole health system. This approach aims to remove unnecessary levels of competitive tendering, remove barriers to integrating care, and promote the development of stable collaborations. It will therefore give decision-makers in NHS England and local government organisations in England the flexibility to arrange health services that best promote the interests of patients and the population within their areas, as well as considering the value for public money.
22. Health services are currently provided by the NHS in Wales through a variety of mechanisms including arrangements via 'NHS to NHS contracts ('NHS Contracts')²¹ and in situations where the NHS in Wales has neither the internal capacity nor specialist capability to meet patient needs, via arrangements with independent providers using call off agreements (including frameworks), or via the procurement procedures under the PCR 2015.

Case for Change

23. The changes introduced by the PSR in England has implications for Wales and the ability to engage with independent providers and continuity of services for the citizens of Wales. The Act and the Regulations seek to respond to this issue and mitigate against the risk of having two inconsistent procurement regimes operating across Wales and England in relation to health services. Without the changes being put in place through the Regulations, there are risks of a range of unintended practical consequences for the future procurement and commissioning of health services in Wales. These could include:
- i. distortion of the current parallel health services procurement platform between England and Wales;

¹⁸ [The Procurement \(Wales\) Regulations 2024 \(legislation.gov.uk\)](#)

¹⁹ [Health and Care Act 2022 \(legislation.gov.uk\)](#)

²⁰ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#)

²¹ [NHS contracts as defined by Section 7 of the National Health Service \(Wales\) Act 2006](#)

- ii. limiting the ability to commission health services on a collaborative basis, and the associated benefits of financial and resource economies of scale;
- iii. limiting suppliers' desire to supply health services in Wales due to having to participate in different procurement regulatory regimes and undergo competitive tendering exercises, potentially increasing costs and resource pressures for relevant authorities to procure and attract high-quality suppliers in the future.

24. Section 10A of the National Health Service (Wales) Act 2006 provides the Welsh Ministers with powers to create a new health service procurement regime which both supports the delivery of the Welsh Government's strategic Programme for Government²² objectives and reduces the potential for Wales to be disadvantaged as a result of the procurement reforms being introduced for health services in England.

25. In addition to the Regulations, the Statutory Guidance sets out the operational elements that relevant authorities will need to consider when implementing the new procurement regime.

26. In setting out the new health service procurement regime for Wales, the Regulations align with DHSC's PSR in a number of key ways:

- i. moving away from a position of unnecessary competitive tendering; enabling relevant authorities in Wales to operate more flexible procurement processes with an ability to undertake direct award and roll over contracts in circumstances where there is limited/incumbent providers. The regime will also offer the possibility to 'test the market' via a competitive process should relevant authorities choose to do so. These procurement processes are outlined as follows:
 - Direct Award Process 1 (akin to DHSC's PSR process A);
 - Direct Award Process 2 (akin to DHSC's PSR process C);
 - The Most Suitable Provider Process;
 - The Competitive Process;
- ii. setting out the 'procurement principles' that relevant authorities need to consider when using the procurement regime, as well as the 'basic criteria' and the main 'key criteria' that need to be considered when selecting providers;
- iii. the procurement of other 'goods and services' as mixed procurement but only when connected to the main subject matter health service;
- iv. modification of contracts, urgent awards and abandonment or repetition of steps in a procurement process;
- v. replicating the definition of 'considerable change';
- vi. contracts based on framework agreements;
- vii. conflicts of interest and reporting mechanism i.e. notification, monitoring compliance, enforcement measures;
- viii. termination of contracts;

²² [Programme for government | GOV.WALES](https://gov.wales/programme-for-government)

- ix. information requirements - record keeping and publishing of information in respect of awards, monitoring requirements and annual summaries;
- x. list of CPV codes²³ that set out the list of health services under the proposed regime; and
- xi. content of notices to be published by relevant authorities in relation to each decision-making process.

27. In contrast, in meeting Wales' distinct own policy objectives, the new health service procurement regime for Wales will also diverge from the approach undertaken in DHSC's PSR in a number of areas:

- i. not replicating DHSC's 'Decision Making Process B' - as there are no equivalent regulatory 'Patient Choice' arrangements in Wales;
- ii. linked to this, the role of an independent review panel to provide oversight of decisions under the regime – this will only apply to procurement decisions made by relevant authorities and not the 'Decision Making Process B - patient choice' element of DHSC's PSR. The role and remit of the independent review panel is currently being explored and whether such arrangements can support wider public procurement reforms in Wales;
- iii. partial divergence from DHSC's approach on procurement frameworks to enable the period of framework agreements to last up to 8 years (as opposed to up to 4 years in DHSC's PSR);
- iv. inclusion of a methodology for defining 'estimated lifetime value' to enable relevant authorities to determine the 'main subject-matter' under mixed procurement and modifications during the term of contracts;
- v. changes to the proposed key criteria that relevant authorities must consider when making procurement decisions, following stakeholder feedback;
- vi. adaptation of the standstill periods on decision-making processes to enhance transparency, and where appropriate, align with standstill periods set out in the Procurement Act 2023;
- vii. changes in approach on the exclusions of providers to align, where appropriate, with provisions set out in the Procurement Act 2023;
- viii. inclusion of an exemption to enable relevant authorities to withhold publication of 'sensitive commercial information' in certain circumstances; and
- ix. additional requirements for relevant authorities to publish notices when awarding a contract under a direct award, and when undertaking a direct award as part of a concluded framework agreement.

Consultation

28. Consultation on the operational principles covered by the Regulations initially took place as part of the scrutiny of the Health Service Procurement (Wales) Act 2024. This included proactive and focused engagement with key stakeholders, including NHS Wales, Health Unions, Welsh Local Government Association (including social care commissioners); and

²³ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukdsi/2023/01/1351100000000001/schedule-1) - schedule 1 CPV codes

the third sector. Welsh Government officials undertook engagement to inform the development of the Act, and the Senedd's Health and Social Care Committee carried out its own consultation exercise in fulfilling its role in scrutinising the legislation.²⁴

29. The importance of consultation was recognised during the development of the Act, particularly as it was accepted that the operational detail of the new procurement regime would be provided in the Regulations made under the Act. In view of the importance of ensuring appropriate consultation on this operational detail, the Act includes a requirement for the Welsh Ministers to carry out such consultation as they consider appropriate, prior to making these Regulations and to publish a summary of responses.
30. This requirement under the Act was fulfilled by a full, open and public 12-week consultation exercise carried out as part of the development of the Regulations. A consultation on the operational principles of the proposed new regime was held between 27 November 2023 and 23 February 2024, seeking stakeholder views on a breadth of areas relevant to the Regulations²⁵.
31. Specifically the consultation was framed in a manner to:
- i. provide stakeholders with a background summary of the provisions in DHSC's PSR regulations;
 - ii. provide Welsh Government's initial interpretation of provisions set out in DHSC's PSR regulations and statutory guidance accompanying the regulations; and
 - iii. provide details of the applicability and suitability of the provisions in DHSC's PSR regulations and to seek views as to whether the Welsh Ministers should seek to align or diverge with those provisions when developing a new health service procurement regime for Wales.
32. The consultation sought views from stakeholders on the operational aspects of the regime. This consisted of a number of multiple-choice questions asking if stakeholders agreed/disagreed and a number of open questions to provide stakeholders with an opportunity to provide additional narrative. Specific questions were asked around the impact of the proposals on the Welsh Language.
33. Notice of the consultation was provided to stakeholders via specific stakeholder groups as well as further targeted stakeholder engagement undertaken with key interest groups, which amongst others included:
- i. NHS Wales procurement, primary care, finance and planning leads;
 - ii. Welsh Local Government Association (WLGA);
 - iii. Wales Council for Voluntary Action (WCVA);
 - iv. Wales Trade Union Congress (Wales TUC);
 - v. Social services' commissioning network;

²⁴ [Health Service Procurement \(Wales\) Act \(senedd.wales\)](#)

²⁵ [Health service procurement in Wales | GOV.WALES](#)

- vi. Disability Wales;
- vii. Fair Treatment for the Women of Wales;
- viii. Substance misuse area planning board; and
- ix. Llais.

34. The consultation attracted 34 responses from a range of stakeholders; the most common feedback included views on:

- i. the application and breadth proposed list of CPV codes included in the regime;
- ii. the enhancement of, or reduction of, the 'basic criteria' and 'key criteria' that need to be considered when relevant authorities select independent health service providers;
- iii. 'mixed procurement' definitions, including the application of the 'main subject-matter' and 'reasonably separable' threshold;
- iv. thresholds for 'modification of contracts' and 'considerable change'
- v. the role, remit and operation of the 'independent review panel' for the procurement regime;
- vi. transparency, monitoring and publication of information under the proposed regime;
- vii. framework periods and duration;
- viii. transitional arrangements and roll out, timing, training etc, of the new procurement regime;
- ix. the application of the proposed regime and impact on NHS to NHS 'contracts'; and,
- x. integration of health services and social care services.

35. A summary of responses to the consultation was published on the 15 April 2024²⁶.

Integrated impact assessment (IIA)

36. An Integrated Impact Assessment (IIA) has been completed for the Regulations. Sections 1 and 8 of the IIA, along with the Equality Impact Assessment will be available on Welsh Government's website.

Provisions in the Regulations to meet requirements of Section 10A(5) of the NHS (Wales) Act 2006

37. Under Section 10A(5) of the NHS (Wales) Act 2006, the Welsh Ministers are required to include information in the explanatory material accompanying the Regulations to demonstrate how they meet provision for the purposes of:

- i. ensuring transparency;
- ii. ensuring fairness;
- iii. ensuring that compliance can be verified; and
- iv. managing conflicts of interest.

²⁶ [Health service procurement in Wales | GOV.WALES](#)

38. Table 1 - provisions in the Regulations to meet the requirements of Section 10A (5) of the NHS (Wales) Act 2006:

Section of the Act	Regulation	Summary of purpose
Section 10A (3) (a) and (b)	Part 1, regulation 5(b)	Sets out that when undertaking procurement activities under the Regulations for relevant health services relevant authorities must act transparently, fairly and proportionately.
Section 10A (3) (d)	Part 4, regulation 27	Sets out the steps that relevant authorities must take to ensure appropriate measures are in place to effectively prevent, identify and remedy conflicts of interest arising in the conduct of procurement processes under these Regulations.
Section 10A (3)(c) and(d)	Part 5, regulation 30	Requires that relevant authorities must ensure appropriate measures are in place to keep records of contracts awarded to providers, the decision-making process followed, the reasons for decisions made under the Regulations, and how any conflicts or potential conflicts of interest were managed.
Section 10A (3) (a) (c) and (d)	Part 5, regulations 31 and 32	Sets out the information that relevant authorities must make publicly available. Sets out the steps that relevant authorities must take to demonstrate how compliance with the Regulations is monitored, and requirements to publish online, on a publicly available website accessible free of charge, an annual report of the results of that monitoring including information as to how any non-compliance will be addressed.

PART 2

Regulatory Impact Assessment (RIA)

Summary

39. A Regulatory Impact Assessment (RIA) has been completed for the Regulations and is set out below in this chapter. It presents the best estimate of the costs and benefits of the Regulations based on the available evidence.
40. It has been necessary to make a series of assumptions in order to complete the calculations due to insufficient data being available; where this is the case, it has been explained in the narrative of the RIA. Unless otherwise stated, all costs in the RIA have been rounded to the nearest £1,000.
41. This RIA is based upon information available in April 2024 and covers a 2-year period from **April 2024 to March 2026**. This time period has been selected to include activity related to the implementation of the proposed new health service procurement regime. The evaluation will therefore take into account activity that has occurred since the publication of the summary of consultation responses in April 2024 and includes activity to prepare the Regulations, Statutory Guidance and stakeholder training prior to the coming into force date of February 2025. Extending the evaluation period until March 2026 will take into account any costs associated with 'bedding in' of the proposed new health service procurement regime, ongoing training requirements and any updates to the Statutory Guidance and supporting materials over the full 2 year period.

Introduction

42. The Welsh Ministers' powers to make changes to the regime governing the procurement of health services in Wales are set out in the Health Service Procurement (Wales) Act 2024 ('the Act'). An RIA was produced as part of the documentation to support the Senedd's scrutiny of the Act and as such, this RIA builds on the information provided in that assessment.
43. Costs provided for Welsh Government staff time relate to the work involved in developing and implementing the Regulations. These are opportunity costs as opposed to an additional financial outlay.
44. Costs provided for the relevant authorities under the Health Service Procurement (Wales) Act 2024 (NHS Wales organisations, local authorities in Wales) and the independent health service providers will need to be borne under the 3 options presented. These are also opportunity costs as opposed to an additional financial outlay.
45. The Health Services (Provider Selection Regime) (Wales) Regulations 2025 will only apply to relevant health services provided as part of the NHS in Wales (and the procurement of

other goods or services when connected to the main subject matter health services). Simultaneously, due to the wider public procurement reforms being brought about by the introduction of the UK Government's Procurement Act 2023, 'contracting authorities', (as defined under the Procurement Act 2023), which are also listed as relevant authorities under the Health Service Procurement (Wales) Act 2024, will also need to adapt processes and procedures to comply with the new regulatory regime under the Procurement Act 2023 when sourcing 'other goods and services'.

46. Therefore, costs to NHS Wales and local authorities in Wales under all 3 options presented are in any case likely to materialise as a result of proposed changes due to the wider public procurement reforms under the UK Government's Procurement Act 2023.

47. The costs to NHS Wales and local authorities in Wales under options 2 and 3 will only materialise in the event of the Health Services (Provider Selection Regime) (Wales) Regulations 2025 being made, and the new health service procurement regime (PSR Wales) coming into force in Wales.

48. In this assessment, quantifiable financial costs have been considered as follows:

- a. **Legislative administration staff costs** – Welsh Government and NHS Wales staff costs associated with the implementation of policy and legislative administration, roll out and training of the new procurement regime(s). These are opportunity costs.
- b. **Familiarisation costs** – the costs associated with relevant authorities staff time spent familiarising with the new regulations and operation of the new procurement regime(s). This is split into staff that need to have a general policy overview of the new procurement regime(s) and procurement professionals/staff who are required to have an in-depth understanding to operate and advise colleagues on the new regime. These are also opportunity costs.

49. Unquantifiable costs have been considered as follows:

- a. **Procedural change costs for relevant authorities** - the general costs associated with relevant authorities to adapt **processes and procedures** to meet the requirements of the new procurement regime and considered to be business as usual activities/opportunity costs.

Quantifying the staff resource costs and/or benefits for NHS Wales and local authorities for **changes to tendering practices on a 'contract by contract' basis** is difficult due to the lack of data around the number of NHS Wales and local authority health service contracts that may need to be tendered over the appraisal period. Therefore, within this assessment, an estimate of direct staff resource costs/benefits for NHS Wales and local authorities has been limited to the costs of familiarisation of a new health service procurement regime in Wales. It is, however, anticipated that any cost increases will be limited to short-term staff resource and process readjustment costs for 'procedural

change' in relation to staff at NHS Wales and local authorities establishing and implementing a new procurement regime(s).

- b. **Procedural change costs health service providers (business and third sector)** – for providers participating in tendering exercises, it is difficult to measure any cost impact, due to the range and nature of procurement exercises and individual providers resource capacity, expertise and ability to respond to tenders. However, an assumption is made that the cost to providers should not be overly excessive in comparison to costs already incurred for participating in the current public procurement regime (PCR 2015), or forthcoming (UK Government's Procurement Act 2023) public procurement regimes. This is further covered as part of the competition assessment.
- c. **Independent oversight function costs** - associated with the establishment and operation of an expert independent oversight function for health service procurement in Wales. The function will undertake a role in determining representations from providers around procurement decisions made by relevant authorities in Wales under the PSR Wales. The role and remit of the function is currently being determined, and as such we are unable to quantify these costs at this point in time. For illustration purposes, we have provided details based on DHSC's assessment of costs for implementing 'independent expert advice' for their of their PSR in England (regulation 23 of DHSC's PSR Regulations²⁷).

50. A regulatory impact assessment²⁸ was completed to accompany the introduction of DHSC's Health Care Services (Provider Selection Regime) Regulations 2023 to support implementation of the PSR in England, following on from the core measures impact assessment completed for the Health and Care Act 2022, which included a high-level review of impacts on Provider Selection and Choice²⁹ and potential implementation of the Provider Selection Regime in England. The findings from both impact assessments produced by DHSC **are likely to be similar for Wales given the proposed similarities between DHSC's PSR in England and the PSR Wales**. As such, the impact of the proposed changes in Wales is not expected to deviate greatly from the potential costs and impacts identified by DHSC for implementation of the PSR in England. As such, where there are gaps in specific data or evidence for Wales, estimated costs and impacts from DHSC's regulatory impact assessments have been utilised and modified to provide an illustration of the impacts in Wales.

51. Costs and benefits have been assessed over a 2-year period from April 2024 to March 2026. This period covers the development and initial implementation phase of the PSR Wales and a short-term period of 'bedding in' and adjustment to new processes and procedures.

²⁷ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](https://legislation.gov.uk)

²⁸ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](https://legislation.gov.uk)

²⁹ [Health and Care Act 2022 Core Measures Impact Assessment \(publishing.service.gov.uk\)](https://publishing.service.gov.uk) – Provider Selection and Choice. p36.

Options

52.Four options have been considered in this impact assessment:

Option 1	Do nothing - maintain the status quo in Wales, whereby the NHS and local authorities in Wales undertake procurement of relevant health services using the Public Contracts Regulations 2015/UK Government's Procurement Act 2023 regime(s). DHSC's PSR will be used to undertake the procurement of these health services in England.
Option 2 (preferred option)	Introduce regulations - implement a new regime for the procurement of relevant health services in Wales (PSR Wales) – for use by relevant authorities in Wales (both NHS Wales and local authorities in Wales).
Option 3	Introduce regulations - implement a new regime for the procurement of health services in Wales (PSR Wales) – <u>limited to use by NHS Wales only</u> , meaning that the procurement of relevant health services by local authorities in Wales remains under the Public Contracts Regulations 2015/UK Government's Procurement Act 2023 regime.
Option 4	Non-regulatory option – changes to health service procurement in Wales regimes via non-statutory guidance.

Option 1 – Do nothing

Description

53.Under this option, regulations would not be made to implement a new health service procurement regime for Wales under the PSR Wales. This would mean the procurement of all independent health services in Wales would remain under the scope of the PCR 2015 and the reforms introduced by the UK Government's Procurement Act 2023 for the general procurement of goods and services. This option would not restore the 'level playing field' for the procurement of health services between England and Wales, given the changes being introduced as part of the PSR in England.

54.Procurers and commissioners of health services in Wales will still need to adapt their existing procurement processes, which are currently regulated under PCR 2015 to meet the requirements of the Procurement Act 2023.

55.The UK Government has committed to a 6-month transition period to facilitate the move from the current PCR 2015 regime to the new procurement regime under the Procurement Act 2023.

56.Regardless of whether a new health service procurement regime for Wales is introduced, procurers and commissioners of health services in Wales will still need to adapt established procurement procedures created under PCR 2015 and put in place new policies, procedures and guidelines, and train staff, to ensure procurement exercises comply with the requirements of the Procurement Act 2023.

57.The risks of ‘doing nothing’ and not implementing a new procurement regime for health services in Wales have been set out in part 1 of this explanatory memorandum. To recap, the main risks are summarised as follows:

- i. distortion of the current parallel health services procurement platform between England and Wales;
- ii. limiting the ability to commission health services on a co-compliant / collaborative basis between NHS England and NHS Wales, and the associated benefits of financial and resource economies of scale;
- iii. limiting suppliers’ desire to supply health services in Wales as a result of having to participate in different procurement regulatory regimes and undergo competitive tendering exercises; potentially making the Welsh health service market an unattractive business prospect. This could increase costs and resource pressures for NHS Wales to procure and attract high quality suppliers in the future.

58.This option may also lead to lost opportunities, such as:

- i. failure to place health service procurement on a level playing field between England and Wales.
- ii. reduced opportunity to increase social value and foundational economy gains in the delivery of health services in Wales - the new health service procurement regime for Wales will offer a more flexible, less bureaucratic approach which should benefit SME’s and third sector organisations where competitive procurement exercises are often seen as a barrier to market.
- iii. less long-term supplier collaborations – potentially at the detriment of the patient when patient provider relationships are working well and a good service is being achieved.
- iv. missed opportunity to upskill procurement professionals in Wales – Welsh Government has been granted access to training and development materials from NHS England on a free to use basis. These materials have been created by DHSC and NHS England and freely provided to Welsh Government, to adapt and reflect the operational basis of the new procurement regime(s) in Wales and enable the creation of bespoke learning and development products for ‘Welsh Contracting Authorities’³⁰ and relevant authorities to use. If Welsh Government was to produce these materials ‘from scratch’, this would mean placing an additional time and resource burden on Welsh Government and the associated financial implications.

³⁰As defined under the [Procurement Act 2023](#)

Costs

59. Option 1 is the baseline option and, as such, the following is a summary of the baseline costs and is presented to enable a comparison to be made with the costs under the other options.
60. The costs under option 1 are solely for the introduction of the new public procurement regime under the UK Government's Procurement Act 2023 and will be incurred irrespective of whether regulations are brought forward to implement a new health service procurement regime for Wales.
61. With this option, there are no direct administration duties for Welsh Government Health Policy staff related to developing and implementing the new health service procurement regime. There are, however, costs associated with Corporate Procurement Directorate staff within Welsh Government – these costs are opportunity costs and will be met by existing budgets.

Administration and familiarisation costs (including training)

62. Under this option, administration costs to Welsh Government are limited to costs incurred with the preparation of training and guidance documents for the new procurement regime under the UK Government's Procurement Act 2023.
63. Under this option, familiarisation costs for relevant authorities in Wales will be limited to adaption to the new public procurement regime under the reforms as a result of the Procurement Act 2023, as there will be no separate health service procurement regime in Wales. Familiarisation of the public procurement regime under the UK Government's Procurement Act 2023 will consist of a number of training initiatives, aimed at different audiences and differing levels of understanding.
64. An estimation of costs of the new public procurement regime under the UK Government's Procurement Act 2023 and has been included in the regulatory impact assessment for Procurement (Wales) Regulations 2024³¹. The cost and benefits outlined in that impact assessment have been included within this option to demonstrate the costs to Welsh Government of implementing the new public procurement regime and costs for 'Welsh Contracting Authorities' for familiarisation and upskilling to understand the operational elements of the new procurement regime and making the associated procedural changes.
65. It should be noted that 'Welsh Contracting Authorities', includes **all public sector contracting authorities**, including relevant authorities (as defined under the Health Service Procurement (Wales) Act 2024 – i.e. health boards, health trusts, special health trusts and local authorities). **It is not possible to proportion the costs solely for relevant authorities** (as defined under the Health Service Procurement (Wales) Act 2025, under this option.

³¹ [The Procurement \(Wales\) Regulations 2024 \(senedd.wales\)](https://www.senedd.wales)

Administration costs for Welsh Government

66. The following costs have been taken from the regulatory impact for the Procurement (Wales) Regulations 2024.³²

67. **‘Knowledge drops’** designed to provide a high-level overview of the procurement regime under the UK Government’s Procurement Act 2023 were led by UK Government with minimal costs to Welsh Government, estimated at **£84.80**. These are sunk costs.

68. **‘e-learning’** was devised for relevant procurement and commercial practitioners from ‘Welsh Contracting Authorities’. The RIA for the Procurement (Wales) Regulations 2024 states that *‘the e-learning will be for skilled practitioners, designed to provide a grounding in each element of the new procurement Regulations. These will be accessed via the UKG’s Government Commercial College (GCC) site and will be self-guided, consisting of 10 modules of approximately 1 hour per session’*. This is a UK-wide training programme led by the UK Government, as part of upskilling ‘contracting authorities’ in both England and Wales on the fundamental operational aspects of the new procurement regime under the Procurement Act 2023. There is **no cost to Welsh Government** for the development of the 10 e-learning modules being developed by UK Government.

69. Welsh Government will supplement the UK Government led ‘e-learning’ with an additional 6 modules that focus on priority areas for ‘Welsh Contracting Authorities’ and is aimed specifically at Welsh procurement and commercial practitioners, and other personnel who regularly undertake procurement activity or need a deeper understanding of the procurement legislative landscape in Wales.

70. The RIA for the Procurement (Wales) Regulations 2024 estimates that the cost to Welsh Government for developing and delivering the six ‘e-learning’ modules is estimated at just over **£9,000**, calculated as follows in Table 2: These costs would be incurred in 2024/25.

71. **Table 2 - Estimated e-learning development costs for Welsh Government:**

Number of e - learning Modules	Time to create each module	Median Wage per hour ³³	Total cost per document	Total Cost
6	74 hours	£21.20	£1,568.80	£9,412.80

³² [Explanatory Memorandum to The Procurement \(Wales\) Regulations 2024 \(senedd.wales\)](#)

³³ The median wage is taken from the Annual Survey for Hours and Earnings (ASHE) data for a “Buyer and Procurement Officer” 2022, where the median hourly wage is £16.30. Plus 30% on-costs.

72. **‘Deep dive’** training will be offered in addition to e-learning for the new regime under the Procurement (Wales) Regulations 2024 aimed at expert procurement practitioners, led by UK Government and at **no cost to Welsh Government**. This training will be based on interactive instructor-led virtual class in small cohorts and delivered bilingually.

73. As such, whilst the UK Government is covering the costs of the English language ‘deep dive’ training, Welsh Government will need to cover the costs of developing and delivering Welsh language training for individuals in ‘Welsh Contracting Authorities’ who express a preference to receive ‘deep dive’ training via the medium of the Welsh language. This is estimated cost for Welsh Government at approximately **£17,000 in 2024/25**.

74. Learning and development of the new public procurement regime will be supported by bilingual written guidance, the costs of production will fall to Welsh Government and estimated to cost **£18,000** in 2024/25.

Familiarisation costs for ‘Welsh Contracting Authorities’

75. The RIA for the Procurement (Wales) Regulations 2024 estimates that the cost to ‘Welsh Contracting Authorities’ to undertake the **‘e-learning’** training is **£662,000**, calculated as follows in Table 3.

76. **Table 3 - Estimated resource cost for ‘Welsh Contracting Authorities’ to attend e-learning:**

Number of eLearning Modules (10 UKG and 6 WG)	Total time for completion (1hr per module)	Number of trainees	Median Wage per hour	Total cost per trainee to complete all modules	Total Cost
16	16 hours	1952	£21.20	£339.20	£662,118.40

77. The resource cost for ‘Welsh Contracting Authorities’ to undertake the **‘deep dive’** training is **approximately £360,000**, calculated as follows in Table 4.

78. **Table 4 - Estimated resource costs for ‘Welsh Contracting Authorities’ to attend Welsh Language ‘deep dive’ training:**

Deep Dives time to complete	Number of trainees	Median Wage per hour	Total cost per trainee	Total Cost
20 hours	850	£21.20	£424.00	£360,400

79. It is not possible to clearly proportion the costs in Table 4 solely for staff employed by relevant authorities (as defined under the Health Service Procurement (Wales) Act 2024). Under option 2, it is estimated that approximately 141 staff employed by relevant authorities will require procurement ‘practitioner training’. Therefore the figures in Table 4 are provided

purely to demonstrate that the 'do nothing' option will incur a cost regardless of whether a new health service procurement regime for Wales is implemented.

Procedural change costs

80. Costs for procedural changes for 'Welsh Contracting Authorities' (and in turn relevant authorities) to comply with the new public procurement regime have not been included in the RIA for the Procurement (Wales) Regulations 2024. However, the RIA acknowledges that there will be a direct cost to 'Welsh Contracting Authorities' (and in turn relevant authorities) to publish additional procurement notices on 'Sell2Wales' under the new regime.
81. Welsh Contracting Authorities (and in turn relevant authorities) already publish procurement notices on the Sell2Wales platform; therefore it will only be the new notice requirements which will result in additional time and cost. These timeframes and costs are difficult to assess as it is unknown how many new notices will be published and how long it will take to populate these new notices. As such the RIA for the Procurement (Wales) Regulations 2024 does not include costs for this element.
82. The RIA for the Procurement (Wales) Regulations 2024 also acknowledges that it is difficult to estimate the costs for 'Welsh Contracting Authorities' (and in turn relevant authorities) to make changes to internal procedures / standing orders; including costs associated with redrafting and updating existing policies, procedures, templates, translation and approval processes. The cost to individual 'Welsh Contracting Authorities' (and in turn relevant authorities) will differ, depending on the size and resource capability of respective organisations. As such the RIA for Procurement (Wales) Regulations 2024 does not include costs for this element.
83. Costs in relation to the establishment of the 'independent oversight function' are not included in the RIA for Procurement (Wales) Regulations 2024. There is however a need to establish an oversight function to receive and adjudicate on representations under the Procurement (Wales) Regulations 2024 regime; details and costs associated with this function is unknown at this point.
84. An assessment of the costs to business for compliance with the Procurement (Wales) Regulations 2024 has not been included in the RIA for those regulations and as such are not included within this assessment. However, the RIA for the Procurement (Wales) Regulations 2024 does include unquantifiable impacts/benefits to businesses, which are included in the following section.

Benefits/Disbenefits

85. Under this option, regulations would not be made to implement a new health services procurement regime for Wales. This would mean the procurement of all health services in Wales would remain under the PCR 2015 and the reforms under the UK Government's Procurement Act 2023 for the general procurement of goods and services in the UK.

86. This will result in two distinct separate health services procurement regimes in operation in England and Wales and would bring about some unintended practical consequences for the future procurement and commissioning of health services in Wales (as outlined in Part 1 of this Explanatory Memorandum).

87. The RIA for the Procurement (Wales) Regulations 2024, sets out a number of unquantifiable benefits and impacts on business as a result of implementing the new public procurement regime under the UK Government's Procurement Act 2023. These include:

- i. making it easier for businesses to contract with the public sector by reducing and removing barriers for, and creating more competitive bidding opportunities for, Welsh SMEs;
- ii. provide consistency for suppliers ensuring that cross-border business with England can continue without confusion;
- iii. improved payment terms for prime contractors that will need to cascade to smaller businesses in supply chains;
- iv. ensure that 'Welsh Contracting Authorities' have due regard to particular barriers facing SMEs, and to consider whether those barriers can be removed or reduced.

88. In addition to the above, relevant authorities (as defined under the Health Service Procurement (Wales) Act 2024) will only need to implement changes as part of the UK Government's Procurement Act 2023 and not implement changes to health service procurement. It is anticipated that implementing one overarching public procurement regime will have short-term resource benefits for relevant authorities, as only one set of procedural change and familiarisation costs will be required.

89. Conversely, the UK Government's Procurement Act 2023 regime will require more competitive tendering exercises to be undertaken by 'Welsh Contracting Authorities' (including relevant authorities); again the cost and resource impact of this is unknown, but is expected not to change significantly from costs associated with the existing PCR 2015 public procurement regime.

In summary

90. **Option 1** will not implement a new health services procurement regime for Wales; meaning the procurement of all health services in Wales would remain under the Public Contracts Regulations 2015 (PCR 2015) and under UK Government's Procurement Act 2023 regime for the general procurement of goods and services in the UK. This option would not restore the 'level playing field' for the procurement of health services in England and Wales but instead would result in two distinct and separate regimes for the procurement of health services in operation between England and Wales; this may bring about the unintended consequences outlined in Part 1 of this document. **Therefore, option 1 is not the preferred option.**

91. Estimated costs for option 1 are summarised in **Annex A**.

Option 2 – Introduce regulations and implement a new regime for the procurement of health services in Wales – for use by relevant authorities (both NHS Wales and local authorities in Wales) (Preferred option).

Description

92. Under option 2, regulations will be brought forward and a new regime for the procurement of health services in Wales will be implemented by relevant authorities in Wales.
93. This option will assist in restoring the procurement 'level playing field' and minimise risk to the procurement of health services in Wales as a result of the introduction of DHSC's PSR in England and outlined in Part 1 of this Explanatory Memorandum.
94. In general, there are a number of areas of policy alignment between the proposed new health service procurement regime under the Health Service Procurement (Wales) Act 2024 and DHSC's PSR in England. As such, it is anticipated that the costs, impacts and benefits for implementing the new health service procurement regime in Wales will be similar for those determined by DHSC in England. Where there is lack of available data for Wales, or it is perceived that the information provided in DHSC's RIA for its Provider Selection Regime can be replicated for the position in Wales, this information has been included in this RIA and source referenced.

Costs

Administration costs to Welsh Government

95. Under option 2, there will be direct administration costs for Welsh Government staff to develop and implement the new health service procurement regime for Wales. All costs attributed to Welsh Government will be met by existing budgets.
96. There is a direct cost to Welsh Government as a result of this option. The administrative cost to staff in Welsh Government's commercial procurement directorate for implementation of the new regime under the Procurement (Wales) Regulations 2024 is covered above in option 1.
97. The costs in this option are therefore in addition to the costs outlined in option 1 and include administrative costs for implementation of the new health service procurement regime for Wales. The costs included in this option are for opportunity costs incurred.
98. A best estimate of these costs are set out below and are expected to be incurred between April 2024 and March 2026 and represent the opportunity cost of existing staff resource and are not expected to result in an additional financial outlay.

99. **Table 5:**

Role	Grade	Annual staff cost (£) ³⁴	Whole Time Equivalent	Cost per annum (£)
Deputy Director	SCS	127,981	0.2	25,596
Policy lead	G7	92,844	1	92,844
Policy support	HEO	57,059	1	57,059
Lawyer (health)	G7	92,844	0.5	92,844
Lawyer (procurement)	G7	92,844	0.5	92,844

100. Costs based over a **2 year period** are estimated as follows (rounded to the nearest £1,000):

101. **Table 6:**

	Year 1 (2024-25)	Year 2 (2025-26)	Total (£)
Costs	268,000	268,000	536,000

102. The above Welsh Government staff costs account for the period of time post the publication of the summary of consultation responses in April 2024. It includes activity around the development of the Regulations and Statutory Guidance as part of preparations to lay the Regulations in the Senedd in January 2025, prior to the proposed coming into force date of February 2025. It also includes the implementation of training materials for stakeholders prior to the coming into force date and any ongoing policy development updates to the Statutory Guidance, supporting materials and ongoing training requirements over a 2 year period.

103. There will also be ongoing costs for NHS Wales staff acting as procurement practitioners advisors to Welsh Government policy leads – we are unable to estimate this costs as this support is on an ad hoc basis and at no additional cost to Welsh Government.

104. The Welsh Government staff costs for Option 2 over a 2-year period are therefore estimated at **£536,000** (rounded to the nearest thousand).

Familiarisation costs (including training)

105. The costs under option 2 are for the implementation of a new health service procurement regime for Wales for use by relevant authorities (both NHS Wales and local authorities in

³⁴ Costs for Welsh Government staff are based on average gross costs for civil service staff pay bands 2023-24. This includes additional employment costs (pensions, national insurance contributions, etc).

Wales). These costs are in addition to costs incurred by ‘relevant authorities’ for the introduction of the new public procurement regime under the Procurement (Wales) Regulations 2024 for ‘Welsh Contracting Authorities’. As such costs to relevant authorities under this option are in addition to the costs from option 1, as relevant authorities will need to implement and comply with both regimes.

106. As with option 1, costs for ‘Welsh Contracting Authorities’ (and in turn relevant authorities) will still incur a familiarisation and implementation cost as a result of the UK Government’s Procurement Act 2023. This cost is assumed to be the same as Option 1. However, under this option, relevant authorities will also need to implement a new, Wales-specific health services procurement regime. The familiarisation costs associated with this option include staff resources to engage with stakeholders, amend existing procedures, establish new procurement regime guidance, familiarisation and associated training.

Familiarisation costs to NHS Wales

107. Data has been sourced from **NHS Wales** to estimate the costs of familiarisation for the new health service procurement regime for Wales. This has been split into training of staff as follows:

- i. **policy training** – approximately 2 hours of high-level policy training aimed at senior managers in NHS Wales who will need to have some understanding of the new regime, but who will not themselves be applying the regime on a day-to-day basis; and
- ii. **practitioner training** - approximately 3 hours of more in-depth training about the processes of the new health service regime aimed at procurement professional practitioners who will be implementing the regime on a day-to-day basis. However, a full day (7.5 hours) of individuals time has been accounted for to take into account the background reading and awareness raising that practitioners will be required to do in advance of the training session.

108. In order to calculate the salary costs for individuals in NHS Wales attending the familiarisation training, gross salary information has been used from DHSC’s RIA. Therefore, the figures for the hourly rate for individuals receiving training is as follows:

- i. policy training is set at £23.60³⁵ (based on the salary costs of senior managers in provider organisations - this 2-hour high level training will be the same training offered to individuals in private providers/ third sector providers).
- ii. practitioner training is set at £29.28³⁶ (based on salary data in DHSC’s RIA for NHS procurement professional practitioner fall within band 5 and band 8a - 2023/24 values)

³⁵ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – Regulatory Impact Assessment – page 21/22 paragraph 49 – information on key procurement staff in provider organisations (footnote reference 3)

³⁶ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) - Regulatory Impact Assessment – page 21, paragraph 48 – information on salary costs for NHS procurement staff.

109. Table 7 sets out the estimated familiarisation training costs for NHS Wales based on 'average' numbers of staff (1 year, one off costs).

110. Table 7:

Type of training	Number of hours	Gross hourly rate	Estimated NHS Wales staff numbers	Totals
Policy Training	2 Hours	£23.67	433	£20,500
Practitioner Training	7.5 hours	£29.28	276	£56,500
Totals				£77,000

111. The costs identified above are one off-costs and are based on 'average' numbers of staff provided by NHS Wales. To estimate the average numbers of staff requiring familiarisation training, we have taken actual figures of staff numbers provided by several health boards in Wales as a baseline and used a methodology of reviewing the population estimates per health board region³⁷ as a basis to estimate the number of staff in health boards where we do not have data on actual NHS Wales staff numbers that will partake in the training.

112. Costs for familiarisation training of existing NHS Wales staff are likely to be incurred in year 1 only and are considered opportunity costs. It is not anticipated that there will a necessity to bring in new staff as a result of the regime changes.

Familiarisation costs for local authorities

113. In certain circumstances, the lead procuring authority for a health-related service may be the local authority. As such, the 22 local authorities in Wales are expected to incur a familiarisation and implementation cost for adapting to a new health service procurement regime.

114. We are unable to gather accurate data on the number of staff in local authorities in Wales that will require familiarisation training on the new health service procurement regime. To set in context, DHSC's RIA for their regulations for the Provider Selection Regime in England, made an assumption that 50 members of staff from each local authority in England will require familiarisation training. We consider that 50 members of staff per local authority in Wales is too high a number to use as a comparator for Wales (due to size and make up of local authorities in Wales). In the absence of having actual local authority staff figures, we have used the same methodology used for estimating numbers health board staff that require training outlined in paragraphs 108 to 111, and in table 7, and reviewed local population estimates by local authority³⁸ to estimate the numbers of local authority staff needing familiarisation training.

³⁷ [Population estimates by local health boards and year \(gov.wales\)](#)

³⁸ [Population estimates by local authority and year \(gov.wales\)](#)

115. Table 8 sets out the estimated familiarisation training costs for local authorities in Wales based on 'average' numbers of staff (1 year, one off costs).

116. Table 8

Type of training	Gross hourly rate	Number of hours	Estimated local authority Wales staff numbers (average)	Totals
Policy Training	£23.67	2 Hours	235	£11,100
Practitioner Training	£29.28	7.5 hours	141	£28,900
Totals				£40,000

117. The costs identified above are one-off costs likely to be incurred in year 1 only and are considered opportunity costs for the training of existing local authority staff. It is not anticipated that there will be a necessity to bring in new staff as a result of the regime changes.

Familiarisation costs to providers (businesses and third sector)

118. In addition to the relevant authorities that will need to implement the regime, there will be a cost to providers that deliver independent health services on behalf of the NHS in Wales. It is anticipated that such providers will need to undertake high level 'policy training' (2 hours) to have an understanding of the fundamentals of the proposed new regime, and that providers will consult the guidance on the new regime as and when required, upskilling as part of normal business planning activities.

119. DHSC made an assumption in its PSR RIA that 4,647³⁹ providers⁴⁰ will need to be upskilled with 'policy training' on the Provider Selection Regime, with 40 key procurement staff at each organisation undertaking training. It estimated that this will cost £8.8m in England.

120. It is anticipated that the scenario for providers operating the Welsh PSR will be similar to the picture presented in DHSC's RIA, as relevant authorities in Wales are accessing the same pool of private providers to those in England, albeit on a reduced scale as the numbers of contracts with private providers will be less than what is estimated in England. We also consider that the number of procurement staff within each organisation who would need to undertake training to become familiar with the new processes in Wales will be lower than that stated in the DHSC impact assessment. We estimate that between 10 and 20 staff per organisation will each need to undertake 2-hours of training. Assuming the same average staff cost as the DHSC impact assessment of £23.67 per hour (based on

³⁹ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – paragraph 49, footnote 4- This is an estimate in DHSC's Provider Selection Regime Regulatory Impact Assessment. It should be noted that DHSC have caveated their estimate on the number of providers as they are unable to account for all contracting activity that occurs relating to health procurement and this figure may also include risks of 'double counting' of providers, who may bid for more than one contract.

⁴⁰ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – paragraph 111

ASHE data for people employed in human health activities and adjusted to reflect on-costs) gives a cost per provider of between £475 and £950. Again, these will be opportunity costs rather than an additional financial outlay to the providers. While the number of private and third sector providers operating in Wales is expected to be lower than the 4,647 identified in the DHSC impact assessment, the actual number is unknown and as such, we are unable to estimate the aggregate familiarisation costs to businesses and the third sector.

Unquantifiable impacts

Procedural change costs

121. We anticipate that there will be a direct cost incurred by relevant authorities in relation to adapting processes and procedures to meet the requirements of the new health service procurement regime in Wales. This will include the costs of changes in governance and procedures for relevant authorities. During the consultation exercise on the operational principles of the proposed new health service regime, questions were posed to stakeholders about the cost of procedural change for relevant authorities. Feedback suggested that whilst there will be an administrative cost to change procedures and standard operating instructions, this is difficult to quantify. All associated work to adapt procedures will be undertaken by relevant authorities as part of their day-to-day activities and is considered to have limited additional financial and resource burden. Any additional administrative costs are expected to be opportunity costs since it is not anticipated that the work will result in an increase in staff numbers. Due to the absence of reliable information on which to base an estimate for Wales, no costs have been included in this RIA to account for procedural change. DHSC's RIA has also not included any information on the costs of procedural change for the implementation of the PSR in England.

122. It is also anticipated that there will be benefits for relevant authorities from the ability to undertake direct award processes under the proposed new regime. These cost-savings would be expected to extend beyond the two-year appraisal period. This should result in a reduction of relevant authority staff time spent on undertaking unnecessary competitive tendering exercises. DHSC's PSR RIA has included calculations on cost reduction for relevant authorities⁴¹, through a reduction in unnecessary tender exercises; however DHSC acknowledge that the evidence and data around this calculation is limited and has a high level of uncertainty and therefore assumptions have been made. To provide an indication of the potential cost-savings per contract, DHSC's RIA estimates that, on average, the total cost (to commissioners and providers combined) of running a direct award procurement process is a little over £30,000 lower than the total cost of an open procurement process. Cost-savings in Wales will be smaller than this if average contract values are lower than in England (because procurement costs are assumed to represent a percentage of the overall contract value). Nevertheless, this estimate does still provide an indication of the potential scale of cost-savings for each contract which can be produced via a direct award as opposed to open competition. Data on contract numbers, average contract values and the procurement route currently used for each contract is not available for commissioned health

⁴¹ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – page 32 paragraphs 99-107 and page 38 table 16

services in Wales. As such, we are unable to quantify the aggregate cost-savings for Wales.

Independent oversight function

123. It is anticipated that there will be a direct cost incurred by Welsh Government in relation to the establishment and operation of an independent oversight function to receive and adjudicate on supplier representations in relation to decisions made under the new health service procurement regime.
124. NHS England have established the 'Independent patient choice and procurement panel' as the independent oversight function to review decisions made under the PSR in England. This panel consists of an independent chair and a number of panel members. The remit of the panel is twofold⁴² – firstly, to review representations from providers on supplier decisions made by relevant authorities under the PSR, and secondly to review representations in relation to 'Patient Choice', whereby patients can make representations when legal rights to provider choice apply.⁴³
125. DHSC included estimated costs for the establishment of an independent oversight function in England within its RIA. The costs included are based on the operation of previous independent panels which have undertaken similar roles, (e.g. NHS England's Cooperation and Competition Panel). It is emphasised in DHSC's RIA that figures included in DHSC's calculations are estimated figures and therefore have a high level of uncertainty.
126. To make a comparison, option 2 of this RIA is broadly akin to option 2 of DHSC's RIA where it was estimated that the costs of the establishment and operation of a PSR independent review panel in England will range between £3.8m per annum (high-cost scenario) and £1.3m per annum (low-cost scenario)⁴⁴.
127. The make-up and scope of an independent oversight function for the new health service procurement regime in Wales is to be determined over the coming months. In Wales however, it will not undertake decisions related to regulatory 'Patient Choice', as we do not propose to align with DHSC in this respect as there is no equivalent legislation governing 'Patient Choice' in Wales.
128. For these reasons it is difficult to use DHSC's costings as an accurate comparator for the cost of the establishment of the independent review panel in Wales.
129. Furthermore, there may potentially be economies of scale from combining the independent oversight function in Wales to provide determinations on decisions by 'Welsh Contracting Authorities' as part of the wider public procurement reforms under the Procurement (Wales) Regulations 2024.

⁴² [NHS Provider Selection Regime - Independent patient choice and procurement panel](#)

⁴³ [The National Health Service Commissioning Board and Clinical Commissioning Groups \(Responsibilities and Standing Rules\) Regulations 2012 \(legislation.gov.uk\)](#)

⁴⁴ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – page 30-31

130. It is also anticipated that there will be an impact on relevant authorities, when responding to and preparing evidence for the independent review panel. There is no available data in Wales to estimate the number of representations from providers to the independent panel that may occur as result of the proposals under option 2.

131. In summary, the exact nature of how an overarching independent oversight function will be established and operate for the PSR Wales is currently under consideration and it is therefore difficult to provide accurate cost estimates for this element. However, it is expected that there may be considerable financial and resource economies of scale if it were to be possible to establish and operate one oversight function for the wider public procurement reforms taking place in Wales.

Benefits/Disbenefits

Benefits

132. Under this option, a new health service procurement regime will be implemented in Wales allowing an opportunity to restore the playing field for health service procurement between Wales and England and mitigate against some of the unintended practical consequences as outlined in Part 1 of this Explanatory Memorandum.

133. Other benefits may include:

- i. moving away from a position of 'competition by default' under the existing procurement regime (PCR 2015) and more sustainable longer supplier collaborations between relevant authorities and providers to maintain and enhance patient care, which may also benefit financial savings for the taxpayer;
- ii. longer-term certainty for suppliers/providers allowing the sector to implement more medium to longer term businesses planning; increase investment and increase staff retention in such organisations;
- iii. removal of mandatory tendering exercises may result in reduced administration costs for businesses and third sector organisations, with cost and resource savings made as a result of reduced participation in tendering exercises that do not translate to contract award;
- iv. opening up of market opportunities for SMEs, Foundational Economy businesses and the third sector who do not necessarily have the resources to enter competitive tendering exercises for contracts that ultimately do not result in contract award. This is covered further in the competition assessment below;
- v. the change in procurement regime and the establishment of an independent review panel to enable suppliers to challenge procurement decisions may decrease the costs associated with formal litigation via Judicial Review following the award of contracts;
- vi. enhanced transparency ensuring that relevant authorities publicly provide information on procurement processes and decisions recording information on decision and management of conflicts of interest in decision-making;

- vii. where possible, the 'mixed procurement' provisions in the new regime will allow more flexibility to procure contracts that include a health service and 'other' goods and services, provided such goods and services are the 'main subject matter' and 'connected to' the health service;
- viii. inclusion of 'key criteria' that relevant authorities need to consider when making procurement decisions. This will reinforce the application of wider Welsh Government policy objectives (for example, such as meeting the requirements of the Social Partnership and Public Procurement (Wales) Act 2022).

Disbenefits

134. Potential disbenefits may include:

- i. short-term resource implications for relevant authorities adapting to two new procurement regimes. Whilst we are unable to quantify this, it is expected that in the longer term, there will be cost and resource savings as a result of not having to undertake unnecessary procurement exercises;
- ii. short-term confusion by relevant authorities as to which procurement regime should be used to secure health services in Wales. Risks around this will be mitigated as far as possible by the implementation of a comprehensive training package led by Welsh Government on the operational elements of both the health service procurement regime and the wider public procurement regime under the Procurement (Wales) Regulations 2024;
- iii. potential reduced competition and reduced new entrants to the market (the supply chain) and whether this will have longer-term consequences for the cost of services in Wales. DHSC noted in its RIA for the Provider Selection Regime in England that a reduced supplier base (due to a lack of new entrants in the market) may in turn result in complacency within incumbents as their contract isn't necessarily dependent on the quality or price of their service if there are no alternative service providers⁴⁵. However, it is assumed that risks around this will be mitigated by increased longer-term supplier collaborations, which will be of particular benefit to patients, in circumstances where continuity of patient care is paramount, and the incumbent provider is providing a good level of service.

In summary

135. **Option 2** will implement a new health services procurement regime for Wales; meaning the procurement of relevant health services in Wales by relevant authorities must be undertaken under the new arrangements. Relevant authorities will also need to operate the Public Contracts Regulations 2015 (PCR 2015) and the new regime under the UK Government's Procurement Act 2023 and Procurement (Wales) Regulations 2024 for the procurement of general goods and services. This option would however 'level the playing field' for the procurement of relevant health services on behalf of the NHS in Wales.

136. Estimated costs for option 2 are summarised in **Annex A**.

⁴⁵ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – see para 140

Option 3 - Introduce regulations and implement a new regime for the procurement of health services in Wales – limited to use by NHS Wales only.

Description

137. Under this option, a new regime will be brought forward for the procurement of health services in Wales which will only apply to NHS Wales. The regime would therefore not apply to local authorities in Wales, who would remain under the scope of the PCR 2015 regime and UK Government's Procurement Act 2023 regime when procuring health services.
138. This option will partially assist in restoring the procurement 'level playing field' as a result of the reforms that have been introduced by DHSC under the PSR in England which apply to both NHS England and local authorities in England. As this option will not apply to local authorities in Wales, it will not fully restore the procurement 'level playing field' and mitigate the impacts as described in option 2 above. It is anticipated that the estimated costs, impacts and benefits identified for option 2 will be the same level of costs for NHS Wales, but it is estimated that the costs and impacts on local authorities in Wales will change.
139. To estimate the costs for this option, the methodology, costs and assumptions from option 2 of this RIA have been replicated in option 3 and adjusted for the exclusion of local authorities under this option. As with option 2, where there is lack of available data for Wales, or it is perceived that the information provided in DHSC's RIA for its Provider Selection Regime can be extracted and replicated for the position in Wales, this information has been used in this RIA. Where this is the case, it has been clearly set out and source referenced.

Costs

Administration costs to Welsh Government

140. As under option 2, option 3 will incur direct administration costs for Welsh Government staff to develop and implement the new health service procurement regime for Wales in addition to the implementation of the new procurement regime under the UK Government's Procurement Act 2023 and Procurement (Wales) Regulations 2024. These costs are covered above in option 2 and in Tables 5 and 6, and paragraphs 95 to 104. All costs which fall to Welsh Government will be met by existing budgets.
141. The Welsh Government staff costs for Option 3 over a 2-year period are therefore estimated at **£536,000** (rounded to the nearest thousand) as outlined in Table 6.

Familiarisation costs (including training)

142. The familiarisation costs under option 3 for the implementation of a new health service procurement regime for Wales will be incurred **by NHS Wales and providers only**, as the regime will not apply to local authorities in Wales. As stated in option 2, these costs are in

addition to the costs incurred by NHS Wales and businesses for the introduction of the new public procurement regime under the the UK Government's Procurement Act 2023 and Procurement (Wales) Regulations 2024. As such, costs to NHS Wales under this option are in addition to the costs set out under option 1, as NHS Wales will need to implement and comply with both regimes.

Familiarisation costs to NHS Wales

- 143.As with options 1 and 2, familiarisation costs associated with option 3 include costs and resources for NHS staff to amend existing procedures, familiarisation and associated training.
- 144.As with option 2, data has been sourced from **NHS Wales** to estimate the costs of familiarisation of the new health service procurement regime for Wales. This has been split into 'Policy Training' and 'Practitioner Training'.
- 145.The estimated costs for individuals in NHS Wales attending the familiarisation training is included in paragraph 109 and Table 7 above.
- 146.The costs identified above are expected to be one-off costs and likely to be incurred in year 1 (2024-25) and considered opportunity costs incurred for existing NHS Wales staff. It is not anticipated that there will be a necessity to bring in new staff as a result of the regime changes.

Familiarisation costs to local authorities

- 147.Familiarisation costs for local authorities in Wales to implement the regime changes have not been included under this option, as the regime will not apply to local authorities.

Familiarisation costs to providers (businesses and third sector)

- 148.As with option 2, this option will also incur a cost to providers that deliver independent health services on behalf of the NHS in Wales and will be the same as presented under option 2 in paragraphs 118 to 120.

Unquantifiable impacts

Procedural change costs

- 149.It is anticipated that there will be a direct cost incurred by NHS Wales in relation to adapting processes and procedures to meet the requirements of the new health service procurement regime in Wales. As outlined in paragraph 121 above, this will be opportunity

costs and include the costs of changes in governance and procedures for NHS Wales. As such, no costs have been included in this RIA to account for procedural change.

150. It is also anticipated that there will be cost benefits for NHS Wales from the increase in the number of direct award processes under the proposed new regime. This should result in a reduction of staff time spent on undertaking unnecessary competitive tendering exercises. DHSC's PSR RIA has included calculations on cost reduction for relevant authorities⁴⁶, as a result of the reduction in unnecessary tender exercises. However, it is acknowledged that the evidence and data around the time and resource savings is limited, with a high level of uncertainty and a number of assumptions made. It is anticipated that the cost savings identified by DHSC will be applicable to Wales. This is the same as described in paragraph 122 above for option 2.

Independent oversight function

151. As described in option 2, it is anticipated that there will be a direct cost incurred by Welsh Government in relation to the establishment and operation of an independent oversight function to review representations in relation to decisions made under the new health service procurement regime. This is described in full in paragraphs 123 to 131.

152. The exact nature of how an overarching independent oversight function is currently under consideration and as such it is difficult to provide accurate costings for this element. However, if it were to be possible to establish and operate oversight function for all three regimes, it is expected that there may be opportunities for financial and resource savings through economies of scale.

153. Cost associated with this option would be the same as those under option 2, but operational costs would reduce as the oversight function will only be required to consider representations relation to procurement decisions made by NHS Wales. Representations regarding local authority procurement decisions will be considered by the Procurement (Wales) Regulations 2024 independent oversight function. As such, there will be no net cost increase or cost savings for this element.

Benefits/Disbenefits

154. Under this option, the benefits of a new health service procurement regime for Wales will be similar to those outlined in paragraph 133 above and will contribute towards mitigating against some of the unintended practical consequences as outlined in Part 1 of this Explanatory Memorandum.

155. Specific potential benefits include:

- i. exclusion of local authorities from the new health service procurement regime will mean that local authorities in Wales will only need to familiarise and comply with

⁴⁶ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – page 32 paragraphs 99-107 and page 38 table 16

one overarching public procurement regime, resulting in reduced staff time and resources to adapt to the new procurement regime.

156. Specific potential disbenefits include:

- i. exclusion of local authorities from the new health service procurement regime will not restore the level playing field for local authorities in Wales when procuring health services;
- ii. local authorities will not benefit from the flexibility of procurement processes that the new health service procurement regime in Wales will introduce. This could result in wasted time and resources having to undertake unnecessary procurement exercises;
- iii. reduced opportunity to work more collaboratively across the NHS and local authorities with regards to consistency of patient care;
- iv. potential reduced competition and reduced new entrants to supply as outlined in option 2 above.

In summary

157. **Option 3** would implement a new health services procurement regime for Wales but for use by NHS Wales only – excluding local authorities in Wales, who will remain under the scope of the public procurement regime under the Public Contracts Regulations 2015 (PCR 2015) and new regime under the UK Government's Procurement Act 2023 and the Procurement (Wales) Regulations 2024 for the procurement of general goods and services. This option would therefore not 'level the playing field' for the procurement of relevant health services on behalf of the NHS in Wales to the same extent as option 2.

158. Estimated costs for option 3 are summarised in **Annex A**.

Option 4 - Non-regulatory option – changes to health service procurement in Wales regimes via non-statutory guidance.

Description

159. Procurement legislation regulates the procurement of goods and services by public authorities in the UK within a defined and formal legislative and regulatory framework. Guidance without regulations to underpin changes in health service procurement would be ineffective and would need to refer to the current PCR 2015 regime and the proposed procurement reforms under the UK Government's Procurement Act 2023. Therefore, to make the necessary changes to facilitate health service procurement reform in Wales,

amendments to the legislative framework is the only viable route to give the Welsh Ministers the ability to make regulatory changes.

160. As such, this option has been rejected and the impacts under this option have not been assessed.

Conclusion

161. In conclusion, legislation regulates the procurement of goods and services by public authorities in UK within a defined and formal legislative and regulatory framework. Therefore, Welsh Ministers will need to introduce legislation to change the way NHS health services are procured in Wales.

162. Whilst the costs outlined under Option 1 of this RIA will be incurred under all subsequent options, the assessment indicates that the additional action set out in Option 2 provides greatest opportunities to meet the key policy objectives for the procurement of NHS health services in Wales; which is to mitigate against some of the unintended practical consequences for the future procurement and commissioning of health services in Wales as a result of changes being introduced in England.

Competition assessment

163. A competition assessment has been undertaken to assess the potential impacts of implementing the Health Services (Provider Selection Regime) (Wales) Regulations 2025.

164. **Table 9** - Competition filter test - Health Services (Provider Selection Regime) (Wales) Regulations 2025.

The competition filter test	
Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	No
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	No
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	No
Q4: Would the costs of the regulation affect some firms substantially more than others?	Yes
Q5: Is the regulation likely to affect the market structure, changing the number or size of firms?	No
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No

The competition filter test	
Question	Answer yes or no
Q8: Is the sector characterised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	No

165. The filter test concludes that the proposed regulation and changes to health service procurement regimes are not expected to have a significant detrimental effect on competition. A summary of the findings is included below.

166. The competition impacts for the introduction of the new health service procurement regime for Wales are likely to be similar to those identified by DHSC as a result of the introduction of the Provider Selection Regime in England. As such, elements from DHSC's RIA for their PSR have been considered when assessing competition impacts and included in the findings set out below.

Would the cost of introducing the Regulations affect some firms more than others?

167. It is difficult to predict whether the cost of introducing the Regulations would affect some firms more than others. It is anticipated that the new health service procurement regime in Wales could have a moderate impact on businesses, both positively and negatively. The new regime will seek to move away from a position of competitive tendering by default and provide relevant authorities with discretion to negotiate contracts and undertake direct contract award to private health services providers, where there is no justifiable benefit in going out to the market – i.e., in circumstances where the incumbent service provider is providing best financial and patient value, or there is limited choice of a single preferred provider.

Will the proposals affect the market structure and changing the number or size of firms? Would the regulations lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet? Would the regulations lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?

168. Lack of data on the current market structure and size means it is difficult to predict how the Regulations will impact on market structure and size of firms and therefore this cannot be quantified. However, a new procurement regime for health services in Wales and the ability for relevant authorities to undertake direct contract award could benefit businesses in reducing staff time and costs associated with preparing and submitting tenders that do not translate into contract award. This is particularly important to SMEs and smaller and micro sized businesses and businesses in the third sector, which do not have financial or staff resource or expertise to repeatedly compile bids and not win work. This could include 'Foundational Economy' service providers based in Wales – many of whom are SMEs and third sector organisations – providing an opportunity to secure contracts without needing to

bid in complex, costly and time-consuming tendering exercises. For example, DHSC have attempted to quantify this in the RIA for the PSR in England and have found that SMEs face higher fixed costs as a proportion of contract value when preparing and submitting bids, whether successful or not,⁴⁷ and that the ability for SMEs to have contracts renewed under the PSR in England will therefore provide a cost saving that will have a bigger impact on SMEs over larger providers.

Direct impacts on competition

169. It is difficult to estimate the direct impacts on competition and markets due to implementation of a new health service procurement regime in Wales. DHSC have considered the competition impacts in their RIA for the PSR in England and have concluded that there is no clear evidence on the effect of competition in the market affected by the PSR in England⁴⁸. It concludes that they did not find a statistically significant difference in the price of contracts with and without competition but cannot be certain that this position will continue once the PSR is implemented in England. As it is difficult to estimate this for Wales, it is expected that this position will be similar for the introduction of a new health service procurement regime in Wales.

Post Implementation Review

170. Section 10A (8) of the NHS (Wales) Act 2006 includes a requirement for Welsh Ministers to review the operation of the Regulations and publish the conclusion of the review within 5 years of the Regulations coming into force.

⁴⁷ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – paragraph 223

⁴⁸ [The Health Care Services \(Provider Selection Regime\) Regulations 2023 \(legislation.gov.uk\)](#) – paragraph 225-243

Annex A – summary of estimated costs in options presented

Option 1 – Do nothing

Option 1 – Welsh Government costs:

Action	Costs (£)
Preparation for 'Knowledge drops'	84.80
e-learning development costs	9,412.80
Delivery of deep dive training in Welsh language	17,000.00
Bilingual written guidance	18,000.00
Totals (rounded to nearest £1,000)	44,000

Option 1 – contracting authority costs:

Action	Costs (£)
'Welsh Contracting Authorities' to attend e-learning	662,118.40
'Welsh Contracting Authorities' to undertake the 'deep dive' training	360,400.00
Totals (rounded to nearest £1,000)	1,023,000

Option 2 – Introduce regulations and implement a new regime for the procurement of health services in Wales – for use by relevant authorities (both NHS Wales and local authorities in Wales) (Preferred option).

Option 2 – Welsh Government costs:

Action	Costs (£)
Actions associated with Procurement Act	
Preparation for 'Knowledge drops'	84.80
e-learning development costs	9,412.80
Delivery of deep dive training in Welsh language	17,000.00
Bilingual written guidance	18,000.00
Actions associated with Health Services (Provider Selection Regime) (Wales)	
Welsh Government staff costs (2 years)	536,000.00
Totals (rounded to nearest £1,000)	580,497

Option 2 – contracting authority/relevant authority costs:

Action	Costs (£)
Actions associated with Procurement Act	
'Welsh Contracting Authorities' to attend e-learning	662,118.40
'Welsh Contracting Authorities' to undertake the 'deep dive' training	360,400.00

Actions associated with Health Services (Provider Selection Regime) (Wales)	
NHS Wales attend policy and practitioner training	77,023.00
Local Authority attend policy and practitioner training	39,980.00
Totals (rounded to nearest £1,000)	1,140,000

Option 3 - Introduce regulations and implement a new regime for the procurement of health services in Wales – limited to use by NHS Wales only.

Option 3 – Welsh Government costs:

Action	Costs (£)
Actions associated with Procurement Act	
Preparation for 'Knowledge drops'	84.80
e-learning development costs	9,412.80
Delivery of deep dive training in Welsh language	17,000.00
Bilingual written guidance	18,000.00
Actions associated with Health Services (Provider Selection Regime) (Wales)	
Welsh Government staff costs (2 years)	536,000.00
Totals (rounded to nearest £1,000)	580,497

Option 3 – contracting authority/relevant authority costs:

Action	Costs (£)
Actions associated with Procurement Act	
'Welsh Contracting Authorities' to attend e-learning	662,118.40
'Welsh Contracting Authorities' to undertake the 'deep dive' training	360,400.00
Actions associated with Health Services (Provider Selection Regime) (Wales)	
NHS Wales attend policy and practitioner training	77,023.00
Totals (rounded to nearest £1,000)	1,100,000