Explanatory Memorandum to

The Digital Health and Care Wales (Transfer of Staff, Property, Rights and Liabilities) Order 2021;

The Velindre National Health Service Trust (Establishment) (Amendment) Order 2021;

The Velindre National Health Service Trust Shared Services Committee (Wales) (Amendment) Regulations 2021

And

The Digital Health and Care Wales (No.2) Directions 2021

This Explanatory Memorandum has been prepared by the Department for Health and Social Services and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Digital Health and Care Wales (Transfer of Staff, Property, Rights and Liabilities) Order 2021, the Velindre National Health Service Trust (Establishment) (Amendment) Order 2021, the Velindre National Health Service Trust Shared Services Committee (Wales) (Amendment) Regulations 2021 and the Digital Health and Care Wales (No.2) Directions 2021.

I am satisfied that the benefits justify the likely costs.

Vaughan Gething

Minister for Health and Social Services

4 March 2021
1. Description

1.1 The Legislation summarised below will support the launch of a new Special Health Authority called Digital Health and Care Wales (DHCW).

   a. **The Digital Health and Care Wales (Transfer of Staff, Property, Rights and Liabilities) Order 2021**

1.2 The order provides for the transfer of NWIS staff, property, rights and liabilities from Velindre NHS Trust into Digital Health and Care Wales.

   b. **The Velindre National Health Service Trust (Establishment) (Amendment) Order 2021**

1.3 This Order makes an amendment to the existing Velindre Establishment Order to reflect the transfer of NWIS functions from Velindre NHS Trust into Digital Health and Care Wales.

   c. **The Velindre National Health Service Trust Shared Services Committee (Wales) (Amendment) Regulations 2021**

1.4 This amends the existing Shared Services Committee Regulations to make provision for the Chief Officers of Special Health Authorities established by Welsh Ministers to become members of the NHS Wales Shared Services Partnership Committee.

   d. **The Digital Health and Care Wales (No.2) Directions 2021**

1.5 This sets out the functions that DHCW is to perform, building on the principal functions set out in the Digital Health and Care (Establishment) Order 2020. These functions have been developed following a public consultation process that ran from 7 September 2020 to 30 November 2020.

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

2.1 The four statutory instruments being brought forward as part of the go-live of DHCW are being made together, are inextricably linked, and would be difficult to understand if read in isolation. It is therefore considered beneficial to bring forward a single composite Explanatory Memorandum and Regulatory Impact Assessment.

3. **Legislative background**

3.1 The Welsh Ministers have powers in section 22 of the National Health Service (Wales) Act 2006 (‘the 2006 Act’) to establish a Special Health Authority for the purpose of exercising any functions which may be conferred on them by or under the 2006 Act.
3.2 Section 22(7) of the 2006 Act provides that the Welsh Ministers must, before they make orders in relation to Special Health Authorities, consult with respect to the order such bodies as they may recognise are representing officers who in the opinion of the Welsh Ministers are likely to be transferred or affected by transfers in pursuance of the order.

3.3 Section 24 of the 2006 Act also provides that the Welsh Ministers may direct a Special Health Authority to exercise any functions of the Welsh Ministers relating to the health service which are specified in directions.

4 Purpose & intended effect of the legislation

Background

4.1 The NHS Wales Informatics Service ('NWIS') is the organisation leading on the delivery of national digital health and care services for NHS Wales. Established on 1 April 2010 (as part of the NHS Wales Healthcare Reform Programme) it brought together:

- Informing Healthcare (IHC),
- Health Solutions Wales (HSW),
- Business Services Centre (Information Management and Technology element only),
- Corporate Health Information Programme (CHIP), and the
- Primary Care Informatics Programme (PCIP).

4.2 NWIS is a non-statutory organisation, hosted under the statutory framework of Velindre NHS Trust. It has its own Directors and Corporate Structure, with staff located across Wales.

Purpose

4.3 In 2019, Welsh Government commissioned two major reviews of digital delivery in Wales looking at how digital systems are designed to work together (‘the Digital Architecture Review’) and at delivery structures and decision-making arrangements (‘the Digital Governance Review’). These two reviews provide the context to our approach and delivery.

4.4 Given the sensitivity of the recommendations raised by the ‘Digital Governance Review’, officials developed options based on the general engagement undertaken by both reviews, including the stakeholder task and finish groups, on consideration of existing governance and hosting models across NHS Wales (which provide several examples of different approaches), and discussions with the Minister.

4.5 In a written statement on 30 September 2019, the Minister for Health and Social Services announced:
“The NHS Wales Informatics Service (NWIS) will transition from its current structure, as part of Velindre Trust, to a new Special Health Authority. Establishing our national digital services organisation as a dedicated organisation reflects the importance of digital technology as a key enabler of change, as set out in A Healthier Wales. This change will strengthen governance and accountability, both in terms of relationships with other NHS Wales organisations and through stronger leadership and oversight, through an independent chair and board members, with experience and understanding of digital change.”

4.6 On 30 December 2020, Digital Health and Care Wales was established through the Digital Health and Care Wales (Establishment and Membership) Order 2020.

**Intended effect of the legislation**

*The Digital Health and Care Wales (Transfer of staff, property, rights and liabilities) Order 2021 ("the Transfer Order")*

4.7 The Transfer Order makes provision for the transfer of particular staff, property, rights and liabilities from Velindre University NHS Trust to Digital Health and Care Wales on 1 April 2021.

4.8 The Transfer Order transfers the contracts of employment of Velindre employees who are employed in connection with the discharge of NWIS functions and who have been notified in writing by Velindre ahead of 1 April that they are to be transferred into DHCW.

4.9 The Transfer Order also transfers property, rights and liabilities from Velindre to DHCW. This includes the transfer of leases for all accommodation and estates currently occupied by NWIS, as well as commercial agreements made by Velindre on behalf of NWIS and any information, data and records that relate to Velindre in the exercise of, or in connection with, NWIS functions.

*The Velindre National Health Service Trust (Establishment) (Amendment) Order 2021 ("the Amendment Order")*

4.10 The Amendment Order amends the Velindre National Health Service Trust (Establishment) Order 1993 to remove those functions currently being exercised by NWIS, this is to reflect that these functions will now be conferred on DHCW.

*The Velindre National Health Service Trust Shared Services Committee (Wales) (Amendments) Regulations 2021("the Shared Service Regulations")*

4.11 The Shared Service Regulations amend the Velindre National Health Service Trust Shared Services Committee (Wales) Regulations 2012 (“the 2012 Regulations”). The 2012 Regulations make provision for the
establishment, functions, constitution and membership of the Velindre National Health Service Trust Shared Services Committee. Regulation 5 provides that the members of the committee consist of a chair, the chief officers or their nominated representatives; and the person who has been designated as the accountable officer for shared services. Chief Officer is defined in regulation 2 as meaning the chief officer of each LHB and NHS Trust. The Shared Services Regulations amend the definition of ‘chief officer’ in regulation 2 to include a chief officer or chief executive of a SHA established by the Welsh Ministers under section 22 of the Act. This means that in addition to chief officers of the LHBs and Trusts, the Shared Services Committee will include the chief officer of HEIW and the chief executive of DHCW and any other SHA that is established by the Welsh Ministers.

The Digital Health and Care Wales (No.2) Directions 2021 (“the Functions Directions”)

4.12 Sections 23(1) of the National Health Service (Wales) Act 2006 gives Welsh Ministers the power to provide Directions to Special Health Authorities. Section 24(1) gives Welsh Ministers the power to direct a Special Health Authority to exercise any of the functions of the Welsh Ministers in relation to the health service.

4.13 The Functions Directions were developed following a public consultation on the proposed functions for DHCW. They set out a broad range of functions, some of which were previously delivered by NWIS.

4.14 The Functions Directions are designed to provide DHCW with the necessary scope to design, develop, deliver and support national digital platforms, systems and services. The Functions Directions also cover a range of additional areas such as workforce development, information governance, data collection and cyber security. The Functions Directions are intended to provide DHCW with the basis to deliver digital transformation within Health and Care in Wales in line with the strategic policy objectives of the Welsh Government.

5 Consultation

5.1 Between 7 September 2020 and 30 November 2020, Welsh Government sought views from stakeholders on the proposed functions of a new Special Health Authority called Digital Health and Care Wales (DHCW).

5.2 The consultation described why Welsh Government are proposing the change; the proposed functions currently being undertaken by NHS Wales Informatics Service (NWIS) that will be taken forward by DHCW; and how these functions can facilitate the evolution of digital maturity across the health and care sector in Wales.
5.3 The consultation requested views on the following areas and stakeholders were asked to submit their comments via an online form, email or post.

- The proposed functions of DHCW.
- The proposed board structure for DHCW.
- Whether one or more of the proposed functions of DHCW overlaps with a function already being undertaken by a different organisation in Wales (that is not NWIS).
- Additional functions that should be included within the responsibility of DHCW.
- Any impacts the proposed functions may have on the Welsh language.

5.4 There were a total of seventy eight responses to the consultation. Some of the written responses reflected the consolidated views of organisations within NHS Wales.

5.5 In general, responses tended to elicit comments from respondents which were broadly supportive of the proposals. The open nature of the consultation form meant many provided additional information, added caveats or raised issues for further consideration. These were varied and, in many cases, were specific to the respondent and/or the organisation that they represented.

5.6 Some cross-cutting issues included the need to integrate any changes in the context of the current policy landscape and with regard to existing structures, as well as to learn from and use the experience of existing bodies and programmes and the need to share best practice.

5.7 The consultation focussed on the proposed functions of DHCW, however, some respondents highlighted operational concerns for the new organisation which do not directly correlate to the functions Welsh Government propose to confer on DHCW. Where this is the case these concerns will be highlighted for consideration by the DHCW board once appointed.

1. **Approach**

1.1 In developing this RIA, the Welsh Government considered the costs and implications of the Establishment of Digital Health and Care Wales and the associated transfer of staff, property, assets and liabilities associated with the Transfer Order. The legislation set out in the EM above relates directly to the transfer from Velindre to DHCW of NWIS staff, property, liabilities and functions. This means that the cost implications of the Transfer apply only to the creation of additional governance arrangements to ensure that the appropriate assurance and accountability is provided for the delivery of digital services that DCHW will provide to NHS Wales. The RIA therefore sets out the cost implications of the establishment of DHCW and its Board arrangements and not the transfer of staff, property, liabilities and functions as these are part of the core budgetary allocation provided by Welsh Government to NWIS, which will also be transferring to DHCW.

1.2 The financial implications of the Velindre Amendment Order and Shared Services Regulations are not expected to give rise to any significant additional costs so are not considered as part of this RIA.

2. **Options**

2.1 The Welsh Government considered a number of options in response to the recommendations made in the ‘the Digital Architecture Review’ and ‘the Digital Governance Review’. These options were:

1. **Do Nothing**
2. No change of structure, but add a ‘joint committee’ governance wrapper around NWIS in Velindre
3. Move NWIS to another organisation such as Public Health Wales, HEIW or the NHS Executive
4. Transition NWIS to a new standalone Special Health Authority

2.2 An assessment was made of the extent to which each of these options delivers the recommendations made in the two commissioned reports.

**Option 1 – Do Nothing**

2.3 This option would not address any of the recommendations from the Wales Audit Office (WAO) and Public Accounts Committee (PAC) reports or the Governance Review. Pursuing this option would further undermine confidence and engagement across NHS Wales and could have a detrimental impact on the reputation of Welsh Ministers and the ability to deliver/develop national digital systems and services.

2.4 This option was therefore **rejected** but is retained in the RIA to act as the baseline against which to assess the costs and benefits of the alternative options.
Option 2 – No change of structure, but add a ‘joint committee’ governance wrapper around NWIS in Velindre

2.5 While this option would address some of the recommendations from the WAO and PAC reports around governance and accountability and would move towards a ‘shared services’ model as described in the governance review, it was felt this option would maintain the currently ambiguous hosting arrangements, lack financial accountability and would be seen as a largely ‘cosmetic’ change. For these reasons, this option was rejected.

Option 3 – Move NWIS to another organisation such as Public Health Wales, HEIW or the NHS Executive

2.6 This option would go further than options 1 and 2 in addressing the recommendations by the WAO and PAC, showing ‘significant’ change. However, this approach stops short of addressing the key governance changes required. There would however be some disruption in transitioning from Velindre to a different organisation with different processes and requirements, even within the wider NHS Wales system. Given the scale of NWIS there could also be an impact on the receiving organisation which could distract senior leadership from their existing priorities and focus. As a result, this option was rejected.

Option 4: Transition NWIS to a new standalone Special Health Authority

2.7 This option was felt to address the WAO and PAC recommendations to their fullest extent, and to maximise the direct and transparent accountability of NWIS as a national digital service. As such, this option was identified as the preferred option.

2.8 In September 2019, the Minister for Health and Social Services announced his intention to transition the NHS Wales Information Service (NWIS) into a Special Health Authority.

2.9 In light of the above, the following options have been taken forward for further consideration in the RIA:

- Option 1 – Do Nothing
- Option 4 - Transition NWIS to a new standalone Special Health Authority

3. Costs

Option 1 – Do Nothing

Costs

2.1 This is the baseline option and as such, there are no additional costs associated with this option.
Benefits

2.2 Given that current systems would continue, there would be no benefits to this option in terms of value for money against the investment made into this area of the system. However, there would be a benefit in that no additional establishment or transitional costs would be required. There would be no policy benefit in relation to digital services across the NHS in Wales. There could however, be an unquantifiable potential benefit for the staff involved, in that they would continue within their current roles, organisations and locations.

Option 4 (Preferred Option) - Transition NWIS to a new standalone Special Health Authority

Costs

2.3 This option is likely to require more resources than options 1, 2 and 3, although the task is relatively straightforward (compared for example to establishing HEIW) because NWIS is an established organisation with existing people, premises, processes and policies.

2.4 There would also be costs associated with transitioning NWIS into a ‘clean’ SHA and establishing a new Board. These costs have been identified as £2m per annum and have been benchmarked against similar sized NHS Wales organisations to ensure that the funding level is appropriate.

2.5 The costs to “Transition NWIS to a new standalone Special Health Authority” will mainly be incurred in the 2020-21 financial year. However, some costs may flow into 2021-22 to support programme closure activity.

2.6 The costs for the operation of the DHCW Board will be recurring costs for each financial year beyond 1 April 2021.

<table>
<thead>
<tr>
<th>Resource</th>
<th>Description</th>
<th>Cost</th>
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</thead>
</table>
| Programme Team                   | Costs for Programme Team  
  *Staff costs incurred by Welsh Government to deliver the programme.* | £160,000 |
| Legal                            | Costs for Legal Advice and Legislative Drafting  
  *Legal costs incurred by Welsh Government to provide legal advice and drafting of legislation.* | £20,000 |
| Communications and Engagement    | Costs for Communications and Engagement Activities  
  *Wider communication and engagement activities to support the programme.* | £10,000 |
### Benefits

2.7 There are some short-term benefits linked to the governance and transparency of establishing the new SHA, which are set out below:

2.7.1 Establishment of NHS Wales Organisation, with its own Board and governance arrangements, with a specific remit and responsibility for Digital Services

2.7.2 An all-Wales organisation with a clear legal basis for the collection, processing, analysis and dissemination of Welsh Citizen data.

2.7.3 Clear lines of accountability, underpinned by Board Governance arrangements.

2.7.4 Establishment and ‘bedding in’ of transparent reporting arrangements for the delivery of digital health and care services in Wales.

2.7.5 The creation of a strong and robust board to lead on the governance and delivery of DHCW’s vision and strategy

2.8 Longer term benefits the new organisation will provide across the system in Wales will be identified and addressed by the Board of the new organisation as part of their business and IMTP plans.

### Summary

3.1 Option 4 provides opportunities for a clean break, which allows addressing the recommendations of the Wales Audit Office and Public Accounts Committee to the fullest, without negatively affecting the digital services provided to professionals and patients.

3.2 Aligning the Special Health Authority to a new formalised governance framework will not just improve transparency, reporting and accountability of digital services within NWIS Wales but will also provide much needed confidence across the system that the changes undertaken are substantial in nature and not just cosmetic.

### Consultation
4.1 Work to develop policy in this area started in 2018 when the Wales Audit Officer (now Audit Wales) commissioned a review into Informatics Systems in NHS Wales. Whilst compiling their report, the WAO interviewed a range of people including Welsh Government officials, NWIS Staff and a range of officers from Health Boards and Trusts.

The Parliamentary Review of Health and Social Care in Wales – January 2018

4.2 The Parliamentary Review of Health and Social Care in Wales was undertaken in January 2018. In formulating their views, the Parliamentary Review heard from a wide range of people including members of the public, service users, staff in health and social care, and the third sector, and considered evidence about national and international models of care.

Public Accounts Committee Report – November 2018

4.3 Based on the recommendations set out in the Wales Audit Officer and Parliamentary Review, the Public Accounts Committee agreed to undertake an inquiry into informatics systems in NHS Wales, covering a wide range of issues. The Committee received extensive written and oral evidence as part of their inquiry. There have been a number of Public Accounts Committee Evidence Sessions to date and the transcripts of all oral evidence sessions and written evidence received are openly available.

The NHS Wales Digital Architecture Review

4.4 Welsh Government and NHS Wales engaged Channel 3 Consulting to undertake a review of the NHS Wales Digital Architecture, recognising the ambition for digital transformation across Wales at pace.

4.5 The focus of this review was to assess the extent to which the current Digital Architecture of NHS Wales is ready to meet the ambition set out in “A Healthier Wales”, and whether it is scalable to support digital transformation across Welsh health and social care.

4.6 The review involved technical reviews with NWIS and workshops and interviews with over one hundred key stakeholders from NWIS, all Health Boards, and the universities, augmented by three “deep dives” at Aneurin Bevan and Cwm Taf Heath Boards, and Public Health Wales Trust.

The NHS Wales Digital Governance Review

4.7 The review had a whole system scope, covering local and national services, all NHS services, and the Welsh Community Care Information System (WCCIS) and undertaken by independent consultants, who engaged very widely with all stakeholders across Wales, including NHS Wales Informatics Service (NWIS) and Velindre NHS Trust.

4.8 The Review engaged widely with stakeholders on an open and collaborative basis. The findings and recommendations from the Review have been widely shared with NHS Wales Stakeholders through an engagement programme.

4.9 The Digital Governance Review found that there was widespread support for change across NHS Wales.

The Ministerial Written Statement – 30 September 2019

4.10 In his written statement, the Minister for Health and Social Services set out actions in response to the two reviews, which has been widely reported announcing that:

“The NHS Wales Informatics Service (NWIS) will transition from its current structure, as part of Velindre Trust, to a new Special Health Authority. Establishing our national digital services organisation as a dedicated organisation reflects the importance of digital technology as a key enabler of change, as set out in A Healthier Wales. This change will strengthen governance and accountability, both in terms of relationships with other NHS Wales organisations and through stronger leadership and oversight, through an independent chair and board members, with experience and understanding of digital change.”

4.11 The Minister for Health and Social Services also agreed there should be a new set of arrangements for Wales in regards to delivering informatics and Digital transformation. This will help underpin key commitments published by Welsh Government such as A Healthier Wales and Informed Health and Care Strategy. Officials therefore consider there is a mandate for this change

External Consultation


4.13 The high level functions subject to consultation were as follows:

- Application Development and Support
- Digital Services design, commissioning, planning & delivery
- Information and Communications Technology
- Quality Management & Regulatory Compliance
- Information Management
4.14 Overall, the consultation responses welcomed the establishment of DHCW and were very supportive of the proposals.

6. Competition Assessment

5.1 The competition assessment has been completed and is included at Appendix A.

7. Post implementation review

6.1 The RIA sets out the anticipated potential costs of this legislation, in addition to the benefits and opportunities and realising these benefits is how success will be measured.

6.2 It is anticipated that a review will take place within five years of the full implementation of this legislation; with a further review at the ten year point, whereby the longer term benefits will have had the opportunity to be realised.

6.3 The key factors in measuring whether those benefits have been realised are as follows:

- A reduction in vacancies across the digital workforce across NHS Wales.
- A reduction in skills gaps across digital professions.
- Improved satisfaction ratings from patients and health care professionals through the national survey.
- Improved staff survey results in relation to digital platforms, systems and services.
- Improved value for investment, measured by an increase in outputs and/or service provision for similar investment against that made under the current system.
- A reduction in consultancy and contractor spend on digital activity across the NHS in Wales.
## The competition filter test

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer yes or no</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1</strong>: In the market(s) affected by the new regulation, does any firm have more than 10% market share?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Q2</strong>: In the market(s) affected by the new regulation, does any firm have more than 20% market share?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Q3</strong>: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Q4</strong>: Would the costs of the regulation affect some firms substantially more than others?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Q5</strong>: Is the regulation likely to affect the market structure, changing the number or size of businesses/organisation?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Q6</strong>: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Q7</strong>: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Q8</strong>: Is the sector characterised by rapid technological change?</td>
<td>No</td>
</tr>
<tr>
<td><strong>Q9</strong>: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?</td>
<td>No</td>
</tr>
</tbody>
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## APPENDIX B – Detailed Transitional Costs

<table>
<thead>
<tr>
<th>Transition Costs Resource</th>
<th>Description</th>
<th>Option 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications and Engagement</td>
<td>Covering the branding and messaging for Digital Health and Care Wales as well as launch events and ancillary marketing activities.</td>
<td>£54,000</td>
</tr>
<tr>
<td>Statutory Financial Services Readiness</td>
<td>Ensuring the appropriate financial controls, processes and reporting procedures are in place and tested prior to 1 April 2021 go-live date. This includes key staff costs as well as supplier costs associated with the building of the organisation’s Financial ledger and purchase of capital asset register for the new organisation.</td>
<td>£247,700</td>
</tr>
<tr>
<td>Workforce and Organisational Development Readiness</td>
<td>Supplier costs relating to the setting up of new ESR and expenses systems for the organisation in readiness for the go-live date.</td>
<td>£57,400</td>
</tr>
<tr>
<td>Governance Readiness</td>
<td>Supporting the ongoing development of the Board and Governance processes for Digital Health and Care Wales, this includes consultancy costs as well as staffing costs for the transition project manager, Board Secretary and Chair and Independent Members (following their appointment by Welsh Government).</td>
<td>£312,200</td>
</tr>
<tr>
<td>Legal Preparation</td>
<td>Legal advice to support the commercial activities relating to the transition such as the novation of contracts from Velindre to the SHA, Employment Law advice relating to the TUPE transfer and the setting up of employment licences and general legal advice relating to the creation of the Statutory Instruments to establish the SHA</td>
<td>£46,500</td>
</tr>
</tbody>
</table>

| Total: |                                                                                      | £717,800   |