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7	SERVICE REVIEW
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7.2	Legal & Risk Update - Gavin Knox



MINUTES OF THE SHARED SERVICES PARTNERSHIP COMMITTEE (SSPC)

THURSDAY 20TH SEPTEMBER 2018

10:00 – 13:00

NWSSP HQ, BOARDROOM

Present:

Attendance	Designation	Health Board / Trust
Margaret Foster (MF)	Chair	NWSSP
Neil Frow (NF)	Managing Director	NWSSP
Hazel Robinson (HR)	Director of Workforce and Occupational Development	ABMUHB
Geraint Evans (GE)	Director of Workforce and Organisational Development	ABUHB
Jo Davies (JD)	Director of Workforce and Organisational Development	Cwm Taf UHB
Chris Lewis (CL)	Deputy Director of Finance	Cardiff & Vale UHB
Sue Morgan (SM)	Executive Director of Nursing and Service Improvement	Velindre NHS Trust
Huw Thomas (HT)	Deputy Director of Finance	Hywel Dda UHB
Andy Butler (AB)	Director of Finance & Corporate Services	NWSSP
Peter Stephenson (PS)	Head of Finance and Business Development	NWSSP
Iain Hardcastle (IH)	Head of IMTP	NWSSP

1. PRELIMINARY MATTERS

WELCOME AND INTRODUCTIONS

No.	Minute	Action
1.1	The Chair welcomed everyone to the September 2018 Shared Services Partnership Committee (SSPC) meeting.	

APOLOGIES FOR ABSENCE

1.2	Apologies of absence were received from the following:	
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	<ul style="list-style-type: none"> Chris Turley, Welsh Ambulance Service NHS Trust Steve Elliot, Welsh Government Eifion Williams – Powys THB Darren Du Pre – Unison 	
DECLARATIONS OF INTEREST		
1.3	There were no additional declarations of interest to those already declared.	
UNCONFIRMED MINUTES OF THE MEETING HELD ON 21st JUNE 2018		
1.4	The unconfirmed minutes of the meeting held on 21 st June 2018 were agreed as a true and accurate record of the meeting.	
ACTION LOG		
1.5	<p>Members NOTED the updates provided and ENDORSED the Action Log.</p> <p>Action 3 - Standing orders – It was noted that no response from the Minister has been received to date, therefore the standing orders will remain as they are.</p> <p>Action 7 – Pharmacy Services Supply Chain Update - CL advised that notification to proceed had been received from WG and will share learning experiences. NF added that there has been very good engagement from Health Board Pharmacy professionals across Wales. NF also visited the set up in Bath, which was a good example of what we want to do.</p>	
MATTERS ARISING		
1.6	No further matters raised.	
2	SERVICE REVIEW	
GP Specialty Registrar Trainees – Deep Dive		
2.1	<p>GH gave an informative presentation on the GP Specialty Registrar Trainees.</p> <p>HR commented that it is worth re-iterating that NWSSP are the employer of the trainees, and that while generally close working with the Deanery has been positive, there is also a need to maintain separation over certain aspects.</p> <p>MF stated that the only issues that need to be picked up is the communications between partners if there are issues with training. HR advised that there is a tri-partnership agreement in place for this, and it was agreed that the issue should be taken to WODs to ensure that all are in agreement.</p> <p>GH stated that discussions have taken place with the Home Office regarding extending the Certificate of Sponsorship for GP Trainees which will allow them better opportunities</p>	

	<p>to work when they complete their training, and which is regarded as a very positive step.</p> <p>GE highlighted further opportunities such as employing a Doctor in Shared Services.</p> <p>There has been a positive impact on recruitment. Last year the fill rate was up by approx. 19%, this years the rate is up again but not at the same level possibly 10%.</p> <p>HT commented however that there are significant GP vacancies in Hywel Dda, and it would be useful to review this information on a geographical basis. GH will action this.</p> <p>HR has met with Dr Sian Phillips; she has been lobbied as Health Boards are keen to consider a similar scheme for Radiologists as well. This will be taken to the WODS Directors Group for further consideration.</p>	GH
3. CHAIR AND MANAGING DIRECTOR'S REPORT		
CHAIR'S REPORT		
3.1	<p>MF reported that since the last meeting the Chair and NF have visited Hywel Dda and received some interesting suggestions, and some positive feedback.</p> <p>There was a Horizon Scanning workshop held last week to discuss the next IMTP process. MF introduced IH who is the new IMTP Manager who started in post on 6th September. (<i>Agenda item 6.8 was taken at this point – see later in the minutes for the discussion on this item</i>).</p> <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the update 	
MANAGING DIRECTOR'S REPORT		
3.2	<p>NF provided an update on:</p> <ul style="list-style-type: none"> • All-Wales Bank – at present this initiative is stuck in terms of funding from Welsh Government. NF stated that NWSSP have decided to put some resource towards it to take it forward. JD stated that she has a meeting with WG on 12/10 to look at the bigger opportunity, and it might be worth NF holding on until the outcome of that meeting is known. JD will update NF after the meeting on the 12th. MF enquired as to whether these issues are discussed at the Efficiency Board. NF advised that they currently are not covered but that he will bring up the issue at the next meeting. • Prudent procurement – new structure is now in place which is giving greater focus. • National Procurement Service – Mark Drakeford has made a statement and it looks like the service could 	

	<p>be significantly reduced. We need to monitor this going forward, and may look to recruit some individuals from the NPS if they were to become available.</p> <ul style="list-style-type: none"> • NHAIS – still waiting for figures from Northern Ireland – the system they use is our preferred solution. The PCS team has visited NI and the NI team are very keen to work with us. However, there is a technical legal issue as to whether they can work with another agency outside of NI, but we think there is a way around this. NF is hoping to have a telephone call with CEO in NI in the next few days. We have been asked to come off the main transition board with the Department of Health and are now on a separate Home Countries board. This is believed to be due to the DH having issues with Capita that they need to resolve. • Laundry – OBC progressing well, should be ready in next few weeks, and want a decision at the next meeting from each of the health boards as to whether they want to proceed. There is great interest from Andrew Goodall and the Cabinet Secretary as they are keen to see a decision on this – Unison are also involved. • ESR Helpdesk - this has now been established, system seems to be going well at the moment although the team have had much higher call volumes than predicted. 2,000 calls a month were predicted at the start but they received 9,000 calls between mid-June and the end of August. GH confirmed that they are currently still on phase one of the development and are looking for more resource to go to phase two. • GP Indemnity - Significant work has been undertaken to support the Cabinet Secretary to introduce a state-backed scheme for GPs. We are currently waiting for WG to communicate how this will work and who will operate it. There will be a lot to do to implement this by the 1st April. • Pay Deal- The pay deal has now been agreed. NWSSP have a lot of work to do to complete this, we need to get the pay deal up and running in October and pay arrears in November. The pay journey will kick in next year. IBM will be linked in with this but hopefully any system changes should be relatively straightforward. JD stated that the unions have been involved and that calls to the ESR Helpdesk are going to increase with queries on the pay journey from next year. It was suggested that a simple user guide would be helpful. 	
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	<ul style="list-style-type: none"> • ESR Salary Sacrifice Lease Cars - There has been an issue this month with the salary sacrifice lease cars. Incorrect information was sent to the HMRC, which will lead to an overpayment to the employee in September, but which will be recovered in October. A letter is being sent out to all affected employees. • Brexit – we have not been in the loop in terms of updates from Welsh Government, although we have been heavily involved in discussions over the last week. There is a lot of procurement work regarding the storage of medical consumables and we are in discussions with the Department of Health and WG. Additional storage space is being sought and there is a potential to support social care as well. <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the update 	
4. ITEMS FOR APPROVAL/ENDORSEMENT		
4.1	<p>Workforce Education Development Services (WEDS) Legacy Statement</p> <p>AB confirmed that the paper is being prepared to record the position when we hand over WEDS to become part of HEIW wef 1 October. We have provided significant support to help set up HEIW and want to give assurance to the Committee that the service that we are handing over is in a good position.</p> <p>There is currently a balanced financial position with an underspend of about £400k at handover. AB reported that Internal Audit were commissioned to look at the overall controls in place and provided a substantial assurance rating.</p> <p>HEIW has demonstrated very good performance to date and are in a good position in relation to PADRS, and Statutory and Mandatory training.</p> <p>The Committee can therefore be assured that we are handing over a service in excellent shape. The SSPC recorded its thanks to the WEDS Team for all the work that they have done and to wish them the best for the future. The Committee commented that it would have been useful for the document to have an Executive Summary.</p> <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • APPROVE the Legacy Statement. 	

4.2	<p>Welsh Risk Pool – Risk Sharing Agreement</p> <p>AB presented a paper which reminded members that there is a risk-sharing agreement in place across NHS Wales if actual spend should exceed budget. It was proposed and agreed that HEIW should be exempt from this arrangement in 2018/19 but that they would be included from 2019/20. The risk sharing agreement will therefore be updated to reflect this.</p> <p>There was a general discussion on the types of risk that HEIW might face in this area. There is a possibility of clinical risk, but it is felt that the most common area of risk is likely to be through employment claims, particularly with many staff transferring into HEIW from outside the NHS.</p> <p>It was noted that as it stands HEIW cannot be members of the SSPC, however they can be invited in an observer capacity and we will work with the Welsh Government to change the legislation to allow them to attend.</p> <p>The Committee RESOLVED to:</p> <p>APPROVE the Risk Sharing Agreement.</p>	
4.3	<p>Risk Appetite Statement</p> <p>PS presented the paper.</p> <p>Over the last year a lot of work has been undertaken on risk management and to date the application of risk appetite has been through the use of target scores for each risk. However, PS has documented a Risk Appetite Statement, which is based on the guidance provided by the Good Governance Institute. The paper was written prior to the Horizon Scanning day, however it was noted that there is a high appetite for innovation. The statement requires approval by the SSPC prior to submission to the October Audit Committee.</p> <p>HT noted that there is no risk appetite for quality and challenged this assessment. There was some discussion on how this was being interpreted but it was agreed that the rating was appropriate in that NWSSP would not take a decision that was likely to impact adversely the quality of the service provided.</p> <p>The Committee RESOLVED to:</p> <p>APPROVE the Risk Appetite Statement.</p>	
5. PROJECT UPDATES		
Project Management Office (PMO) Highlight Report		
5.1	<p>AB presented the highlight report.</p> <p>Generally, it is considered that the NWSSP investment in a PMO has been extremely successful. We are investing in</p>	

	<p>additional resource to support achievement of the IMTP, but we are very dependent on attracting and retaining good people. It is also the case that not all projects are currently within the remit of the PMO, and also that a significant number are not directly related to the IMTP.</p> <p>The status update records 21 projects with most being assessed as being green. There is one red-rated project relating to the PMO software.</p> <p>The Committee RESOLVED to:</p> <p>NOTE the report.</p>	
6. GOVERNANCE, PERFORMANCE AND ASSURANCE		
6.1 Finance and Performance Report		
6.1	<p>AB presented the finance and performance report.</p> <p>We are currently on-track to meet our budget, with a slight underspend being reported at the end of M5. The paper also records the benefits that we deliver to NHS Wales which we are again on track to meet, albeit that a significant proportion of which is cost-avoidance. Our KPIs are mainly green but there are some issues with sickness and completion of PADRs.</p> <p>NF stated that when visiting HD the non-execs were asking questions of the execs regarding the KPIs being reported by NWSSP which was good to see.</p> <p>The Committee RESOLVED to:</p> <p>NOTE the report.</p>	
6.2 Welsh Risk Pool Financial Position		
6.2	<p>AB presented the paper on the WRP financial position.</p> <p>The agreed budget for WRP is £75M plus a further £30m for the Personal Injury Discount Rate. The current position is a balanced budget and it is therefore thought unlikely that we will have to invoke the risk sharing agreement this year.</p> <p>The underlying trend in claims is reducing slightly but the claims that we do face are becoming increasingly complex and of a higher monetary value. The future costs of current claims has now exceeded £1bn for the first time.</p> <p>The Committee RESOLVED to:</p> <p>NOTE the report.</p>	
6.3 Corporate Risk Register		
6.3	PS presented the Corporate Risk Register.	

	<p>At present there is one red risk, this being the NHAIS system replacement, which was covered in the MD's report. However, at the NWSSP SMT held on 19 September, it was agreed that the Brexit risk would be added to the risk register as a red risk – this particularly relates to the need to stockpile medical consumables in the event of a no-deal Brexit.</p> <p>One risk has been removed from the Register relating to delays in awarding the 3rd Generation Construction and Consultancy Framework contracts – this has now been resolved and is therefore no longer a risk.</p> <p>Other key risk areas at present are:</p> <ul style="list-style-type: none"> • Security of NWSSP sites where a review is currently being undertaken; • Need to develop the Performance Framework – the appointment of the new Head of IMTP should assist with this; • Bridgend transfer – significant work being undertaken to identify and mitigate the exact risks; • Establishment of HEIW – legacy statement considered earlier on the agenda; • Implementation of Pay Award – covered in MD's statement; and • Introduction of Welsh Language Standards – significant work being undertaken to respond to this. Suggested that it would be useful to track the costs associated with translation. <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the report 	
6.4 Robotics Process Automation		
6.4	<p>AB presented a summary report. It was agreed that we would look to invest in RPA as part of this financial year. So far we have taken on two new members of staff who are based in the Oracle team, managed by Said. This provides a very good platform to take this issue forward.</p> <p>The team has engaged with Divisions to identify potential areas for automation and have an initial list of 52 processes that could be considered. These are taken to a Programme Board, chaired by the Director of Employment Services, for review.</p>	

	<p>Currently there are five live automated processes – the reconciliation of supplier statements has been particularly successful.</p> <p>It was noted that this is a big area to cover and a lot of work is required to take it forward. For the time being our focus will be on internal processes, but we may be able to roll-out automated processes to HBs within the next six months.</p> <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the report 	
6.5 Health & Care Standards Action Plan		
6.5	<p>Following the detailed response documents brought to the last meeting, PS presented the action plan containing 13 key actions that will be regularly monitored by the NWSSP SMT.</p> <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the report 	
6.6 Audit Committee Annual Report and Terms of Reference		
6.6	<p>PS presented the Audit Committee Annual Report 2017-18 and the updated Terms of Reference.</p> <p>The Annual Report was approved at the July Audit Committee Meeting, which covered the first year of the Committee being chaired by Martin Veale. It was noted as a positive year, with a reduction in the use of paper at meetings, an assessment of effectiveness being undertaken at the end of each meeting, and the use of assurance maps to optimise the delivery of assurance providers.</p> <p>18 Internal Audit reports were received during the year, none of which were rated as no or limited assurance. The overall Head of Internal Audit opinion gave reasonable assurance for NWSSP, and there are no outstanding audit recommendations at the current time.</p> <p>The results of the annual Audit Committee Effectiveness Survey were very positive and the focus for 2018/19 is on strengthening governance and reducing duplication.</p> <p>There was a general discussion on audit recommendations that require HB input to implement. It was agreed that</p>	

	<p>ideally management actions should be limited to that which is in the gift of NWSSP to fully implement. However, PS stated that when there are implications for HBs in audit reports, these are advised to the relevant HoIA for inclusion in their progress reports to their own Audit Committees.</p> <p>The Audit Committee Terms of Reference have been updated to reflect some changes in job titles, but otherwise remain unchanged.</p> <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the report 	
6.7 Wales Audit Office Management Letter 2017-18		
6.7	<p>AB presented the Wales Audit Office – Management Letter 2017-18.</p> <p>During their annual external audit, Wales Audit Office (WAO) review five key areas:</p> <ul style="list-style-type: none"> • Audit & Assurance - no issues raised; • PCS – no issues raised; • Employment Services – identified a few minor exceptions where the controls weren't working as required; • Procurement – Generally, a positive report but identified that electronic invoicing makes it harder to obtain source documentation. • L&R - very happy with the work undertaken there was one instance in BCU where we could not initially provide proof of approval for a payment but this has since been obtained. <p>The Committee agreed that this was a very positive report.</p> <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the report 	
6.8 Integrated Medium Term Plan Update		
6.8	<p>Iain Hardcastle, Head of IMTP, attended the Committee to present the report.</p> <p>As previously noted, NWSSP held a Horizon Scanning day on the 13th September to discuss the IMTP and the following points were raised:</p>	

- There is a change to the process this year with only a single submission date at the end of January;
- NWSSP received excellent feedback from Welsh Government on our plan for 2017/18;
- Going forward we need to ensure that our plans are underpinned by the Healthier Wales document and the outcomes of the Parliamentary Review;
- There is a drive to be bolder and look at risk appetite in terms of service development and innovation;
- NWSSP needs to be clearer with the HB's as to what we want from them, and what we can do for them.

MF stated that the main issue raised was how much you would like us to lead on some things, and how can we make things happen. GE stated that this will increase risk if we take on more work for the Health Boards.

MF enquired as to whether we should we be looking for some of the transformation funding, NF advised that this has been declined by Andrew Goodall. However, there may be other funding opportunities that we can explore.

IH suggested that NWSSP have a huge amount of data and that we should perhaps be, as one example, sharing information on off-contract spending to identify potential savings. HT stated this was suggested a few years ago but nothing has been done.

MF replied that we are being asked to respond to, and assist, Welsh Government, in an increasing number of areas. Current examples include pay modelling, establishment of HEIW, and the Bridgend transfer. This takes away our capacity to work with HBs to address some of the long-standing issues which take NWSSP from a data processor to a provider of meaningful business intelligence.

HB representatives confirmed that they would be very willing and pleased for NWSSP to become more mature in its role and thereby to help HBs solve a number of their problems.

AB stated that in terms of the overall strategy we need to look at existing services and markets as well as wider issues such as social care, local government, and the fire, police and rescue services. A paper on our strategic thinking will be shared in a future Committee meeting.

The Committee **RESOLVED** to:

- **NOTE** the report

7. ITEMS FOR INFORMATION/DISCUSSION		
Audit Committee Highlight Report		
7.1	<p>The written update on the work of the Audit Committee Highlight Report was received.</p> <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the update 	
Health & Safety Annual Report		
7.2	<p>The written update on the Health & Safety Annual Report 2017-18 was received.</p> <p>The Committee RESOLVED to:</p> <ul style="list-style-type: none"> • NOTE the update 	
8. OTHER MATTERS		
Any Other Urgent Business		
8.1	No other business matters were raised.	
Date of next meeting		
	<p>Date of Future Meetings:</p> <p>15 November 2018, Boardroom, NWSSP HQ, Nantgarw</p>	


Item 1.5

ACTION LOG

SHARED SERVICES PARTNERSHIP COMMITTEE (SSPC)

UPDATE FOR 15th NOVEMBER 2018 MEETING

List No	Minute Ref	Date	AGREED ACTION	LEAD	TIMESCALE	STATUS SEPT 2018
1.	SSPC/3/18	27 March 2018	National Health Applications and Infrastructure Services (NHAIS) – replacement Business Case on the options for replacing the NHAIS system to be considered by Committee.	NF/DH	November 2018	On-going Draft business case produced – final figures awaited from Northern Ireland.
2.	SSPC/6/18	21 June 2018	Internal Audit Strategy The final strategy document was to be presented to the next Committee meeting for formal approval.	SC	November 2018	On going To be presented to the January 2019 meeting.
3.	SSPC/6/18	21 June 2018	Laundry Review Update Further update to be provided to the Committee at its September meeting.	NF	November 2018	On agenda
4.	SSPC/6/18	21 June 2018	Committee Effectiveness Survey An action plan to address the issues identified in the survey will be brought back to a future meeting.	PS	November 2018	On agenda
5.	SSPC/9/18	20 Sept 2018	GP Trainees More regionalised data to be produced on GP vacancies.	GH	November 2018	On-going To be presented to January meeting.

 GIG CYMRU NHS WALES	Partneriaeth Cydwasaethau Shared Services Partnership	AGENDA ITEM:3.2 15th November 2018
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<i>The report is not Exempt</i>
Teitl yr Adroddiad/Title of Report
Managing Director's Report

ARWEINYDD: LEAD:	Neil Frow – Managing Director
AWDUR: AUTHOR:	Peter Stephenson, Head of Finance & Business Development
SWYDDOG ADRODD: REPORTING OFFICER:	Neil Frow – Managing Director
MANYLION CYSWLLT: CONTACT DETAILS:	Neil.frow@wales.nhs.uk

Pwrpas yr Adroddiad: Purpose of the Report:
To provide the Committee with an update on NWSSP activities and issues since the last meeting in September.

Llywodraethu/Governance	
Amcanion: Objectives:	To ensure that NWSSP openly and transparently reports all issues and risks to the Committee.
Tystiolaeth: Supporting evidence:	-

Ymgynghoriad/Consultation :
Shared Services Partnership Committee

Adduned y Pwyllgor/Committee Resolution (insert √):						
DERBYN/ APPROVE		ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE
						√
Argymhelliad/ Recommendation		The Partnership Committee is to NOTE the report.				

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	No direct impact.
Cyfreithiol: Legal:	No direct impact.
Iechyd Poblogaeth: Population Health:	No direct impact.
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	No direct impact.
Ariannol: Financial:	No direct impact.
Risg a Aswiriant: Risk and Assurance:	This report provides an assurance that NWSSP risks are being identified and managed effectively.
Safonau Iechyd a Gofal: Health & Care Standards:	Access to the Standards can be obtained from the following link: http://www.wales.nhs.uk/sitesplus/documents/1064/24729_Health%20Standards%20Framework_2015_E1.pdf .
Gweithlu: Workforce:	No direct impact.
Deddf Rhyddid Gwybodaeth/ Freedom of Information	Open

Introduction

This paper provides an update into the key issues that have impacted upon, and the activities undertaken by, NWSSP, since the date of the last meeting in September.

Health Education & Improvement Wales (HEIW)

HEIW was fully established as a separate entity from NWSSP on 1 October 2018, and the Committee received sight of, and approved, the formal legacy statement at the September meeting. There are some remaining issues to resolve with the building, which Specialist Estates Services are assisting with, and these will be complete by the end of January.

Brexit

NWSSP continues to work with colleagues across government and the NHS in addressing the risks of a no-deal Brexit, and the particular impact on Procurement and Employment Services. We have recently been asked to join the Ministerial Advisory Board and are now participating fully in their meetings.

Bridgend Transfer

NWSSP were invited to join a number of the work streams set up to support the transfer of services in the Bridgend area from ABMUHB to Cwm Taf UHB. There are a number of administrative tasks that impact directly on NWSSP and these will require a significant time commitment if automated technological systems are unable to be utilised effectively. For example, if Oracle, on behalf of the Department of Health, are unable to action a mass migration of the 4000 payroll records that need to be transferred, this will have to be done manually by Employment Services.

Laundry Outline Business Case

The Laundry OBC is included as a separate item on the agenda and I wrote separately to each of your Chief Executives on the 23rd October to stress the need for this matter to be considered urgently by your Executive Teams so that we are able to make a decision on this at the Committee meeting.


NHAIS Replacement

The Northern Ireland model remains our preferred option and although we continue to have very positive discussions with their representatives, we are still awaiting their final proposal. While we hope that the preferred solution will be implemented by April 2019, we are implementing contingency measures should there be any delay.

Pay Award

The pay award was paid through the October payroll and the arrears will be processed with the November payroll. This will include any staff who have left NHS employment since April 2018.

**Neil Frow,
Managing Director, NWSSP,
November 2018**

 GIG CYMRU NHS WALES	Partneriaeth Cydwasaethau Shared Services Partnership	AGENDA ITEM:4.1 15 November 2018
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<i>The report is Exempt</i>
Teitl yr Adroddiad/Title of Report
Laundry Outline Business Case

ARWEINYDD: LEAD:	Neil Frow, Managing Director
AWDUR: AUTHOR:	Neil Frow, Managing Director
SWYDDOG ADRODD: REPORTING OFFICER:	Neil Frow, Managing Director
MANYLION CYSWLLT: CONTACT DETAILS:	Neil.Frow@wales.nhs.uk

Pwrpas yr Adroddiad: Purpose of the Report:
To request approval from the Committee for the Final Draft of the Outline Business Case for the All-Wales Laundry.

Llywodraethu/ Governance	
Amcanion: Objectives:	Excellence – to develop an organisation that delivers a process excellence through a focus on continuous service improvement
Tystiolaeth: Supporting evidence:	-

Ymgynghoriad/ Consultation:
HB/Trust Chief Executives Project Board

Adduned y Pwyllgor/Committee Resolution (insert ✓):							
DERBYN/ APPROVE	✓	ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE	

Argymhelliad/ Recommendation	The Committee is asked to APPROVE the OBC.
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Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	Equality and diversity considerations have been taken into account.
Cyfreithiol: Legal:	Legal considerations have been taken into account where applicable.
Iechyd Poblogaeth: Population Health:	The delivery of NIP is designed to benefit the population of Wales through a better resourced and managed laundry service.
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	The approach suggested in the OBC should benefit the patient experience.
Ariannol: Financial:	The costs of all potential options have been taken into account.
Risg a Aswiriant: Risk and Assurance:	Appropriate risks and forms of assurance have been considered.
Safonau Iechyd a Gofal: Health & Care Standards:	Access to the Standards can be obtained from the following link: http://www.wales.nhs.uk/sitesplus/documents/1064/24729_Health%20Standards%20Framework_2015_E1.pdf Standard 1.1 Health Promotion, Protection and Improvement
Gweithlu: Workforce:	The impact on the workforce has been considered.
Deddf Rhyddid Gwybodaeth/ Freedom of Information	Open.



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NHS Wales Laundry Production Units Service Review

Outline Business Case

Final Draft
22 October 2018

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Glossary

Abbreviation	Description
BS EN 14065	<i>BS EN 14065: Textiles. Laundry processed textiles. Biocontamination control system</i> – Management system for assuring the microbiological quality of processed linen
CRB	Cash Releasing Benefit
CSF	Critical Success Factor
FBC	Full Business Case
LPU	Laundry Production Unit
NWSSP	NHS Wales Shared Service Partnership
OBC	Outline Business Case
QB	Quantifiable Benefit
Qual	Qualitative Benefit
‘The review’	NHS Wales Laundry Production Units Service Review
SES	Specialist Estate Services
VFM	Value for Money
WG	Welsh Government

EXECUTIVE SUMMARY

Introduction

The purpose of the Outline Business Case (OBC) is to review the existing Laundry Production Units service in NHS Wales against best practice guidance, specifically *BS EN 14065 Textiles, Laundry Processed Textiles, Biocontamination Control System* (BS EN 14065), and determine the optimal solution for the delivery of the future service model.

The availability of clean, good quality and decontaminated linen is a fundamental requirement of high quality and safe patient care. There are currently five Laundry Production Units (LPUs) operated by individual Health Boards across NHS Wales. Between them they launder over 32 million items, including 5 million microfibre items, each year incurring operating costs of £10.1m; an average of £0.31 per item (£0.37 per item excluding microfibre).

The introduction of new European Standard BS EN 14065 in Wales 2016, which set out a system for assuring the microbiological quality of processed linen, combined with the need to provide a resilient, sustainable and affordable service, prompted NHS Wales Shared Services Partnership Committee to commission a review of the existing service.

The first stage of the review is in the format of an OBC, using the Five Case model approach as set out in Welsh Government's *Better Business Cases* guidance. A short summary of each of the five cases explored in this business case is provided below.

The Strategic Case

Stakeholder overview

The LPU Service Review (the review) is led by NHS Wales Shared Services Partnership Committee but affects a range of stakeholders; in particular, the workforce within the five existing LPUs and the Health Boards that manage them.

- **Llansamlet Laundry Service** (Abertawe Bro Morgannwg University Health Board);
- **Llanfrechfa Grange 'Green Vale' Laundry Service** (Aneurin Bevan University Health Board).
- **Ysbyty Glan Clwyd Laundry Services** (Betsi Cadwaladr University Health Board);
- **Church Village Laundry Service** (Cwm Taf University Health Board); and
- **Glangwili General Hospital Laundry Service** (Hywel Dda University Health Board);

The review also affects all NHS Wales Health Boards and patients, since frontline services rely on a regular supply of clean, safe and decontaminated linen that represents value for money to provide sustainable clinical services.

Strategic context

As well as responding directly to the introduction of BS EN 14065 and related policies, the review supports the delivery of the business strategy and aims that are set out in the NHS Wales Planning Framework 2018/21, since its key priority of high quality underpinning all aspects of NHS Wales is central to the review.

This focus on quality and improvement supports NHS Wales in achieving the 'Quadruple Aim' of improved population health and experience, quality and accessibility, higher value and a sustainable workforce. It seeks to achieve this through considering local, regional and national needs and looking at ways in which we can work in collaborative and collective ways. This will ensure we can identify and deliver the necessary improvements to support Health Boards in

delivering frontline services that are safe, effective, patient-centred, timely, efficient and equitable. For the LPU service this means:

- Improving quality, safety and patient experience with the provision of a resilient service that is able to deliver a regular supply of high quality, decontaminated linen;
- Protecting and improving population health by reducing the risk of healthcare acquired infections and improving the health and wellbeing of the workforce with fit for purpose facilities and safe working practices;
- Ensuring that services are sustainable into the future by providing adequate capacity and contingency arrangements to meet current and future demand, addressing backlog maintenance issues, and providing optimal value for money;
- Improving governance and assurance with the introduction of a best practice assurance system; and
- Reducing the cost of care by through reducing variation, improving productivity, and making the best use of available resources.

In this way, the review aligns directly with *Prosperity for All*, prudent healthcare principles and the *Well-being of Future Generations (Wales) Act 2015*, as well as addressing a number of local drivers.

Furthermore, the *Parliamentary Review of Health and Social Care in Wales* suggests quicker progress could be made on achieving the Quadruple Aim in Wales through greater co-ordination at a national level and recommends revisiting and exploring the merits of consolidating specialist service hosting and governance arrangements at a national rather than local level.

Of particular relevance is the pressing need in North Wales to address a number of urgent issues, in relation to the North Wales Linen Services Review. In response, a *North Wales Linen Service Options Appraisal* was undertaken by Betsi Cadwaladr University Health Board last year. This recommends that the development of an off-site LPU is required at the earliest opportunity to mitigate the significant business continuity and health and safety risks posed by the poor condition of LPU facilities in North Wales and the urgent need to release space for clinical services on the Ysbyty Glan Clwyd site.

Case for Change

Continuing with business as usual is not an option if LPUs are to comply with BS EN 14065 and provide a high quality, safe and sustainable service that supports the delivery of clinical services across NHS Wales. Key stakeholders agreed five spending objectives that articulate what the future service model needs to achieve in order to do so.

Spending objectives

- **SO1:** To minimise risks to patients, staff and organisations by complying with the latest standards on decontamination of linen
- **SO2:** To provide effective support to clinical services by delivering the highest quality linen service
- **SO3:** To deliver an equitable service across NHS Wales and minimise variation between sites
- **SO4:** To provide the highest quality service that offers the best value for money in terms of cost per unit
- **SO5:** To provide appropriate level of capacity to meet changing demand and mitigate the risk of service failure

There are a number of problems with existing arrangements that prevent NHS Wales from addressing the business needs associated with these spending objectives. Predominately this is because of two key factors:

- The poor condition of existing facilities; and
- Limited collaboration to date between the five existing LPUs.

Impact of failing to address the poor condition of existing facilities

A condition survey has identified investment requirements of £13.8m over the next ten years to address issues with statutory compliance, physical condition, and function, space, quality, and environment. Continuing with business as usual in relation to facilities creates the following problems:

- Deficiencies in the physical estate prevent compliance with latest standards, in particular BS EN 14065, increasing the risk of healthcare acquired infections; and
- Ageing equipment increases the risk of service failures resulting in additional costs and potentially impacting on the Health Boards' ability to deliver services.

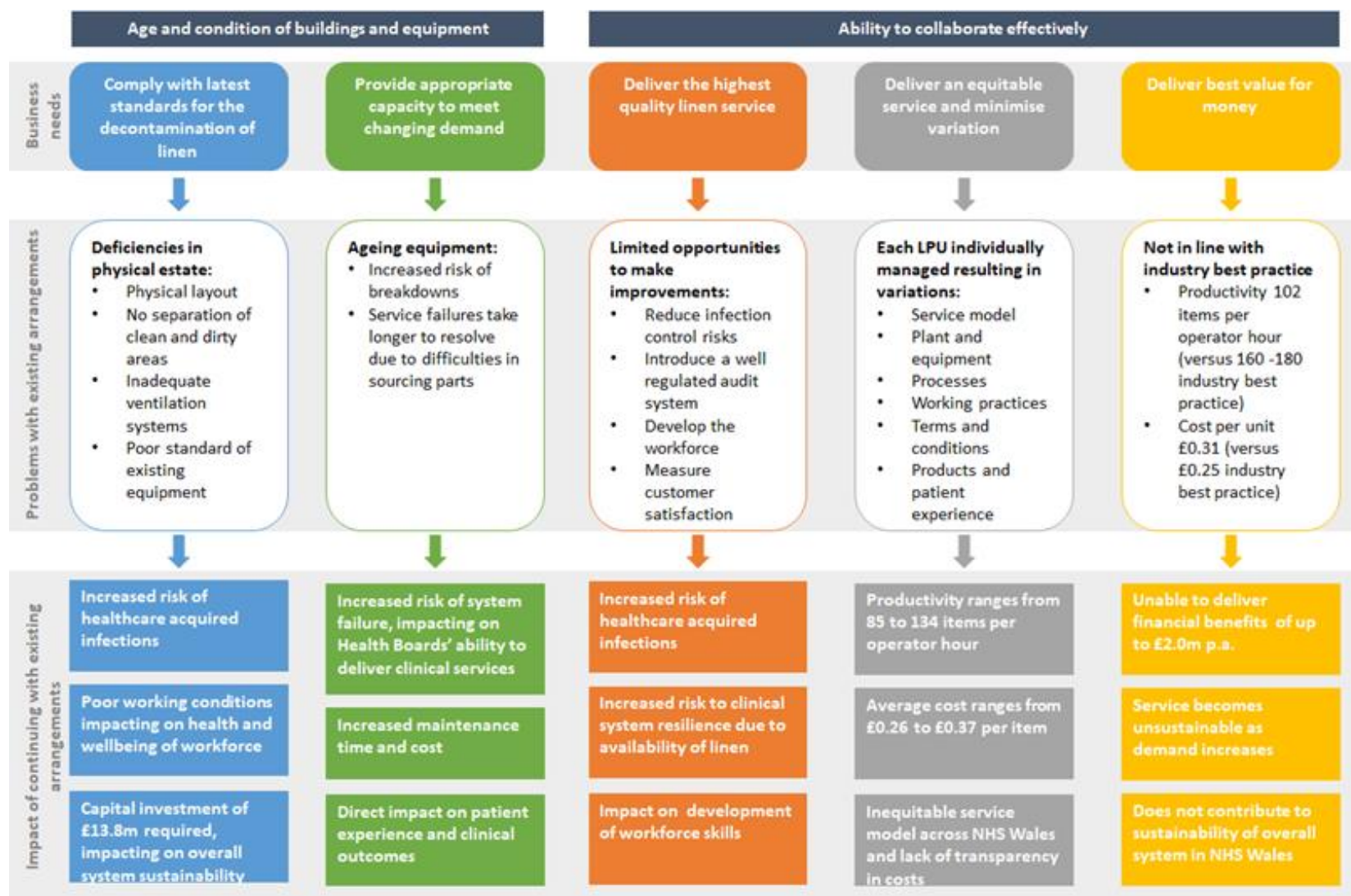
Impact of failing to collaborate effectively

There is little evidence of collaboration between organisations to date. It is likely that this is at least partly a result of operating with locally managed LPUs. In common with the wider findings outlined in the Parliamentary Review, failure to collaborate effectively has limited progress in standardising the service and improving performance. As a consequence:

- There are limited opportunities to improve the quality of the service and develop the workforce under current working arrangements;
- Different ways of working have emerged, resulting in variations in the service model across NHS Wales including varying degrees of productivity and a range of costs to deliver laundry services;
- Health Boards across NHS Wales do not receive equitable value for money since organisations compete with one another, customers are allocated according to organisational rather than geographical arrangements, and there is little evidence of transparency in costing models;
- There are challenges in achieving best practice levels of productivity and cost per item, which is compounded by the limitations of ageing equipment and facilities, which prevents NHS Wales from driving out potential financial savings which market intelligence and benchmarking information suggests could be in the region of £2.0m p.a.;

A summary of these problems and the resulting impact is illustrated in the case for change diagram overleaf.

Case for change overview



The optimal solution for the future service model should address these business needs. In doing so it will achieve the spending objectives and deliver a range of outcomes and benefits. Stakeholders identified a range of benefits to consider in the development and assessment of options and these are outlined in the table below.

Main outcomes and benefits

Outcome	Benefit
Modern fit for purpose facilities	Improved system resilience due to reduced likelihood of plant failure
	Reduced maintenance time and costs
	Better working conditions improving health and wellbeing of workforce
Compliance with standards	Improved system resilience due to better decontamination of linen
	Reduced risk of healthcare acquired infections
	Skilled and sustainable workforce
Improved productivity	Better able to respond to changing demand
	Reduced operating costs
Improved utilisation of assets	Estate released to reduce overheads or provide space for the delivery of core clinical services
Review of management arrangements	Centralised management arrangements will release Health Boards to focus on core business
	Centralised management arrangements will enable more effective collaboration leading to improved standardisation
	Centralised management arrangements will enable the delivery of all other benefits

In addition, the optimal solution should minimise risks as much as possible. Stakeholders identified a range of risks to consider in the development and assessment of options and these are outlined in the table below.

Main risks

Risk category	Risk
Resilience	Increased frequency of system failures due to equipment breakdown
	Increased duration of system failures due to scarcity of parts
	Insufficient back up capacity available in the event of an elongated system failure
	Risk of linen shortage at HB level due to logistical failures
Capacity and demand	Demand increases at a higher level than anticipated
	Service unable to respond to short term fluctuations in demand
Workforce	Workforce unable to adapt new ways of working
	Loss of experience, knowledge and skills
	Unable to redeploy staff appropriately
	Impact on workforce of redeployment leading to reduced morale
	Impact on local economy of reduced local employment
Operational	Failure to meet required levels of quality
	Failure to meet local requirements due to loss of HB ownership

Risk category	Risk
	Failure to deal with logistical challenges of Welsh geography (North and South deliveries)
Reputational and policy	Failure to secure support of all HBs
	Failure to identify and address the impact on local economies
Implementation	Failure to ensure business continuity, impacting on clinical services
	Failure to collaborate leading to slower pace in delivery of benefits
Funding and finance	Failure to secure adequate capital funding
	Implementation costs higher than estimated
	Recurring revenue costs are underestimated

The Economic Case

Developing and assessing the long list of options

Stakeholders built on the options framework outlined in the Welsh Government business case guidance to identify and filter a broad range of options. This was expanded to include specific dimensions that stakeholders determined were relevant to this project.

Option framework dimensions

1. **Scope:** What is included in the potential coverage of the project
2. **Solution:** How the preferred scope will be delivered
3. **Service delivery:** Who will deliver the preferred scope and solution
4. **Configuration of units:** An additional dimension included to consider the optimal number of LPUs required to deliver future services.
5. **Management arrangements:** An additional dimension included to consider optimal management arrangements required to deliver future services.

Options for implementation and funding were not assessed as were considered to be dependent on the final options.

Stakeholders identified options within each of these dimensions and each option was assessed in turn in relation to:

- Advantages and disadvantages of the option;
- How well the option meets the agreed spending objectives for the project; and
- How well the option meets the critical success factors outlined below.

Critical success factors

- Strategic fit
- Value for money
- Potential achievability
- Supply side capacity and capability
- Potential affordability

Based on the assessment, stakeholders agreed which options should be carried forward to the shortlist to explore further and discounted any options that were not considered to be feasible. The results of the appraisal of the long list is provided in the table overleaf.

DRAFT

Results of long list appraisal

1. Scope				
Do Nothing	Intermediate options			Do maximum
1A Continue to deliver current scope of services	1B Deliver core services only	1C Deliver core and desirable services		1D Deliver core, desirable and optional services
Carry forward	Discount	Discount		Discount
For purposes of economic appraisal. Explore at FBC	Immaterial difference to current arrangements	Immaterial difference to current arrangements		Immaterial difference to current arrangements

2. Service Solution					
Do Nothing	Intermediate options				Do maximum
2A Continue to deliver from 5 existing units – no investment	2B Continue to deliver from 5 existing units – invest to comply with new standards	2C Deliver services from optimum configuration – existing units	2D Deliver services from optimum configuration – hybrid of existing and new units	2E Deliver services from optimum configuration – new units	2F Outsourcing / co-sourcing solution
Discount	Carry forward	Carry forward as single option			Discount
Would not comply with latest standards	Baseline Do Minimum option	Potential number of configurations considered in category 4 of the options framework (below)			Not feasible (see 3C & 3D)

3. Service Delivery				
Do Nothing	Intermediate options			Do maximum
3A Services continue to be delivered by current providers	3B Services delivered by other NHS Wales providers	3C Services delivered by other public sector providers		3D Services delivered by external private providers
Carry forward as single option		Discount		Discount
Services continue to be delivered by NHS Wales workforce		Limited suitable providers available		Not aligned with WG strategic direction

4. Configuration of Units					
Do Nothing	Intermediate options				Do maximum
4A Continue to deliver from 5 units	4B Deliver from 4 units	4C Deliver from 3 units	4D Deliver from 2 units		4E Deliver from 1 central unit
Carry forward	Carry forward	Carry forward	Carry forward		Carry forward
Do Minimum option	Explore potential value for money	Explore potential value for money	Explore potential value for money		Explore potential value for money

5. Management arrangements			
Do Nothing		Intermediate options	Do maximum
5A Continue with current configuration and local management	5B New configuration and local management arrangements		5C New configuration and centralised management arrangements
Discount	Discount		Carry forward
Do Nothing re configuration has already been discounted from solution option	Creates challenges in delivering equitable, standardised service across Wales		Offers best opportunity to deliver future service model in line with Parliamentary Review

Identifying the preferred way forward

Based on the results of the initial assessment of options, it is recommended that the following shortlist of options is taken forward to the economic appraisal to test value for money.

Shortlist of options

- **Option 1 – 5 LPUs:** Continue to deliver laundry services from 5 existing NHS Wales LPUs under centralised management arrangements
- **Option 2 – 4 LPUs:** Reconfigure to deliver laundry services from 4 NHS Wales LPUs under centralised management arrangements
- **Option 3 – 3 LPUs:** Reconfigure to deliver laundry services from 3 NHS Wales LPUs under centralised management arrangements
- **Option 4 – 2 LPUs:** Reconfigure to deliver laundry services from 2 NHS Wales LPUs under centralised management arrangements
- **Option 5 – 1 LPU:** Reconfigure to deliver laundry services from 1 central NHS Wales LPUs under centralised management arrangements

Preparing the economic appraisal

All options are assumed to incorporate an optimum hybrid of existing and new facilities to provide appropriate capacity levels and comply with latest statutory guidance. The estates solution in each case depends on the location of the LPUs included.

The location of LPUs for the preferred option will be explored in detail as part of the development of the Full Business Case (FBC) and will involve a rigorous selection process that assesses criteria such as geographical factors, capacity, the condition of facilities, suitability for expansion and ability to achieve productivity targets.

The OBC identifies the preferred option by evaluating value for money in an economic appraisal using reasonable assumptions about the most feasible configurations. The worst-case scenario in terms of scale of investment for each option has therefore been adopted.

The estates solution also has a significant impact on the potential for productivity improvement offered by each option. This is shown in the table below along with the estates assumptions.

Estates requirements and productivity assumptions

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Estates solution	Make 5 existing units compliant	Replace 1 unit and make 3 existing units compliant	Replace 1 unit and make 2 existing units compliant, expanding one to add 1 new production line	Replace 1 unit and make 1 existing unit compliant, expanding it to add 2 new production lines	Develop 1 centrally located purpose built unit
Productivity (based on number of items per operator hour)	102 items per hour (baseline)	New = 180 items per hour (<i>industry best practice</i>) Existing = 144 items per hour (<i>90% of NHS best practice as no new lines</i>)	New = 180 items per hour (<i>industry best practice</i>) Existing = 160 items per hour (<i>NHS best practice</i>)	New = 180 items per hour (<i>industry best practice</i>) Existing = 160 items per hour (<i>NHS best practice</i>)	180 items per hour (<i>industry best practice</i>)

Indicative costs and benefits have been estimated using available benchmarking and industry data as well as local expertise.

The results of this suggest that, depending on the option selected, there are potential financial benefits of between £1.5m to £2.4m p.a. This will reduce the average cost per item from £0.31 to between £0.24 and £0.26. The level of financial benefits deliverable by each option is shown in the table below.

Annual financial benefits (£'000)

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Reduced maintenance needs	0	59	158	257	356
Energy efficiencies	0	137	137	137	646
Improved productivity	0	1,268	1,481	1,481	1,694
Reduced non-production pay	0	205	464	680	961
Financial benefits	0	1,669	2,240	2,555	3,657
Additional distribution needs	0	(36)	(127)	(620)	(1,297)
Financial disbenefits	0	(36)	(127)	(620)	(1,297)
Annual net financial benefits	0	1,634	2,113	1,935	2,360
Resulting average cost per item	£0.314	£0.263	£0.248	£0.253	£0.240
Rank	5	4	2	3	1

The indicative costs, benefits, and risks have been incorporated into a discounted cash flow for each of the options. Given the scale of the project, the discounted cash flow has been

prepared over a 15-year period, using a discount rate of 3.5% in line with the requirements of HM Treasury.

Results of economic appraisal (£'000)

Inputs into cash flow (undiscounted):

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Initial capital investment	2,591	5,705	7,167	8,629	9,654
Lifecycle costs	11,246	8,199	5,854	3,509	0
Total capital costs	13,837	13,904	13,021	12,138	9,654
Transitional costs	48	256	395	514	917
One-off revenue costs	48	256	395	514	917
Baseline revenue costs	161,063	161,063	161,063	161,063	161,063
Financial benefits	0	-24,504	-31,694	-29,027	-35,400
Recurring revenue costs	161,063	136,558	129,369	132,036	125,663
Expected value of risk (expressed in monetary equivalent terms)*	48,683	41,003	54,083	60,304	62,112
Quantified risks	48,683	41,003	54,083	60,304	62,112
Total costs, benefits and risks (15 years)	223,632	191,722	196,867	204,993	198,346

*Related detail on calculation of expected value of risk is included in Section 7.6, esp Fig 7-17

Cash flow results (undiscounted):

Costs including risks	223,632	216,226	228,561	234,019	233,745
Net financial benefits	0	(24,504)	(31,694)	(29,027)	(35,400)
Net Present Value (NPV)	223,632	191,722	196,867	204,993	198,346
Rank based on NPV	5	1	2	4	3
Benefit Cost Ratio (BCR)	0.00%	11.33%	13.87%	12.40%	15.14%
Rank based on BCR	5	4	2	3	1

Cash flow results (discounted):

Costs including risks	176,142	171,165	181,330	186,065	186,098
Net financial benefits	0	(18,815)	(24,335)	(22,287)	(27,181)
Discounted Net Present Value (NPV)	176,142	152,350	156,995	163,778	158,917
Rank based on NPV	5	1	2	4	3
Discounted Benefit Cost Ratio (BCR)	0.00%	10.99%	13.42%	11.98%	14.61%
Rank based on BCR	5	4	2	3	1

Identifying the preferred option

The selection of the preferred option is determined by considering a range of factors including investment requirements, ongoing running costs, cost benefit analysis and risks. The table below provides an overview of these factors for each option.

Results of options appraisal

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Initial capital investment	£2.6m	£5.7m	£7.2m	£8.6m	£9.7m
Transitional revenue costs	-	£0.3m	£0.4m	£0.5m	£0.9m
Lifecycle costs	£11.2m	£8.2m	£5.8m	£3.5m	-
Overall investment required	£13.8m	£14.2m	£13.4m	£12.6m	£10.6m
Rank – Investment	4	5	3	2	1
Average cost per item	31.4p	26.3p	24.8p	25.3p	24.0p
Annual financial benefits	-	£1.6m	£2.1m	£1.9m	£2.4m
Rank – Ongoing costs	5	4	2	3	1
Benefit Cost Ratio	0.0%	11.0%	13.4%	12.0%	14.6%
Rank - BCR	5	4	2	3	1
Expected risk value over 15 years	£48.7m	£41.0m	£54.1m	£60.3m	£62.1m
Rank – Risks	2	1	3	4	5
Discounted Net Present Value over 15 years	£176.1m	£152.4m	£157.0m	£163.8m	£158.9m
Rank – NPV	5	1	2	4	3
Overall ranking	5	3	1	4	2

The results of the options appraisal suggest that the options should be ranked in relation to the value for money each offers as outlined in the table below.

Ranking of options

Rank	Option	Overview	Recommendation
1	Option 3	Results in the second lowest overall NPV (total value of costs, benefits, and risks over a 15-year period). Delivers the second highest level of financial benefits by reducing costs to 24.8p per item (£2.1m p.a.) while offering a medium level of risk and minimising disruption. Moving to one new facility and expanding one of the other two facilities provides opportunities to improve productivity, quality and working conditions. It offers a high level of system resilience since having three LPU's located across Wales allows for robust contingency arrangements, a relatively low risk of equipment failure and minimal logistics risks.	Carry to the FBC as the preferred option to be explored at appropriate locations for the three LPU's.
2	Option 5	Despite providing the greatest opportunity for maximising benefits with the lowest overall investment, this ranks third in relation to NPV, because the risks of moving to a single site	Discount at this stage.

Rank	Option	Overview	Recommendation
		<p>solution are so significant and involve a high level of disruption.</p> <p>Provides opportunities to improve productivity to such an extent it will reduce the cost to 24.0p per item (£2.4m p.a.) in line with industry best practice. However, operating from a single site increases logistics risks and allows for limited contingency arrangements. This reduces the likelihood of achieving financial benefits.</p>	
3	Option 2	<p>Results in the lowest NPV because, despite the highest level of investment and limited benefits, it has been assessed as offering the lowest level of risk.</p> <p>Although it begins to mitigate system resilience risks associated with ageing equipment, introducing one new facility and continuing to operate from three existing facilities offers minimal opportunities to improve productivity and quality and so does not deliver sufficient benefits.</p>	Discount at this stage.
4	Option 4	<p>Limited investment requirements, but it ranks second lowest in relation to NPV, because the benefits it offers are lower than Options 3 and 5 and has a high level of risk.</p> <p>This is because although moving to one new facility and expanding one other facility provides opportunities to improve productivity, quality and working conditions, this is offset by the significant stepped change in increased transport requirements and the related costs and risks of this.</p>	Discount at this stage.
5	Option 1	<p>Not a feasible option since it results in the highest NPV overall, delivering no benefits and presenting the highest risk, while still requiring significant levels of investment.</p> <p>This is because continuing to operate in existing facilities limits opportunities to improve productivity and quality while not addressing the system resilience risks associated with ageing equipment.</p>	Carry forward to FBC as the Do Minimum option to provide a baseline against which to test the value for money of the preferred option in greater detail, while recognising it is not a feasible option.

Conclusion

Following a robust options appraisal process that considered a range of factors it is clear that continuing with existing arrangements is not a feasible option since although investment of £13.8m will ensure the service is compliant with latest standards, it will deliver no benefits and continues to present significant risks.

The results of the options appraisal demonstrate that moving towards more ambitious solutions is likely to require similar or lower levels of investment while presenting opportunities to reduce operating costs from £0.31 per item to between £0.24 and £0.26 per item, equating to an annual saving of between £1.6m and £2.4m (between 15% and 27% overall).

However, this needs to be balanced with the degree of risk and potential level of disruption to the workforce and local economies each of the options presents.

On this basis, it is recommended that Option 3 (delivering future services from 3 LPUs across Wales under centralised management arrangements) is carried forward to the FBC as the 'Preferred' option since it offers best value for money by delivering financial benefits of around £2.1m p.a. while offering medium level of risks and disruption.

The key features of the preferred option are:

- Reduction from 5 to 3 LPUs with further work to be undertaken at FBC stage to determine the most appropriate locations to ensure the best use is made of existing assets while providing resilience and sufficient capacity to meet demand.
- Standardisation of service model with productivity improvements to between 160-180 items per operator hour resulting from the re-engineering of plant production flows and the procurement of plant and equipment with greater throughput per hour.
- Creation of a centralised management function, through the transferring of services to Shared Services, in order to improve collaboration and ensure delivery of benefits, while releasing NHS Wales Health Boards to focus on core functions and provides a potential model which may be considered for other operational support services.

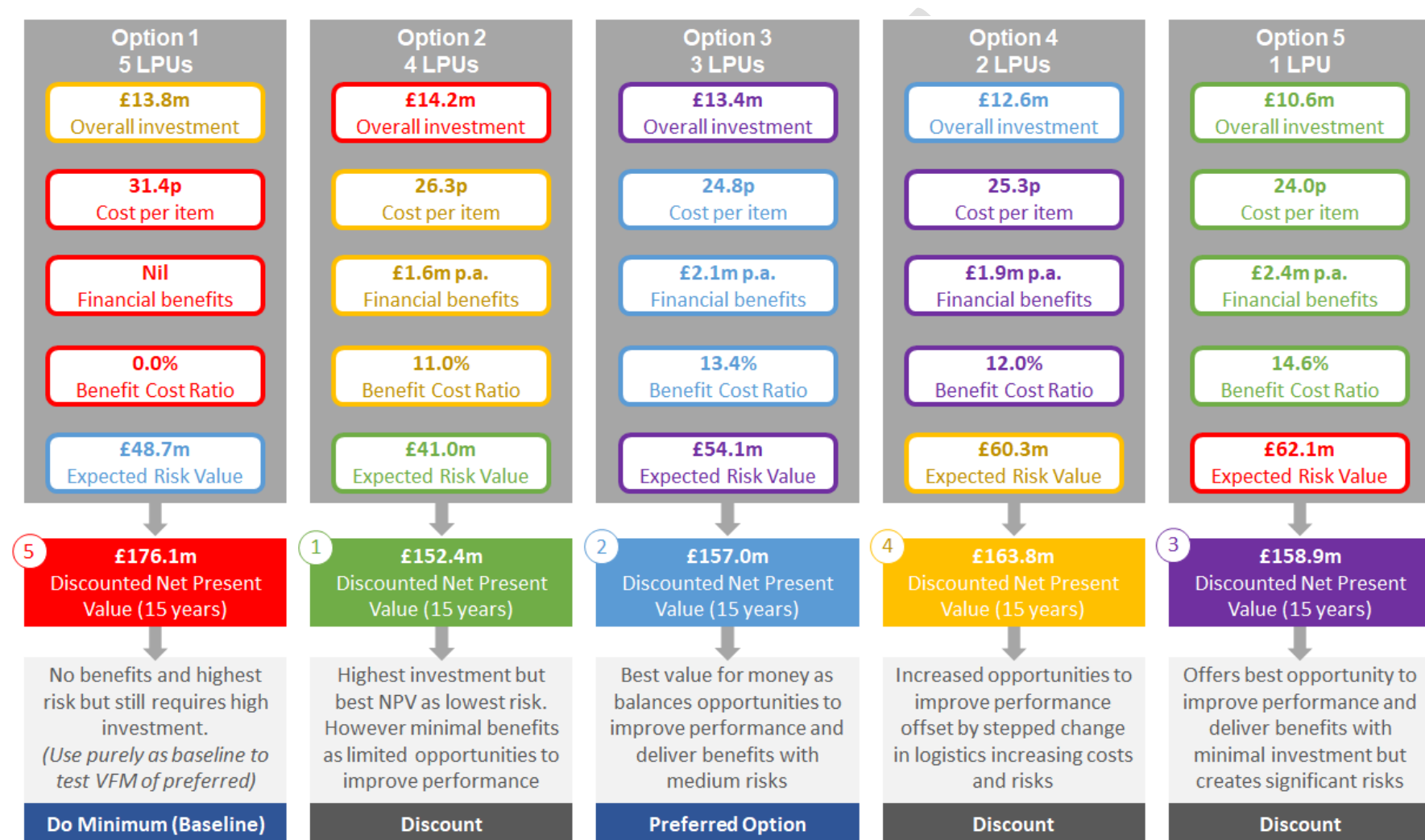
The shortlist of options to be carried forward to the FBC to test the value for money of the preferred option in further detail therefore comprise the following:

Shortlist of options to carry forward to FBC

- **Do Minimum (as a baseline only):** Continue to deliver services from five LPUs investing in existing facilities to ensure they are compliant with latest standards and moving to centralised management arrangements (Option 1).
- **Preferred:** Deliver services from three LPUs that are compliant with latest standards and make the best use of assets while providing sufficient capacity to meet demand, providing modern fit-for-purpose facilities in the most appropriate locations under centralised management arrangements (Option 3).

The diagram overleaf summarises the results of the option appraisal.

Options appraisal summary



The Commercial Case

Commercial arrangements

Delivering the preferred option to provide future services from three LPUs will require the following key steps to be undertaken at FBC stage. These are outlined below.

- **Select LPU locations:** A robust selection process should be undertaken to identify the locations of the three LPUs that are required under the future operating model with consideration for geography, transport, capacity, condition of facilities, ability to expand and achieve productivity targets, and the impact on the workforce and local economy.
- **Key outputs and activities:** Once the locations are identified, it will be possible to determine the key outputs and activities required to deliver the three LPUs. This is likely to include refurbishment activities to address issues raised in the condition survey and the design, build, and equipping of expanded and new facilities where required to provide appropriate capacity and achieve productivity targets;
- **Procurement strategy:** Identify the appropriate procurement strategy to deliver the key outputs and activities; and
- **Commercial arrangements:** Agree commercial and contractual arrangements to deliver the resulting deal.

The Financial Case

Financial analysis

Delivering the preferred option to provide future services from three LPUs under centralised management arrangements is estimated to have the financial impacts described below.

Initial capital costs of 8.6m

The preferred option is estimated to require initial capital investment of £8.6m including VAT for which capital funding is sought from Welsh Government.

These costs are based on the following configuration:

- Development of one new LPU in the north;
- Upgrade of one LPU in the south; and
- Upgrading and extending one LPU in the south to accommodate an additional production line and increase capacity.

This should have the impact of:

- Increasing the productivity to between 160 to 180 units per hour
- Increasing the capital required (renting a unit, retro fitting the existing equipment and procuring a new line
- Reducing the lifecycle costs
- Reducing the risk factor

It should be noted that there is a degree of uncertainty associated with this since requirements and costs may vary depending on the results of the location selection process:

- Sensitivity testing suggests that initial capital costs could be reduced by up to £3.7m if existing facilities are used for all three LPUs. However, it is likely any savings would be negated by increased lifecycle and transport costs and a reduction in productivity benefits.

- VAT liability could be reduced depending on the final configuration and requirements.

Non-recurring revenue costs of £0.4m

The preferred option is expected to incur non-recurring revenue costs of £0.4m to cover double running costs during the transitional period and potential costs of staff redeployment.

Annual financial benefits of £2.1m p.a.

The preferred option is expected to deliver cash releasing benefits of £2.1m p.a. reducing the average cost per item from £0.314 to £0.248 (21.0% saving).

Under current arrangements each of the Health Boards incurs LPU costs at different average cost per item. Further work is required at FBC stage to determine how future costs and financial benefits should be allocated to each of the Health Boards on an equitable basis.

The Management Case

Management arrangements

A detailed project plan will be developed as part of the FBC incorporating the strategy, framework and plans for successful delivery of the preferred option. This will include management arrangements, change management plans, benefits realisation and risk management arrangements and plans for post-project evaluation.

A high level plan with indicative timescales is provided below.

Implementation plan

Stage	Milestone	Duration	Completion date
OBC	SSP Committee OBC approval	1 month	Nov-18
Pre-FBC	Transfer management of LPUs to Shared Services Partnership	5 months	Apr-19
Pre-FBC	FBC mobilisation / Appoint Project Team	1 month	Dec-18
Pre-FBC	Tender for Specialist Consultants	2 months	Feb-19
OBC	Welsh Government OBC approval	4 months	Mar-19
FBC	Appoint Specialist Consultants	1 month	Mar-19
FBC	Location selection process (including detailed transport analysis and assessment of key risks)	2 months	May-19
FBC	Design process (develop service model and facilities specification)	4 months	Sep-19
FBC	Procurement process (determine firm costs and contractual arrangements)	4 months	Jan-19
FBC	Prepare detailed implementation plans and finalise FBC	1 month	Feb-20
FBC	Shared Services Partnership Committee FBC approval	1 month	Mar-20
FBC	Welsh Government FBC approval	3 month	Jun-20

FBC	FBC approval	1 month	Jul-20
Implementation	Implement plans outlined in FBC	12 months	Jul-21
Implementation	Parallel running of existing and new arrangements	5 months	Dec-21

Recommendation

Based on the results of the options appraisal, it is recommended that the preferred option is taken forward to the FBC to be explored in further detail.

The preferred option includes:

- Reconfiguring from five to three LPUs and locating them according to the results of a comprehensive site selection process.
- Investing in the replacement, upgrading, and extending of the three facilities to meet current standards and provide appropriate levels of resilience and sufficient capacity to meet demand.
- Standardisation of the service model, delivering productivity improvements to between 160-180 items per operator hour resulting from the re-engineering of plant production flows and the procurement of plant and equipment with greater throughput per hour.
- Creation of a centralised management function, through the transferring of services to Shared Services, in order to improve collaboration and ensure delivery of benefits, while releasing NHS Wales Health Boards to focus on core functions and providing a potential model which may be considered for other operational support services.

This recognised that there a need for further work is required at FBC to identify the most appropriate locations for the three LPUs and there is a need for a transitional period that ensures there is no financial disadvantage to any Health Board through the new organisational and management arrangements.

1 INTRODUCTION

1.1 Purpose

1.1.1 The purpose of the Outline Business Case (OBC) is to review existing Laundry Production Units in NHS Wales against best practice guidance, specifically *BS EN 14065 Textiles, Laundry Processed Textiles, Biocontamination Control System*, and determine the optimal solution for the delivery of the future service model.

1.1.2 This introductory section of the OBC provides an overview of:

- The context of the proposed investment;
- The governance arrangements for the project;
- Stakeholder workshops; and
- The structure and the content of the OBC.

1.2 Context of proposed investment

1.2.1 Laundry services are currently delivered to NHS Wales from five Laundry Production Units (LPUs), operated by individual Health Boards as follows:

- Ysbyty Glan Clwyd Laundry Services: Betsi Cadwaladr University Health Board;
- Glangwili General Hospital Laundry Service: Hywel Dda University Health Board;
- Llansamlet Laundry Service: Abertawe Bro Morgannwg University Health Board;
- Church Village (old East Glamorgan Hospital) Laundry Service: Cwm Taf University Health Board;
- Llanfrechfa Grange 'Green Vale' Laundry Service: Aneurin Bevan University Health Board.

1.2.2 By the nature of their business, industrial or large scale laundry services are revenue and capital intensive and require significant labour resources combined with high levels of maintenance to ensure the reliable provision of clean and safe linen. This is particularly true where laundering services are provided to hospitals; laundry may be very heavily soiled or infected with pathogens and accordingly will require more intensive and careful laundering than used-laundry typically produced by hotels, for example.

1.2.3 The availability of clean, good quality and decontaminated linen within NHS Wales is a fundamental requirement of high quality patient care which directly contributes to a safe and comfortable setting in which patients can receive treatment and recuperate. A low quality, unreliable laundry service contributes to a poor patient experience which undoubtedly taints perceptions of other aspects of NHS services. Linen shortages also negatively impact on the availability of beds in hospitals and may cause procedures to be postponed. Ensuring a regular supply of clean, safe, decontaminated linen is clearly fundamental to the successful functioning of NHS Wales services.

1.2.4 The LPUs currently process over 32 million items across NHS Wales each year, including over 27 million linen items and over 5 million microfibre items, with operating costs of £10.1m p.a. based on 2017/18 actual outturn. Providing clean linen to patients and other service users costs on average £0.31 per item, including microfibre, processed by the LPUs. Clearly such significant expenditure on an

important service warrants careful management from both a strategic and operational perspective.

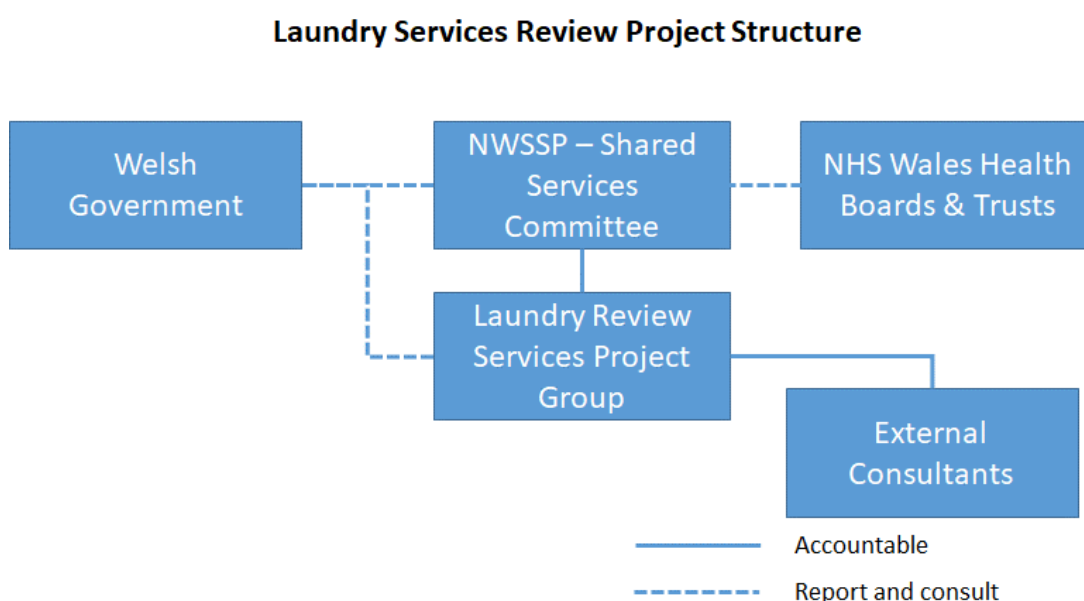
- 1.2.5 In 2016, a new British and European standard, *BS EN 14065 Textiles, Laundry Processed Textiles, Biocontamination Control System* (BS EN 14065) was introduced to provide management systems for the microbiological quality of laundry. Subsequently, *Welsh Health Technical Memorandum 01-04* (WHTM01-4) was published to provide NHS Wales organisations with guidance on all aspects of the decontamination of linen for health and social care settings in line with BS EN 14065.
- 1.2.6 The publication of new standards prompted a series of site visits to Laundry Production Units by Special Estate Services (SES) which identified areas of non-compliance against recently published Best Practice Guidance. Key issues were identified including concerns related to
- System resilience risks;
 - Growing demand;
 - Hygiene and infection control; and
 - Increasing costs
- 1.2.7 Following the site visits, SES recommended to the Welsh Government that machinery at the highest risk be replaced as a short-term measure to increase the reliability of the service. Ministers approved emergency capital funding of £1 million to address the most immediate concerns.
- 1.2.8 As a result of this, the Shared Services Partnership Committee approved the development of an NHS Wales LPU Service Review project at its meeting on 17 May 2016 to review the existing NHS Wales LPUs against best practice guidance. The review comprises two stages:
- Stage 1 – Outline Business Case; and
 - Stage 2 – Full Business Case.
- 1.2.9 The review specifically considers the implications of achieving best practice in respect of:
- Providing a skilled, sustainable workforce;
 - Developing fit-for-purpose facilities;
 - Delivering a sustainable and affordable service;
 - Providing effective support to clinical and non-clinical services; and
 - Independent versus collaborative management arrangements.
- 1.2.10 This document sets out the Outline Business Case (OBC) which:
- Explores the case for change in terms of the gap between existing arrangements and current standards;
 - Sets out the robust option appraisal undertaken to identify a preferred option in terms of a future model of service that will address the gap and deliver optimum public value for money;
 - Assesses alternative procurement routes available to deliver the preferred option;
 - Determines the overall capital and revenue requirements and assesses affordability; and

- Sets out the project management arrangements to deliver the final solution.

1.3 Project governance

- 1.3.1** The Shared Services Partnership Committee is the project sponsor and oversees the work.
- 1.3.2** The Shared Services Partnership Committee is comprised of the chief officers of each Health Board and NHS Trust in Wales (or their nominated representative), the Director of the Shared Services, together with a chair who is to be appointed by the Committee in accordance with the Shared Services Partnership Committee Standing Orders. This is to ensure that the views of all NHS organisations are taken into account when making decisions in respect of shared services activities.
- 1.3.3** As part of the governance arrangements, committee members:
- Receive regular progress reports from the Senior Responsible Owner;
 - Represent the views of their respective organisations and act as a conduit through which local issues can be identified to the project team;
 - Disseminate any relevant information to local forums and/or key individuals within their organisations; and
 - Where necessary, promote the project outcomes locally or nationally.
- 1.3.4** An NHS Wales LPU Service Review Project Group was established to drive forward stage 1 of the project which:
- Is chaired by the Senior Responsible Owner;
 - Involves the Project Director and representatives from all NHS Wales' organisations and the Welsh Government laundry and decontamination and infection prevention leads and staff side, and will support the Senior Responsible Owner to help ensure the project meets its objectives and delivers the projected benefits; and
 - Oversees the appointment and management of external consultants to undertake the review.
- 1.3.5** Key roles within the Group include:
- Senior Responsible Owner;
 - Project Director;
 - Project Manager.
- 1.3.6** The Project Director provides monthly reports to the Senior Responsible Owner, who briefs the Review Project Group.
- 1.3.7** Governance arrangements are outlined in the diagram below.

Figure 1-1 Governance arrangements



1.4 Stakeholder workshops

1.4.1 A series of stakeholder workshops were undertaken to assess key objectives, analyse findings and identify and appraise options. An overview of the workshops is provided in the table in the table below and a copy of the outputs is provided in Appendix A1.

Figure 1-2 Stakeholder Workshops

Workshop	Attendees	Purpose	Date
Workshop 1: Case for change	Stakeholder Group	Validated outcome of site assessments and data collection. Agreed SMART spending objectives. Determined business needs. Established project scope. Identified benefits, risks, constraints and dependencies.	1 March 17
Workshop 2: Identifying and assessing the options	Stakeholder Group	Agreed critical success factors. Identified long list of options using options framework. Assess long list against critical success factors and spending objectives. Determined shortlist of options including preferred way forward.	23 March 17
Workshop 3: Benefits and Risks of Options	Stakeholder Group	Refined the options by considering potential configurations of the future model. Assessed the advantages and disadvantages of each. Undertook preliminary benefits appraisal.	3 May 17
Workshop 4: Economic	Independent Panel (Health	Validated the work undertaken to date and the initial assumptions and outputs used in the economic appraisal.	7 Sep 17

Appraisal Review	Board Exec Directors)		
Workshop 5: Risk assessment	Stakeholder Group	Validated risks and quantified them using a multi-point probability approach.	6 Sep 18
Workshop 6: Management arrangements	Stakeholder Group	Identified and assessed the options for management arrangements of the future service model.	2 Oct 18

1.5 Structure and content of OBC

1.5.1 This Outline Business Case (OBC) follows the Five Case Model in line with Welsh Government best practice guidance as set out in *Better Business Cases: Guide to Developing the Project Business Case*. The structure of the OBC is outlined in the table below.

Figure 1-3 Structure of the Outline Business Case

Case	Section	Purpose	
Strategic Case	2	Strategic Context	Provides an overview of current services and explains how the project is strategically placed to contribute to the delivery of organisational goals.
	3	Case for Change	Establishes the case for change by outlining the spending objectives, existing arrangements and business needs.
	4	Potential Scope	Identifies the potential scope of the project in terms of the operational capabilities and service changes required to satisfy the identified business needs.
	5	Benefits and Risks	Identifies the benefits, risks, constraints and dependencies for the project.
Economic Case	6	Options Identification	Explores the preferred way forward by agreeing critical success factors (CSFs), determining the long list of options, and undertaking a SWOT analysis to identify a shortlist of options.
	7	Economic Appraisal	Appraises the economic costs, benefits and risks for the shortlisted options.
	8	Preferred Option	Identifies the preferred option by reviewing the outputs of the economic appraisal, as well as consideration for the benefits and risks of each of the three shortlisted options to determine which option offers the best value for money.
Commercial Case	9	Commercial Arrangements	Outlines the procurement strategy and the contractual arrangements for development of the deal that is required to deliver the preferred solution for the project.
Financial Case	10	Financial Appraisal	Sets out the forecast financial implications of the preferred option.
Management Case	11	Management Arrangements	Sets out the arrangements put in place to manage the project to successful delivery.

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STRATEGIC CASE

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2 STRATEGIC CONTEXT

2.1 Introduction

2.1.1 This section of the OBC outlines the strategic context for the NHS Wales Laundry Production Units Services Review by providing an overview of stakeholders and explaining how the review is strategically placed to assess the delivery of organisational goals by:

- Providing a stakeholder overview;
- Describing the latest relevant guidance driving the review;
- Outlining how the project is essential to achieving the overall business strategies and aims of NHS Wales; and
- Describing how the project aligns with other relevant strategies.

2.2 Organisation overview

2.2.1 The diagram below shows the main stakeholders affected by the review in relation to the level of influence on and interest in the project.

Figure 2-1 Stakeholder map



2.2.2 The review is being led by NHS Wales Shared Service Partnership (NWSSP), an independent organisation owned by NHS Wales, supporting the statutory bodies of NHS Wales through the provision of a comprehensive range of high quality, customer focused support functions and services.

2.2.3 NWSSP supports NHS Wales by creating dedicated shared services with a primary focus on operating within best practice guidelines and with a customer care ethos centred on high quality service. It is led by a Managing Director and Senior Management Team accountable to the Shared Services Partnership Committee composed of NHS organisational representatives.

2.2.4 There are currently five Laundry Production Units (LPUs) managed by Local Health Boards that deliver services to NHS Wales. The table below lists the LPUs and

provides an overview of current management arrangements for and key customers of each.

Figure 2-2 Health Boards serviced by LPUs

Health Board	Laundry Production Unit	Delivering services to
Abertawe Bro Morgannwg University Health Board	Llansamlet Laundry Service	<ul style="list-style-type: none"> Abertawe Bro Morgannwg UHB Cardiff and Vale UHB Aneurin Bevan Ystradgynlais Hospital External organisations
Aneurin Bevan University Health Board	Llanfrechfa Grange 'Green Vale'	<ul style="list-style-type: none"> Aneurin Bevan UHB Cardiff and Vale UHB Powys Teaching Health Board Welsh Ambulance Services Trust Velindre NHS Trust External organisations
Betsi Cadwaladr University Health Board	Ysbyty Glan Clwyd	<ul style="list-style-type: none"> Betsi Cadwaladr UHB Welsh Ambulance Services Trust (local)
Cwm Taf University Health Board	Church Village	<ul style="list-style-type: none"> Cwm Taf UHB Abertawe Bro Morgannwg UHB Vale Healthcare Welsh Ambulance Services Trust (local)
Hywel Dda University Health Board	Glangwili General Hospital Laundry	<ul style="list-style-type: none"> Hywel Dda UHB Welsh Ambulance Services Trust (local) External organisations

2.3 Best practice guidance (BS EN 14065)

2.3.1 The main strategic driver for the review is the recent launch of best practice guidance, specifically:

- *BS EN 14065 Textiles – Laundry Processed Textiles – Biocontamination Control System*, (BS EN 14065) which was introduced to provide management systems for the microbiological quality of laundry; and
- *Welsh Health Technical Memorandum 01-04 (WHTM01-4)* which was subsequently published to provide NHS Wales organisations with guidance on all aspects of the decontamination of linen for health and social care settings in line with BS EN 14065.

2.3.2 In particular, BS EN 14065 highlights the requirement for a management system to monitor microbiological quality when processing textiles to avoid microbiological contamination. The Welsh Government has expressed that it is essential that these

standards are adopted both in the commercial setting and within the NHS to maintain the highest possible standards.

- 2.3.3 The new guidance supports the notion of an improvement in decontamination protocol and overall production quality. WHTM 01-04 proposes a progressive increase in quality through the implementation of various decontamination policies.

2.4 NHS Wales business strategy and aims

- 2.4.1 The NHS Wales Planning Framework 2018/21 sets high quality as a key priority which underpins all aspects of services, settings and contacts with the NHS in Wales. It states the need for health organisations to focus on the populations for which they are responsible, with an emphasis on prevention and early intervention, reducing health inequalities and working with wider partners to deliver the best possible services for citizens in Wales.
- 2.4.2 The review of LPUs aligns with the need for organisations to ensure that 'robust system-wide quality assurance arrangements in place, coupled with clear quality improvement programmes to drive continuous improvement'. It will achieve this by focusing on developing the collective capacity and capability for improvement across the service.
- 2.4.3 The review's focus on quality and improvement aims to support NHS Wales in achieving the 'Quadruple Aim' of improved population health and wellbeing, quality and accessible care, higher value, and sustainable workforce.
- 2.4.4 The review aims to achieve this through considering local, regional and national needs and looking at ways in which we can work in collaborative and collective ways to achieve the improvements required to support the Health Boards to deliver frontline services that are safe, effective, patient-centred, timely, efficient and equitable.
- 2.4.5 The review embraces the principles of prudent healthcare that are set out in *Prudent Healthcare: Securing Health and Well-being for Future Generations* to address the challenges faced by rising costs and increasing demand, get greater value for healthcare systems for patients by delivering healthcare that fits the needs and circumstances of patients and avoids wasteful care.

Figure 2-3 The four principles of prudent healthcare



- 2.4.6 Specifically for the LPU service, this means reducing variation and costs, while providing a safe and high quality service with the appropriate capacity to meet changing demand, which will allow clinical teams to provide the right care in the right place at the right time, as well as reducing the risk of hospital acquired infections.
- 2.4.7 In addition, the review aligns with the *Well-being of Future Generations (Wales) Act 2015* that sets out a range of overarching well-being goals and sustainable

development principles to ensure that all public bodies act in a manner that the needs of the future generations are not compromised by the needs of the present.

Figure 2-4 Overview of Well-being goals



2.4.8 Specifically for the LPU service, this means contributing to improving the social, economic, environmental and cultural well-being of Wales by helping to contribute to the creation of:

- A prosperous Wales by supporting the economy through the development of a skilled and sustainable workforce and investing in services and facilities in a way that provides optimum public value;
- A resilient Wales by providing a sustainable service with the capacity to meet the current and future needs of the population;
- A healthier Wales by reducing the risk of healthcare acquired infections, enabling Health Boards to deliver high quality and safe clinical services, and improving the health and wellbeing of the workforce;
- A more equal Wales by supporting Health Boards to improve access to services in the right place at the right time and investing in the workforce to provide appropriate training and development; and
- A globally responsible Wales that aims to minimise environmental impact.

2.4.9 In addition to this, the review supports *Prosperity for All* the recently published national strategy seeking to deliver Welsh Government's key priorities. The main aim

of this is to drive integration and collaboration across the Welsh public sector, putting people at the heart of improved service delivery.

- 2.4.10 Specifically for the LPU service, this means contributing to the following key themes in the Programme for Government as set out in the table below.

Figure 2-5 Alignment with Programme for Government key themes

Key themes	The Review will support this by:
Prosperous and secure	<ul style="list-style-type: none"> Enabling the workforce to fulfil their ambitions and enhance their wellbeing through secure and sustainable employment by delivering best value for money and contributing to the sustainability of the system.
Healthy and active	<ul style="list-style-type: none"> Providing better working conditions that will improve the health and wellbeing of the workforce. Reducing the risk of healthcare acquired infections.
Ambitious and learning	<ul style="list-style-type: none"> Contributing to a prosperous Wales by developing the workforce to create highly skilled and adaptable people.
United and connected	<ul style="list-style-type: none"> Supporting the overall economy by providing best value for public money.

- 2.4.11 The review aligns with all of the priority areas of the strategy, specifically in terms of developing skills which will improve individuals' employability.

2.5 Other strategic drivers

- 2.5.1 There are various other strategic drivers and policies relevant to this project. The table below outlines the alignment between these strategies and the NHS Wales LPU Service Review.

Figure 2-6 Alignment with other relevant strategic drivers

Key driver	The review will support this by:
Infection control	<ul style="list-style-type: none"> Adhering to Infection Prevention and Control Policy; Welsh Healthcare Association Infection Programme 2015 (WHAIP), which describes: <ul style="list-style-type: none"> The preventative measures to avoid cross-contamination; The importance of maintaining a controlled environment; The importance of isolating contamination; A controlled ventilation system throughout high risk areas of microbacterial spread; and Helping to align practice, monitoring, quality improvement and scrutiny. Creating and maintaining an environment with a low cross-contamination risk (i.e. separation between clean and dirty areas, controlled ventilation throughout facilities).
Standardisation/ reduction in variation	<ul style="list-style-type: none"> Standardising all laundry production services in alignment with Best Practice Guidance Framework (WHTM 01 – 04). Working in a uniform manner, as a team, to achieve maximum efficiency. Reducing inappropriate variation using an evidence based approach to achieve standardisation of service.

Key driver	The review will support this by:
Sustainability in development	<ul style="list-style-type: none"> Reviewing and developing a laundry model which is both cost efficient and sustainable for the local and national services. Meeting the Health Board's duties to the sustainability and development principles.
Enhanced communication	<ul style="list-style-type: none"> Communication between LPU's to build on NHS Wales overall developmental goals. Building on the foundations of pre-existing relationships.
Parliamentary Review of Health and Social Care in Wales	<ul style="list-style-type: none"> The Review found that progress on achieving the Quadruple Aim in Wales has been slow and that quicker progress will require a 'stronger central guiding hand' (quoting the view of the Organisation for Economic Co-Operation and Development). It concludes that some significant necessary national assets such as specialised services, commissioning and NWIS could be hosted at national rather than local level in support of the above. "Meaningful progress will require...a wider and more creative combination of national support; incentives; benchmarking (both nationally and internationally); regulation; accountability and transparency." "There needs to be more coordination at national level...with greater focus of time and consolidated technical expertise at national level than is currently the case." "Specialist service hosting and governance arrangements need to be revisited, and the merits of consolidating these in one national location – the national executive of NHS Wales – assessed, looking at the bundle of operational and commissioning functions that need a different national home/system such as NWIS, NHS Wales Shared Services Partnership (NWSSP), specialised services and EASC." A move to centralised management arrangements is in line with the recommendations of the Parliamentary Review.

2.6 Centralised management arrangements

- 2.6.1 Currently, LPU services are managed by individual Health Boards. However, the recommendations outlined within the Parliamentary Review and learning from other shared services initiatives suggest options for centralising management arrangements should be explored in relation to the future service model to ensure the full benefits can be realised in a timely manner.
- 2.6.2 Centralised management is one of six forms of shared service model identified in relevant literature, the others being collaboration, corporate consolidation, lead provider arrangements, strategic partnerships/joint ventures, and outsourcing (European Services Strategy Unit, May 2007).
- 2.6.3 There are a range of findings that state there are 'clear financial benefits' to shared services (Public Policy institute for Wales, Sept 2017) derived from economies of scale, increased standardisation, increased reliability, removal of duplication, increased collaboration and embedding good practice or dealing with bad practice.

There are various case studies that report savings from shared service transformations (e.g. IES, July 2010).

2.6.4 However, it should also be considered that some findings are more cautious and have found benefits have been overstated (e.g. National Audit Office, May 2016). One research paper on shared services in local government by the University of Oxford (July 2017) claims that statistically there is no evidence that organisations that have pursued shared services spend proportionately any less on the shared functions than those who have not moved to a shared service model. Another paper (Public Policy institute for Wales, Sept 2017) highlights the potential risks of escalating costs when moving to shared services due to:

- Replacing existing practices that are deeply embedded.
- Transaction costs might be increased as time and resources are required to document existing costs and best means of replacement.
- Service quality can be reduced and decisions can take longer across collaborating organisations, which can lead to greater costs over time.
- Collaboration can lead to some functions being duplicated, and costs multiplied.
- The time and resources spent on sharing services can mean that other ways of reducing costs can be lost or ignored.

2.6.5 A summary of the key learning for successful implementation of shared service models is provided in the table below.

Figure 2-7 Key learning for shared service models

Key learning from the literature on successful implementation of shared service models:

- 1. Take a long term view**
 - a. Avoid short term focus on efficiency and savings
 - b. Must be good operational and service reasons as well as financial
- 2. Effective leadership and governance**
 - a. Appoint a Senior Responsible Owner
 - b. Hold the programme and suppliers to account
 - c. Manage the tensions between customers, programme and suppliers
- 3. Effective communication and involvement**
 - a. Build trust through early and continued involvement of staff, trade unions and other stakeholders
- 4. Good planning and design**
 - a. Rigorous evaluation of options and development of an integrated business case – so constituent parts are clear on their role in delivering the benefits
 - b. Be clear on how standardised processes will be implemented
- 5. Effective programme management**
 - a. Identify, manage and respond to risks
- 6. Timing**
 - a. Seize the opportunity at the right time
 - b. Go at the right pace to take people with you

2.7 Benchmarking information

2.7.1 Productivity and best practice in the form of units per hour and costs per item have been considered within the development of this case. These have been used to develop and baseline the potential opportunities together with providing a target

reference point for either the re-provision or redevelopment of the laundry production units within Wales.

- 2.7.2 The privately-operated laundry production unit referenced is achieving a throughput of 180 items per hour whilst the best in class NHS operated unit identified achieves 160 units per hour. This case therefore tests the re-provision through any purpose-built unit should be baselined against 180 units per hour whilst any redeveloped sites achieving 160 units per hour. In respect of the cost per item, the research has identified a cost of £0.25 per item should be utilised as the reference point for both the re-provision and redevelopment of the production units.

2.8 North Wales Linen Service Options Appraisal

- 2.8.1 Of particular relevance to this business case is the North Wales review of its laundry production service that was undertaken by Betsi Cadwaladr University Health Board during 2017 in parallel with this review.
- 2.8.2 The North Wales situation shares many of the drivers for change that are outlined above. In addition, the poor condition of the existing LPU facilities in North Wales and the pressing need to release space on the Ysbyty Glan Clwyd site is significantly increasing business continuity and health and safety risks for Betsi Cadwaladr University Health Board. There is therefore an urgent need to take immediate action.
- 2.8.3 Having considered a range of options, the North Wales Linen Service Options Appraisal recommends that a new off-site LPU is developed to allow Betsi Cadwaladr University Health Board to mitigate these risks and realise the benefits of compliance with latest best practice standards at the earliest opportunity.

2.9 Conclusion

- 2.9.1 The NHS Wales Laundry Production Units Service Review is required to respond to the changing strategic context and key policy drivers in Wales; in particular the introduction of new decontamination best practice guidance.
- 2.9.2 To align with key strategic drivers, future services must deliver:
- Compliance with BS EN 14065;
 - A continual supply of clean, good quality and decontaminated linen within NHS Wales, providing a safe and comfortable patient setting as well as reducing the risk of healthcare acquired infections;
 - A high quality, resilient and sustainable healthcare service which is not hindered by a lack of linen resources and therefore the availability of beds;
 - Laundry Production Units which are set in a controlled clean environment that is hygienic and safe for the workforce;
 - An efficient service that delivers best value for money;
 - Centralised management arrangements that will enable effective collaboration and provide opportunities to deliver a consistent standard approach across Wales; and
 - Minimal disruption to the workforce and services.

3 CASE FOR CHANGE

3.1 Introduction

3.1.1 This section of the OBC establishes the case for change that is driving the NHS Wales Laundry Production Units Services Review providing a clear understanding of:

- The spending objectives (what the project is seeking to achieve);
- Existing arrangements (what is currently happening); and
- Business needs (what is required to close the gap between existing arrangements and where they need to be in the future).

3.2 Spending objectives

3.2.1 Spending objectives describe what a project is seeking to achieve and provide a basis for post-project evaluation.

3.2.2 Stakeholders at Workshop 1 built on the work outlined in the PID, identifying key priorities for the project and developing five spending objectives that respond to them. The spending objectives were refined at subsequent workshops and were validated by the independent panel.

3.2.3 The final spending objectives, mapped to the key priorities they address, are provided in the table below.

Figure 3-1 Spending objectives

Ref	Spending objective	Key priorities
SO1	To minimise risks to patients, staff and organisations by complying with the latest standards on decontamination of linen	<ul style="list-style-type: none">• Compliance• Reduction in risk• Fit for purpose facilities
SO2	To provide effective support to clinical services by delivering the highest quality linen service	<ul style="list-style-type: none">• Customer satisfaction• Quality
SO3	To deliver an equitable service across NHS Wales and minimise variation between sites	<ul style="list-style-type: none">• Equity• Standardisation
SO4	To provide the highest quality service that offers the best value for money in terms of cost per unit	<ul style="list-style-type: none">• Affordable service• Best value for money
SO5	To provide appropriate level of capacity to meet changing demand and mitigate the risk of service failure	<ul style="list-style-type: none">• Sustainability (costs, environment, continuity)• Meet changing demand• Resilience

3.3 Existing arrangements

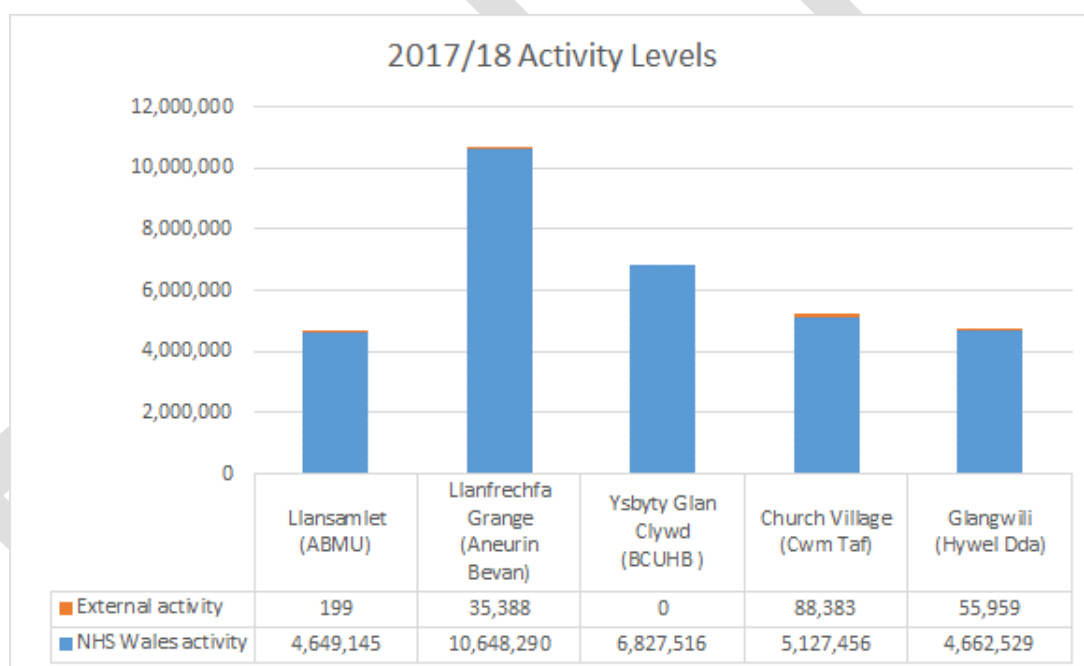
3.3.1 There are currently five Laundry Production Units (LPUs) within NHS Wales, managed by individual Health Boards.

Figure 3-2 Current LPUs

NHS Wales Health Board	Laundry Production Unit
Abertawe Bro Morgannwg University Health Board	Llansamlet Laundry Service
Aneurin Bevan University Health Board	Llanfrechfa Grange 'Green Vale'
Betsi Cadwaladr University Health Board	Ysbyty Glan Clwyd
Cwm Taf University Health Board	Church Village
Hywel Dda University Health Board	Glangwili General Hospital Laundry

3.3.2 Between them, the five LPUs process over 32 million items including over 5 million microfibre items each year, of which the majority (99.4%) is for NHS Wales Health Boards, with a small amount (0.6%) processed for external customers. The table below shows activity levels at each LPU for 2017/18 including microfibre items.

Figure 3-3 Current activity levels 2017/18



3.3.3 The LPUs predominately provide services across Wales to all NHS organisations including acute hospitals, community hospitals, specialist run units such as mental health facilities and the Welsh Ambulance service.

3.3.4 Each of the LPUs operates with its own service model which is largely dependent on its plant and equipment and the individual needs of its customers. However, in the main it involves processes for washing and finishing of linen such as bedding, towels, and theatre scrubs, as well as the collection and delivery of items to and from distribution points on designated days and times.

3.3.5 The range of services provided to customers differs slightly between LPUs:

- **Distribution points:** Most LPUs collect from and deliver to the 'front door' of hospitals, beyond which hospital staff such as porters manage the distribution to

ward level. However, there are some cases within the current service model of LPUs delivering directly to ward level.

- **Microfibre items:** Arrangements for washing microfibre mops and cloths vary across NHS Wales, with some sites sending the items to LPUs to be processed and some sites washing them locally.
- **Specialist services:** Some LPUs provide specialist services locally which includes patients' personal clothing, sewing room services, dry cleaning and private ironing services, wheelchair maintenance, and distribution of non-linen related goods within the laundry vehicles.

3.3.6 The main differences in the service model by LPU are shown in the table below.

Figure 3-4 Services provided by the LPUs

	Llansamlet (ABMU)	Llanfrechfa Grange (Aneurin Bevan)	Ysbyty Glan Clywd (BCUHB)	Church Village (Cwm Taf)	Glangwili (Hywel Dda)
Items processed for other LHBs (% of total activity)	4.4%	83.6%	1.8%	26.8%	0.3%
Items processed for non NHS organisations (% of total activity)	0.0%	0.3%	0.0%	1.7%	1.2%
Microfibre items processed (% of total activity)	0.1%	13.8%	24.3%	0.0%	40.4%
Sewing room	Y	N	Y	Y	Y
Dry cleaning	Y	N	N	N	N
Other services provided	N/A	N/A	Wheelchair maintenance	Private ironing	Delivery of large and urgent items

3.3.7 The LPUs operate from old buildings using ageing equipment and have had minimal investment in recent years. The washers and dryers require intensive maintenance due to their age and this is provided locally by dedicated teams who are supported by specialist maintenance service contracts.

3.3.8 Based on the data available from laundry and finance leads at the time of writing this report, current operating costs are £10.1m p.a. to run the five LPUs based on actual expenditure incurred in 2017/18.

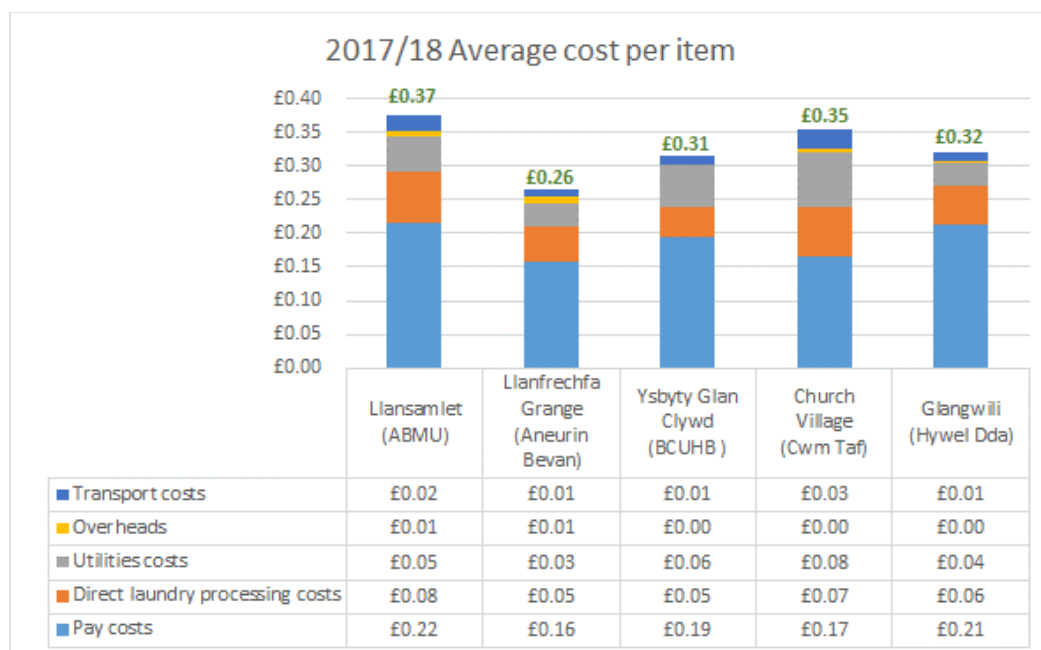
Figure 3-5 Annual recurring revenue costs 2017/18 (£'000)

	Llansamlet (ABMU)	Llanfrechfa Grange (Aneurin Bevan)	Ysbyty Glan Clywd (BCUHB)	Church Village (Cwm Taf)	Glangwili (Hywel Dda)	Total
Pay costs	1,002	1,675	1,318	866	998	5,859
Non pay costs	739	1,142	831	982	513	4,208

	Llansamlet (ABMU)	Llanfrehfa Grange (Aneurin Bevan)	Ysbyty Glan Clywd (BCUHB)	Church Village (Cwm Taf)	Glangwili (Hywel Dda)	Total
Total	1,741	2,817	2,149	1,848	1,511	10,066

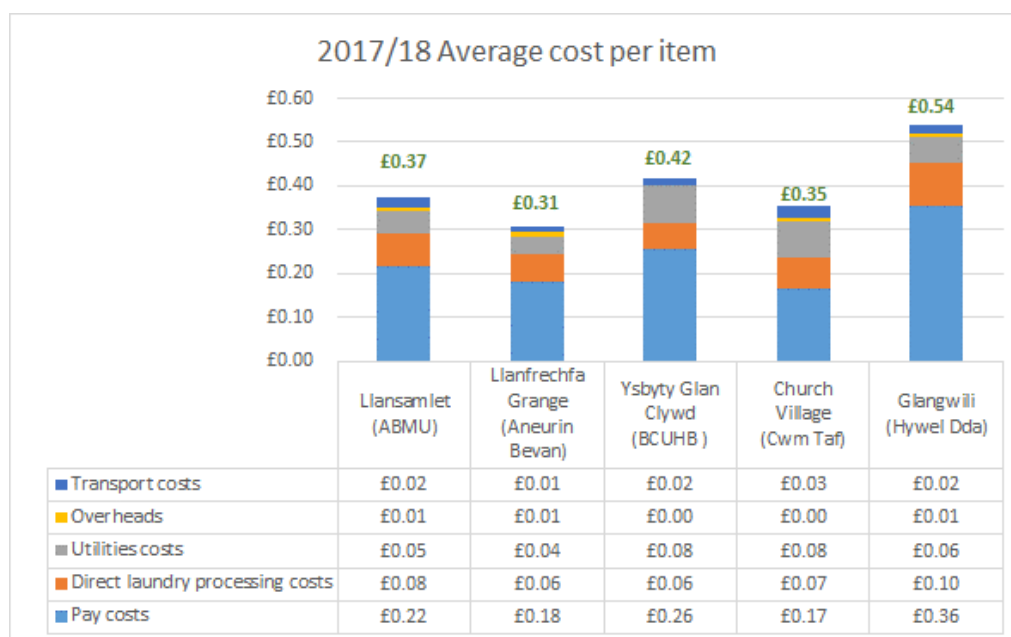
3.3.9 This equates to £0.31 per item overall, including microfibre items, although averages range from £0.26 to £0.37 across the five LPU's. The average costs for each LPU are shown in the chart below.

Figure 3-6 Average cost per item 2017/18 (including microfibre)



3.3.10 It should be noted that these averages are calculated including the microfibre items processed by LPU's. The cost of processing microfibre items is likely to be significantly less than other linen items and so could be considered to distort the averages. The table below shows the average cost per item if microfibre activity is excluded which ranges from £0.31 to £0.54 per item, an overall average of £0.37 per linen item.

Figure 3-7 Average cost per item 2017/18 (excluding microfibre)



3.3.11 It should also be noted that the operating costs used here differ to the overall service costs reported at Health Board, rather than LPU, level in the EFPMS system.

3.3.12 The table below provides an analysis of the activity undertaken by each LPU on behalf of the Health Boards during 2017/18.

Figure 3-8 Analysis of Health Board activity undertaken by each LPU

	Llansamlet (ABMU)	Llanfrecfa Grange (Aneurin Bevan)	Ysbyty Glan Clywd (BCUHB)	Church Village (Cwm Taf)	Glangwili (Hywel Dda)	Total
Abertawe Bro Morgannwg University Health Board	4,443,494			1,383,337		5,826,831
Aneurin Bevan University Health Board	53,858	5,928,074				5,981,932
Betsi Cadwaladr University Health Board			6,707,516			6,707,516
Cardiff and Vale University Health Board	151,793	4,209,620				4,361,413
Cwm Taf University Health Board				3,729,066		3,729,066
Hywel Dda University Health Board					4,650,074	4,650,074
Powys Teaching Health Board		339,512				339,512
Velindre NHS Trust		146,874				146,874
Welsh Ambulance Service Trust		24,210	120,000	15,053	12,455	171,718
External organisations	199	35,388		88,383	55,959	179,929
Total activity	4,649,344	10,683,678	6,827,516	5,215,839	4,718,488	32,094,865

3.3.13 The table below shows the direct LPU cost associated with this activity, based on the appropriate LPU's average cost per item. This is compared to the costs reported in the EFPMS system by each Health Board and shows an overall variance of £1.8m

between operating costs (LPU-specific processing costs) and service costs (overall costs incurred by Health Boards).

Figure 3-9 LPU processing costs compared to EFPMS data 2017/18

	No of items processed by LPUs	LPU Processing costs	LPU cost per item	No of items recorded in EFPMS	Total cost recorded in EFPMS	Total cost per item in EFPMS
Abertawe Bro Morgannwg University Health Board	5,826,831	£2,154,245	£0.37	6,375,178	£2,485,421	£0.39
Aneurin Bevan University Health Board	5,981,932	£1,583,502	£0.26	6,221,537	£2,413,278	£0.39
Betsi Cadwaladr University Health Board	6,707,516	£2,111,027	£0.31	4,900,850	£1,674,013	£0.34
Cardiff and Vale University Health Board	4,361,413	£1,166,994	£0.27	4,349,380	£2,268,201	£0.52
Cwm Taf University Health Board	3,729,066	£1,321,212	£0.35	3,642,145	£1,439,117	£0.40
Hywel Dda University Health Board	4,650,074	£1,489,054	£0.32	4,448,636	£1,317,621	£0.30
Powys Teaching Health Board	339,512	£89,535	£0.26	406,034	£145,616	£0.36
Velindre NHS Trust	146,874	£38,733	£0.26	139,477	£62,305	£0.45
Welsh Ambulance Service Trust	171,718	£53,473	£0.31	3	£86,740	
NHS Wales total	31,914,936	£10,007,774	£0.31	30,483,240	£11,892,312	£0.39
External organisations	179,929	£58,640	£0.33			
Total	32,094,865	£10,066,415	£0.31	30,483,240	£11,892,312	£0.39
Variance				-1,611,625	£1,825,897	£0.08

3.3.14 Work has been undertaken, by Health Board finance teams, to validate the £1.8m variance. It was agreed that the LPU processing costs provided by Laundry/Finance leads (in Figure 3-7) provide the most accurate reflection of the current LPU service.

3.3.15 This is because in addition to LPU processing costs, the EFPMS data includes

- The cost of linen services outside of the scope of the LPU service, for instance local Health Boards arrangements for microfibre washing, repairs and local distribution; and
- Mark ups related to the various charging mechanisms currently in place between the Health Boards.

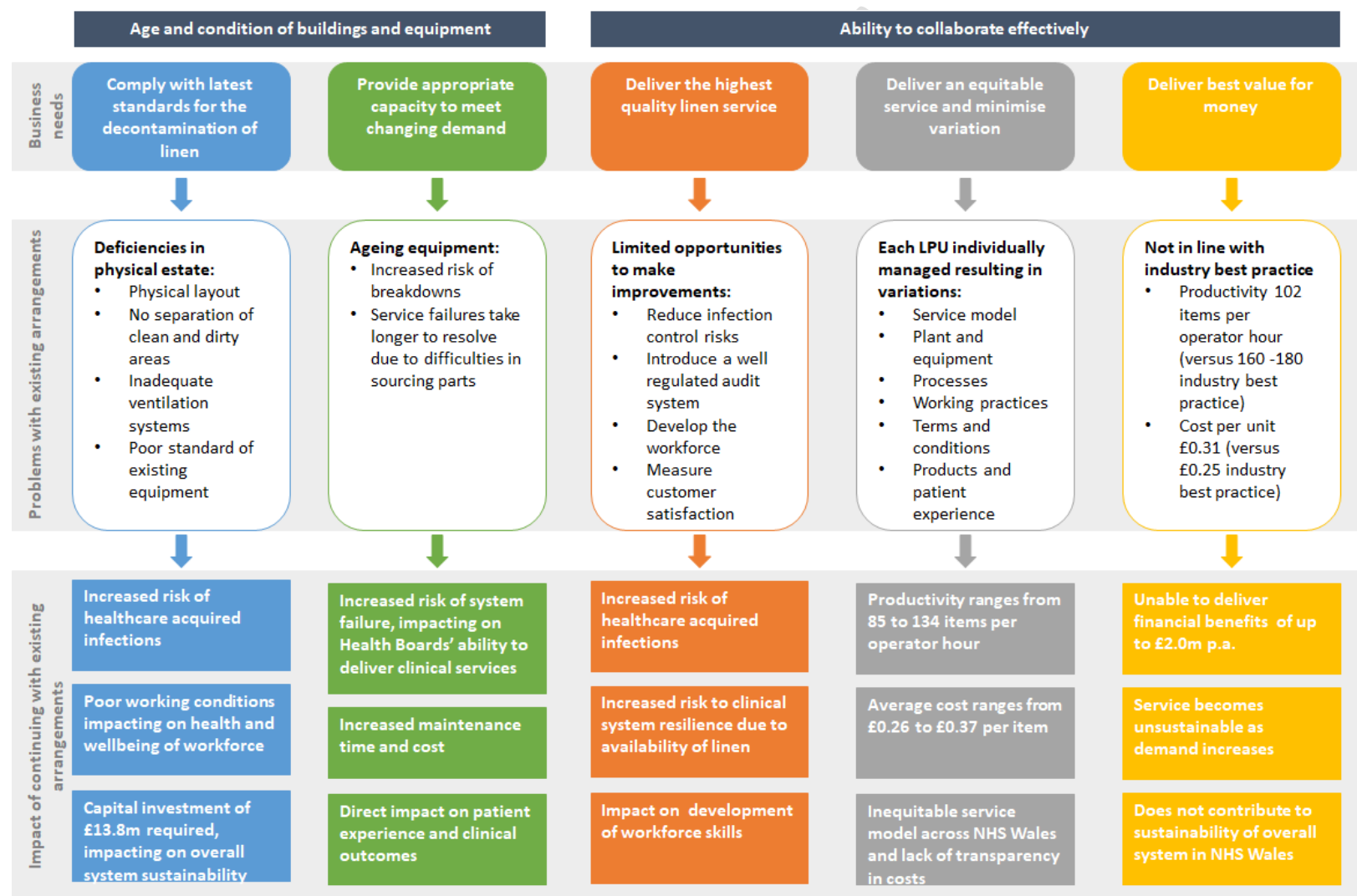
3.3.16 Therefore, for the purposes of the OBC, the baseline operating costs equating to £10.1m is used.

3.3.17 However, it is recommended that further work is undertaken at FBC stage ascertain whether the £1.8m gap includes any additional service costs that should be within the scope of the LPU service review.

3.4 Business needs

3.4.1 Business needs are the improvements and changes that are required to achieve the agreed spending objectives. The diagram below summarises the overarching case for change by showing the main business needs, specifically focusing on why it is not possible to achieve the agreed spending objectives under the existing arrangements.

Figure 3-10 Case for change



3.4.2 This is explored in further detail in relation to each of the spending objectives below.

Spending Objective 1: To minimise risk to patients, staff and organisation by complying with the latest standards on decontamination of linen

3.4.3 The main driver for change is the introduction of new guidance for the decontamination of linen which includes:

- *BS EN 14065 Textiles – Laundry – Processed Textiles – Biocontamination Control System*, (BS EN 14065) which was introduced to provide management systems for the microbiological quality of laundry; and
- *Welsh Health Technical Memorandum 01-04* (WHTM01-4) which was subsequently published to provide NHS Wales organisations with guidance on all aspects of the decontamination of linen for health and social care settings in line with BS EN 14065.

3.4.4 An initial review of the sites established that currently none of the LPUs are compliant with the standards and guidance set out in BS EN 14065 and WHTM01-04. The detailed results of this assessment are provided in Appendix B1 but, in summary, some common issues emerged in terms of key challenges in complying with new standards. The main issues are summarised in the table below.

Figure 3-11 Overview of review findings

Key compliance area	Common findings
Area separation	<ul style="list-style-type: none">• None of the LPUs currently have adequate floor to ceiling physical barriers in place to separate clean and dirty areas.
Disinfection processes	<ul style="list-style-type: none">• Current decontamination processes are controlled using time and temperature parameters, which is not in line with latest standards that refer to chemical disinfection in a number of areas.
Safe storage of linen	<ul style="list-style-type: none">• Standardisation is needed in the control of disinfection of trolleys and cages.
Record keeping	<ul style="list-style-type: none">• While operational procedures are deemed to be of reasonable standard, there is a lack of adequate documentation, in particular relating to the need for<ul style="list-style-type: none">○ Fully documented policies and procedures; and○ Detailed risk assessment and hazard analysis.• There is a lack of consistency in relation to training records, making it difficult to ascertain that all staff members are up to date with relevant training.
Exposure to infected linen	<ul style="list-style-type: none">• The handling of infected linen is predominately controlled using water-soluble red alginate bags in line with standards. However, LPUs are still at risk of exposure to infected linen when customers do not follow this process.

3.4.5 Clearly a number of these issues can be addressed by changing working practices and these will be considered in relation to the other spending objectives.

3.4.6 However, the main issues preventing LPUs from complying with BS EN 14065 and other regulatory standards relate to deficiencies with the physical estate, which include:

- Physical layout, specifically lack of separation between soiled and clean linen;

- Inadequate or substandard ventilation systems resulting in the possibility of achieving either negative air pressure in the soiled linen area, or positive air flow from the clean textiles area through the soiled textiles area with ventilation directly to the outside;
- Poor standard of existing equipment; and
- Generally dilapidated condition of buildings.

3.4.7 This inability to comply with regulatory standards increases infection control risks as well as significantly impacting on the health and wellbeing of the workforce due to poor working conditions.

3.4.8 These issues can only be addressed with significant capital investment. The scale of this was assessed as part of a survey of the condition of LPUs which was undertaken by Nifes in August 2017. The detailed report is available in Appendix B2 but overall it is estimated that investment in the region of £13.8m is required over the next ten years is required. This includes £2.6m of immediate investment to address the areas of highest risk. The table below outlines investment requirements for each of the LPUs.

Figure 3-12 Capital investment requirements to achieve compliance (£'000)

	Llansamlet (ABMU)	Llanfrehfa Grange (Aneurin Bevan)	Ysbyty Glan Clywd (BCUHB)	Church Village (Cwm Taf)	Glangwili (Hywel Dda)	Total
BS EN 14065	341	314	307	227	471	1,661
6 facet statutory	42	11	290	36	43	423
Statutory compliance	383	326	598	264	514	2,084
High risk backlog (Immediate)	96	258	334	210	283	1,181
Impending backlog (Years 1-5)	3,684	1,758	1,397	1,402	1,094	9,335
Future costs (Years 6-10)	0	320	78	535	18	950
Physical condition	3,780	2,336	1,808	2,147	1,394	11,465
Functional suitability	3	5	205	8	8	229
Quality of the environment	1	0	11	20	27	60
Function, space, quality, environment	4	5	216	28	35	289
Total	4,167	2,667	2,622	2,439	1,943	13,837

Initial investment (risk adjusted backlog)	398	524	757	334	579	2,591
Additional investment (Years 1 -10)	3,769	2,142	1,865	2,105	1,364	11,246
Total	4,167	2,667	2,622	2,439	1,943	13,837

Spending Objective 2: To provide effective support to clinical services by delivering the highest quality linen service

3.4.9 In the main, the five LPUs provide a high-quality service across NHS Wales, delivering clean and decontaminated linen as and when required according to the specific needs of customers. This ensures that Health Boards:

- Have adequate linen stocks enabling them to continue to deliver services; and
- Are supported in reducing the risk of healthcare acquired infections.

3.4.10 Continuing with the status quo operating under local management arrangements limits opportunities to improve service levels, whereas redesigning the service to enable it to comply with the latest standards and collaborate more effectively is likely to offer a range of opportunities to do so. Recent reviews of the service have highlighted a number of these as summarised in the table below.

Figure 3-13 Opportunities to improve quality

Opportunity	Details
Reduce infection control risks	<ul style="list-style-type: none"> • Complying with the latest best practice guidance on decontamination will further reduce risks associated with healthcare acquired infections.
Introduce well-regulated audit system	<ul style="list-style-type: none"> • The review of the existing LPUs highlighted inconsistencies in record keeping and documentation supporting processes. • To achieve an overall increase in service quality and directly align with the latest standards, there is a need for a well-regulated audit system to manage and accurately document activity. • A documenting system would allow the regulation of biocontamination, stock control and overall quality.
Develop the workforce	<ul style="list-style-type: none"> • In addition, the LPU workforce would be required to receive training in line with the new standards. • This would also provide the workforce with personal developmental opportunities.
Measure customer satisfaction	<ul style="list-style-type: none"> • Currently there appears to be a lack of customer (ward and patient) feedback with regards to quality of linen. • A mechanism for feedback needs to be established to ensure that customers are satisfied with laundry services. This would further support of equity of service between LPUs.

Spending Objective 3: To deliver an equitable service across NHS Wales and minimise variation between sites

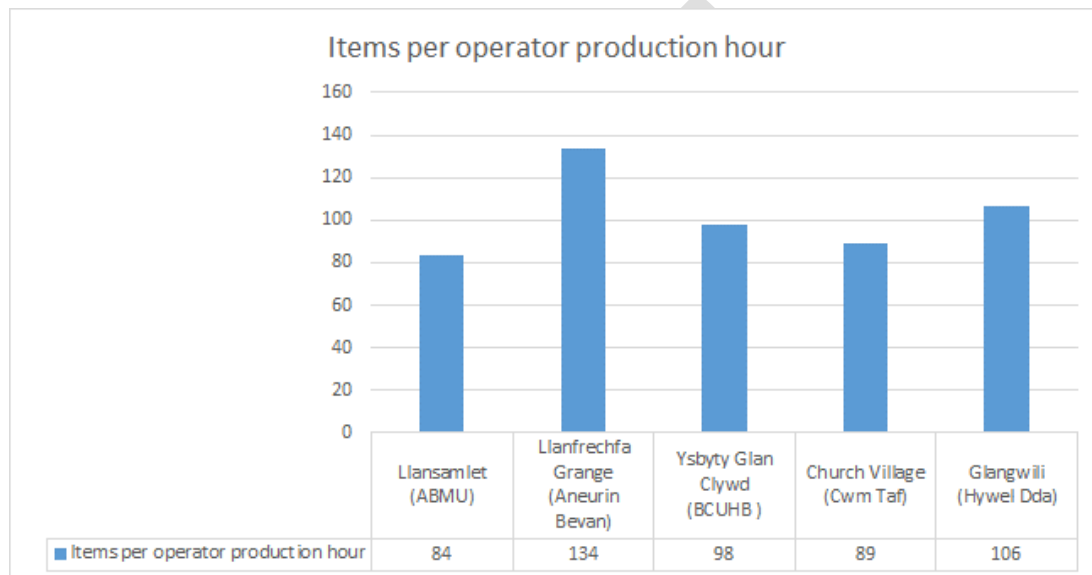
3.4.11 While the five LPUs deliver relatively similar services across NHS Wales, they are all independently managed. This naturally results in variations including:

- Minor service model differences outlined in paragraphs 3.3.5 and 3.3.6;
- Differences in plant and equipment utilised;

- Inconsistencies in laundry production processes and protocols (although these are largely related to plant and equipment); and
- Differing working practices in relation to shift patterns and operating hours.

3.4.12 It is reasonable to assume that such variations are likely to impact on the productivity of the LPUs. Productivity can be measured in terms of numbers of linen items processed per operator per hour (including microfibre items). Currently, the average rate across NHS Wales is 102 items per operator hour, but this ranges from 85 to 134 depending on the LPU, as shown in the chart below.

Figure 3-14 Productivity levels per LPU



3.4.13 This directly impacts on the variations in the average cost per item at LPUs which currently ranges from £0.26 to £0.37 per item including microfibre.

3.4.14 In addition, the cost charged to Health Boards appears to vary across NHS Wales (as outlined in Figure 3-9), suggesting that Health Boards do not receive equitable value for money. This has emerged because, partly as a symptom of being independently managed, the LPUs have not effectively collaborated to date. As a result of this, organisations compete with one another, customers are allocated according to organisational rather than geographical arrangements, and there is little evidence of transparency in costing models.

3.4.15 Continuing with existing arrangements with independent management arrangements creates challenges in standardising practice and minimising variations across NHS Wales which will limit the ability to

- Ensure best practice is being followed in all LPUs;
- Ensure that all Health Boards receive an equitable service and value for money; and
- Address variations in productivity and ultimately average price per unit.

Spending Objective 4: To provide the highest quality service that offers the best value for money in terms of cost per unit

- 3.4.16 Large scale laundry services are capital investment heavy and require significant labour and maintenance resources. At current operating cost of £10.1m per year, an average of £0.31 per item including microfibre, any increase in demand is likely to result in significant financial pressures in the future. Sustainability of the service is reliant on delivering value for money.
- 3.4.17 As well as driving out variations between NHS Wales LPUs, improving productivity and reducing costs in line with industry best practice is necessary to provide a sustainable and efficient laundry service, although it is important to recognise that this should not be to the detriment of quality and may be hindered by the use of current plant and equipment.
- 3.4.18 A benchmarking exercise using intelligence gathered from external organisations suggests that:
- Best practice productivity levels range from 160 items per operator hour for other NHS providers to 180 items per operator hour for private providers; and
 - The current average price per item charged by external providers is around £0.29 per item for a similar product mix which includes a profit margin of around 12-15%; indicating a best practice comparable cost per item estimated to be in the region of £0.25 per item.
- 3.4.19 This indicates that, provided there is appropriate investment in facilities and the workforce to re-engineer plant and production flows and provide plant and equipment with greater throughput per hour, moving towards best practice in NHS Wales could achieve significant benefits, including:
- Productivity improvements from an average of 102 items per operator hour up to a level of between 160 (56% improvement) in line with NHS best practice and 180 (76% improvement) in line with industry best practice; and
 - Cost savings of up to £0.06 (19%) per item which equates to £2.0m p.a.

Spending Objective 5: To provide appropriate level of capacity to meet changing demand and mitigate the risk of service failure

- 3.4.20 A significant proportion of laundry equipment is of an advanced age. Replacement parts are difficult to source and in some cases not available at all since they have been discontinued, which means that they are being sourced from other machines.
- 3.4.21 Clearly this increases the risk of major breakdowns which threatens the ability of the LPUs to continue to deliver efficient and effective services. Any reduction in the availability of linen represents a significant system resilience risk impacting on Health Boards' ability to deliver clinical services due to reduced availability of hospital beds leading to potential delays in treatment.
- 3.4.22 In addition to this, it is worth noting that, in the main, LPUs appear to be operating below their potential optimum capacity creating over capacity in the system. Any ability to increase utilisation, however, is constrained by the need to invest.

3.5 Conclusion

In order to achieve the stated spending objectives for the service, continuing with the status quo is not a feasible option as the service will not be able to continue to ensure the provision of a high quality, safe and sustainable laundry production service that supports the delivery of clinical services across NHS Wales.

4 POTENTIAL SCOPE

4.1 Introduction

- 4.1.1 This section of the OBC identifies the potential scope of the NHS Wales Laundry Production Units Service Review in terms of the key service requirements that should be considered in designing the future service model and developing options.

4.2 Scope of review

- 4.2.1 The review is concerned with the strategic direction of laundry production services for NHS Wales, in particular determining the optimal solution that will ensure compliance with best practice.
- 4.2.2 Areas that are excluded from this project are:
- Laundry processes external to the five major LPU's; and
 - Non-NHS Wales laundries.
- 4.2.3 It is critical that in redesigning the service, the resilience of the service is not undermined and that Health Boards continue to have access to adequate linen stocks at the time and place they are required. Any reduction in the availability of linen presents a risk to system resilience in terms of reduced availability of hospital beds and possible postponement of treatment.

4.3 Potential scope of services

- 4.3.1 Stakeholders considered the potential scope of services to be provided under the future service model based on the following continuum of need:
- **Core:** Essential services that must be delivered.
 - **Desirable:** Additional services which could be delivered if they provide value for money.
 - **Optional:** Additional services which could be delivered if they are affordable or low cost.
- 4.3.2 The resulting assessment is provided in the table below.

Figure 4-1 Potential scope of future service model

	Core (Essential)	Desirable (Should provide value for money)	Optional (Should be affordable / low cost)
NHS Wales	X		
Bed linen	X		
Gowns	X		
Scrubs	X		
Towels	X		
Transport (to be sub categoried)	X		
Microfibre *	X		
Curtains	X		
Mops *	X		
Patient clothing *	X		
Mattresses		X	
Manual handling equipment	X		
Sewing room (repair services) *	X		
Staff uniforms	?	?	?
Income generation (private hospitals, private ironing) - current and opportunities for additional income		X	
Transport of goods to other Health Boards			X

**Indicates core services that may have different local arrangements e.g. need to be delivered but not necessarily from the laundry production unit.*

- 4.3.3 This potential scope was considered in detail in Section 6 as part of developing the options. However, it was agreed that since the differences between core, desirable and optional are minimal and have little impact on the cost of delivering services, the economic appraisal should assume that the current scope of services continues to be delivered.
- 4.3.4 Income generation in particular was found to be misleading as although there may be opportunities to deliver more external activity, from stakeholders' experience this was considered to be minimal with little appetite from Local Authorities and other private customers. In any case, it was felt that expanding the scope in this way would be detrimental to the service model, causing challenges meeting the new guidelines and would be likely to impact on productivity.
- 4.3.5 Once the preferred option has been identified, the detailed service model required to deliver that solution will be developed in detail at FBC stage.

5 BENEFITS AND RISKS

5.1 Introduction

5.1.1 This section of the OBC identifies the benefits, risks, constraints and dependencies that should be considered in the NHS Wales Laundry Production Units Service Review, when developing and assessing the options for the optimal solution.

5.2 Benefits

5.2.1 The optimal solution should address the business needs and achieve the spending objectives identified as part of the review in order to deliver a range of benefits including:

- **Cash releasing benefits (CRB):** those that can be monetised and include improved economy (i.e. reduction in costs);
- **Non cash releasing benefits (non CRB):** those that can be monetised and include improved efficiency (i.e. staff time released to focus on more value added tasks);
- **Quantifiable benefits (QB):** those that can be measured but not monetised (i.e. patient experience); and
- **Qualitative benefits (Qual):** those that cannot be measured or monetised.

5.2.2 The table below provides an overview of the main outcomes and benefits arising from achieving the spending objectives.

Figure 5-1 Main benefits

Outcome	Benefit	Class	Measure	Spending objectives				
				SO1 Compliance	SO2 Quality	SO3 Equity	SO4 VFM	SO5 Resilience
Modern fit for purpose facilities	Improved system resilience due to reduced likelihood of plant failure	Quantifiable	Number of HB linen shortages incidents		✓			✓
	Reduced maintenance requirements	Cash releasing	Reduced maintenance costs				✓	
	Better working conditions improving health and wellbeing of workforce	Quantifiable	Sickness absence levels Staff satisfaction	✓	✓			
	Energy efficiencies	Cash releasing	Utilities costs				✓	
Compliance with standards	Improved system resilience due to better decontamination of linen	Quantifiable	Number of customer returns Customer satisfaction	✓	✓			
	Reduced risk of healthcare acquired infections	Quantifiable	Number of HAI incidents	✓	✓			
	Skilled and sustainable workforce	Quantifiable	Training records Recruitment and retention rates	✓				

Outcome	Benefit	Class	Measure	Spending objectives				
				SO1 Compliance	SO2 Quality	SO3 Equity	SO4 VFM	SO5 Resilience
Improved productivity	Better able to respond to changing demand	Quantifiable	Items per operator per production hour			✓	✓	✓
	Improved productivity leading to reduction in operator pay costs	Cash releasing	Operator pay costs			✓	✓	✓
Improved utilisation of assets	Reduction in non-production staff pay costs	Cash releasing	Non-production pay costs				✓	
	Estate released to reduce overheads or provide space for the delivery of core clinical services	Qualitative	Not measurable				✓	
Review of management arrangements	Centralised management arrangements will release Health Boards to focus on core business	Qualitative	Not measurable				✓	
	Centralised management arrangements will enable more effective collaboration leading to improved standardisation	Qualitative	Not measurable	✓	✓	✓	✓	✓
	Centralised management arrangements will enable the delivery of all other benefits	Qualitative	Not measurable	✓	✓	✓	✓	✓

5.3 Risks

5.3.1 Risk is the possibility of a negative event occurring that adversely impacts on the success of the future service model.

5.3.2 Identifying, mitigating and managing the key risks is crucial to successful delivery, since the key risks are likely to be that the project will not deliver its intended outcomes and benefits within the anticipated timescales and spend.

5.3.3 The main risks identified are listed in the table below.

Figure 5-2 Main risks

Risk category	Risk	Mitigation	Likely impact
Resilience	Increased frequency of system failures due to equipment breakdown	On-site maintenance teams and increased maintenance time	Increased maintenance costs
	Increased duration of system failures due to scarcity of parts	Other LPU's process items	Increased pay costs (enhancements)
	Insufficient back up capacity available in the event of an elongated system failure	Outsource to private provider	Premium rate paid to private contractor
	Risk of linen shortage at HB level due to logistical failures	Increased linen stocks	Increased production costs

Risk category	Risk	Mitigation	Likely impact
Capacity and demand	Demand increases at a higher level than anticipated	Build in flexibility to expand capacity in future	Cost of additional line and production costs
	Service unable to respond to short term fluctuations in demand	Additional shifts / Outsource to private provider	Premium rate paid to private contractor
Workforce	Workforce unable to adapt new ways of working	Robust change plan	Financial benefits will not be fully realised
	Loss of experience, knowledge and skills	Robust change plan	Reduced productivity leading to increased pay costs
	Unable to redeploy staff appropriately	Robust change plan	Redundancy costs higher than estimated
	Impact on workforce of redeployment leading to reduced morale	Communication and change plan	Increased sickness absence leading to increased pay costs
	Impact on local economy of reduced local employment	Robust change plan	Not measurable
Operational	Failure to meet required levels of quality	Compliance with latest standards; records	Cost of returns, double washing leading to increased processing costs
	Failure to meet local requirements due to loss of HB ownership	Engagement plan to understand HB needs	Decreased customer satisfaction
	Failure to deal with logistical challenges of Welsh geography (North and South deliveries)	Robust logistics plan	Increased production costs
Reputational and policy	Failure to secure support of all HBs	Communication	Financial benefits will not be fully realised
	Failure to identify and address the impact on local economies	Robust change plan	Not measurable
Implementation	Failure to ensure business continuity, impacting on clinical services	Robust implementation plan	Financial benefits will not be fully realised
	Failure to collaborate effectively impacting on pace of delivering benefits	Centralised management arrangements	Benefits will not be fully realised
Funding and finance	Failure to secure adequate capital funding	Outsource to private provider (as NHS LPU's will not be compliant)	Premium rate paid to private contractor
	Implementation costs higher than estimated	Robust change plan	Increased implementation costs
	Recurring revenue costs are underestimated	Detailed costing to be undertaken at FBC	Increased running costs

5.4 Constraints

5.4.1 Constraints relate to the parameters that the project is working within and any restrictions or factors that might impact on the delivery of a project. These typically include limits on resources and compliance issues.

5.4.2 The main constraints that should be considered in developing a solution for the future delivery of the LPU service include the following parameters:

- The need for any future service model to comply with the latest standards on decontamination;
- Logistical considerations in relation to the geography of Wales;
- The ability to provide the appropriate capacity and resilience for Health Boards to ensure business continuity; and
- The need to operate within the current cost envelope and deliver efficiency savings where possible.

5.5 Dependencies

5.5.1 Dependencies include things that must be in place to enable the project or project phases and typically include links to other projects and funding requirements that are likely to be managed elsewhere.

5.5.2 The success of the future service model relies on the following main dependencies:

- Buy in from all Health Boards and stakeholders; and
- Availability of capital funding.

5.6 Conclusion

5.6.1 Stakeholders have identified the benefits, risks, constraints and dependencies in relation to the agreed scope of the LPU Service review. These together with the key spending objectives are used to develop and assess a shortlist of options. This option development process is covered in the Economic Case.

ECONOMIC CASE

DRAFT

6 OPTIONS IDENTIFICATION

6.1 Introduction

6.1.1 The purpose of the Economic Case is to identify and appraise the options for the delivery of project and to recommend the option that is most likely to offer best value for money.

6.1.2 The first stage of this explores the preferred way forward by undertaking the following actions:

- Agree critical success factors (CSFs);
- Identify and evaluate the long list of options; and
- Recommend the preferred way forward in the form of a shortlist of options.

6.2 Critical Success Factors

6.2.1 Critical success factors (CSFs) are the essential attributes for successfully delivering the project and are used along with spending objectives to evaluate the options. Stakeholders developed the CSFs at Workshop 2 and these are presented below.

Figure 6-1 Critical Success Factors

Critical Success Factor	Description
Strategic Fit	<ul style="list-style-type: none">• Meets agreed spending objectives, related business needs and service requirements.• Aligns with local and national strategic direction.
Value for Money	<ul style="list-style-type: none">• Optimises public value in terms of the potential costs, benefits and risks.
Potential Achievability	<ul style="list-style-type: none">• Is likely to be deliverable.• Matches the available skills required for successful delivery.
Supply capacity side and capability	<ul style="list-style-type: none">• Matches the ability of service providers to deliver required services.• Is likely to be attractive to the supply side.
Potential Affordability	<ul style="list-style-type: none">• Can be funded from available sources of finance.

6.3 The options framework

6.3.1 The options framework, outlined in the Welsh Government *Better Business Cases* guidance, provides a systematic approach to identifying and filtering a broad range of options.

6.3.2 An overview of the key dimensions within the options framework is provided in the table below.

Figure 6-2 Options framework

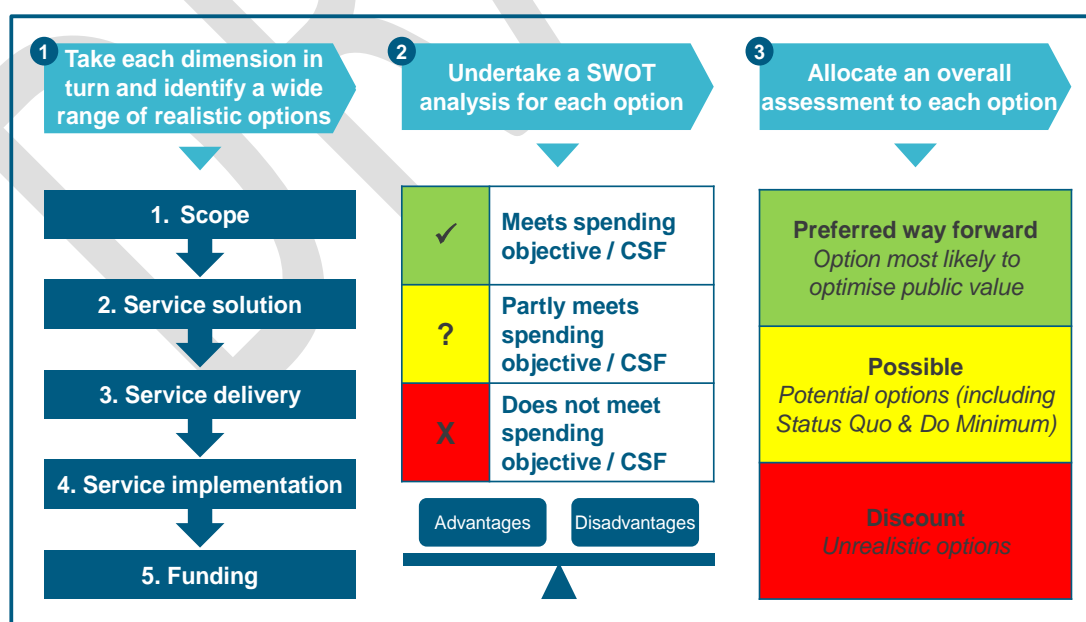
Dimension	Description
Scope	What to include in the future service model
Service solution	How to deliver the future service model
Service delivery	Who will deliver the future service model
Implementation	Timescales and phasing for delivering the future service model
Funding	Financing the future service model

6.3.3 The process for identifying and assessing options takes each of the key dimensions in turn and undertakes the following steps:

- Identify a wide range of realistic potential options within that dimension
- Undertake an analysis for each option to:
 1. Assess how well the option meets the project's spending objectives and critical success factors; and
 2. Identify the option's main advantages and disadvantages.
- Use the outputs of the analysis to determine whether the option will be carried forward as the preferred way forward, carried forward as a possible solution, or discounted at this stage.

6.3.4 A diagram illustrating this process is shown in the diagram below.

Figure 6-3 Process to identify and assess the long list of options



6.4 Determining the long list of options

- 6.4.1 Stakeholders at Workshop 2 identified a range of options within the first three dimensions of the options framework, specifically 'scope', 'service solution' and 'service delivery'.
- 6.4.2 Two additional dimensions were incorporated at a later stage, specifically 'configuration' and 'management arrangements' as stakeholders agreed these should be assessed separately for the purposes of the project. It was agreed that options for 'implementation' and 'funding' did not require assessment as would be determined as part of the specific options.
- 6.4.3 The initial long list of options that was developed is provided in the table below.

Figure 6-4 Long list of options: Scope, Service Solution, Service Delivery

Dimension	Option	
Scope		
Do nothing	1A	Continue with existing arrangements (mixed operating model)
Intermediate options	1B	Deliver core* laundry services only
	1C	Deliver core* and desirable* (e.g. capacity to explore opportunities for additional income generation + dynamic mattresses) laundry services
Do maximum	1D	Deliver core*, desirable* (e.g. capacity to explore opportunities for additional income generation + dynamic mattresses) and optional* (e.g. transport of hospital goods) laundry services
Service solution		
Do nothing	2A	Do nothing - continue to deliver services from the five existing laundry units with no investment
Intermediate options	2B	Continue to deliver services from the five existing units, investing in them to a standard compliant with latest standards
	2C	Deliver laundry services from optimum number of existing units (that have been invested in to achieve compliance)
	2D	Deliver laundry services from optimum number of units (hybrid of new / existing)
	2E	Deliver from optimum number of new purpose built units
Do maximum	2F	Outsourcing / co-sourcing solution
Service delivery		
Do nothing	3A	Retain current provision
Intermediate options	3B	Delivered by another NHS Wales organisation
	3C	Other public sector organisation delivers
Do maximum	3D	External private organisation delivers

**The definitions of core, desirable and optional are provided in Section 4 - Potential Scope.*

6.5 Evaluating the long list of options

6.5.1 Stakeholders at Workshop 2 assessed each of the long listed options in terms of how well it is likely to meet spending objectives and critical success factors, using the criteria below.

Figure 6-5 Scoring criteria

✓	Meets the spending objective / critical success factor
?	Partly meets the spending objective / critical success factor
X	Does not meet the spending objective / critical success factor

Scope

6.5.2 The four options related to Scope - what services will be included within the future service model - were assessed by stakeholders. The results of this are shown in the table below.

Figure 6-6 Long list appraisal: Scope

Assessment criteria	Option 1A Continue with existing operating model	Option 1B Deliver core services only	Option 1C Deliver core + desirable	Option 1D Deliver core, desirable + optional	Comments
Spending objectives	SO1 Compliance	✓	✓	✓	No impact on compliance
	SO2 Quality / Effective support	✓	?	?	1B Betsi customers will not receive mattresses; 1D additional activities may distract from core
	SO3 Equity / Minimise variation	X	✓	?	1A Difficult to reduce variation; 1C and 1D income generation may introduce further variation
	SO4 Best cost per unit	?	X	?	1B loss of income generation may increase unit cost but difficult to assess without further information
	SO5 Resilience	✓	✓	?	Currently sufficient capacity - 1C and 1D income generation will impact on available capacity
Critical success factors	A Strategic fit	✓	✓	✓	All fit with strategic direction
	B Potential value for money	?	?	?	Unable to make assessment at this stage
	C Achievability	✓	✓	✓	All achievable
	D Supply side	✓	✓	✓	Internal capacity and capability to delivery any option
	E Potential affordability	?	?	?	Unable to make assessment at this stage
Assessment	POSSIBLE	POSSIBLE	POSSIBLE	POSSIBLE	All options possible

6.5.3 It was initially agreed that based on this assessment all options should be carried forward as possible.

6.5.4 However since, in economic terms, the difference between the four options is likely to be immaterial, it was subsequently agreed that it should be assumed that the scope of the service model remains unchanged for the purpose of the economic appraisal. However, this should be explored in further detail at FBC stage.

6.5.5 In summary, it is recommended that a single option related to the scope of the future service model is carried forward to the shortlist, specifically:

- Continue to deliver current scope of services.

Service Solution

- 6.5.6 Options for the Service Solution - how the future service model will be delivered - were evaluated and the results of this are shown below.

Figure 6-7 Long list appraisal: Service Solution

Assessment criteria	Option 2A Continue with 5 existing units	Option 2B Invest in 5 existing units	Option 2C Optimum number of existing units	Option 2D Optimum number of new / existing units	Option 2E Optimum number of new units	Option 2F Outsourcing / Co-sourcing	Comments
Spending objectives	SO1 Compliance	X	✓	✓	✓	✓	2A will not comply with new standards
	SO2 Quality / Effective support	?	✓	✓	✓	✓	2A will not support reduction in rejection rates
	SO3 Equity / Minimise variation	X	X	?	?	✓	2A-2D Using existing units even with investment means challenges minimising variation will continue
	SO4 Best cost per unit	?	?	✓	✓	✓	Difficult to assess at this stage but it is assumed that 2C-2F will reduce unit cost although consider transport impact
	SO5 Resilience	✓	✓	✓	✓	?	2F increases risk of inability to mitigate against service failure
Critical success factors	A Strategic fit	X	X	X	✓	✓	2C not aligned with Betsi local strategy (LPU on hospital site) 2F Depends on preferred provider
	B Potential value for money	?	?	?	?	?	Unable to make assessment at this stage
	C Achievability	✓	✓	X	✓	✓	2C not aligned with Betsi local strategy (LPU on hospital site)
	D Supply side	✓	✓	✓	✓	?	2F Depends on preferred provider
	E Potential affordability	?	?	?	?	?	Unable to make assessment at this stage
Assessment	DISCOUNT	POSSIBLE (Baseline)	DISCOUNT	POSSIBLE	POSSIBLE	POSSIBLE	2A Discount as will not achieve compliance 2C Discount as not achievable for N Wales

- 6.5.7 Based on this assessment, stakeholders concluded at the workshop that four options should be carried forward as possible options and that two options should be discounted at this stage for the reasons set out below:

- **Option 2A – Do Nothing:** Stakeholders discounted this option as it would not achieve the main objective of complying with the new standards for decontamination of laundry. It was agreed that Option 2B (Investing in the five existing units to comply with new standards) would be the most appropriate baseline option.
- **Option 2C – Deliver services from optimum number of units using existing facilities only:** Stakeholders discounted this option since it was considered at least one existing unit is not suitable to be retained within an optimum future solution. This refers specifically to the work undertaken at BCUHB which has identified the unsustainable nature of the current LPU and the urgent need for an off-site solution for laundry.

- 6.5.8 It should be noted that at a later stage the Independent Panel Review recommended that Option 2C should not be discounted since an optimum configuration may not necessarily require the retention of a unit in North Wales.

- 6.5.9 In addition, work undertaken subsequent to Workshop 2 determined that Options 2C, 2D, and 2E should be combined into one overarching option. The decision about whether to utilise existing facilities or develop new units should be determined, based

on available capacity and value for money, once potential optimum configurations have been identified.

6.5.10 In addition to this, it was later concluded that Option 2F should be discounted based on the following findings:

- Welsh Government confirmed that outsourcing to an external private provider is not aligned with current strategic policy.
- There are unlikely to be suitable providers within the public sector.
- Benchmarking data suggests external providers charge an average price of £0.29 per item so it is unlikely this option would be able to deliver any significant cash releasing benefits (current average cost £0.31 per item).

6.5.11 In summary, it is recommended that the following options related to how the future service model will be delivered are carried forward to the shortlist, specifically:

- Continue to deliver services from five existing units which have been invested in to a standard compliant with the latest standards; and
- Deliver laundry services from an optimum configuration of units using the most appropriate hybrid of existing and new facilities. The next stage of the process will determine the possible configurations.

Service Delivery

6.5.12 Options for the service delivery – who will deliver the future service model - were evaluated and the results of this are shown below.

Figure 6-8 Long list appraisal: Service Delivery

Assessment criteria		Option 3A Continue with current providers	Option 3B Another NHS Wales provider	Option 3C Other public sector provider	Option 3D External private provider	Comments
Spending objectives	SO1 Compliance	✓	✓	✓	✓	All providers would have to achieve compliance
	SO2 Quality / Effective support	✓	✓	✓	✓	All providers would have to achieve agreed service levels
	SO3 Equity / Minimise variation	X	✓	✓	✓	3A Existing providers would be unable to minimise variation
	SO4 Best cost per unit	?	?	?	?	Unable to make assessment at this stage
	SO5 Resilience	✓	✓	?	?	3C and 3D Moving outside NHS Wales reduces control
Critical success factors	A Strategic fit	✓	?	?	X	3B May not be supported locally 3D Query about NHS Wales strategic direction
	B Potential value for money	?	?	?	?	Unable to make assessment at this stage
	C Achievability	✓	✓	✓	✓	All options achievable
	D Supply side	✓	✓	✓	✓	All options have sufficient capacity and capability
	E Potential affordability	?	?	?	?	Unable to make assessment at this stage
Assessment		POSSIBLE	POSSIBLE	POSSIBLE	POSSIBLE	All options possible

6.5.13 Stakeholders at the workshop agreed that, based on their initial assessment, all four options could be carried forward.

6.5.14 However, a subsequent review concluded that:

- Options 3A and 3B are so similar that they should be combined into a single option; and
- Since the outsourcing option has been discounted from the Service Solution options, Options 3C and 3D should similarly be discounted.

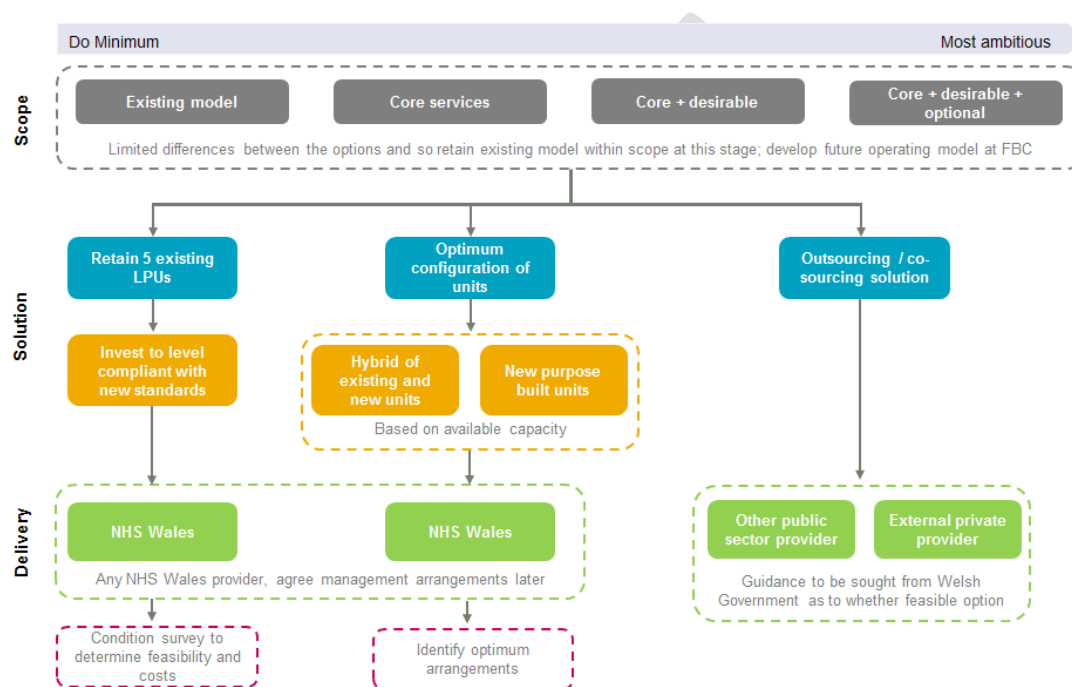
6.5.15 In summary, it is recommended that a single Service Delivery option is carried forward to the shortlist, specifically:

- Services continue to be delivered by NHS Wales workforce.

6.6 Results of the initial long list appraisal

6.6.1 A summary of the initial assessment at the end of Workshop 2 is provided below.

Figure 6-9 Initial long list appraisal



6.7 Expanding the long list

6.7.1 The long list was expanded at Workshop 3 when stakeholders identified the range of options in terms of the potential configurations of units required to deliver the future service model.

Figure 6-10 Long list of Configuration of Units

Dimension	Option	
Configuration of Units		
Do nothing	4A	Deliver services from five LPUs
Intermediate options	4B	Deliver services from four LPUs
	4C	Deliver services from three LPUs
	4D	Deliver services from two LPUs
Do maximum	4E	Deliver services from one LPU

6.7.2 After an initial assessment, stakeholders agreed there was insufficient information available at that stage to undertake a sufficiently robust appraisal and so all five

options related to the future configuration of units should be carried forward to the next stage of evaluation.

6.8 Management arrangements

- 6.8.1** In addition to this, Workshop 5 was used to identify the options for management arrangements and assess the advantages and disadvantages of each option. The options that were identified are shown below.

Figure 6-11 Long List of Management Arrangements Options

Dimension	Option	
Scope		
Do nothing	5A	Continue with existing arrangements: Existing configuration with LPUs managed by Local Health Boards
Intermediate options	5B	Localised management arrangements: New laundry configuration with the LPUs managed by Local Health Boards
Do maximum	5C	Centralised management arrangements: New laundry configuration, managed centrally, with LPU managers reporting centrally

6.8.2 The workshop outputs provide a detailed analysis of the benefits and risks of each option in relation to the spending objectives. This was then used to complete the appraisal below. Given that configuration options have already been assessed separately, Options 5A and 5B are considered too similar, therefore have been combined into one option for appraisal purposes to avoid duplication.

Figure 6-12 Long list appraisal: Management Arrangements

Assessment criteria		Option 5B LHB management	Option 5C Centralised management	Comments
Spending objectives	SO1 Compliance	?	✓	Although possibilities of LPU's using local connections as well as working together to achieve there has been little evidence of this to date and so high risk that LPU's would continue to tackle in own way. Centralised arrangements would address the risk of fragmented funding and provide a holistic approach.
	SO2 Quality / Effective support	✓	?	While centralised management would result in greater transparency and consistent support, with customers having a collective voice, it would reduce opportunities to provide a collaborative tailored approach to LHBs.
	SO3 Equity / Minimise variation	X	✓	Current arrangements lends itself to a more tailored approach for LHBs. Centralised has potential to deliver more equitable service across Wales with standardized approach and less emphasis on local agendas and control.
	SO4 Best cost per unit	?	✓	While some potential to improve under current arrangements using strong local links, costs per unit currently vary between LHBs. Centralised more likely to address this with strong collective customer voice and one price for all across Wales. Although some risk that this would have negative impact on some individual LHBs due to loss of income streams or increased cost per unit, on balance this option offers best opportunity to reduce the cost per unit while maintaining quality.
	SO5 Resilience	?	✓	Centralised would allow for more formal arrangements for contingency arrangements and sharing of capacity (which under current arrangements has only been achieved informally). However would not address geographical issues in the North.
Critical success factors	A Strategic fit	?	✓	Local management arrangements would not align with Parliamentary Review
	B Potential value for money	?	✓	Value for money greater risk under existing arrangements as limits ability to reduce costs and deliver benefits
	C Achievability	✓	✓	
	D Supply side	✓	✓	
	E Potential affordability	✓	✓	
Assessment		DISCOUNT	PREFERRED	

6.8.3 Based on this assessment, it is recommended that Option 5A and 5B should be discounted at this stage for the reasons set out below:

- **Option 5A – Existing configuration and LHB management:** Configuration options are assessed separately and so it is concluded that options 5A and 5B are the same option and so should be combined.
- **Option 5B – New configuration and LHB management:** It is recommended that this option is discounted as although it provides opportunities for developing stronger relationships at Health Board level and delivering a tailored local approach, it creates challenges in achieving an equitable, consistent and standardised service and costs across Wales since LPUs would continue to work in different ways and be more likely to be conflicted by local requirements. It is not in line with the recommendations outlined in the Parliamentary Review.

6.8.4 Option 5C – Centralised management arrangements is carried forward to the shortlist as the preferred way forward since it affords the best opportunity to deliver spending objectives as outlined in the Parliamentary Review recommendations. The risk of negative impact on services and costs for any individual Health Board is likely to be mitigated since a shared services model already exists with representation from all Health Boards. However, there is a need for a transitional period that ensures there is no financial disadvantage to any Health Board through the new organisational and management arrangements.

6.9 Overall results of the long list appraisal

6.9.1 A summary of the final appraisal is provided in the tables below.

Figure 6-13 Results of long list assessment

1. Scope				
Do Nothing	Intermediate options			Do maximum
1A Continue to deliver current scope of services	1B Deliver core services only	1C Deliver core and desirable services		1D Deliver core, desirable and optional services
Carry forward	Discount	Discount		Discount
For purposes of economic appraisal. Explore at FBC	Immaterial difference to current arrangements	Immaterial difference to current arrangements		Immaterial difference to current arrangements

2. Service Solution					
Do Nothing	Intermediate options				Do maximum
2A Continue to deliver from 5 existing units – no investment	2B Continue to deliver from 5 existing units – invest to comply with new standards	2C Deliver services from optimum configuration – existing units	2D Deliver services from optimum configuration – hybrid of existing and new units	2E Deliver services from optimum configuration – new units	2F Outsourcing / co-sourcing solution
Discount	Carry forward	Carry forward as single option			Discount
Would not comply with latest standards	Baseline Do Minimum option	Further work required to determine potential number of configurations			Not feasible (see 3C & 3D)

3. Service Delivery				
Do Nothing	Intermediate options			Do maximum
3A Services continue to be delivered by current providers	3B Services delivered by other NHS Wales providers	3C Services delivered by other public sector providers		3D Services delivered by external private providers
Carry forward as single option		Discount		Discount
Services continue to be delivered by NHS Wales workforce		Limited suitable providers available		Not aligned with WG strategic direction

4. Configuration of Units					
Do Nothing	Intermediate options				Do maximum
4A Continue to deliver from 5 units	4B Deliver from 4 units	4C Deliver from 3 units	4D Deliver from 2 units		4E Deliver from 1 central unit
Carry forward	Carry forward	Carry forward	Carry forward		Carry forward

5. Management arrangements			
Do Nothing	Intermediate options		Do maximum
5A Continue with current configuration and local management	5B New configuration and local management arrangements		5C New configuration and centralised management arrangements
Discount	Discount		Carry forward
Do Nothing re configuration has already been discounted from solution option	Creates challenges in delivering equitable, standardised service across Wales		Offers best opportunity to deliver future service model and realise benefits

6.10 Short list of options

6.10.1 The results of the final assessment were amalgamated to create a shortlist of options. This is shown below in relation to the options framework.

Figure 6-14 Shortlist of options

	Option 1	Option 2	Option 3	Option 4	Option 5
Scope	Current scope of services	Current scope of services	Current scope of services	Current scope of services	Current scope of services
Service Solution	Invest in facilities to comply with new standards	Optimum hybrid of existing and new facilities	Optimum hybrid of existing and new facilities	Optimum hybrid of existing and new facilities	Optimum hybrid of existing and new facilities
Configuration	Deliver from 5 units	Deliver from 4 units	Deliver from 3 units	Deliver from 2 units	Deliver from 1 unit
Service Delivery	NHS Wales	NHS Wales	NHS Wales	NHS Wales	NHS Wales
Management arrangements	Centralised	Centralised	Centralised	Centralised	Centralised

6.11 Conclusion

- 6.11.1 Following the robust development and assessment of a long list of potential options, a shortlist of five options is carried forward to the economic appraisal to evaluate in further detail. The agreed shortlist is summarised below.

Figure 6-15 Shortlist of options

Shortlist of options	
Option 1 5 LPUs	Continue to deliver laundry services from 5 existing NHS Wales LPUs under centralised management arrangements (A 'do minimum' solution that invests in existing facilities to a standard compliant with latest statutory guidance)
Option 2 4 LPUs	Reconfigure to deliver laundry services from 4 NHS Wales LPUs under centralised management arrangements (Using optimum hybrid of existing or new facilities to provide adequate capacity and comply with latest statutory guidance)
Option 3 3 LPUs	Reconfigure to deliver laundry services from 3 NHS Wales LPUs under centralised management arrangements (Using optimum hybrid of existing or new facilities to provide adequate capacity and comply with latest statutory guidance)
Option 4 2 LPUs	Reconfigure to deliver laundry services from 2 NHS Wales LPUs under centralised management arrangements (Using optimum hybrid of existing or new facilities to provide adequate capacity and comply with latest statutory guidance)
Option 5 1 LPU	Reconfigure to deliver laundry services from 1 central NHS Wales LPU under centralised management arrangements (Using existing or new facilities to provide adequate capacity and comply with latest statutory guidance)

7 ECONOMIC APPRAISAL

7.1 Introduction

7.1.1 The purpose of the economic appraisal is to evaluate the costs, benefits and risks of the shortlisted options in order to identify the option that is most likely to offer best public value for money.

7.1.2 This is achieved by undertaking the following actions in line with current Welsh Government *Better Business Case* guidance:

- Estimating the costs and benefits for each option including:
 - Capital: initial capital and ongoing lifecycle investment costs; and
 - Revenue: Ongoing running costs and one-off implementation costs
- Undertaking a benefits appraisal;
- Undertaking a risks appraisal;
- Calculating the net present value (NPV) for each option, using the Green Book discount rate, and record the discounted values and Benefit Cost Ratios (BCRs); and
- Selecting the preferred option and undertaking sensitivity analysis.

7.2 Capital costs

7.2.1 Capital costs have been estimated based on the investment requirements for each of the shortlisted options. To establish these requirements, an initial assessment was undertaken to determine the feasibility of delivering each of the five options using existing facilities. This was carried out using the results of a six-facet condition survey and an indicative analysis of potential capacity.

7.2.2 Based on the findings of this assessment, it was concluded that:

- Option 1 represents the Do Minimum solution and so it is reasonable to assume that all five existing units will be retained but facilities need to be invested in to reach a standard that is compliant with the latest statutory guidance.
- It is acknowledged that Options 2, 3, and 4 could include any geographical configuration and this will be subject to a detailed evaluation at FBC stage. For the purposes of estimating costs for the economic appraisal at this stage, it is reasonable to assume that each of these configurations is likely to include one unit in North Wales, with the remaining units provided in South Wales.
- A separate Options Appraisal undertaken by BCUIHB has already recommended that the facilities in the North will need to be replaced with a new off-site facility and so the estimated costs of this are included in Options 2, 3, and 4.
- The provision of units in South Wales for Options 2, 3, and 4 is likely to be feasible using existing facilities however:
 - All facilities will need to be invested in to reach a standard that is compliant with the latest statutory guidance; and
 - Options 3 and 4 are likely to require the expansion of existing facilities to create additional capacity.
- Option 5 is likely to require the development of a new unit at a central location.

7.2.3 A summary of the capital investment requirement assumptions is provided in the table below.

Figure 7-1 Capital investment requirement assumptions

Requirement	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Make existing units compliant	All 5 existing units	3 existing South units	2 existing South units	1 existing South unit	-
Expand existing facilities	-	-	Expand 1 South unit to incorporate 1 additional production line	Expand 1 South unit to incorporate 2 additional production lines	-
Develop new unit in North Wales	-	Replace 1 existing North unit - off-site new build	Replace 1 existing North unit - off-site new build	Replace 1 existing North unit - off-site new build	-
Develop new central unit	-	-	-	-	Replace all 5 units - 1 new central unit

7.2.4 Indicative capital costs associated with these requirements were estimated based on the following key assumptions:

- Where an option involves investment in existing facilities, the estimated cost is based on forecast costs from the six-facet condition survey;
- Where an option includes a replacement unit in the North, this is based on the indicative costs for land, construction and equipping outlined in the BCUHB Option Appraisal document;
- Where an option includes the expansion of existing units, it includes indicative costs for construction (in line with the BCUHB Option Appraisal document) and the development of an additional production line (based on laundries' past experience); and
- Where an option includes the development of a new central unit, it includes indicative costs for land, construction, and equipping based on an estimated unit size based on similar LPUs.

7.2.5 A more detailed outline of cost assumptions is provided in the table below.

Figure 7-2 Capital cost assumptions

Requirement	Costing assumptions
Make existing units compliant	<p>Costs based on results of 6-facet survey:</p> <ul style="list-style-type: none"> • All 5 sites: £13.8m (Initial capital £2.6m to comply with BS EN 14065 and other statutory; remainder £11.2m lifecycle costs over 10 years) • Other options based on number of retained units x £2.8m average cost of South units (Initial capital £0.5m; lifecycle costs £2.3m over 10 years)

Requirement	Costing assumptions
Expand existing facilities	Indicative costs based on initial assumptions for each additional production line required: <ul style="list-style-type: none"> No land costs Building works based on 925m² @ £995m² (estimate in line with half of BCUHB new unit) £1m cost to introduce a new production line (estimate based on laundries' previous experience)
Develop new unit in North Wales	Costs from BCUHB Option Appraisal: <ul style="list-style-type: none"> £200k land purchase 1850 m² unit @ £995m² (2013 Turner Townsend construction at 17/18 prices) Equipment replacement £1.7m (+15-year lifecycle of £1.2m for transferred equipment) 15% implementation fees
Develop new central unit	Indicative costs based on initial assumptions: <ul style="list-style-type: none"> £541k land purchase (pro-rate BCUHB) 4000 m² unit (estimate based on similar units) @ £995m² (2013 Turner Townsend construction at 17/18 prices) In the absence of equipment strategy assume fully equipped unit costs £995m² 15% implementation fees

7.2.6 The resulting capital costs for each option have been calculated for based on the assumptions above. This shows that all but Option 2 requires less investment than the 'Do Minimum' option of £13.9m over the next 15 years.

7.2.7 The details for each option are shown in the table below comprising:

- Initial upfront capital investment required; and
- Ongoing lifecycle capital costs that it is expected will be incurred during the first 15 years of operation.

Figure 7-3 Capital costs (£'000)

	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Make existing units compliant	2,591	1,376	917	459	0
Expand existing facilities	0	0	1,921	3,841	0
Develop new facilities	0	4,329	4,329	4,329	9,654
Initial capital investment	2,591	5,705	7,167	8,629	9,654
Lifecycle costs 15 years	11,246	8,199	5,854	3,509	0
Total capital expenditure (15 years)	13,837	13,904	13,021	12,138	9,654
Rank	5	4	3	2	1

7.3 Recurring revenue costs

7.3.1 Indicative revenue costs have been estimated based on the following key assumptions:

- Baseline LPU operating costs for 2017/18;
- Estimated workforce requirements for each option based on available benchmarking data and local expertise;
- Productivity improvements to align with best practice in the industry;
- Estimated non-pay costs per item based on available benchmarking data and local expertise.

Baseline costs

7.3.2 It currently costs £10.1m to deliver services from the existing five NHS Wales LPUs. This is based on the figures reported by laundry production leads at 2017/18 costs that are set out in Section 3. The table below provides a summary of pay and non-pay costs.

Figure 7-4 Baseline LPU operating costs as at 2017/18 (£'000)

	WTE	Total annual revenue costs
Pay costs	226.44	5,859
Direct processing costs		1,905
Utilities		1,615
Overheads		180
Transport		507
Non-pay costs		4,208
Total costs	226.44	10,066

Future workforce requirements and pay costs

7.3.3 Estimated future workforce requirements for each option have been estimated based on available benchmarking data and local expertise. As well as the changes to staffing that results from moving to different configurations of LPUs, it is estimated that there is likely to be a significant change in workforce requirements as a result of productivity improvements.

7.3.4 Productivity improvement targets are based on achieving best practice, which market intelligence indicates equates to processing 160 items per operator hour for NHS laundries and 180 items per operator hour in the private industry.

7.3.5 It is anticipated that the service's ability to achieve these productivity targets is largely dependent on the scale of investment in new plant and equipment:

- Option 1: The do minimum option is unlikely to achieve any productivity improvement because the service will continue to operate with existing limitations to ways of working;

- Option 2: The new unit is expected to achieve industry best practice of 180 items per operator hour and the three existing units 80% of NHS best practice target, given the limited changes to facilities and low utilisation;
- Options 3 and 4: The new unit is expected to achieve industry best practice of 180 items per operator hour and the existing units NHS best practice of 160 items per operator hour, given the improved utilisation and expansion to accommodate new production lines; and
- Option 5 is the only option likely to achieve industry best practice of 180 items per operator hour since it is the only option based on completely new facilities.

7.3.6 The assumptions used for each option are provided in the table below.

Figure 7-5 Workforce requirements assumptions

Staff Group	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Management	Baseline	1.0 Band 8a + 1.0 Band 7 per LPU	1.0 Band 8a + 1.0 Band 7 per LPU	1.0 Band 8a + 1.0 Band 7 per LPU	1.0 Band 8a + 1.0 Band 7 per LPU
	11.5 WTE	8.0 WTE	6.0 WTE	4.0 WTE	2.0 WTE
Admin	Baseline	1.0 Band 3 + 1.0 Band 1 per LPU	1.0 Band 3 + 1.0 Band 1 per LPU	1.0 Band 3 + 1.0 Band 1 per LPU	1.0 Band 3 + 1.0 Band 1 per LPU
	7.5 WTE	8.0 WTE	6.0 WTE	4.0 WTE	2.0 WTE
Maintenance	Baseline	3.5 Band 5 per LPU	3.5 Band 5 per LPU	3.5 Band 5 per LPU	3.5 Band 5 per LPU
	15.1 WTE	14.0 WTE	10.5 WTE	7.0 WTE	3.5 WTE
Supervisors	Baseline	2.5 Band 3 per production hour	2.5 Band 3 per production hour	3.0 Band 3 per production hour (to accommodate larger teams)	3.0 Band 3 per production hour (to accommodate larger teams)
	19.0 WTE	17.6 WTE	13.2 WTE	10.6 WTE	5.2 WTE
Operators	Baseline (102 items per operator hour)	Average of 144 items per operator per hour	Average of 164 items per operator per hour	Average of 164 items per operator per hour	180 items per operator per hour
	162.2 WTE	109.4 WTE	100.4 WTE	100.4 WTE	91.4 WTE
Distribution team	Baseline	Core team + 1.0 additional (average Band 2)	Core team + 2.0 additional (average Band 2)	Core team + 6.0 additional (average Band 2)	Core team + 12.0 additional (average Band 2)
	11.2 WTE	12.2 WTE	13.2 WTE	17.2 WTE	23.2 WTE
Distribution hubs	Baseline	No hubs required	No hubs required	1 hub with 5.0 Band 2 WTE each	2 hubs with 5.0 Band 2 WTE each
	-	-	-	5.0 WTE	10.0 WTE
TOTAL	226.4 WTE	169.2 WTE	146.7 WTE	148.2 WTE	137.4 WTE

7.3.7 Future pay costs have been estimated for each option based on these staffing requirements and the following assumptions:

- 66 available production hours per week;
- All salaries calculated at mid-point on pay scale;
- 30% allowance included for on costs including pension, NI, annual leave and sickness cover; and
- 39% of operator hours (i.e. 26 of 66 total production hours) attract an enhancement rate of 20%.

Non-pay costs

7.3.8 Indicative non-pay costs have been estimated based on available benchmarking data and laundry production leads' expertise. The assumptions used for each option are provided in the table below but include the following overarching principles:

- **Direct processing costs:** Current average cost per item used for all options since costs are unlikely to change regardless of the model as all sites utilise the same procurement framework for items such as detergents;
- **Utilities:** Average costs per item expected to remain unchanged for options that include existing LPUs but new sites expected to see a reduction of 40%;
- **Overheads:** Average cost per item is assumed to remain unchanged for all options as there is insufficient information available to reliably estimate; and
- **Transport:** Estimate for additional transport requirements including trucks, drivers, fuel for three drops per week, tax, insurance, truck lease, hub warehouse lease costs, warehouse running costs, hub staff. The average of all location scenarios has been used although there is minimal difference between them.

Figure 7-6 Non pay assumptions

Cost	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Direct processing costs	Baseline	Current average	Current average	Current average	Current average
	£0.059 / item	£0.059 / item	£0.059 / item	£0.059 / item	£0.059 / item
Utilities	Baseline	Current average + 40% reduction for North Wales activity	Current average + 40% reduction for North Wales activity	Current average + 40% reduction for North Wales activity	40% reduction for all activity
	£0.050 / item	£0.046 / item	£0.046 / item	£0.046 / item	£0.030 / item
Overheads	Baseline	Current average	Current average	Current average	Current average
	£0.006 / item	£0.006 / item	£0.006 / item	£0.006 / item	£0.006 / item
Transport	Baseline	Estimate based on increased need	Estimate based on increased need	Estimate based on increased need	Estimate based on increased need
	£0.016 / item	£0.018 / item	£0.020 / item	£0.029 / item	£0.043 / item
TOTAL	£0.131 / item	£0.129 / item	£0.131 / item	£0.140 / item	£0.138 / item

Recurring revenue costs

7.3.9 The annual recurring revenue costs for each option have been calculated using the assumptions outlined above. The results of this suggest that financial benefits of between £1.6m and £2.4m p.a. are possible for any but the 'Do Minimum' option.

7.3.10 The details for each of the options are provided in the table below.

Figure 7-7 Future annual recurring revenue costs (£'000)

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
WTE	226.44	169.24	149.34	148.20	137.42
Pay costs	5,859	4,293	3,743	3,626	3,274
Pay costs	5,859	4,293	3,743	3,626	3,274
Direct processing costs	1,905	1,905	1,905	1,905	1,905
Utilities	1,615	1,478	1,478	1,478	969
Overheads	180	180	180	180	180
Transport	507	577	647	942	1,378
Non pay costs	4,208	4,140	4,210	4,506	4,432
Total costs	10,066	8,433	7,953	8,131	7,706
Annual saving	0	1,634	2,113	1,935	2,360
Rank	5	4	2	3	1

7.3.11 Based on this, the average cost per item is expected to reduce from £0.31 per item to up to £0.24 per item. The average for each option is provided in the chart below.

Figure 7-8 Future average cost per item



7.4 Non-recurring revenue costs

7.4.1 It is anticipated that any changes will result in transitional costs related to the implementation including the impact of:

- Double running costs; and
- The impact of redeployment expressed in terms of potential requests for voluntary early retirement payments.

7.4.2 The assumptions for this are provided in the table below.

Figure 7-9 Transitional costs assumptions

Cost	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Double running costs	Refurb 5 LPUs	Refurb 3 LPUs	Refurb 2 LPUs	Refurb 1 LPU	
	1.0 week	1.0 week	1.0 week	1.0 week	-
		Transition: 1 LPU parallel runs at 25% of usual rate	Transition: 2 LPUs parallel run at 25% of usual rate	Transition: 3 LPUs parallel run at 25% of usual rate	Transition: 5 LPUs parallel run at 25% of usual rate
	-	1.0 month	1.5 months	2.0 months	3.0 months
Re-deployment costs	None	90% of displaced staff redeployed	90% of displaced staff redeployed	90% of displaced staff redeployed	90% of displaced staff redeployed
	-	5.72 WTE @ average salary and 15 year service	7.71 WTE @ average salary and 15 year service	7.82 WTE @ average salary and 15 year service	8.9 WTE @ average salary and 15 year service

7.4.3 It should be noted that it has not been possible to estimate decommissioning costs at this stage. This will be explored further at FBC stage once the sites have been identified as this is not sufficient to affect the overall value of the business case.

7.4.4 The resulting transitional costs are provided in the table below.

Figure 7-10 Transitional costs

	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Double running costs	48	71	145	261	629
Redeployment costs	0	185	249	253	288
Transitional costs	48	256	395	514	917

7.5 Benefits analysis

7.5.1 An appraisal of the quantifiable and qualitative benefits has been undertaken. Every reasonable attempt has been taken to quantify benefits and where possible these have been expressed in monetary equivalent terms. The resulting analysis is separated into

- Financial benefits; and

- Non-financial benefits.

7.5.2 The financial benefits arise predominately from four key areas:

- Modern fit-for-purpose facilities reducing maintenance requirements;
- Modern fit-for-purpose facilities generating energy efficiencies;
- Improved productivity reducing operator pay costs; and
- Better utilisation of assets resulting in reduced non-production pay costs.

7.5.3 However, additional distribution requirements resulting from a move towards fewer LPU results in significant increased costs of transport and the workforce to distribute linen and operate the hubs for the more ambitious options. The overall financial dis-benefit this creates is offset against the financial benefits to show a net financial benefit for each option.

7.5.4 An analysis of the financial benefits and dis-benefits is provided below.

Figure 7-11 Annual financial benefits (£'000)

	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Reduced maintenance requirements	0	59	158	257	356
Energy efficiencies	0	137	137	137	646
Improved productivity	0	1,268	1,481	1,481	1,694
Reduced non-production pay costs	0	205	464	680	961
Financial benefits	0	1,669	2,240	2,555	3,657
Additional distribution requirements	0	(36)	(127)	(620)	(1,297)
Financial dis-benefits	0	(36)	(127)	(620)	(1,297)
Net financial benefits	0	1,634	2,113	1,935	2,360
Rank	5	4	2	3	1

7.5.5 In addition to this there are a number of benefits that it is not possible to quantify in monetary terms at this stage. Instead an assessment has been made as to the scale of non-financial benefits each of the options is likely to deliver using the criteria below.

Figure 7-12 Scoring criteria

✓	Most likely to deliver the benefit
?	Likely to partly deliver the benefit
X	Least likely to deliver the benefit

7.5.6 The results of this assessment are provided in the table below.

Figure 7-13 Non-financial benefits assessment

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Appropriate capacity to best utilise assets	X	?	?	✓	✓
Better able to respond to changing demand due to improved productivity	X	?	✓	✓	✓
Ability to respond to local needs	✓	✓	?	?	X
Improved standardisation	?	?	✓	✓	✓
Better working conditions improving health and wellbeing of workforce	X	?	✓	✓	✓
Development of skilled and sustainable workforce	?	?	✓	✓	✓
Estate released creating opportunities for HBs	X	?	✓	✓	✓
Summary	Limited opportunity to improve performance	Medium opportunity to improve performance	Significant opportunity to improve performance	Significant opportunity to improve performance	Greatest opportunity to improve performance

7.5.7 Since these non-financial benefits have not been quantified in monetary terms it is difficult to incorporate the analysis above within the economic appraisal in a meaningful way. It should also be considered that some of the factors raised here are assessed as part of the quantified risks and so care needs to be taken not to double count.

7.5.8 However, there are a number of observations that can be taken from this evaluation:

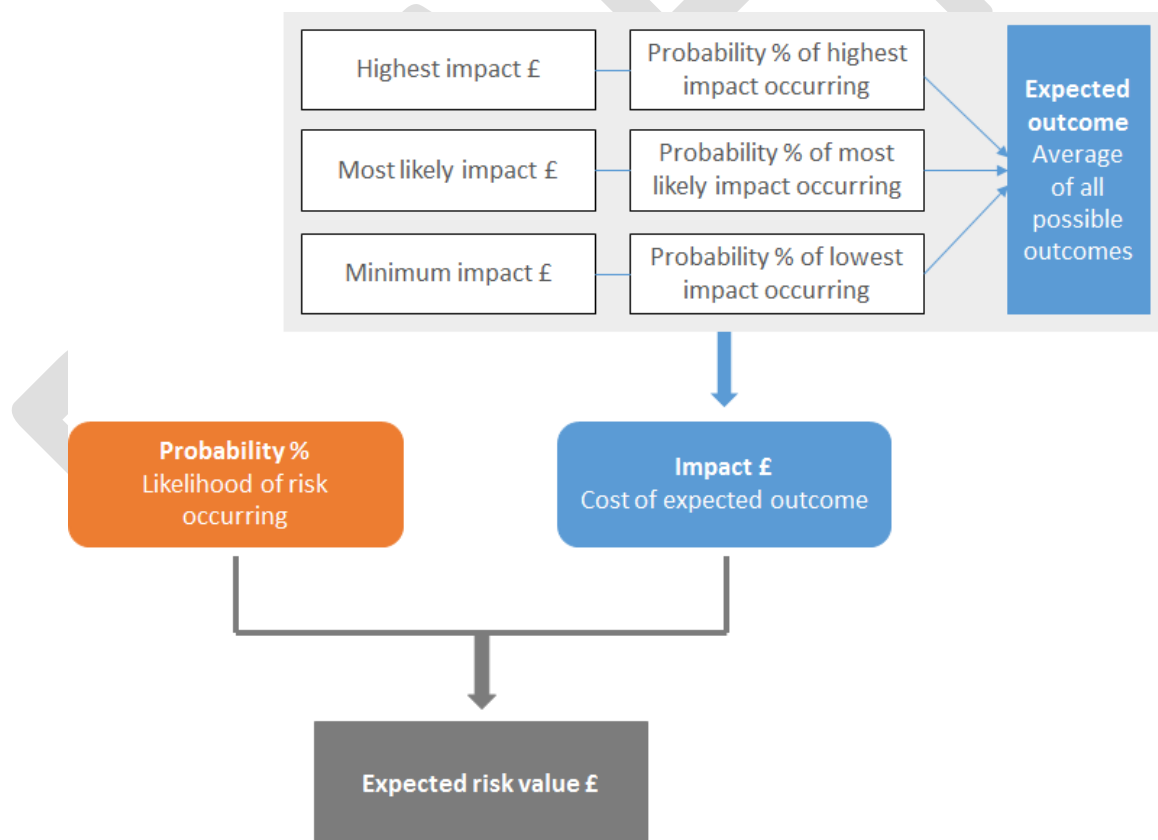
- Option 1 – Although it offers the best opportunity to provide localised services, the 'Do Minimum' option delivers very few non-financial benefits because it retains all the existing facilities which limits the service's ability to improve working conditions and transition to a more standardised, efficient operating model.
- Option 2 – Delivers some of the expected benefits since it is likely to include the development of new facilities in North Wales, however it still relies on existing facilities in South Wales and provides little opportunity to improve productivity and standardise processes.
- Options 3 and 4 – Both deliver a similar range of benefits due to development of new facilities in North Wales and the expansion of facilities in South Wales to incorporate new production lines where required. This improves working conditions in a number of areas and provides significant opportunities to improve productivity and standardise processes.

- Option 5 – Delivers the greatest level of benefits and provides the most opportunities to improve productivity and standardise processes due to the development of purpose built facilities.

7.6 Risk analysis

- 7.6.1 The risks for each option have been assessed and, as far as possible, quantified and expressed in monetary equivalent terms by calculating an 'expected value'.
- 7.6.2 This provides a single value for the expected impact of all risks. It is calculated by multiplying the likelihood of the risk occurring (probability) by the cost of addressing the risk (impact) and summing the results for all risks and outcomes.
- 7.6.3 A multi-point probability analysis takes account of there being a range of possible outcomes for any risk. The risk assessment undertaken therefore uses an output probability distribution to provide a complete picture of the possible outcomes, recognising that some of these outcomes are more likely to occur than others. The resulting 'expected outcome' calculated is the average of all possible outcomes, taking into account their different probabilities.
- 7.6.4 The diagram below provides an overview of the risk assessment undertaken.

Figure 7-14 Risk quantification approach using multi-point probability analysis



Probability

7.6.5 Attendees at Workshop 4 assessed probability in terms of the likelihood of each of the risks occurring in relation to the five options. Following the workshop, adjustments were made to the including:

- **Increased frequency of system failures due to equipment breakdown:** At Workshop 4 attendees concluded that there is an equal 25% probability of the risk occurring across all options on the basis that they all include similarly reduced amount of aged equipment. However, the economic appraisal assumptions suggest that different levels of aged equipment will be retained for each option – namely because there are no new premises in Option 1, Option 2 includes only 1 new facility, Option 3 includes 1 new facility and 1 extended facility, Option 4 includes 1 new facility and 1 extended facility, and Option 5 relates to an entirely new facility. Therefore, the assessment has been amended to reflect this.
- **Increased duration of system failures due to equipment breakdown:** For the same reason, an adjustment was made to the assessment from Workshop 4 that had concluded an equal 5% probability of the risk occurring across all options.
- **Unable to redeploy staff appropriately:** At Workshop 4 attendees concluded that although there is likely to be some redeployments in Options 1 and 2, this will be manageable due to the low numbers involved, whereas there are significant risks associated with Options 3, 4 and 5 as the numbers of LPUs reduce. However, this was subsequently amended to reflect the estimated numbers of redeployments emerging from the economic appraisal which are: Option 1 = 0; Option 2 = 57.2; Option 3 = 77.1; Option 4 = 78.2; Option 5 = 89.0. Therefore Option 1 was adjusted from 10% to 0% and Option 2 from 20% to 66% (in proportion to Option 3).

7.6.6 The table below summarises the resulting final assessment.

Figure 7-15 Likelihood of risks occurring

Risk	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Resilience					
Increased frequency of system failures due to equipment breakdown	75%	50%	40%	30%	25%
Increased duration of system failures due to scarcity of parts	50%	20%	15%	10%	5%
Insufficient back up capacity available in the event of an elongated system failure	10%	25%	60%	85%	100%
Risk of linen shortage at HB level due to logistical failures	10%	10%	10%	10%	20%
Workforce					
Workforce unable to adapt new ways of working	10%	10%	15%	10%	10%
Short term loss of experience, knowledge and skills	10%	10%	25%	70%	70%
Unable to redeploy staff appropriately	0%	66%	90%	100%	100%
Impact on local economy of reduced local employment	10%	100%	100%	100%	100%

Risk	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Operational					
Failure to meet required levels of quality	10%	10%	10%	10%	10%

Impact

- 7.6.7 At Workshop 4, attendees agreed assumptions for estimating the expected impact should the risk occur in terms of the minimum (best case scenario), most likely and maximum (worst case scenario) impact.

Figure 7-16 Likely impact should the risk occur

Risk	Likely impact	Minimum impact	Most likely impact	Maximum impact
Resilience				
Increased frequency of system failures due to equipment breakdown	Increased maintenance costs	Base on current maintenance budget	Base on current maintenance budget	Base on current maintenance budget
Increased duration of system failures due to scarcity of parts	Increased pay costs (enhancements)	Base on current maintenance budget	Base on current maintenance budget	Base on current maintenance budget
Insufficient back up capacity available in the event of an elongated system failure	Premium rate paid to private contractor	65% increased production costs for 3 Days	75% increased production costs for 1 month	100% increased production costs for 18 months
Risk of linen shortage at HB level due to logistical failures	Increased production costs	50% increased transport costs for 1 day	50% increased transport costs for 2 days	50% increased transport costs for 3 days
Workforce				
Workforce unable to adapt new ways of working	Benefits will not be fully realised	5% efficiency reduction	15% efficiency reduction	30% efficiency reduction
Loss of experience, knowledge and skills	Increased implementation costs	1% increase of start-up costs	5% increase in start-up costs	50% increase in start-up costs
Unable to redeploy staff appropriately	Redundancy costs higher than estimated	30% of staff who need to be redeployed to be paid redundancy	70% of staff who need to be redeployed to be paid redundancy	100% of staff who need to be redeployed to be paid redundancy
Impact on local economy of reduced local employment	Reduced earnings in wider economy	Equivalent annual income of all roles redeployed and made redundant	Equivalent annual income of all roles redeployed and made redundant	Equivalent annual income of all roles redeployed and made redundant
Operational				
Failure to meet required levels of quality	Cost of returns, double washing leading to increased processing costs	Cost of 3% double washing	Cost of 4% double washing	Cost of 5% double washing

- 7.6.8 For each risk, it is assumed that the probability of each impact occurring is as follows:
- Minimum impact – 25% probability
 - Most likely – 50% probability
 - Maximum – 25% probability.

7.6.9 This is used to calculate the average expected outcome of each risk occurring.

Expected risk value

7.6.10 The expected outcome is multiplied by the probability each risk occurring. This combines to create an overall expected risk value for each option.

7.6.11 The detailed results of this assessment are provided in Appendix C1. The table below shows the expected risk value over a 15-year appraisal period for each option by category of risk.

Figure 7-17 Expected risk value £'000

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Resilience	47,903	27,137	34,963	40,018	39,306
Workforce	283	13,464	18,750	19,923	22,464
Operational	497	403	370	363	342
Expected risk value	48,683	41,003	54,083	60,304	62,112
Rank	2	1	3	4	5

7.6.12 The results of this assessment suggest that:

- Option 2 offers the lowest degree of risk as it addresses some of the risks around aged equipment while not impacting on resilience.
- Option 5, the 'most ambitious' option, offers the highest level of risk because of the scale of change required to move to a single site and risks associated with contingency arrangements, logistics, and workforce change, as well as the uncertainties around the cost of delivering new facilities at this stage.

7.7 Results of the economic appraisal

7.7.1 The assumptions above have been incorporated into a discounted cash flow for each of the options. Given the scale of the project, the discounted cash flow has been prepared over a 15-year period, using a discount rate of 3.5% in line with the requirements of HM Treasury.

7.7.2 The key elements used in this analysis are summarised in table below.

Figure 7-18 Key assumptions used in the economic appraisal

- Costs and benefits are calculated over a 15-year appraisal period.
- Year 0 is 2017/18.
- Costs and benefits use real base year prices – all costs are expressed at 2017/18 prices in line with the baseline costs.

- The following costs are excluded from the economic appraisal:
 - Exchequer 'transfer' payments, such as VAT;
 - General inflation;
 - Sunk costs; and
 - Non-cash items such as depreciation and impairments.
- A discount rate of 3.5% is applied to the economic appraisal.
- Financial benefits are incorporated based on the analysis in section 7.11.
- Quantified risks are included based on the analysis provided in section 7.17.

7.7.3 The results of the economic appraisal are provided in the table below. However, more detailed workings are provided in Appendix C2 and a copy of the Generic Economic Model (GEM) in Appendix C3.

Figure 7-19 Net Present Value 15-year period (£'000)

Inputs into cash flow (undiscounted):

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Initial capital investment	2,591	5,705	7,167	8,629	9,654
Lifecycle costs	11,246	8,199	5,854	3,509	0
Total capital costs	13,837	13,904	13,021	12,138	9,654
Transitional costs	48	256	395	514	917
One-off revenue costs	48	256	395	514	917
Baseline revenue costs	161,063	161,063	161,063	161,063	161,063
Financial benefits	0	-24,504	-31,694	-29,027	-35,400
Recurring revenue costs	161,063	136,558	129,369	132,036	125,663
Expected value of risk (expressed in monetary equivalent terms)	48,683	41,003	54,083	60,304	62,112
Quantified risks	48,683	41,003	54,083	60,304	62,112
Total costs, benefits and risks (15 years)	223,632	191,722	196,867	204,993	198,346

Cash flow results (undiscounted):

Costs including risks	223,632	216,226	228,561	234,019	233,745
Net financial benefits	0	(24,504)	(31,694)	(29,027)	(35,400)
Net Present Value (NPV)	223,632	191,722	196,867	204,993	198,346
Rank based on NPV	5	1	2	4	3
Benefit Cost Ratio (BCR)	0.00%	11.33%	13.87%	12.40%	15.14%
Rank based on BCR	5	4	2	3	1

Cash flow results (discounted):

Costs including risks	176,142	171,165	181,330	186,065	186,098
Net financial benefits	0	-18,815	-24,335	-22,287	-27,181
Discounted Net Present Value (NPV)	176,142	152,350	156,995	163,778	158,917
Rank based on NPV	5	1	2	4	3
Discounted Benefit Cost Ratio (BCR)	0.00%	10.99%	13.42%	11.98%	14.61%
Rank based on BCR	5	4	2	3	1

7.7.4 The Net Present Value (NPV) represents the total cost of delivering each option over the 15-year appraisal period. In relation to NPV, the results of this analysis suggest the following:

- Option 2, 4 LPU, seems to offer the best value for money purely in NPV terms because although it does not offer the highest level of financial benefits it has the lowest level of risk resulting in the lowest NPV on both an undiscounted and discounted basis.
- This is closely followed by Option 3, 3 LPUs, which delivers a high level of financial benefits that results in the second lowest NPV on both an undiscounted and discounted basis.
- Option 1, the do minimum option, does not offer value for money because despite requiring significant investment it offers no financial benefits and represents a relatively high degree of risk on both an undiscounted and discounted basis.

7.7.5 The Benefit Cost Ratio (BCR) demonstrates the relationship between the cost and benefits of the project. In relation to BCR, this analysis suggests the following:

- Option 5, the most ambitious option, offers the best value for money in purely BCR terms as it has the highest level of benefits in relation to costs.
- This is closely followed by Option 3 which offers the second highest level of benefits in relation to costs.
- Option 1 offers the worst value for money in relation to BCR as it delivers no financial benefit in relation to its relatively high costs.

7.8 Sensitivity analysis

7.8.1 Sensitivity testing has been undertaken to test the robustness of ranking of options in particular considering the impact on the ranking of options if:

- The configuration of LPUs changes so that existing facilities are used in Options 2, 3, and 4; and
- Productivity levels can only be improved to 160 items per operator hour.

7.8.2 If the configuration of options changes so that existing facilities are upgraded for all of the LPUs included within Options 2, 3 and 4 rather than incorporating one new unit in North Wales this reduces the NPV for each of those options but does not change the ranking.

Figure 7-20 Sensitivity Test 1

	Option 1 5 LPUs	Option 2 4 LPUs	Option 3 3 LPUs	Option 4 2 LPUs	Option 5 1 LPU
Discounted NPV – original	176,142	152,350	156,995	163,778	158,917
Rank based on NPV	5	1	2	4	3
Discounted NPV – Test 1	176,142	151,558	156,203	162,986	158,917
Rank based on NPV	5	1	2	4	3

- 7.8.3 If productivity improvements do not exceed 160 items per operator hour in line with NHS best practice, this will increase the NPV for options but will not impact on the ranking.

Figure 7-21 Sensitivity Test 2

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Discounted NPV – original	176,142	152,350	156,995	163,778	158,917
Rank based on NPV	5	1	2	4	3
Discounted NPV – Test 2	176,142	156,060	160,484	167,267	164,641
Rank based on NPV	5	1	2	4	3

7.9 Conclusion

- 7.9.1 A robust economic appraisal has been undertaken to evaluate the costs, benefits, and risks of each of the five shortlisted options in monetary equivalent terms. This has been prepared using indicative values based on the best information available at this time including benchmarking data, market intelligence, and local expertise, and considers the costs over a 15-year appraisal period.
- 7.9.2 Section 8 analyses the results of the economic appraisal along with other key factors to select the preferred option.

8 PREFERRED OPTION

8.1 Introduction

- 8.1.1 This section of the OBC brings together all elements of the options appraisal in order to select the preferred option for delivering NHS Wales Laundry Production Units Services.

8.2 Results of the options appraisal

- 8.2.1 The selection of the preferred option is undertaken by considering a range of factors including investment requirements, ongoing running costs, cost benefit analysis and risks. The table below provides an overview of these factors for each option.

Figure 8-1 Results of options appraisal

	Option 1 5 LPU's	Option 2 4 LPU's	Option 3 3 LPU's	Option 4 2 LPU's	Option 5 1 LPU
Initial capital investment	£2.6m	£5.7m	£7.2m	£8.6m	£9.7m
Transitional revenue costs	-	£0.3m	£0.4m	£0.5m	£0.9m
Lifecycle costs	£11.2m	£8.2m	£5.8m	£3.5m	-
Overall investment required	£13.8m	£14.2m	£13.4m	£12.6m	£10.6m
Rank – Investment	4	5	3	2	1
Average cost per item	31.4p	26.3p	24.8p	25.3p	24.0p
Annual financial benefits	-	£1.6m	£2.1m	£1.9m	£2.4m
Rank – Ongoing costs	5	4	2	3	1
Benefit Cost Ratio	0.0%	11.0%	13.4%	12.0%	14.6%
Rank - BCR	5	4	2	3	1
Expected risk value over 15 years	£48.7m	£41.0m	£54.1m	£60.3m	£62.1m
Rank – Risks	2	1	3	4	5
Discounted Net Present Value over 15 years	£176.1m	£152.4m	£157.0m	£163.8m	£158.9m
Rank – NPV	5	1	2	4	3
Overall ranking	5	3	1	4	2

8.3 Selecting the preferred option

- 8.3.1 The results of the options appraisal suggest that the options should be ranked in relation to the value for money each offers as outlined in the paragraphs below.

RANK 1: Option 3 – 3 LPU's

- 8.3.2 Option 3 results in the second lowest overall NPV (total value of costs, benefits, and risks over a 15-year period). It delivers the second highest level of financial benefits

by reducing costs to 24.8p per item (£2.1m p.a.) while offering a medium level of risk and minimal disruption.

8.3.3 This is because moving to one new facility in North Wales and expanding one of the other two facilities in South Wales provides opportunities to improve productivity, quality and working conditions. At the same time, it offers a high level of system resilience since having three LPUs located across Wales allows for robust contingency arrangements, provides a relatively low risk of equipment failure and minimal logistics risks. It also allows has less of an impact on local economies by retaining more jobs at a local level than a 2 or 1 site option.

8.3.4 It is recommended that this is carried forward to the FBC as the preferred option to be explored in further detail. The FBC will focus on selecting the most appropriate location and delivery arrangements for the three LPUs.

RANK 2: Option 5 – 1 LPU

8.3.5 Despite delivering the greatest benefits for the lowest overall investment, the most ambitious option ranks second in relation to NPV, because the risks of moving to a single site solution are so significant and involve a high level of disruption.

8.3.6 This option would provide opportunities to improve productivity to such an extent it will reduce the cost to 24.0p per item (£2.4m p.a.) in line with industry best practice. However, operating from a single site increases logistics risks, particularly between North and South Wales, and allows for limited contingency arrangements, which reduces the likelihood of achieving financial benefits. This has the biggest impact on local economies.

8.3.7 It is recommended that, given the high level of risk it represents, this option is discounted at this stage.

RANK 3: Option 2 – 4 LPUs

8.3.8 Option 2 results in the lowest NPV because despite requiring the highest level of investment and delivering limited benefits, it has been assessed as having the lowest level of risk since it retains significant levels of capacity and has limited impact on the workforce.

8.3.9 However, introducing one new facility in North Wales and continuing to operate from three existing facilities in South Wales with no expansion, offers minimal opportunities to improve productivity and quality or support standardisation, and so does not deliver sufficient benefits. It also does not sufficiently mitigate system resilience risks associated with ageing equipment.

8.3.10 On this basis, it is recommended that this option is discounted at this stage.

RANK 4: Option 4 – 2 LPUs

8.3.11 Although Option 4 has limited investment requirements, it ranks third in relation to NPV, because the benefits it offers are lower than Options 3 and 5 and it offers a significant level of risk.

8.3.12 This is because although moving to one new facility in North Wales and expanding one other facility in South Wales provides opportunities to improve productivity, quality and working conditions, the benefits are offset by the significant stepped change in increased transport requirements and the related costs and risks of this, as well as the higher level of disruption to all LHBs in making this change to two LPUs.

8.3.13 On this basis, it is recommended that it is discounted at this stage.

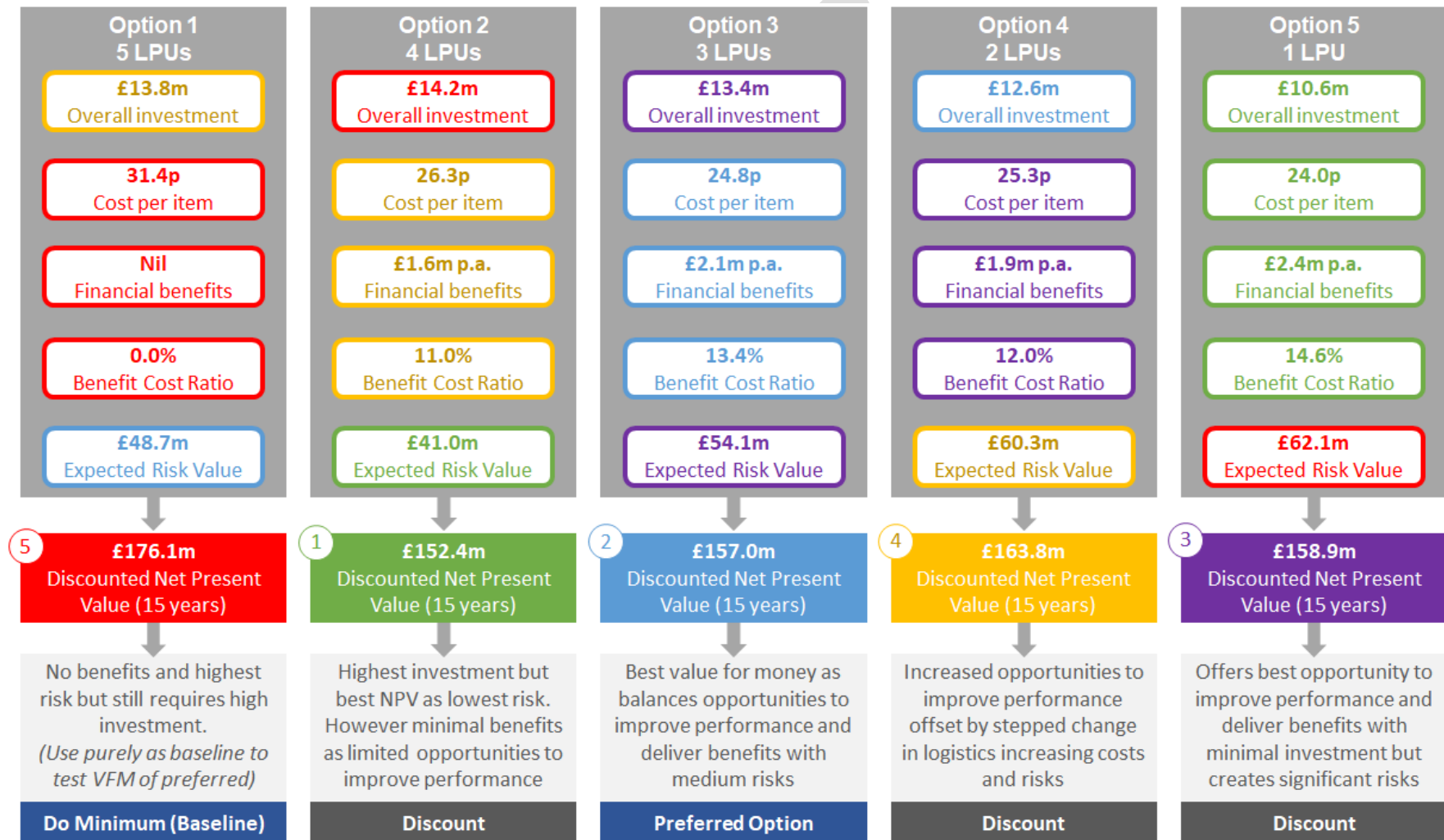
RANK 5: Option 1 – 5 LPU

- 8.3.14 Option 1 is not a feasible option since it results in the highest NPV overall by delivering no benefits, while still requiring significant levels of investment.
- 8.3.15 This is because continuing to operate in existing facilities limits opportunities to improve productivity and quality while not addressing the system resilience risks associated with ageing equipment.
- 8.3.16 It is recommended, however, that this option is carried forward to FBC as the Do Minimum option to provide a baseline against which to test the value for money of the preferred option in greater detail, while recognising it is not a feasible option.

8.4 Conclusion

- 8.4.1 Following a robust options appraisal process that considered a range of factors it is clear that continuing with existing arrangements is not a feasible option since although investment of £13.8m will ensure the service is compliant with latest standards, it will deliver no benefits and continues to present significant risks.
- 8.4.2 The diagram overleaf summarises the results of the option appraisal which shows that moving towards a more ambitious solution is likely to require a similar or lower level of investment while presenting opportunities to reduce the costs from £0.31 per item to between £0.24 and £0.26 per item, equating to an annual saving of between £1.6m and £2.4m (between 15% and 27% overall).
- 8.4.3 However, this needs to be balanced with the degree of risk and potential level of disruption to the workforce and local economies each of the options presents.
- 8.4.4 On this basis, it is recommended that Option 3 (delivering future services from 3 LPUs across Wales) is carried forward to the FBC as the 'Preferred' option since it offers best value for money by delivering financial benefits of around £2.1m p.a. while offering medium level of risks and disruption. This option includes a move to centralised management arrangements which, as outlined in section 6, provides the best opportunity for delivering these benefits.
- 8.4.5 Further work is required at FBC to identify the most appropriate locations for the three LPUs and there is a need for a transitional period that ensures there is no financial disadvantage to any Health Board through the new organisational and management arrangements.
- 8.4.6 The shortlist of options to be carried forward to the FBC to test the value for money of the preferred option in further detail therefore comprise the following:
 - **Do Minimum (as a baseline only):** Continue to deliver services from five LPUs investing in existing facilities to ensure they are compliant with latest standards and moving to centralised management arrangements (Option 1); and
 - **Preferred:** Deliver services from three LPUs that are compliant with latest standards and make the best use of assets while providing sufficient capacity to meet demand, providing modern fit-for-purpose facilities in the most appropriate locations under centralised management arrangements (Option 3).

Figure 8-2 Options appraisal summary



COMMERCIAL CASE

DRAFT

9 COMMERCIAL ARRANGEMENTS

9.1 Introduction

9.1.1 This section of the OBC sets out the commercial arrangements to deliver the preferred option for providing the Laundry Production Units service in the future. This includes the following:

- Selection of locations for the three LPUs required for the future operating model;
- Determining the key outputs and activities required to provide the three LPUs in the operating model;
- Identifying the appropriate procurement strategy to deliver the key outputs and activities; and
- Setting out commercial and contractual arrangements.

9.2 Selection of LPU locations

9.2.1 The preferred option involves reconfiguring the current operating model of five LPUs to develop the future operating model which will involve delivering services from three LPUs located across Wales.

9.2.2 The first action at FBC stage will be to select suitable locations for the three remaining LPUs. It is recommended that this involves a robust selection process undertaken by an independent panel and assessing locations against a wide range of selection criteria which is likely to include consideration for the following:

- Geographical factors;
- Transport requirements;
- Capacity requirements;
- Condition of plant equipment and buildings;
- Suitability for expansion;
- Ability to achieve productivity targets; and
- Impact on workforce and local economy.

9.2.3 The selection process will be underpinned by an analysis of logistics and distribution requirements as well as a detailed assessment of the key risks.

9.3 Key requirements of the selected LPUs

9.3.1 Once the exact locations have been selected it will be possible to determine the specific requirements for each of the three LPUs. This is likely to include the following elements:

- Where possible the refurbishment of existing facilities to address the issues outlined in the condition survey in Appendix B2;
- Where required the design, build and equipping of any expansion to existing facilities including the introduction of a new production line to provide the necessary capacity and achieve productivity targets; and
- Where it is not possible to utilise existing facilities, the design, build and equipping of new facilities, providing further evaluation demonstrates that this continues to offer better value for money than a refurbishment of existing facilities.

- 9.3.2 Once these requirements are identified it will be possible to set out in detail the key outputs and activities.

9.4 Procurement strategy

- 9.4.1 Once the key outputs and activities have been identified the procurement strategy and possible procurement routes will need to be determined.

- 9.4.2 This will include a competitive tender process for the design, build and equipping of expanded and new facilities and potentially the refurbishment of existing facilities depending on the scale.

- 9.4.3 The various available procurement routes are contingent on the value, market conditions, agreed funding mechanisms and legislative requirements. Potential routes that should be explored include:

- **Official Journal of the European Community (OJEU)** - This is the publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation must be published. The current limits are £4,104,394 for works contracts and £62,842 for services.
- **Procurement framework** – These are pre-competed agreements that may contain a number of potential suppliers. As a result it can be possible to procure in excess of OJEU limits given previous competition has been completed. In the event of multiple providers being on a framework it is likely a mini competition exercise would be undertaken.
- **Competitive tender** – Instigating a competitive tender process outside of a framework agreement.

- 9.4.4 The selected procurement approach should ensure that good competition is achieved within the market. It should also be transparent and demonstrate that value for money is achieved. It must adhere to NHS Wales and individual Health Boards' Standing Financial Instructions.

9.5 Commercial arrangements

- 9.5.1 Detailed commercial arrangements will be considered at FBC stage. Key considerations include:

- **Scope of works and services:** Defining in detail the scope of works to build the new facility and procure associated equipment.
- **Risk apportionment:** Identifying the categories of risk and agreeing how risks falling within each category will be apportioned between parties.
- **Payment mechanisms:** Linking the level of payment to the level of service and agreeing adjustments for sub-standard performance or service failure, ensuring that clearly defined performance standards are specified in the contract to enable subsequent effective contract management.
- **Contractual arrangements:** Including contract duration, KPIs, compliance with law and with standards (including BS EN 14065, the standards for decontamination of linen), change control, remedies on failure, dispute resolution, equipment, and building information monitoring.
- **Personnel implications:** Further work is required to identify the implications of the redeployment of staff.

- **TUPE implications:** It is anticipated that TUPE (Transfer of Undertaking and Protection of Employees) will apply in the case of the identified preferred option.

9.6 Conclusion

- 9.6.1 A number of considerations have been identified relating to procurement strategy and commercial arrangements. These will need to be explored and set out in detail at FBC stage.

DRAFT

FINANCIAL CASE

DRAFT

10 FINANCIAL APPRAISAL

10.1 Introduction

10.1.1 The purpose of this section is to set out the expected financial implications of the preferred option of reconfiguring the operating model to deliver services from three LPUs.

10.2 Capital costs

10.2.1 Specific capital requirements for the delivery of the preferred option will be determined once the locations of the three LPUs included in the future operating model have been selected.

10.2.2 However, an initial assessment of the feasible configurations for providing three LPUs suggests that the most likely scenario, which provides a conservative estimate of capital requirements as well as resulting in a configuration which provides adequate capacity and an ability to achieve productivity targets includes the following:

- Development of one new LPU in the north;
- Upgrade of one LPU in the south; and
- Upgrading and extending one LPU in the south to accommodate an additional production line and increase capacity.

10.2.3 This will include the elements outlined in the table below along with the assumptions used to estimate costs.

Figure 10-1 Capital requirements

Capital requirement	Costing assumptions
Development of one new purpose-built facility	The assumptions used in BCUHB's Option Appraisal for a 1850m2 unit
Refurbishment of two existing facilities to address the issues highlighted in the condition survey	The average cost per LPU as estimated in the condition survey in Appendix B2
Expansion of one of the existing facilities and introduction of a new production line	Estimated building costs for a 925m2 extension and the likely cost of a new production line

10.2.4 Based on these assumptions, it is estimated that the preferred option will require initial capital investment of £8.6m, including VAT. An analysis of this is provided in the table below.

Figure 10-2 Capital costs (£'000)

Capital requirement	Capital	VAT	TOTAL
New facility	4,329	866	5,195
Refurbishment of existing facilities	917	183	1,101
Expansion of existing facilities	1,921	384	2,305
Total	7,167	1,433	8,600

10.2.5 Clearly there is a degree of uncertainty around these costs since they may vary depending on the locations selected to provide three the LPUs.

10.2.6 Sensitivity analysis suggests that the main area of uncertainty relates to the new facility. It is possible that initial capital costs could be reduced by around £3.7m if existing facilities could be used to provide all three LPUs. However, this would only be feasible if all three LPUs were to be provided in South Wales and it is likely this would increase lifecycle costs by around £2.0m, result in additional transport costs, and reduce productivity benefits and this would negate any capital savings in value for money terms.

10.2.7 It may be possible to reduce VAT liability once the locations and specific capital requirements are determined and further advice will need to be obtained at that stage.

10.3 Non-recurring revenue costs

10.3.1 It is anticipated that the preferred option would incur one-off revenue costs of around £0.4m to cover the following transitional costs:

- Double running costs during refurbishment period and as activity is transferred from the two displaced LPUs; and
- Redeployment costs.

Figure 10-3 Non-recurring revenue costs (£'000)

Implementation requirements	One-off costs
Double running costs	145
Redeployment costs	249
Total	395

10.4 Recurring revenue costs

10.4.1 It is estimated that implementing the preferred option will reduce overall recurring revenue costs by around £2.1m p.a. (21.0% saving), resulting in an average cost per item of £0.248, as shown in the analysis below.

Figure 10-4 Recurring revenue costs (£'000)

	Baseline	Preferred Option	Impact
WTE	226.4	149.3	77.1
Pay costs	5,859	3,743	2,115
Non pay costs	4,208	4,210	(3)
Total costs	10,066	7,953	2,113
Average cost per item	£0.314	£0.248	£0.066

10.4.2 Under current arrangements each of the Health Boards incurs LPU costs at different average cost per item. Further work is required at FBC stage to determine how future

costs and financial benefits should be allocated to each of the Health Boards on an equitable basis.

10.5 Balance sheet impact and capital charges

10.5.1 It is not possible to determine the impact on balance sheet and resulting capital charges until after the location selection process is complete.

10.5.2 Again, discussions are required to determine the accounting treatment under centralised management arrangements.

10.6 Affordability

10.6.1 The level of savings identified demonstrate that the preferred solution is affordable in revenue terms.

10.6.2 However, a capital funding allocation, estimated at £8.6m, is requested from Welsh Government to deliver this scheme.

10.7 Conclusion

10.7.1 Delivering the preferred option is expected to result in the following:

- Initial capital investment of £8.6m funding from Welsh Government;
- One off revenue costs of £0.3m to be funded from the first year of revenue savings; and
- Recurring cash releasing benefits for NHS Wales of £2.1m p.a.

MANAGEMENT CASE

DRAFT

11 MANAGEMENT ARRANGEMENTS

11.1 Introduction

11.1.1 This section of the OBC sets out the management arrangements required to deliver the preferred option including:

- Project management arrangements;
- Change management arrangements;
- Benefits realisation plans;
- Risk management plans; and
- Project assurance and post project evaluation plans.

11.2 Project management arrangements

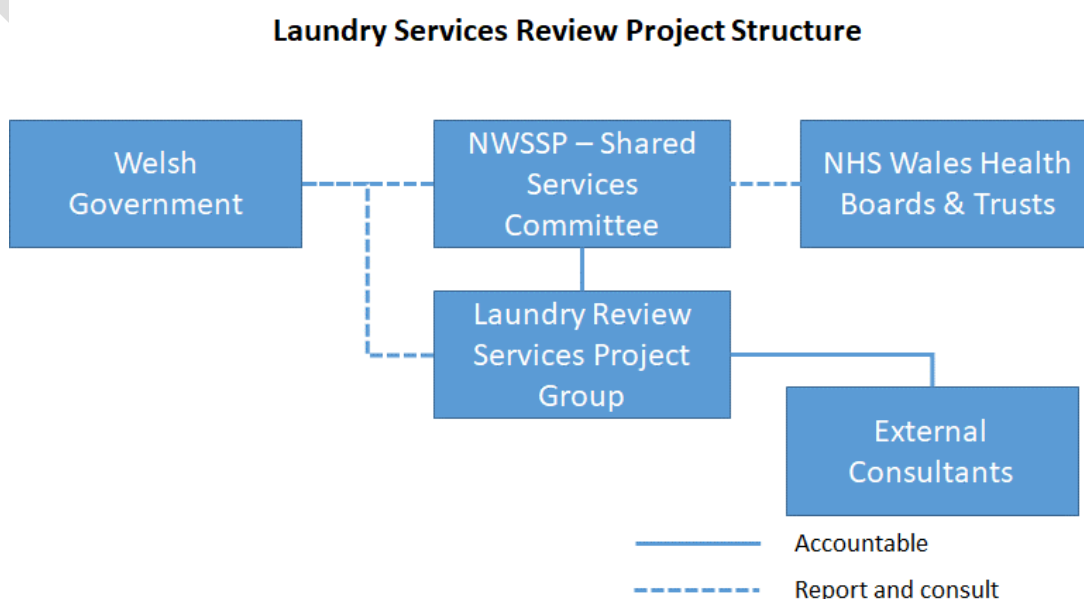
11.2.1 Once the process has been completed to select the locations for the three LPUs to be included in the future operating model, the strategy, framework and plans for successful project delivery will be developed in detail.

11.2.2 The implementation strategy will embrace the principles of programme and project management, adopting the following methodologies as recommended by the Cabinet Office:

- **Managing Successful Projects (MSP):** which represents proven good practice for successfully delivering transformational change and is drawn from the experiences of both public and private sectors.
- **PRINCE - Projects IN Controlled Environment Managing Successful Projects (PRINCE2):** which represents proven good practice in project management and is drawn from the experiences of both public and private sectors over many years.

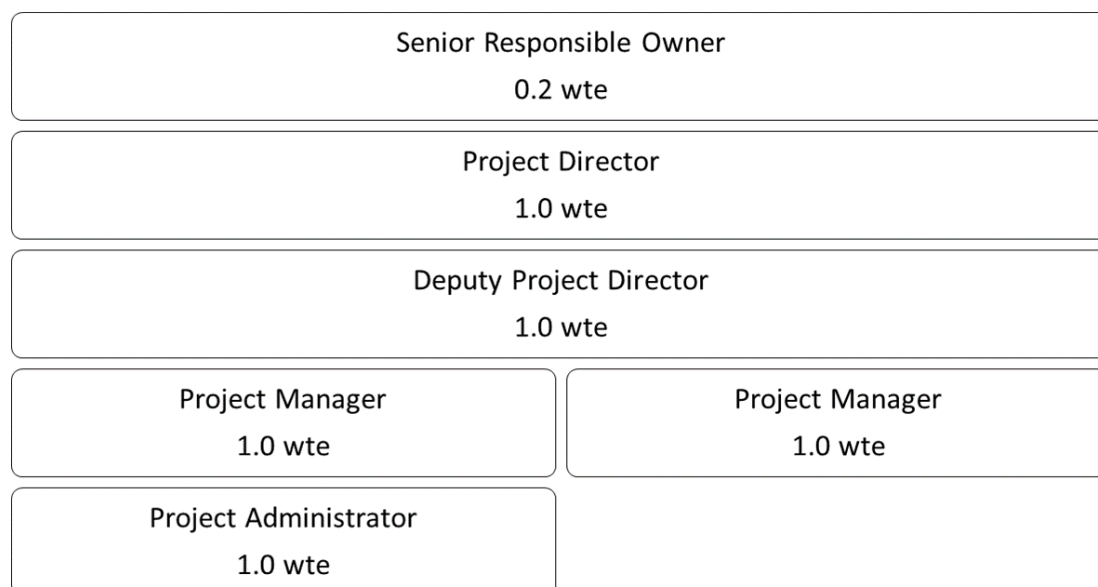
11.2.3 The governance arrangements are outlined in the diagram below.

Figure 11-1 Governance arrangement



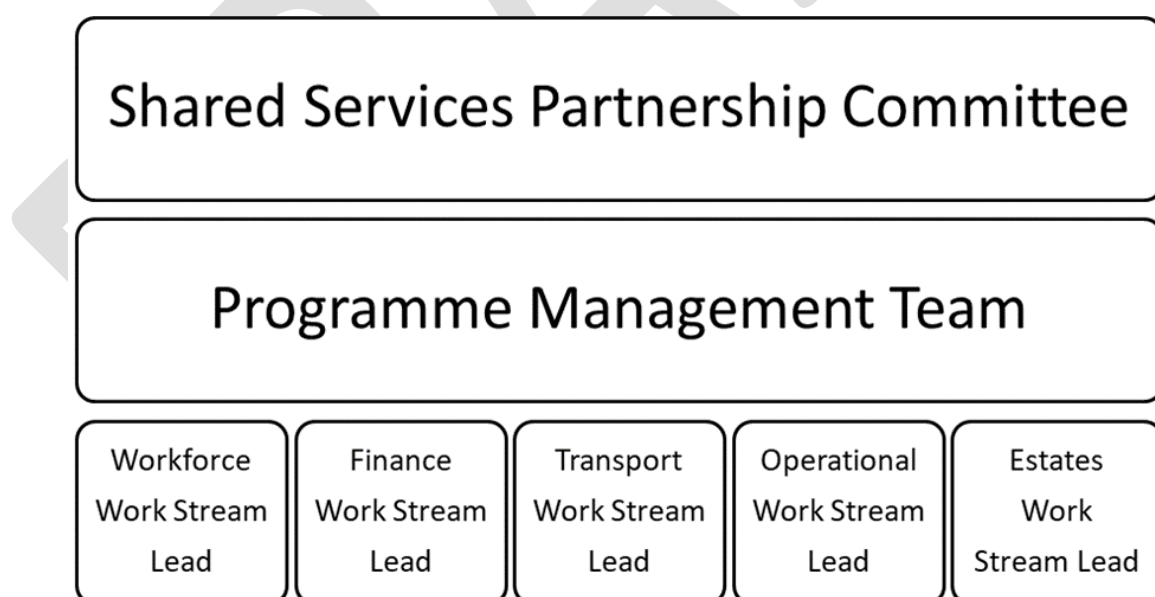
- 11.2.4 The reconstituted Programme Board will be established to develop the FBC and ultimately deliver the preferred option which will include the key roles and responsibilities outlined in the table below.

Figure 11-2 Key roles and responsibilities



- 11.2.5 The diagram below illustrates the Programme Board workstreams.

Figure 11-3 Workstreams



- 11.2.6 A detailed project plan will be developed to control and track the progress and delivery of the project and resulting outcomes. A high-level plan with indicative timescales is provided in the table below.

Figure 11-4 Indicative project timescales

Stage	Milestone	Duration	Completion date
OBC	SSP Committee OBC approval	1 month	Nov-18
Pre-FBC	Transfer management of LPU's to Shared Services Partnership	5 months	Apr-19
Pre-FBC	FBC mobilisation / Appoint Project Team	1 month	Dec-18
Pre-FBC	Tender for Specialist Consultants	2 months	Feb-19
OBC	Welsh Government OBC approval	4 months	Mar-19
FBC	Appoint Specialist Consultants	1 month	Mar-19
FBC	Location selection process (including detailed transport analysis and assessment of key risks)	2 months	May-19
FBC	Design process (develop service model and facilities specification)	4 months	Sep-19
FBC	Procurement process (determine firm costs and contractual arrangements)	4 months	Jan-19
FBC	Prepare detailed implementation plans and finalise FBC	1 month	Feb-20
FBC	Shared Services Partnership Committee FBC approval	1 month	Mar-20
FBC	Welsh Government FBC approval	3 month	Jun-20
FBC	FBC approval	1 month	Jul-20
Implementation	Implement plans outlined in FBC	12 months	Jul-21
Implementation	Parallel running of existing and new arrangements	5 months	Dec-21

11.3 Change management arrangements

- 11.3.1 The main purpose of the change management strategy is to assess the potential impact of the proposed change on the culture, systems, processes and people working within the organisation.
- 11.3.2 The change management strategy will be developed in line with NWSSP Project Management Procedures and in relation to the needs of the three LPUs that are selected to be included in the future operating model to deliver the preferred option.
- 11.3.3 The change management plans will be developed in partnership with stakeholder organisations, human resources and staff representatives and will set out the relevant

communication and organisational development and training strategies required for the implementation phase.

- 11.3.4 The change management plan is likely to include the key tasks outlined below.

Figure 11-5 Indicative change management plan

Area	Planned tasks
Planning phase	<ul style="list-style-type: none"> • Appoint key programme roles and Change Managers. Confirm responsibilities, leadership, and reporting mechanisms. • Revisit and agree philosophy and principles • Confirm stakeholders and interested parties both within and outside of service • Develop core plan in more detail, identify high level milestones for change management plan • Confirm involvement of HR, managers and other individuals/groups in the process.
Communications and stakeholder engagement	<ul style="list-style-type: none"> • Confirm communication lead and protocol • Develop communication routes, including face-to-face briefings, emails, and phone calls. • Formulate and agree key communications messages against high level milestones • Set up further staff and stakeholder engagement plans • Launch change programme • Ongoing communication works
Training and development	<ul style="list-style-type: none"> • Complete detailed workforce planning to identify 'shadow' structures, roles and competencies for those roles • Work with staff through workshops and other training to clarify the workings of the existing and new models, and how these will impact in practice. • Identify training and development required to fulfil roles and competencies • Develop training plan, aligned to pilot work, mapped against high level project and change management milestones • Link training and development into communications plan
Piloting	<ul style="list-style-type: none"> • Testing and piloting phase
Full Implementation	<ul style="list-style-type: none"> • Implement changes in line with project plan ensuring actions are taken to deliver benefits and manage risks

11.4 Benefits realisation plan

- 11.4.1 A detailed plan will be developed to put in place the necessary arrangements to ensure that the project delivers its anticipated benefits.
- 11.4.2 This will include a benefits realisation strategy setting out the arrangements for planning, modelling and tracking the identified benefits as well as a framework that assigns responsibility for the realisation of the benefits throughout key phases of the project.
- 11.4.3 The main benefits for the preferred option are outlined in the benefits register included in Appendix D1. This register will be reviewed and updated as part of the FBC once

the location selection process has been completed and continuously throughout the project.

11.5 Risk management plan

11.5.1 A detailed plan will be developed to put in place a structured approach to identify, assess, and control the risks that emerge during the course of the project lifecycle.

11.5.2 This will include a risk management strategy setting out the arrangements for the proactive and effective management of risk including

- Mechanisms to minimise the likelihood of risks materialising with adverse effects;
- Processes to monitor risks and access reliable, up-to-date information about risks;
- Control mechanisms to mitigate the adverse consequences of risks should they materialise; and
- Assigned responsibility for the management of risks.

11.5.3 The main risks for the preferred option are outlined in the risk register included in Appendix D2. This register will be reviewed and updated as part of the FBC once the location selection process has been completed and continuously throughout the project.

11.6 Project assurance

11.6.1 Project assurance provides independent and impartial assessment that the project's spending objectives can be delivered successfully and improves the prospects of intended outcomes and benefits. It is anticipated that this project will be subject to assurance reviews as appropriate.

11.7 Post project evaluation

11.7.1 The purpose of post project evaluation (PPE) is to improve project delivery through lessons learned during the project delivery phase and to appraise whether the project has delivered its anticipated outcomes and benefits.

11.7.2 The PPE will be completed in line with NWSSP Project Management Procedures.



GIG
CYMRU
NHS
WALES

Partneriaeth
Cydwasaethau
Shared Services
Partnership

AGENDA ITEM:4.2

15th November 2018

The report is/is not Exempt

Teitl yr Adroddiad/Title of Report

Development of a Business Justification Case (BJC) for the procurement and implementation of a new Legal Case Management System (CMS)

**ARWEINYDD:
LEAD:**

Anne-Louise Ferguson, Director of Legal and Risk Services, NWSSP

**AWDUR:
AUTHOR:**

**Mark Harris, Legal & Risk Services, NWSSP
Martin Riley, Finance, NWSSP**

**SWYDDOG ADRODD:
REPORTING
OFFICER:**

Andy Butler, Director of Finance & Corporate Services

**Pwrpas yr Adroddiad:
Purpose of the Report:**

The purpose of this report is to provide the SSPC an update on the need for a new Legal Case Management System and the development and progress in procuring a new system.

Llywodraethu/Governance

**Amcanion:
Objectives:**

Value for Money - To develop a highly efficient and effective service which delivers real terms savings and service quality benefits to its customers.
Excellence - To develop a service that delivers process excellence through a focus on continuous service improvement, automation and the use of technology.
Staff - To have an appropriately skilled, productive, engaged and healthy workforce.

**Tystiolaeth:
Supporting
evidence:**

-

Ymgynghoriad/Consultation :

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Adduned y Pwyllgor/Committee Resolution (insert ✓):							
DERBYN/ APPROVE		ARNODI/ ENDORSE	✓	TRAFOD/ DISCUSS		NODI/ NOTE	✓
Argymhelliad/ Recommendation		<p>The Committee is asked to:</p> <p>The Committee are asked to endorse the BJC being submitted to the Welsh Government.</p>					

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	No direct Impact
Cyfreithiol: Legal:	No direct Impact
Iechyd Poblogaeth: Population Health:	No direct Impact
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	No direct Impact
Ariannol: Financial:	Distribution to NHS Wales
Risg a Aswariant: Risk and Assurance:	Consolidation of Financial & Workforce Risk
Safonau Iechyd a Gofal: Health & Care Standards:	No direct Impact
Gweithlu: Workforce:	No direct Impact
Deddf Rhyddid Gwybodaeth/ FOIA	Open

INTRODUCTION

Legal & Risk Services has developed a BJC to provide business justification for the capital investment of an estimated £350k - £500k for implementation of an Enterprise Legal Management solution.

The service has invested in technology to support its day-to-day operations, however the current Microsoft (MS) Access based legal case management system has been developed by a sole contractor who is reaching retirement. The application is 15 years old and does not integrate fully to other IT systems. This results in more manual and time consuming intervention. A modern document management system is also in place, but the required levels of integration and functionality cannot be achieved, because the provider limits access to its programming and restricts development in favour of its wider client base.

L&R are striving to be world class and to provide a modern technology-enabled, data-rich service – driven by health service need. The recommendation is therefore for a new, modern, fully functional and integrated corporate IT legal case and document management system as planned for and reflected in the NWSSP Integrated Medium Term Plan (IMTP) for the past 3-4 years. The aim is to provide a robust solution that ensures the development of L&R's specialist legal services. This will improve governance and resilience across an increasing legal case workload and will maximise efficiencies and the effective deployment of staff, through workflow management, task allocation and automation. The solution will also facilitate significant improvements to reporting, with better feedback to the health service of lessons learned, aiming to reduce the cost of legal risks, in particular caused by clinical negligence and personal injury claims.

The Welsh Government's recent Parliamentary Review of the Long Term Future of Health and Social Care, called for a "revolution from within", to drive change in our health and social care system, to meet the needs of current and future generations in Wales.

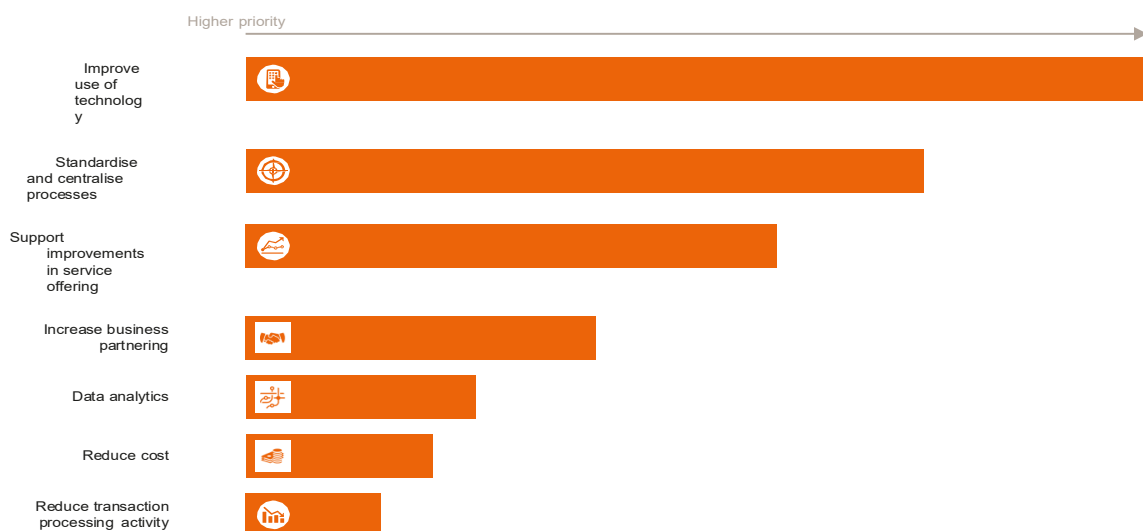
The Cabinet Secretary's plan "A Healthier Wales: Our Plan for Health and Social Care" identifies a number of key themes to which the plans of NWSSP, L&R and this project align very closely. In particular:

- Using evidence, sharing experiences and accelerating learning to drive good practice,
- Investment in digital technologies as a key enabler of change, with improved and better connected data, including machine learning and artificial intelligence,
- Enabling agile responses to emerging technologies,

- The importance of specialist advisory functions hosted by national services such as L&R, as key enablers to strategic change; transformation and consolidation of national activity, clarifying governance and accountability.

PricewaterhouseCoopers (PWC) produces an annual Law Firm survey. Their 26th survey, "Time for change: PwC Law Firms' Survey 2017" was published last year. The report considers the current focus of Law Firms and their main drivers for change. The following table extracted from the report identifies improving the use of technology as the primary driver for change and improvement. Other high priority features listed rely heavily on the use of technology too, in particular standardise and centralise processes, data analytics and reducing transaction processing activity. These features are key to L&R's project.

Top priorities for business support in the next 12 months



The report emphasises that "firms of the future will have embedded best in class technology into all of their legal processes, and will continuously innovate as better software tools are developed. Work will still be led by people but they will be augmented by technology, including Artificial Intelligence – taking many manual hours out of processes and allowing risk management coverage that is unfeasible today. Output from service providers will look very different – more visual and frequently interactive."

The report goes on to emphasise that, "successful law firms will have command over their unstructured data and this will enable them to develop a meaningful understanding of their clients' businesses and their legal risks. Decisions and actions will be driven by data rather than by experience. Law firms will have their own predictive analytics for their clients, trained through

case history. This will favour firms with the deepest experience and will discourage clients from switching advisors.”

This resonates with the L&R’s experience and role in supporting the Health Service in Wales. A system which enables case and claim history analysis across a broad range of our services from Clinical Negligence, Personal Injury and a full range of Commercial advice, will enable us to produce more efficient, effective and evidence-based support to Health Boards and NHS Trusts. An indirect benefit will be to link the new technology to the national Datix or its upgrade/replacement system (currently under All Wales review) further aiding efficiencies and facilitating claims-reduction from lessons learned.

Improving technology is prevalent throughout our IMTP and underpins the achievement of our business targets. The IMTP specifically highlights the need for “implementation of a new case/document management system enabling automation of tasks and streamlined work...”

In the context of a growing and diversifying portfolio it is imperative that L&R’s IT systems:

- Maximise business efficiency;
- Support the solicitors and their teams in case/matter and document management;
- Streamline and where achievable automate administrative processes;
- Provide robust, comprehensive reporting functionality to the NHS in Wales and to Welsh Government, influencing innovation, modernisation and consistency through sharing lessons learnt and delivering high quality services;
- Ensure business continuity and resilience;
- Future-proof growth, development and diversification.

The current legacy systems are severely limited in their capacity to support the above targets, resulting in business inefficiencies, duplication, unnecessary manual tasks and limited development opportunities. Should the programme fail to deliver a replacement solution then it is likely L&R will need to increase headcount to process an increasing workload, in the context of inefficient legacy case and document management systems with associated business continuity risks. This will adversely impact the quality of service provision and value for money.

An innovative and integrated IT system will help with the recruitment and retention strategy. Attracting, keeping and developing staff is a key success factor to achieving IMTP objectives. Staff will want to work in an environment consisting of modern, innovative systems. . The PWC Report

"Time for change: PwC Law Firms' Survey 2017", referenced earlier in this business case, identifies improving the use of technology as the primary driver for change and improvement. Therefore, embracing change and enhancing technology is a key driver for the success of ensuring it has the right staff with the right values and skills to deliver the IMTP.

PROGRESS

- A Business Justification Case (BJC) has been developed.
- The BJC is currently being "tested" with peers and will be finalised by the end of November.
- The project is being managed via PRINCE II methodology, with project highlight reporting to a project board who meet at agreed project milestones during the lifecycle of the project. The project board includes the SRO, senior users, finance lead, a project manager and project support.

FINANCE & ADDED VALUE

The capital cost of the preferred solution within the BJC will cost £350k - £500k.

However, the new system will stimulate business efficiencies and identify potential for business improvement, development and growth. It is anticipated that, by improved targeting of resources additional work can be generated from NHS Wales and the wider public sector. By procuring this work from Legal and Risk Services rather than commercial companies a saving of a minimum of 30% will be generated. Therefore, for every £100k of income generated the saving to the NHS and wider public sector will be £30k. It is anticipated that growth will be £100k for 5 years thus generating £30k in year 1 moving up to £150k in year 5 with cumulative savings in this area totalling £450k.

This saving will be for the wider NHS and public sector and will not be for Legal and Risk Services. The new case management system will assist with evaluating this and assessing value for money.

Whilst this is important and drives business improvement and demonstrates added value, this however, is a small benefit when compared to the larger benefits that could be generated by savings against clinical negligence. With future liabilities already in the system exceeding £1bn and annual payments totalling £105m the impact in this area could be huge.

A case study highlighting the role of a new system in reducing future costs.

Identifying midwifery claims:

*The costs of claims related to maternity and obstetric events is a prominent value. Over 50% of claims which are settled through the means of a Periodical Payment Order (PPO) relate to this group of events and this means that the Welsh Risk Pool is currently committed to an annual long-term commitment of over £6m per year in relation to this group of claims. Reducing the increase in this case would represent a significant saving. **These cases need to identified and analysed in detail in order to ascertain the appropriate action.***

*In addition to PPO settlements, claims related to maternity and obstetric care which result in reimbursement to health bodies continue to represent a large proportion of the Welsh Risk Pool payments. In the period 2013 to 2016, reimbursements to health bodies for maternity and obstetric claims not related to PPO's was **£83,654,750.***

Detailed case analysis and intervention by the WRP learning team in this area can save the NHS £m's per annum. For example using PROMPT training. However, a sophisticated database, with robust reporting tools is vital to ensure the right support is provided in the right area at the right time.

The above example illustrates the impact that a new Legal Case Management system can make. Quantifying this at this stage is impossible. However with annual payments of over £100m and £1bn of provisions in the system the scale of the potential impact is huge.

If one maternity case was avoided as a result of implementing lessons learned, targeted by the new case management system then the saving on one case alone could be £20m. If liability was reduced then the saving on one case alone could be £3m to £10m.

RECOMMENDATION

A new system correlates to NWSSP's core values. A new system will reduce costs and increase savings to be returned to frontline patient care. It will enable L&R to improve partnership working internally and across both NHS Wales and the wider public sector.

The solution will be innovative and demonstrates an ongoing drive for service improvement and efficiency. It will reduce waste (in terms of time) and enhance customer service and experience.

The BJC is currently subject to peer review and is being finalised. **The Committee are asked to endorse the BJC being submitted to the Welsh Government.**

 GIG CYMRU NHS WALES	Partneriaeth Cydwasaethau Shared Services Partnership	AGENDA ITEM:4.3 15 November 2018
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<i>The report is Exempt</i>
Teitl yr Adroddiad/Title of Report
Fire Suppression Business Case

ARWEINYDD: LEAD:	Dave Hopkins, Director of Primary Care Services
AWDUR: AUTHOR:	Nicola Phillips, Primary Care Services
SWYDDOG ADRODD: REPORTING OFFICER:	Andy Butler, Director of Finance & Corporate Services
MANYLION CYSWLLT: CONTACT DETAILS:	dave.hopkins@wales.nhs.uk

Pwrpas yr Adroddiad: Purpose of the Report:
To request approval from the Committee for the Fire Suppression Business Case so that it may be submitted to Welsh Government for funding.

Llywodraethu/ Governance	
Amcanion: Objectives:	Excellence – to develop an organisation that delivers a process excellence through a focus on continuous service improvement
Tystiolaeth: Supporting evidence:	-

Ymgynghoriad/ Consultation:
NWSSP SMT

Adduned y Pwyllgor/Committee Resolution (insert ✓):							
DERBYN/ APPROVE	✓	ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE	
Argymhelliad/							

Recommendation	The Committee is asked to APPROVE the Business Case.
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Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	Equality and diversity considerations have been taken into account.
Cyfreithiol: Legal:	Legal considerations have been taken into account where applicable.
Iechyd Poblogaeth: Population Health:	The funding of the Business Case would enable a greater proportion of patient medical records to be securely stored, thus freeing up capacity in GP Practices to provide a wider range of services to patients. .
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	The increase in primary care capacity that would result from approval of the business case allows GPs the potential to expand and improve the primary care experience for patients.
Ariannol: Financial:	The costs of all potential options have been taken into account.
Risg a Aswiriant: Risk and Assurance:	Appropriate risks and forms of assurance have been considered.
Safonau Iechyd a Gofal: Health & Care Standards:	Access to the Standards can be obtained from the following link: http://www.wales.nhs.uk/sitesplus/documents/1064/24729_Health%20Standards%20Framework_2015_E1.pdf Standard 1.1 Health Promotion, Protection and Improvement
Gweithlu: Workforce:	The impact on the workforce has been considered.
Deddf Rhyddid Gwybodaeth/ Freedom of Information	Open.



Expansion of the Patient Medical Record (PMR) Storage and Scan on Demand Service

Business Justification Case

Version No: 11.0
Issue Date: 07.11.18

Version History

Version	Date Issued	Brief Summary of Change	Owner's Name
1.0	06.12.16		Nicola Phillips
2.0	20.02.17	Updated based on ABHB requirements. Capital and year end position NWSSP	Nicola Phillips
3.0	16.10.17	Updated to reflect requirements to maximise existing and increase space requirements.	Nicola Phillips
9.0	21.06.18	Updated to reflect change in capital requirements	Nicola Phillips
10.0	09.07.18	Updated to reflect change in capital requirements	Nicola Phillips
11.0	07.11.18	Updated to reflect change in Capital Requirements following an independent review of Fire suppression options.	Nicola Phillips

Contents – Business Justification Case

- 1. Purpose**
- 2. Strategic context**
- 3. Case for change**
- 4. Available options**
- 5. Preferred option**
- 6. Procurement route**
- 7. Funding and affordability**
- 8. Management arrangements**

Appendix

- A. Schedule of Activity by Health Board**
- B. Schedule of Investment Requirements**

NHS Wales Shared Services Partnership – Capital Investment Requirement to support development plans

1. Purpose

The purpose of this document is to provide a business justification for the capital investment of £140,000 in the NHS Wales Shared Services Partnership (NWSSP).

Supporting 'A Healthier Wales' this business case will highlight the capital required to enable a programme of work which will;

- a) create valuable space within General practice and enable services to move from secondary to primary care;
- b) create valuable space enabling practices to expand delivery of services on a Cluster cohort basis delivering services closer to the patients home;
- c) reduce improvement grant expenditure and allow reinvestment in other work streams and estates projects;
- d) reduce administrative burden on GP practices allowing resources to be realigned;
- e) enable GP practices to effectively respond to the emerging Primary Care Service development agenda, and in particular to further support cluster networks as they mature;
- f) support the 'Once for Wales' approach by removing duplication of effort;
- g) support the overall primary care sustainability agenda, improving facilities and services that enhance a multi-disciplinary transformation culture.

The Patient Medical Record (PMR) Storage and Scan on Demand Service is an off-site storage and management facility for live patient paper medical records. The service operates out of Brecon House, Mamhilad and is provided on behalf of general medical practices and supported by health boards in Wales. The Brecon House facility has grown over the last 2 years and at present houses approx. 21% of NHS Wales live PMRs. The PMR service is a key enabler to release valuable primary care estate, currently utilised in general practices for the storage of paper PMRs. Releasing this estate will allow practices to reallocate space for the provision of primary care services acting as a catalyst to broaden the portfolio of offerings both within the practice and the wider cluster, directly benefitting the health and wellbeing of the local population.

2. Strategic Context


During 2015/16 a key initiative in NWSSP-PCS, Service Development Plan, was the development and implementation of a pilot for offsite live GP patient paper record storage and a scan on demand service.

Following the successful pilot the storage and scan on demand service commenced rollout based on agreed priorities with Health Board primary care leads in Wales. As the service has rolled out it is evident that the benefits highlighted above meet the primary care strategic agenda of health boards whilst supporting the overall sustainability agenda. Acting as an enabler to achieving elements outlined in 'A Healthier Wales', the PMR service proactively supports cluster development by providing the environment for service expansion and improved patient services.

Primary Care Services has been awarded the Welsh Quality Centres, 'Most Improved Organisation' across both private and public sectors organisations in Wales for two consecutive years and continue to enhance its accreditation of the Cabinet Office's Customer Services Excellence Standard. A significant contribution to this recognition has been the innovative approach in the development of the Storage and Scan on Demand Service to alleviate space pressures within primary care and respond to the GP sustainability agenda.

To understand the scale of the project to date, key statistics have been compiled and are outlined below:

Measure	Value
See Appendix B for room, record and box capacity/volumes. The original storage facility consisted of three storage rooms outlined in Appendix C, Rooms 1-3 accommodating up to 66,076 storage boxes containing suspense/deceased patient medical records and general archiving. All three rooms are protected by an inert gas fire suppression system. By maximising and expanding this facility capacity for the storage of an additional 39,915 boxes (includes mobile and peripheral fixed racking in Rooms 1, 4, 5 & 6) has been created. Rooms 4-6 are not protected by a fire suppression system, therefore boxes have been reorganised as far as possible to ensure live records are stored in Rooms 1-3 with other archiving, i.e., deceased records and general archiving being stored in Rooms 4-6.	Supports an approach for service transformation and those aspirations outlined in the Parliamentary review.

<p>Capital investment in March 2018 to mobile rack Room 1 has maximised existing fire suppressed areas, Rooms 1-3 to provide capacity for 66,076 boxes/circa 1,651,900 of 'live' patient records (maximum 50% of the patient population of Wales).</p> <p>As at 01/11/2018, the number of live PMR records equates to 656,217; known scheduled/planned activity for 2018/19, equates to 24 practices/196,047 records, totalling 852,264 records – accommodating circa 52% of fire suppressed Rooms 1-3.</p> <p>In addition to live PMR records, fire suppressed space must be allocated to the storage of live suspense records (circa 5,000 boxes). A suspense record is where a patient has left a GP practice but has not yet re-registered with another GP practice. Therefore, forecasted available capacity for live records in 2019/20 is circa 32,000 boxes/800,000 records. As at 01/11/2018, 21% of live patient medical records for NHS Wales population are being stored in Brecon House, equating to 40% of the capacity of rooms 1-3.</p> <p>If Rooms 1-6 inclusive on the ground floor were protected by fire suppression and the facility was reorganised to accommodate live records in this area, capacity to store 105,991 boxes storing circa 2,649,775 records; up to a maximum of 80% of the patient population in Wales would be achieved.</p> <p>Further expansion of the facility to the upper level Rooms 7-9 would increase storage box capacity by 42,270 boxes equating to the storage of circa 1,056,750 records.</p>	
<p>A schedule of activity (to-date/planned) by health board is provided at Appendix A.</p>	
<p>A summary of Capital investment is outlined at Appendix B.</p>	
<p>A summary of existing ground floor level estate is outlined at Appendix C.</p>	
<p>PMR Storage and Scan on Demand Service is a key enabler to Health Boards, Clusters and GP practices to allow development of primary care services and a key plank within NWSSP's IMTP Service Development Plan.</p>	 Nov 16 - Final Delivery Plan Templat

3. Case for Change

A. Business needs

To enable GP practices and clusters to respond to service demand and secure services at a local level to support service transformation as outlined in 'A Healthier Wales', it is vital that prime estate is critically reviewed and used in the most effective and efficient manner.

It is evident that a substantial amount of space is used to store patient medical records that could otherwise be used to deliver primary care services. Many GP practices in Wales have outgrown existing premises and would benefit from re-modelling available space to optimise service delivery, both based on their practice population as well as the potential to offer services on a broader cluster cohort basis.

As primary care services develop and the electronic transfer of live patient records via GP2GP is rolled out in Wales by the NHS Wales Informatics Service (NWIS), there is less requirement for immediate access to the live patient paper record to treat patients albeit the legal requirement to maintain a paper medical record remains.

B. Benefits

Benefits identified include:

- a) Supports the transformation of services as outlined in 'A Healthier Wales';
 - b) Supports the 'Once for Wales' approach removing duplication of effort;
 - c) Invaluable practice space created improving the efficient delivery of multi-disciplinary primary care services;
 - d) High quality scanned images produced and electronically transferred to via the secure NHS portal;
 - e) Assurance that records are being managed within NHS services against defined key performance indicators (KPIs) and tested standard operating procedures (SOPs);
 - f) Releases pressure on Primary Care estates and support the ongoing modernisation within the Health Board's Estates Strategy;
 - g) Enables the reallocation of valuable practice resource;
 - h) Supports and responds to GP and the broader primary care sustainability agenda;
 - i) Delivery of Primary Care Services in the patients locality;
-

- j) Facilitates the delivery of additional services in the locality enabling a shift from secondary care in to primary and community based services;
- k) Provides a secure repository that conforms to national information governance protocol.

C. Risks

Risk of fire.

The storage of records in a single location increases the impact of loss in the event of fire. To mitigate this risk it is proposed to extend the existing inert gas (aragonite) fire suppression system in Rooms 1, 2 and 3 to cover Rooms 4, 5 and 6 thus protecting all material stored on the ground floor level.

Alternatives to the inert gas fire suppression system have been identified. These alternatives include a water or mist system, these systems being flexible with regards to expansion within stores accommodation. An independent report has been commissioned in order to review all alternatives and proceed to procure the most cost effective and efficient solution. A copy of this independent report is embedded below.



CFSQ14021 - NHS
Wales Archive Rooms

It should be noted that a medical records storage site in Darlington, operated on behalf of Primary Care Services England (PCSE) and run by CAPITA Business Services LTD, currently operates without any fire suppression services in place. A risk assessment was completed by CIC (storage provider) who confirmed due to the sprinkler system in place more damage would be incurred through a site wide sprinkler system rather than alerting the onsite fire service to contain any fire at the site. This advice was provided by the Lingfield Point local Fire Service who inspected the site as part of the emergency planning at the start of the PCSE contract with NHS England.

4. Available Options

A review has identified 4 options with regards to this investment programme which are outlined below:

Option 1	Do Nothing <ul style="list-style-type: none">- Maintain status quo within existing demise (Rooms 1-6 inclusive).
Option 2	Do Minimum <ul style="list-style-type: none">- Secure additional space (11,959ft² on the upper level) to store up to 80% of live PMRs in Wales.- Extension of the inert gas (aragonite) fire suppression system on the ground floor to mitigate risk of losing material stored in the event of a fire in Rooms 4-6.- Secure an additional scanner to support further roll out of the Scan on Demand Service.
Option 3	Focused Investment <ul style="list-style-type: none">- Secure additional space (11,959ft² on the upper level) to store up to 80% of live PMRs in Wales.- Purchase and install roller and fixed peripheral racking to the upper level.- Secure additional scanners (x2) to support further roll out of the Scan on Demand Service.- Extension of the inert gas (aragonite) fire suppression system on the ground floor to mitigate risk of losing material stored in the event of a fire in Rooms 4-6.- Utilise rooms 1-6 which has an inert gas (aragonite) suppression system installed for the storage of 'live' patient records. All other records, i.e., 'deceased' patient records and other archive to be relocated to non fire suppressed areas (Upper Level).
Option 4	Do Maximum <ul style="list-style-type: none">- Secure additional space (11,959ft² on the upper level) to store up to 80% of live PMRs in Wales.- Purchase and install roller and fixed peripheral racking to the upper level.- Secure additional scanners (x2) to support further roll out of the Scan on Demand Service.- Purchase and installation of an inert gas (argonite) fire suppression system to mitigate risk of losing material stored in the event of a fire in Rooms 4-6 and the upper level (Upper level solution and costs to be confirmed).

Option Summary

Option	Capital Investment	Supporting Documentation
1. Do nothing	£000	
2. Do minimum to support 2 year programme (2019 – 2021)	£140,000	See Appendix B
3. Focussed investment to support Post Year 2 (2021)	£389,764	See Appendix B
4. Do maximum – full roller rack and fire suppress all 9 Rooms	£TBC	See Appendix B

NB: Savings/benefits to be realised by practices and Health Boards as opposed to NWSSP. Non-financial savings will also be realised as outlined in the report below.

5. Preferred Option

The preferred option is Option 4: to fully support National delivery of this service. The details of items to be purchased are shown in Appendix A.

This option has been selected as the preferred option for the following reasons:

- Supports the release of primary care estate to enable the redesign of general medical accommodation to meet the increasing demands of primary health care services in Wales.
- The storage and scan on demand service will have sufficient capacity to meet the priority requirements of participating Health Boards/up to 80% of the population in Wales.
- Provides a fully serviced appropriate fire suppression system mitigating the risk of loss of any live primary care records stored.
- Complements the wider primary care agenda in NHS Wales to implement GP2GP.

However, it is recognised that capital funding within NHSW is limited. Therefore, an investment of £140,000 (under Option 2) would ensure the PMR programme could be delivered to support the immediate needs of the emerging new model of the primary and community care sustainability agenda. This investment would provide the necessary commitment for both fire suppression and scanner continuity until March

2020. Thereafter, it is proposed that during the financial period 2019/20 the business case and the support of Options 3 and 4 should be revisited.

6. Procurement Route

The procurement will be carried out in line with NHS Wales Procurement rules. The NWSSP Procurement Services team will run the Procurement. It is intended where possible to utilise existing contacts, framework contracts and call off contracts.

7. Funding and Affordability

The capital requirements outlined in this case will need to be supported by capital funding from Welsh Government. Whilst discretionary capital provided for NWSSP has been used to get to the current position, along with a substantial investment of £70K from Aneurin Bevan UHB, as a hosted organisation funding for the items procured under this scheme will now be required from Welsh Government. This is estimated to be £140,000 to support Option 2 (Minimum investment and– continued growth to support service transition in primary care for the next 2 year period).

8. Management Arrangements

A. Project Management Arrangements

The project will follow key elements of the PRINCE2 methodology and will operate in a structured manner, making use of relevant practices in keeping with the principle of continuous improvement.

B. Benefits Realisation Monitoring

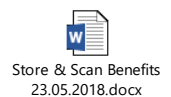
In response to the success of the pilot, in March 2016 NWSSP approved the development of the PMR Storage and Scan on Demand Service based on the original business case below.



The Storage and Scan on Demand Service is being expanded in response to requirements set out by Aneurin Bevan and Hywel Dda University Health Boards together with increased interest from both Cardiff & the Vale and Cwm Taf.

The Service is:

- Defined and agreed within an SLA
- Supported by a detailed Standard Operating Procedure
- Benefits realised following removal of PMRs (ABUHB)
- Outline project proposal ETTF (ABUHB)



Note: Following a Request from the Director of Primary Care Services, the PMR service, will be subject to an NWSSP, internal audit review during the latter part of 2018/19.

C. Risk and Issue Management

Risks are to be notified to the Project Manager via email and include all members of the project board. The Project Manager will maintain and monitor the risk and issue logs. Risks will be monitored every two months.

Appendix A

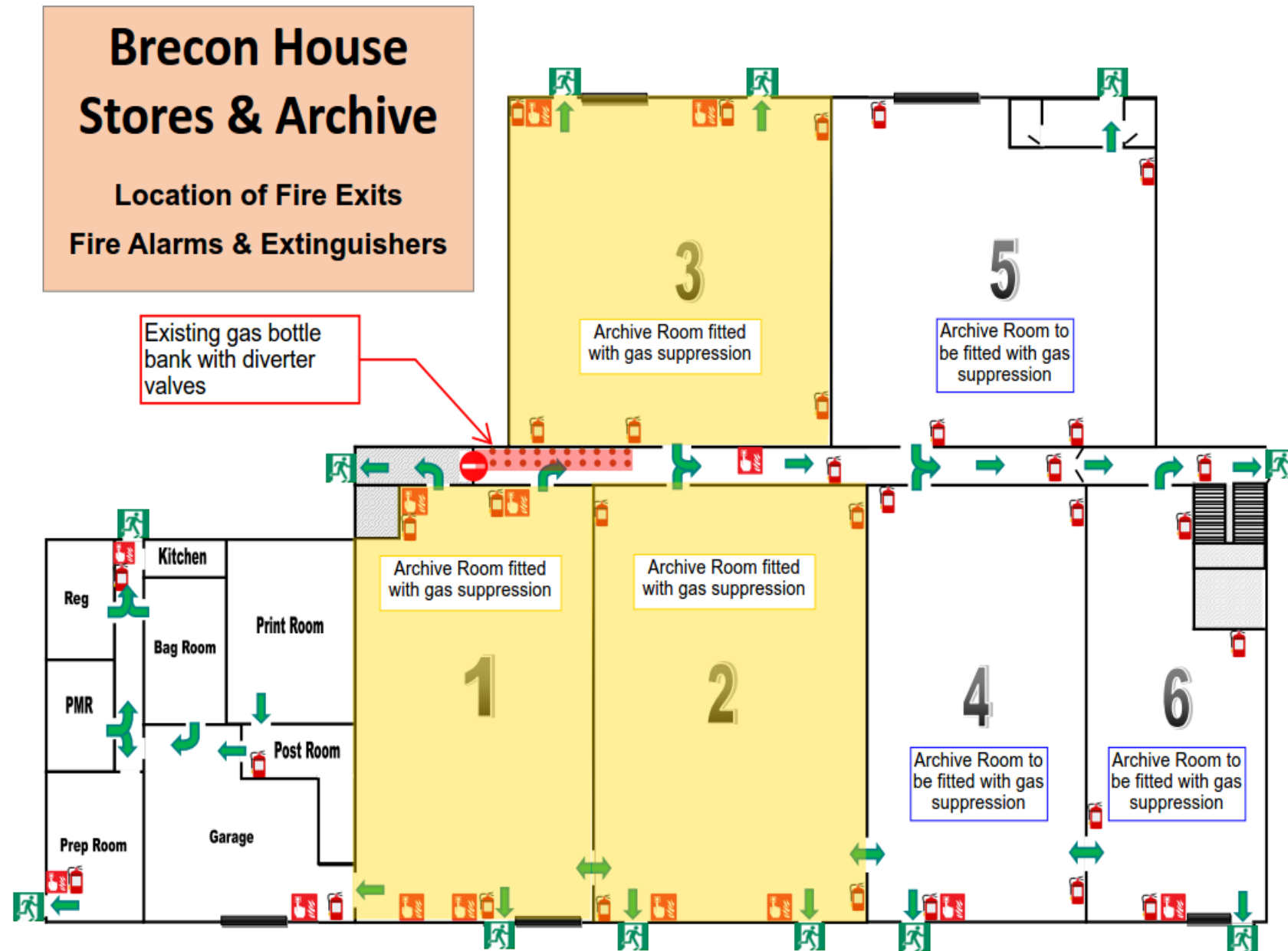
Health Board	Funding arrangements (as at 01/07/2018)	Service uptake (as at 01/11/2018)		Planned activity during 2018/19		Additional information
		No of Practices	No of Records	No of Practices	No of Records	
Aneurin Bevan UHB (population 597,218)	Fully funded in 2017/18. Awaiting confirmation of funding for 2018/19	50	402,972	8	54,611	27 practices remain outstanding. ABUHB has prepared a report (including costs) for Board approval to support the transfer of remaining practice into the service.
Abertawe Bro Morgannwg UHB (population 533,933)	Funding 1 st year costs and set up costs in 2017/18	5	30,059	3	42,545	No planned activity. Requests considered on a case-by-case basis.
Betsi Cadwaladr UHB (population 711,872)	Funding 1 st year costs and set up costs in 2017/18	5	35,290	2	12,861	No planned activity. Requests considered on a case-by-case basis.
Cardiff & Vale UHB (population circa 510,540)	Fully funding (excludes transport costs)	12	107,126	4	37,549	Schedule prioritised to support sustainability within general practice.
Cwm Taf UHB (population 306,194)	No funding available	2	23,094	1	8,826	The UHB have expressed their interest in taking up the service. Service costs have been provided with options being considered.
Hywel Dda UHB (population 388,163)	Funding 1 st year costs and set up costs in 2017/18. No commitment to fund in 2018/19	9	57,676	5	29,369	No planned activity, intake on an adoc case by case basis
Powys tHB (population 132,834)	No funding available	0	0	1	10,286	The UHB have expressed their interest in taking up the service however, no funding is currently available.
<i>*Current live suspense records equate to 5,000 boxes. This is reflected in the forecasted capacity below.</i>						
Total		83	656,217	24	196,047	107 practices/852,264 records equates to circa 34,000 boxes. Existing fire suppressed rooms provide capacity for 66,076 boxes. Forecasted available capacity for live records in 2019/20 equates to circa 32,000 boxes / 800,000 records*.

Appendix B

	Peripheral Racking	Mobile racking	Fire Suppression	Area (sq ft)	Box Capacity	Estimated Record Capacity*	Mobile Racking (incl VAT)	Fire Suppression (incl VAT)	Scanners	Total investment (inc VAT)
Room 1 (existing FS)	√	√	√	7,409	22,878	571,950	-	-	-	-
Room 2 (existing FS)	√	√	√	7,083	20,648	516,200	-	-	-	-
Room 3 (existing FS)	√	√	√	8,805	22,550	563,750	-	-	-	-
Room 4	√	√	x	4,539	11,529	288,225	-	£34,843	£25,000	£59,843
Room 5	√	√	x	6,631	19,224	480,600	-	£50,902	-	£50,902
Room 6	√	√	x	3,811	9,162	229,050	-	£29,255	£25,000	£54,255
Upper Level Room 7	x	x	x	6,340	22,760	569,000	£119,158	TBC **	-	£119,158
Upper Level Room 8	x	x	x	4,435	16,250	406,250	£83,354	TBC **	-	£83,354
Upper Level Room 9	x	x	x	1,184	3,260	81,500	£22,253	TBC **	-	£22,253
				50,237	148,261	3,706,525				
Supports Option 2								£115,000	£25,000	£140,000
Supports Option 3							£224,764	£115,000	£50,000	£389,764
Supports Option 4							£224,764	TBC **	£50,000	** TBC

* Estimated record capacity includes non-PMR records, deceased and suspense.
Figures provided are maximum limits. Actual capacity subject to variable file size.

**Fire suppression costs TBC, as upper level estate is current under development.



 GIG Cymru NHS Wales Partneriaeth Cydwasaethau Shared Services Partnership	AGENDA ITEM: 15th November 2018
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The report is not Exempt

Teitl yr Adroddiad/Title of Report

PATIENT ACCESS SCHEMES AND ACCESS TO THE WALES TREATMENT FUND/PHARMACY REBATE SCHEME

ARWEINYDD: LEAD:	Mark Roscrow, Director of Procurement Services
AWDUR: AUTHOR:	Alex Curley, Head of Sourcing
SWYDDOG ADRODD: REPORTING OFFICER:	Alex Curley, Head of Sourcing
MANYLION CYSWLLT: CONTACT DETAILS:	Alex Curley 02920 903836 or email Alex.Curley@wales.nhs.uk

Pwrpas yr Adroddiad: Purpose of the Report:

The purpose of the report is to highlight to the committee and gain approval for the once for Wales Approach to Patient Access Schemes, Commercial Access Agreements & Market Access Agreements for New Treatments and to request additional resources to support this activity.

Llywodraethu/ Governance

Amcanion: Objectives:	Excellence – to develop an organisation that delivers a process excellence through a focus on continuous service improvement
Tystiolaeth: Supporting evidence:	-

Ymgynghoriad/ Consultation :

- Director of Procurement Services
- Pharmacy Leads

Adduned y Pwyllgor/Committee Resolution (insert ✓):							
DERBYN/ APPROVE	✓	ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE	
Argymhelliad/ Recommendation		<p>The Committee is asked to approve the process and additional responsibilities outlined in adopting a One Wales approach to the Patient access schemes.</p> <p>And</p> <p>To provide financial support for the team to undertake this additional work (1 x Band 6 WTE, 1 x Band 4 WTE).</p>					

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	No Impact
Cyfreithiol: Legal:	The Health Boards/Trusts across NHS Wales currently sign up to the supplier agreement individually – this approach recommends that the agreements are signed up on an all Wales approach under Velindre.
Iechyd Poblogaeth: Population Health:	Ensure Patient in Wales get equal access to New Treatments as in England.
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	No Impact
Ariannol: Financial:	<p>This approach will help to ensure that Health Boards & Trusts get better access to the Welsh Government treatment Fund.</p> <p>A requirement for additional resources to undertake the activities – Request for 1x Band 6 WTE, 1 x Band 4 WTE</p>
Risg a Aswiriant: Risk and Assurance:	A full risk assessment will be undertaken if the Committee agree to develop a business case.
Safonau Iechyd a Gofal:	Access to the Standards can be obtained from the following link:

Health & Care Standards:	http://www.wales.nhs.uk/sitesplus/documents/1064/24729_Health%20Standards%20Framework_2015_E1.pdf Governance, Leadership and Accountability
Gweithlu: Workforce:	No Impact
Deddf Rhyddid Gwybodaeth/ Freedom of Information	Open. The information is disclosable under the FOI.

THE ONE WALES APPROACH TO PATIENT ACCESS SCHEMES – FURTHER OPPORTUNITIES

1. BACKGROUND

Following the Pharmacy rebate work which was previously reported to the committee (November 2017 – Appendix A) a new area of work has been identified through ongoing discussions with Pharmacy Leads across Wales.

The Pharmaceutical Price Regulation Scheme 2014 (PPRS) makes provisions for companies to submit proposals for patient access schemes to the NHS. These schemes involve innovative pricing agreements designed to improve cost effectiveness and facilitate patient access to specific drugs or other technologies.

When assessing new drugs and treatments, NICE or All Wales Medicine Strategy Group (AWMSG) looks at the cost of the treatment and the evidence on how well the treatment works in comparison with the available alternatives. NICE/AWMSG then decides whether they represent good value for the NHS.

Drugs or treatments that are expensive and do not have a significant benefit over existing treatments are unlikely to be approved for use in the NHS.

Patient access schemes are pricing agreements proposed by pharmaceutical companies to enable patients to gain access to these high costs drugs. These schemes aim to improve cost effectiveness through discounts, rebates or other variations against the list price.

2. CURRENT SITUATION

Currently Patient access schemes are entered into by each Health Board/Trust with individual suppliers, there are currently in excess of 60

approved patient access schemes across Wales, with more being required as new treatments come to market.

In order for Health Boards/Trust to access the New Treatment Fund, these medicines must be accessed within 60 days of the Final Appraisal Document (FAD), Final Evaluation Determination (FED) or AWMSG approval and subject to a Patient Access Scheme, Commercial Access Agreement or Market Access Agreement being in Place.

Currently each Health Board or Trusts sign up to their own agreement once the above approval has taken place. Due to other work pressures it is not always possible for each Health Board to sign up to these agreements within the given timescale to access the new treatment fund. The current approach also requires duplication of effort.

3. ASSESSMENT

Bringing the responsibility of Patient access schemes under the remit of Procurement Services will ensure that a once for Wales approach is adopted and will increase Procurement Services Influence over Pharmaceutical spend within Wales circa 10-15%.

It is proposed that these agreements be negotiated and managed once for Wales via the Pharmacy Team within Procurement Services to ensure that all Health Boards and Trusts have timely and equal access to these treatments.

As these agreements are not the norm and due to the time constraints and the fact that there will only ever be one supplier for the new treatment, it is proposed these agreements will be managed and agreed via the All Wales Drug Committee. An annual report will be sent to NWSSP Committee highlighting the agreements that have been established and take up against those agreements.

The additional work to be undertaken by Procurement Services along with the additional work under the all Wales Pharmacy Rebate Scheme requires additional resource. The Pharmacy Rebate Scheme is currently delivering circa £3.9M per annum across Wales.

Through a recent review of one of the suppliers under the pharmacy rebate scheme the team were able to identify and ensure the payment of an additional £220,000 across Health Boards & Trusts.

With additional resources, it is believed that with more proactive management of these agreements and the suppliers operating under them that more significant rebates can be achieved. It is anticipated that an

additional £500K per annum could be delivered if sufficient resources could be allocated to these activities.

In order to achieve the above and undertake the additional work under the Pharmacy rebate scheme it is requested that the committee support this activity by funding an additional 1 x Band 6 WTE and 1 x Band 4 WTE within the team. This resource requirement has also being identified through business planning for 2019-20 and is included as part of the Procurement Services IMTP.

4. RECOMMENDATIONS

The Committee are asked to agree the following:

1. To agree the new Once for Wales Approach to managing Patient Access Schemes (PAS), Commercial Access Agreements (CAS) and Market Access Agreements (MAA).
2. To provide financial support to the Pharmacy Sourcing Team to undertake these activities in relation to PAS Schemes and to further influence the Pharmacy Rebate Scheme previously reported – 1 x Band 6 WTE & 1 x Band 4 WTE

THE ONE WALES APPROACH TO PRIMARY CARE REBATE SCHEMES – FURTHER OPPORTUNITIES

1. BACKGROUND

In October 2015 the Chief Pharmacists agreed a One Wales approach to the assessment and implementation of any primary care rebate schemes offered from the pharmaceutical industry to NHS Wales. It was considered a prudent and equitable process that delivers a consistent appraisal method and efficient agreement via the All Wales Drug Contracting Committee (AWDCC).

The Chief Pharmacists in October 2015, commissioned a third party partner (CDQ-Solutions) to work with NHS Wales to develop a software solution to manage the data analysis from the NHS Wales Primary Care Prescribing Services data extract including the WP10(HP) prescriptions to produce a usage and rebate summary report for each approved scheme for each health board. The One Wales Medicine Management platform developed in conjunction with NHS Wales also provides a document management facility, an efficient initial automated compliance response to FOI requests and a full audit trail of access to the dashboard by the users.

2. CURRENT SITUATION

The health boards in NHS Wales as individual legal entities have to sign and co-ordinate the rebate claim process on a quarterly basis. Although the One Wales approach has significantly reduced the administrative burden for the health boards there is potential to develop a more efficient central NHS Wales system.

The current system does create a number of queries from both the suppliers and the health boards regarding data and the rebate amount due. This does involve duplicate workload for the Sourcing Team who are the key support at NHS Wales Shared Services Partnership (NWSSP), and for our partner CDQ-Solutions.

This position could be improved with delegated authority for the signature and management of these schemes from health board level to NWSSP Procurement Services – Acute Medicine. The team already tender and manage central medicines contracts for all the hospitals across Wales on behalf of the health boards and the Velindre Cancer Centre.

3. ASSESSMENT

The integrated health structure in NHS Wales supports this opportunity to be far more agile and innovative in our approach to these challenges. If this central function for NHS Wales can be agreed it will provide a robust platform

for medicines management to support a patient centred service irrespective of the medicine and associated commercial agreements.

Since the launch of the One Wales medicine management dashboard in October 2015 for the Primary Care Rebate Schemes it has generated in excess of £6.2m income for the health boards between October 2015 and December 2016. During the same period there was a lost opportunity cost of approximately £150k due to various contract compliance issues.

CDQ-Solutions have worked with NHS Wales over this period on a number of enhancements to the original specification of the platform to support the health boards e.g. functionality for NHS Wales to confidently deliver cost effective medicines with associated Patient Access Schemes dispense by the community pharmacy without incurring a net increase in the acquisition cost. This allows NHS Wales to be able to put the patients first, at the heart of their treatment choice and be supported by their local community pharmacist without a financial penalty. Community Pharmacy Wales would benefit from the high cost dispensing fee (although cash-flow for some of these medicines could be an issue). Currently, the alternative cost effective supply route is via a medicines homecare service whose value for money and patient care profile is not verified. Medicines homecare services in Wales costs approximately £65m per annum with the total service outsourced beyond the Welsh economy.

This single central approach would further minimise the administrative burden for both the health boards and the suppliers. It would mean a consolidated rebate payment from each supplier back to NHS Wales via NWSSP and a transfer of the allocated amounts back to the relevant health boards. Also, the management fees that the health board pay to CDQ-Solutions under their service level agreement could be settled from the rebate income by NWSSP as a single invoice payment which would further streamline the process for all parties.

4. RECOMMENDATIONS

The Committee are asked to consider the following:

1. To establish a wider opinion on the need for patient and health board choice in supplying medicines with a patient access scheme, managed access agreement or a commercial access agreement through Community Pharmacy Wales (CPW).
2. To gain Chief Pharmacist Group approval for the overarching principle of a central process for the administration of primary care rebate schemes, Welsh Patient Access Schemes and NICE approved Patient Access schemes or any other confidential commercial pricing agreement ensuring full financial compliance for NHS Wales.

3. To work with NHS Wales Shared Services Partnership (NWSSP) Procurement services – Acute Medicine to develop a brief business case that describes the proposal in more detail with any resource and risks clearly documented.
4. To discuss any logistical issues or requirements from our partner CDQ-Solutions on the consolidation of the prescribing data and rebate payment to a national level.
5. To explore the potential to further automate the process to ensure NHS Wales and the health bodies receive all payments due in a timely manner.
6. To discuss with the suppliers the notification period and possible agreement addendum requirements to move from a contract and payment structure at health board level to a central one for NHS Wales through NWSSP Procurement Services –Acute Medicine.



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Cydwasaethau
Shared Services
Partnership

AGENDA ITEM:XX

15th November 2018

The report is/is not Exempt

Teitl yr Adroddiad/Title of Report

Finance, Workforce and Performance Update Report

**ARWEINYDD:
LEAD:**

**Andy Butler, Director of Finance &
Corporate Services & Gareth Hardacre,
Director of WODS**

**AWDUR:
AUTHOR:**

Finance and Workforce Team

**SWYDDOG ADRODD:
REPORTING
OFFICER:**

**Andy Butler, Director of Finance &
Corporate Services**

**Pwrpas yr Adroddiad:
Purpose of the Report:**

The purpose of this report is to provide the SSPC with an update on finance, workforce and performance matters within NWSSP as at 30th September 2018.

Llywodraethu/ Governance

**Amcanion:
Objectives:**

Value for Money - To develop a highly efficient and effective shared service organisation which delivers real terms savings and service quality benefits to its customers.
Excellence - To develop an organisation that delivers process excellence through a focus on continuous service improvement, automation and the use of technology.
Staff - To have an appropriately skilled, productive, engaged and healthy workforce.

**Tystiolaeth:
Supporting
evidence:**

-

Ymgynghoriad/ Consultation :

Adduned y Pwyllgor/Committee Resolution (insert ✓):							
DERBYN/ APPROVE		ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE	✓
Argymhelliad/ Recommendation	<p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1. Note the financial position to 30th September 2018 2. Note the significant level of professional influence benefits generated by NWSSP to 30th September 2018. 3. Note the performance against the High level key performance indicators to 30th September 2018. 4. Note the workforce data for the period. 5. Note the content of this update and seek further information if required. 						

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	No direct Impact
Cyfreithiol: Legal:	No direct Impact
Iechyd Poblogaeth: Population Health:	No direct Impact
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	No direct Impact
Ariannol: Financial:	Distribution to NHS Wales
Risg a Aswariant: Risk and Assurance:	Consolidation of Financial & Workforce Risk
Safonau Iechyd a Gofal: Health & Care Standards:	No direct Impact
Gweithlu: Workforce:	No direct Impact
Deddf Rhyddid Gwybodaeth/ FOIA	Open

Finance, Workforce and Performance Update Report

INTRODUCTION

This report provides an update regarding:

- Cumulative Financial Position to 30th September 2018
- High Level Performance indicators to 30th September 2018
- Workforce Information to 30th September 2018

NWSSP Financial position – Month 6

NWSSP reported a Breakeven position at the close of Month 6.

The income and expenditure position for the month period to 30th September 2018 can be summarised as follows:

	Annual Budget £000	YTD Budget £000	YTD Expend £000	YTD under/ overspend £000
Audit & Assurance Services	2,549	1,277	1,249	-28
Procurement Services	15,646	7,458	7,413	-45
Employment Services	9,461	4,723	4,652	-71
Primary Care Services	10,965	5,475	5,181	-294
Legal & Risk Services	2,322	1,148	1,102	-46
Welsh Risk Pool Services	524	254	241	-13
WIBSS	0	0	0	0
Specialist Estates Services	2,864	1,432	1,346	-86
E-Business Central Team Services	525	-938	-938	0
Counter Fraud Services	381	190	179	-11
Non Medical Education	49,051	48,866	48,866	0
Health Courier Services	486	239	213	-26
SMTL	587	138	138	0
Corporate Services	1,379	699	710	11
Corporate IT Support/RPA	1,385	705	701	-4
PMO	268	160	154	-6
Finance	928	472	372	-100
Workforce & OD/WFIS/ESR/TEL	1,407	702	657	-45
Accommodation	2,400	1,242	1,213	-29
WEDS	890	448	448	0
Salary Sacrifice	-30	-15	-15	0
Finance Academy/Finance Graduate Scheme	366	109	134	25
ESR Enhanced	-60	-30	-30	0
Stores	0	-42	-42	0
Distribution	-750	0	0	0

Significant service outturns to note at Month 6 are:

Primary Care Services – A £294k underspend was reported in month 6, the underspend primarily relates to vacancies.

Finance – A £100k underspend was reported in month 6, the underspend primarily relates to outward secondees and vacancies.

The planned distribution figure has been increased by £0.75m to £1.5m.

NWSSP Professional Influence benefits

The main financial benefits accruing from NWSSP relate to professional influence benefits derived from NWSSP working in partnership with Health Boards and Trusts. These benefits relate to savings and cost avoidance within the health organisations.

The benefits, which relate to Legal Services, Procurement Services and Specialist Estates Services can now be allocated across health organisations for all areas other than construction procurement. This is not possible for construction procurement due to the mechanism utilised to capture the data. Detail for health boards and trusts is reported in the individual performance reports issued to health organisations quarterly.

The indicative financial benefits across NHS Wales arising in the period April - September 2018 are summarised as follows:

Service	YTD Benefit £m
Specialist Estates Services *	1.072
Procurement Services	23.473
Legal & Risk Services	54.532
Total	79.077

* Specialist Estates Professional Influence figure does not include D4L savings as these are only available from November onwards.

PERFORMANCE

Performance Reporting – to Health Boards and Trusts

NWSSP performance reports continue to be produced and distributed on a quarterly basis. The Quarter 2 reports have been produced and are in the process of being distributed. These reports will reflect the ongoing

developments in NWSSP performance reporting and incorporate feedback received to date.

Additionally, high level KPI data relating to the performance of each service for all Wales is detailed in the table below. This provides data for September 2018 (Unless otherwise stated) along with comparison to the previous 3 periods.

KEY FINANCIAL TARGETS

The table below provides a summary of key financial indicators for consideration.

Financial Position and Key Targets	Target		Position at 31-Mar	Position at 30-Apr	Position at 31-July	Position at 30-Sept
Financial Position – Forecast Outturn	Break even	Monthly	(£28k)	Break even	Break even	Break even
Capital financial position	Within CRL	Monthly	Achieved	On target	On target	On target
Planned Distribution	£0.750m 18/19	Annual	£2.0m	£0.75m	£0.75m	£0.75m
NWSSP PSPP %	95%	Cumulative	98%	98%	99%	99%

KEY PERFORMANCE MEASURES

The table below provides a summary of key performance indicators for consideration.

High Level - KPIs Sept 2018 (unless stated otherwise)	Target		Position at 31-Mar	Position at 30-Apr	Position at 31-July	Position at 30-Sept
Internal Indicators						
Corporate						
NHS Debts in excess of 17 weeks – Value	<£25k	Monthly	£0k	£3k	£1k	£41k
Variable Pay – Overtime	£258k	Cumulative	£515k	£49k	£172k	£278k
Workforce						
Staff Sickness – rolling 12 months	3.3%	Cumulative	3.51%	3.55%	3.80%	3.87%
PADR Compliance	>85%	Monthly	81.16%	81.94%	80.74%	83.50%

High Level - KPIs Sept 2018 (unless stated otherwise)	Target		Position at 31-Mar	Position at 30-Apr	Position at 31-July	Position at 30-Sept
Statutory and Mandatory Training	>85%	Monthly	95.25%	95.60%	95.58%	95.51%
Agency % to date	<0.8%	Cumulative	1.33%	0.77%	0.82%	0.82%
External Indicators						
Professional Influence						
Professional Influence Benefits	£50m	Cumulative	£137m	£26m	£62m	£79m
Procurement Services						
Procurement savings *Current Year	£13.672m 18/19	Cumulative	*£29.165m	*£9.305m	*£21.792m	*£23.473m
All Wales PSPP	95%	Quarterly	95%	Reported Quarterly	95%	95.59%
Accounts Payable % Calls Handled (South)	95%	Monthly	97.6%	98.6%	97.6%	96.5%
Employment Services						
Payroll accuracy rate inc Value Added	99%	Monthly	99.77%	99.80%	99.73%	99.74%
<u>Organisation KPIs Recruitment</u>						
Time to Approve Vacancies	10 days	Monthly	9 days	9 days	9 days	9.8 days
Time to Shortlist by Managers	3 Days	Monthly	7.0 days	7.5 days	6.1 days	9.3 days
Time to notify Recruitment of Interview Outcome	2 Days	Monthly	4.2 days	3.6 days	3.5 days	2.9 days
<u>NWSSP KPIs Recruitment</u>						
Time to Place Adverts	2 days	Monthly	1.1 days	1.1 days	1.7 days	1.4 days
Time to Send Applications to Manager	2 days	Monthly	1.0 days	1.0 days	1.0 days	1.0 days
Time to send Conditional Offer Letter	4 days	Monthly	2.6 days	2.9 days	4 days	3.7 days
Recruitment % Calls Handled		Monthly	89.7%	97.9%	96.3%	95.3%
Primary Care Services						
Payments made accurately and to timescale	100%	Monthly	100%	100%	100%	100%
Prescription - keying Accuracy rates (July)	99%	Monthly	98.27%	99.47%	99.47%	99.70%
Internal audit						
Audits reported % of planned audits	32%	Monthly	79%	93%	13%	26%

High Level - KPIs Sept 2018 (unless stated otherwise)	Target		Position at 31-Mar	Position at 30-Apr	Position at 31-July	Position at 30-Sept
Report turnaround LHB / Trust management response to Draft report	80%	Monthly	61%	63%	65%	58%
Report turnaround draft response to final reporting	80%	Monthly	99%	99%	100%	99%
Legal and risk						
Timeliness of advice acknowledgement - within 24 hours	90%	Monthly	99%	98%	100%	100%
Timeliness of advice response – within 3 days or agreed timescale	90%	Monthly	98%	100%	100%	98%
Welsh Risk Pool						
Acknowledgement of receipt of claim	100%	Monthly	100%	No Committee	100%	100%
Valid claims received within deadline processed in time for next WRP committee	100%	Monthly	100%	No Committee	100%	100%
Claims agreed paid within 10 days	100%	Monthly	94%	No Committee	100%	100%

WORKFORCE INFORMATION

NWSSP Staff in Post

The table below outlines the directly employed contracted full time equivalent (FTE) and headcount figures for NWSSP as at 30th September 2018:

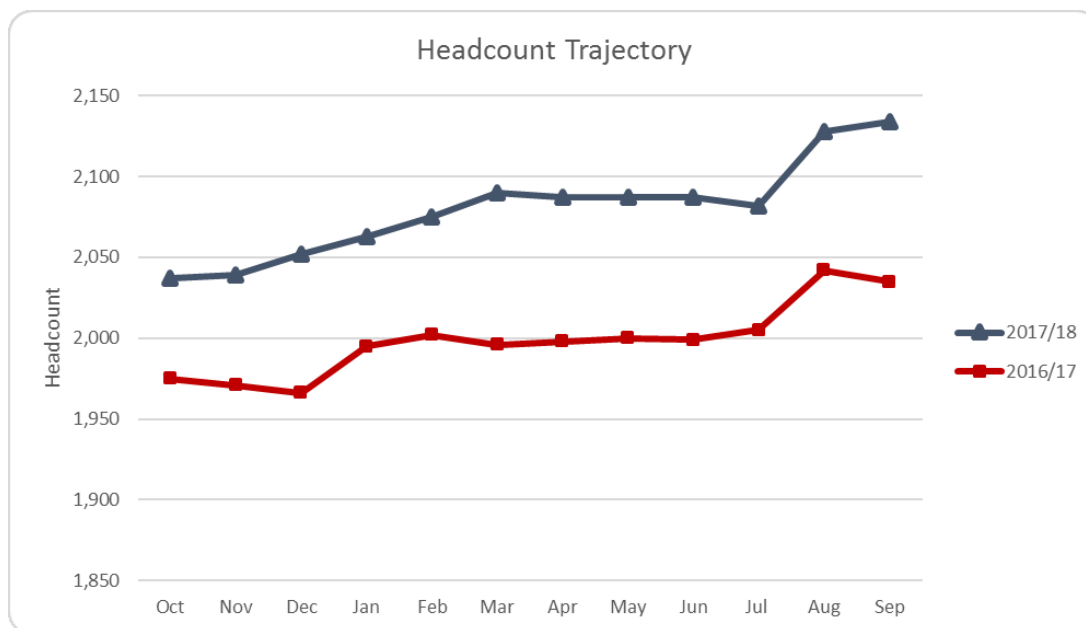
Directorate	Headcount Aug 2018	Headcount Sept 2018	FTE Aug 2018	FTE Sept 2018	FTE Change +/-	FTE Change +/- %
Audit & Assurance Section	55	56	51.89	52.89	1.00 ▲	1.79%
Corporate Section	46	46	44.97	44.83	0.00	0.00%
Counter Fraud Section	6	6	6.00	6.00	0.00	0.00%
Digital Workforce Solutions Section	12	12	12.00	12.00	0.00	0.00%
E-Business Central Team Section	13	13	11.43	11.53	0.00	0.00%
Employment Section	342	342	311.44	310.11	0.00	0.00%
Finance Section	23	22	22.25	21.25	-1.00 ▼	-4.55%
GP Trainees Section	455	451	408.20	406.90	-4.00 ▼	-0.89%

Directorate	Headcount Aug 2018	Headcount Sept 2018	FTE Aug 2018	FTE Sept 2018	FTE Change +/-	FTE Change +/- %
Legal & Risk Section	101	101	92.55	92.55	0.00	0.00%
Primary Care Section	298	299	273.32	274.55	1.00 ▲	0.33%
Procurement Section	668	677	634.36	643.19	9.00 ▲	1.33%
Specialist Estates Section	45	45	43.40	43.00	0.00	0.00%
Surgical Materials Testing (SMTL) Section	19	19	17.52	17.52	0.00	0.00%
Welsh Employers Unit Section	4	4	3.80	3.80	0.00	0.00%
Workforce & OD Section	22	21	21.15	20.00	-1.00 ▼	-4.76%
Workforce Education & Development Service Section	19	20	17.85	18.52	1.00 ▲	5.00%
Grand Total	2,128	2,134	1,972.13	1,978.65	6.00 ▲	0.28%

The change of headcount and FTE is attributable to starters, leavers and change of assignments from bank to substantive employees.

NWSSP Overall Headcount Trajectory

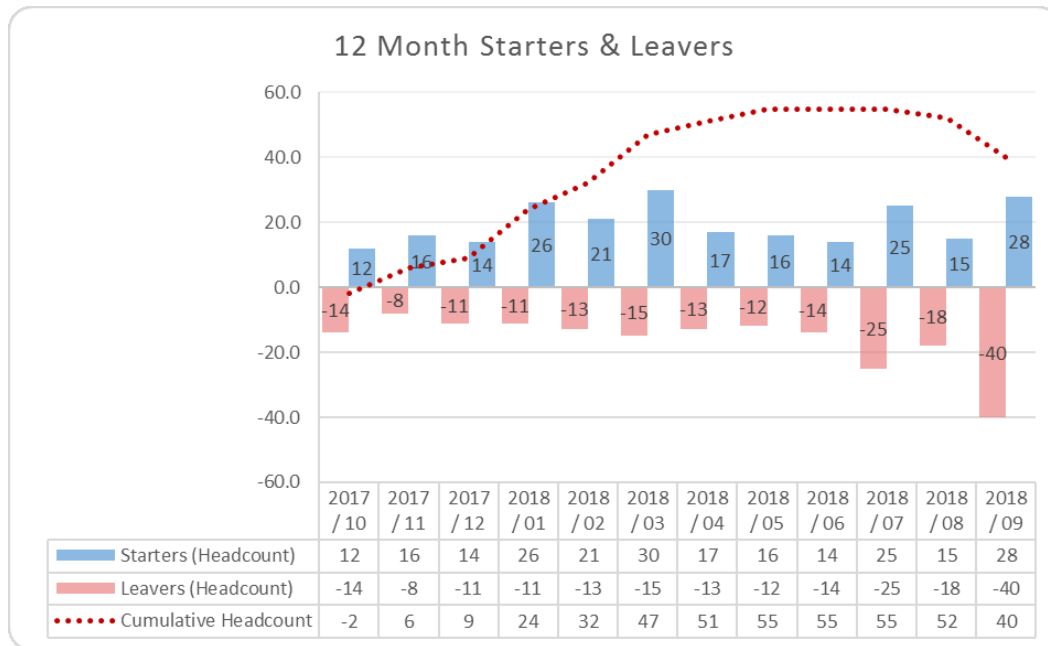
The graph below shows the rolling 12 month headcount trajectory compared to the same period the previous year.



The significant increase in headcount in August is attributable to the appointment of GP Trainees to NWSSP under the single lead employer scheme.

Staff Turnover

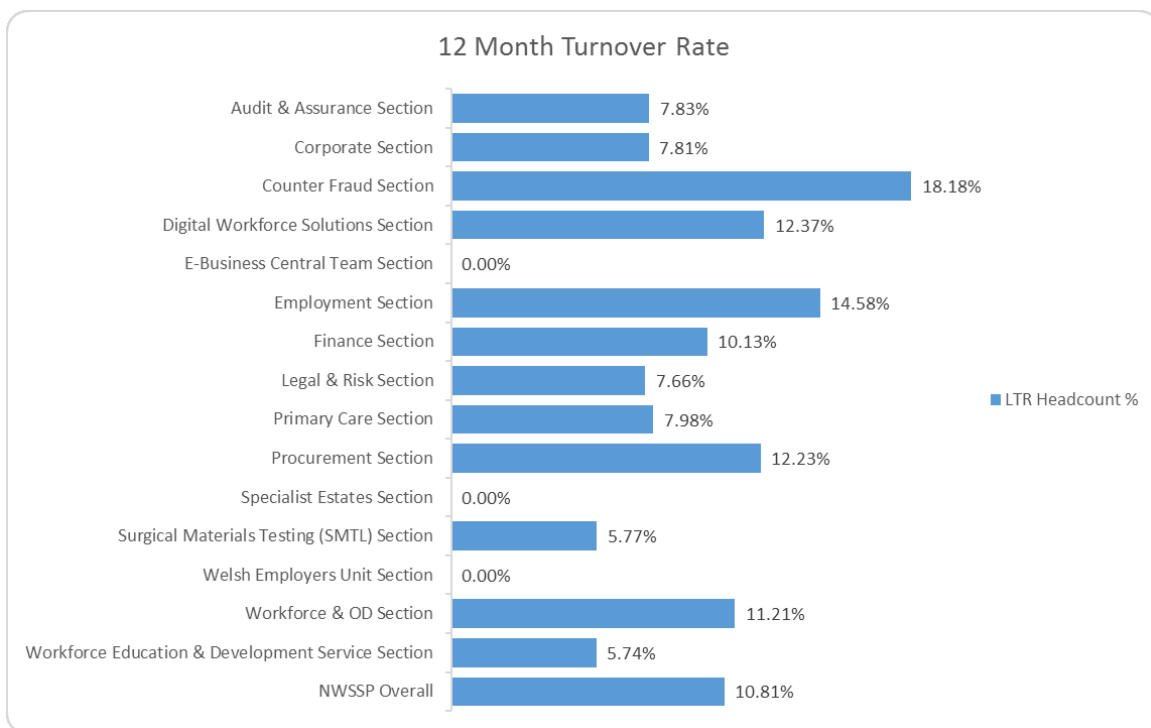
The graph below shows the starters and leavers in NWSSP from October 2017 to September 2018. GP Trainees and Bank workers are excluded from this information:



The turnover rate for NWSSP from 1st October 2017 to 30th September 2018 is 10.81% compared to 11.05 % for the same period last year.

These figures do not reflect internal movement and turnover within NWSSP, or GP Trainee and Bank turnover.

Further detail of turnover by service area is provided in the table below:



Please note that those functions with a low headcount may demonstrate disproportionately high turnover percentages. Whilst it is acknowledged that the impact of staff turnover within smaller teams can have a significant impact the turnover percentage needs to be understood within the context of the overall headcount.

A summarised analysis of the reasons why staff have left is provided below for the period 1st October 2017 to 30th September 2018:

Non Voluntary Resignations		Voluntary Resignations		Retirement	
Death in Service	3	Voluntary Resignation - Better Reward Package	9	Voluntary Early Retirement - with Actuarial Reduction	6
Dismissal - Capability	4	Voluntary Resignation - Health	5	Flexi Retirement	5
Dismissal - Conduct	0	Voluntary Resignation - Incompatible Working Relationships	2	Retirement - Ill Health	2
Employee Transfer	25	Voluntary Resignation - Lack of Opportunities	3	Retirement Age	21
End of Fixed Term Contract	5	Voluntary Resignation - Other/Not Known	29		
End of Fixed Term Contract - Completion of Training Scheme	2	Voluntary Resignation - Promotion	39		
End of Fixed Term Contract - Other	0	Voluntary Resignation - Relocation	7		
Dismissal - Some Other Substantial Reason	0	Voluntary Resignation - To undertake further education or training	7		

Non Voluntary Resignations		Voluntary Resignations		Retirement	
		Voluntary Resignation - Work Life Balance	17		
		Mutually Agreed Resignation - Local Scheme with Repayment	1		
		Voluntary Resignation - Adult Dependants	2		
		Voluntary Resignation - Child Dependants	1		
Total	38		122		34

Of 194 staff that left the organisation during this period 122 staff terminated as a result of a voluntary resignation, equivalent to 62.89% of all terminations.

The 22 Employee Transfers above refers to those staff within WED's who transferred into Health Education Improvement Wales (HEIW).

Sickness Absence

The chart below shows the average sickness absence rate for NWSSP for 12 months from 1st October 2017 to 30th September 2018.

NWSSP's target is 3.30% in line with the Welsh Government target of reducing sickness absence by 1%.

The in-month sickness absence rate for September 2018 was 3.63% which is a 0.27% decrease from the August position:

Absence %	Absence Days	Abs	Avail
3.87%	30,377	27,076.49	700,197.23
Month	Absence %	Abs	Avail
2017 / 10	3.70%	2,150.62	58,051.25
2017 / 11	4.00%	2,250.36	56,256.35
2017 / 12	3.65%	2,138.40	58,561.67
2018 / 01	4.21%	2,478.82	58,831.00
2018 / 02	4.41%	2,355.12	53,416.15
2018 / 03	3.94%	2,344.28	59,553.49
2018 / 04	3.65%	2,108.43	57,711.61
2018 / 05	3.59%	2,141.97	59,658.15
2018 / 06	3.86%	2,233.20	57,879.49
2018 / 07	3.92%	2,342.39	59,824.61
2018 / 08	3.90%	2,382.16	61,127.52
2018 / 09	3.63%	2,150.73	59,325.93

RECOMMENDATIONS

The Shared Service Partnership Committee is requested to note:

- The financial position reported to 30th September 2018.
- The significant level of professional influence benefits generated by NWSSP to 30th September 2018.
- The performance against the high level key performance indicators.
- The workforce data for the period.

 GIG Cymru NHS Wales Partneriaeth Cydwasaethau Shared Services Partnership	AGENDA ITEM:XX
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The report is/is not Exempt

Teitl yr Adroddiad/Title of Report

WELSH RISK POOL FINANCIAL UPDATE NOVEMBER 2018

ARWEINYDD: LEAD:	Martin Riley, Head of Finance
AWDUR: AUTHOR:	Martin Riley, Head of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Andy Butler, Director of Finance & Corporate Services
MANYLION CYSWLLT: CONTACT DETAILS:	Martin.riley@wales.nhs.uk 07814793541

**Pwrpas yr Adroddiad:
Purpose of the Report:**

The purpose of this report is to provide the Committee with an update on the Welsh Risk Pool Financial Position 2018/19 and recent and upcoming developments.

Llywodraethu/ Governance

Amcanion: Objectives:	Explain how the report contributes to achieving NWSSP's strategic objectives:
Tystiolaeth: Supporting evidence:	Outline any supporting documentation, legislation, guidance etc (add web links where possible)

Ymgynghoriad/ Consultation :

- Welsh Governme

Adduned y Pwyllgor/Committee Resolution (insert ✓):

DERBYN/ APPROVE		ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE	Y
Argymhelliad/ Recommendation		The Committee are asked to note the contents of this report.					

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	No direct impact.
Cyfreithiol: Legal:	No direct impact.
Iechyd Poblogaeth: Population Health:	No direct impact.
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	No direct impact.
Ariannol: Financial:	Issues noted in report.
Risg a Aswiriant: Risk and Assurance:	Risks considered in report.
Safonau Iechyd a Gofal: Health & Care Standards:	No direct impact.
Gweithlu: Workforce:	No direct impact.
Deddf Rhyddid Gwybodaeth/ Freedom of Information	Open

WELSH RISK POOL FINANCIAL UPDATE NOVEMBER 2018

1. INTRODUCTION

The purpose of this report is to provide;

- an overview of the final 2017/18 year end position,
- an update on year to date expenditure and to highlight any significant risks to the outturn forecast
- a high level five year forecast position

2. 2017/18 FINAL POSITION

The initial allocation for the Welsh Risk Pool from the Welsh Government was £75m. This was increased to £105m to reflect the impact of the change in the Personal Injury Discount Rate (PIDR).

The final revenue expenditure level for 2017/18 was £106.2m. Within this the PIDR element of this was £32.6m.

The difference between the £106.2m and the £105m was agreed in-year between NWSSP and the Welsh Government and therefore the Risk Sharing Agreement (RSA) was not invoked for 2017/18.

The provisions at the end of the year exceeded £1bn.

	£m
Opening Balance 2017/18	£866.860m
Net movement in Claims	(£25.908m)
PIDR impact	£173.385m
Increase in PPO Provisions	£48.877m
Closing Balance 2017/18	£1,063.214m
Movement in Year	£196.357m

2017/18 also highlighted a slight downward trend in the total number of open clinical negligence claims with a reduction from 2,210 in 15/16 to 2,048 in 17/18. However, the value of provisions has increased due to increasing average claim values. This is mainly due to the change in the

PIDR. For example, in relation to high value cases (above £1m), the average cost has increased from £4.7m in 15/16 to £6.1m in 17/18.

Total liabilities which incorporates the provisions above plus contingent and remote liabilities totalled £1.9bn at the end of the 2017/18 financial year. The WAO only made one recommendation in their report which was to expand on the note within the accounts on the level of detail provided in relation to the provisions disclosure. This is being addressed in collaboration with the Welsh Government and the NHS Wales Finance Technical Accounting Group (TAG).

3. 2018/19

The table below shows the actual and forecast level of spend for 2018/19. Sub total 1 shows the actual spend to date plus firm commitments in 2018/19. The additional figures which are used to achieve sub total 2 are based on historical trends and analysis from the forecasting toolkit developed to manage this allocation.

	£000's
To Month 6 ACTUAL	34,294
Settled – Awaiting payment	8,959
JSM/RTM or offer in diary	30,981
Periodical Payment Orders	10,500
SUB TOTAL 1	84,733
Highly likely but no RTM yet	5,286
PI – Estimate to March 2019	1,750
Estimate – 40% <£200K probable cases	1,828
Estimate 40% <£200K certain cases	7,215
Estimate – Managed claims – Powys	500
SUB TOTAL 2	101,312
Other identified likely settlements	7,250
Potential case slippage	(3,562)
TOTAL	105,000

Risks to achieving a balanced year end position are,

- Claimant Solicitor behaviour
- Timing of settlements for high value individual claims
- Core growth vs PIDR impact as each are funded via separate funding streams
- The uncertainty of the timing and cost impact of the change to the PIDR rate.

However, processes are in place to manage and mitigate these issues and it is anticipated that a balanced position will be achieved. Therefore it is very unlikely that the Risk Sharing Agreement will be invoked in 2018/19.

4. FIVE YEAR FORECAST

The table below identifies the forecast position for annual expenditure for the period 2019-2024. The cost of clinical negligence is expected to rise in each of the next five financial years. Most of the additional cost relates to the change in the PIDR and NWSSP are working closely with Welsh Government to ensure this element is funded by HM Treasury. However, part of the increase relates to core claims growth and this could represent a pressure on the Service and it could lead to the RSA being invoked.

Forecasting when claims will settle and for what value changes frequently as claims mature and more evidence becomes available. This forecast will therefore change and will be updated to reflect both claim movements (in timings and values) and for any adjustment to the PIDR or other HM Treasury discount rates.

	19/20	20/21	21/22	22/23	23/24
3 Year Forecast £m	£110.21	£114.67m	£117.14m	£119.63m	£121.77m
Before PIDR impact	£78.72m	£81.91m	£83.67m	£85.45m	£86.98m
Element Relating to PIDR impact	£31.49m	£32.76m	£33.47m	£34.18m	£34.79m
Core Claims Growth	£3.72m	£6.91m	£8.67m	£10.45m	£11.98m

5. ARGYMHELLIAD/RECOMMENDATION

The Committee are asked to **NOTE** the contents of this report.



GIG
CYMRU
NHS
WALES

Partneriaeth
Cydwasaethau
Shared Services
Partnership

AGENDA ITEM:5.3

15th November 2018

The report is/is not Exempt

Teitl yr Adroddiad/Title of Report

Proposal for Accounts Receivable

**ARWEINYDD:
LEAD:**

**Andy Butler, Director of Finance &
Corporate Services**

**AWDUR:
AUTHOR:**

Steve Smith, NWSSP Finance

**SWYDDOG ADRODD:
REPORTING
OFFICER:**

**Andy Butler, Director of Finance &
Corporate Services**

**Pwrpas yr Adroddiad:
Purpose of the Report:**

The purpose of this report is to gain the SSPC's view on expanding the Shared Service provision to include Accounts Receivable.

Llywodraethu/Governance

**Amcanion:
Objectives:**

Value for Money - To develop a highly efficient and effective service which delivers real terms savings and service quality benefits to its customers.
Excellence - To develop a service that delivers process excellence through a focus on continuous service improvement, automation and the use of technology.
Staff - To have an appropriately skilled, productive, engaged and healthy workforce.

**Tystiolaeth:
Supporting
evidence:**

-

Ymgynghoriad/Consultation :

Adduned y Pwyllgor/Committee Resolution (insert √):

**DERBYN/
APPROVE**

**ARNODI/
ENDORSE**

√

**TRAFOD/
DISCUSS**

**NODI/
NOTE**

Argymhelliad/ Recommendation	The Committee is asked to ENDORSE the report.					

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	No direct impact
Cyfreithiol: Legal:	No direct impact
Iechyd Poblogaeth: Population Health:	No direct impact.
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	No direct impact
Ariannol: Financial:	Potential savings to NHS Wales if initiative is taken forward.
Risg a Aswariant: Risk and Assurance:	Risks considered in attached paper.
Safonau Iechyd a Gofal: Health & Care Standards:	No direct impact
Gweithlu: Workforce:	No direct impact
Deddf Rhyddid Gwybodaeth/ FOIA	Open

NWSSP PROPOSAL FOR ACCOUNTS RECEIVABLE SERVICE

For and on behalf of NHS Health Organisations

OVERVIEW OF PROPOSAL

In 2017, the Chief Executive Management Team tasked the Directors of Finance with number actions within its National Improvement Programme for 2017-18. One of the actions for the Directors of Finance Peer Group is to *Ref 2.6: Identify further opportunities for increasing shared services to deliver efficiency savings.*

In February 2018, a paper was presented to the Finance Directors Peer Group. The paper highlighted some of the initiatives already being undertaken by NWSSP to help deliver efficiency as proposed in the National Improvement Programme 2017/8. One of the areas highlighted was the Accounts Receivable and Debt Collection Service, with the potential to save a broad circa £200k.

In line with this programme of work, NWSSP is pleased to propose a solution of support to the NHS Health Organisations in Wales, for the management of the **Accounts Receivable** process.

The proposal is for NWSSP to assume responsibility and work with NHS organisations to control the management of income received via the debtor billing process. It is proposed that NWSSP will raise debtor bills, collect income promptly and pursue outstanding debts within timescales in order to maintain strong cashflow.

The proposal is **not** to manage cash control or cashflow elements but primarily to ensure cashflow is maintained in a standardised and coordinated way. The proposal includes NWSSP working with NHS organisations' cash control teams to identify and assign unallocated cash receipts and to support the reconciliation of the control accounts. The proposal includes a programme of standardisation, modernisation and review of business processes. The **diagram** below illustrates the potential division of responsibilities in further detail.

If organisations accept and agree to progress with this proposal, **Appendix 1** provides the potential scope of the exercise in order to commence a fact finding stage.

Primary objectives to be maintained



- *Maintain stability of process to organisations in transition and beyond.*
- *Continue to focus on collaboration and promotion of best practice.*
- *Take a long-term perspective*
- *Avoid short-term focus on immediate efficiency and savings*
- *Improve and standardise processes incrementally.*

- Specific 1- Raise debtor bills and collect income for NHS and Non NHS debts.
- Specific 2- Pursue debtors including court actions and liaison with debt collection agencies
- Specific 3- Create common debt control processes
- Specific 4- Improve debt control processes
- Specific 5- To liaise with Cash Control teams to support or help to reconcile
 - unallocated cash
 - control accounts
 - Inter NHS statements

Opportunities presented



- *Achieve economies of scale and realise benefit for reinvestment in services.*
- *Enable standardisation, best practice, process re-engineering to maximise benefit.*
- *Enable the organisations to exploit together, the full potential of systems and avoid duplication.*
- *Enable shared resources and investment in new systems, which may not be otherwise affordable.*
- *Focus attention on improving systems and processes, data quality and control.*
- *Research new technology to modernise processes.*
- *Share training and development costs.*

- Specific 1- Standardise Processes
- Specific 2- Create economies of scale by consolidation to NHS wide service
- Specific 3- Provide Organisational and NHS Wales wide debt profiles
- Specific 4- Provide Organisational and NHS Wales wide reports.

Responsibilities of parties during transition



- *Ensure proper accountability and governance*
- *Clarify responsibilities, agree SLA at the outset, and revisit this at each iteration.*
- *Be aware of the potential to have staff side involvement in the early stages to cast aside fears.*
- *Advise Staff at each step in the transition.*
- *Conduct an impact assessment on structures, service, consequences and financial issues.*
- *Conduct a readiness assessment of both processes and people in each organisation.*

- Specific 1- Service Standards and Agreements
- Specific 2- Establish Governance Arrangements
- Specific 3- Joint management of the process required to transfer services.

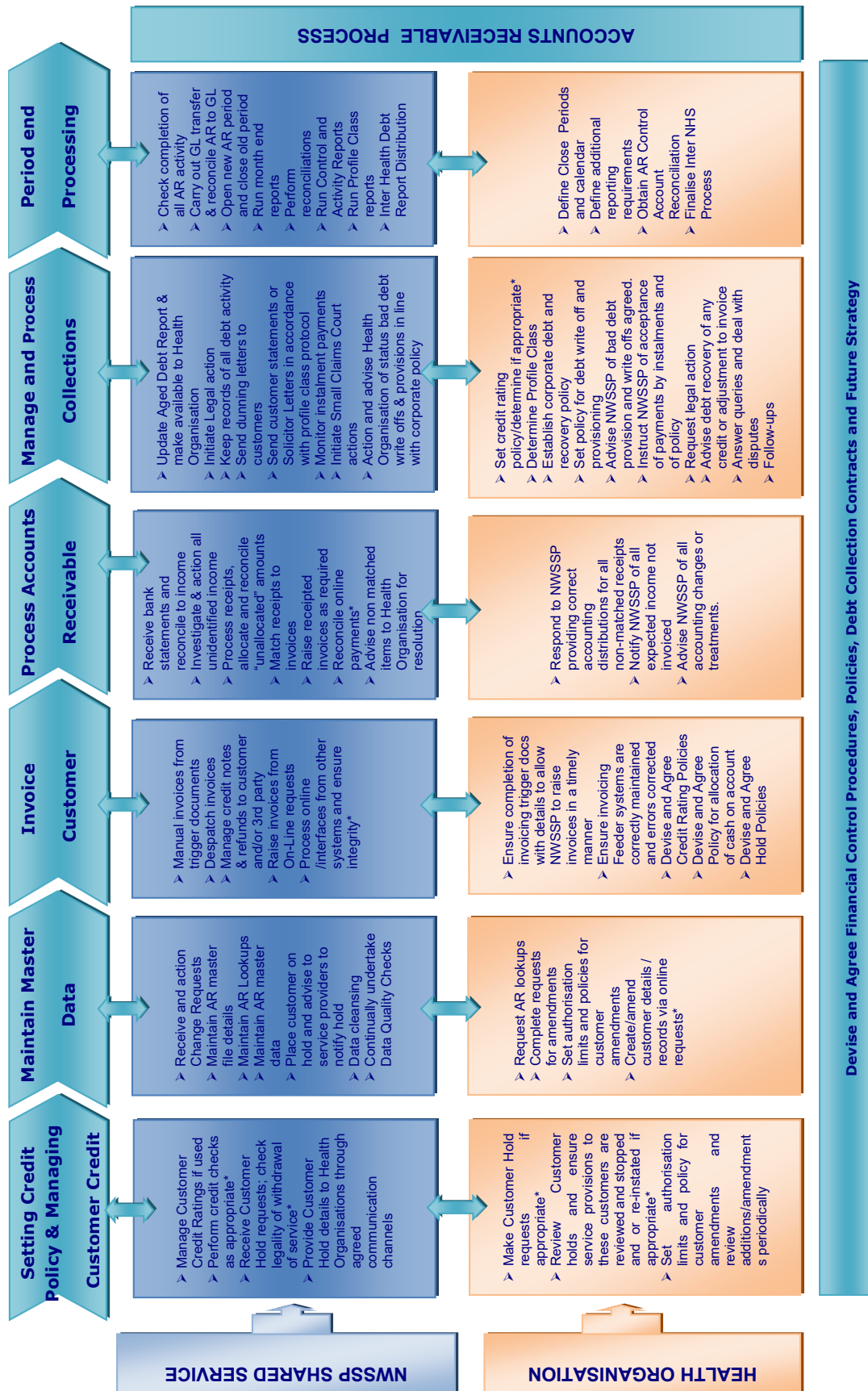
Progressing the programme of change

NWSSP will provide Project Management services using proven methodologies to drive and support this programme of change and will work with all Health Organisations to ensure a smooth transition of services. Set out below is a **map of activities** and how these activities may be segregated between NWSSP and Health Organisations. The map will form the basis of the agreement and metrics will be required to accompany many elements of the map to ensure delivery continues to be monitored.

Recommendation

If Finance Directors consider this is acceptable in principle, NWSSP will work through the Scope as laid out in **Appendix 1**. In order to support the decision, costs, benefits and data analysis will be derived in order to support the business case, should this be required.

Finance Directors are therefore asked to support this initiative.



SCOPE STATEMENT

For and on behalf of NHS Health Organisations

Proposal Name: NHS Accounts Receivable Services

Commissioned by: Finance Directors

Date: 16th October 2018

Introduction

NWSSP has been working in Partnership with the NHS organisations in Wales to provide Shared Services in a number of financial and non-financial service areas since April 2011. The original ambition was always for services provided to be enhanced over time. The Accounts Receivable service is one of those services that NWSSP can support and provide added benefit to the NHS in Wales.

Scope

The Accounts Receivable services across Wales will be examined to determine the feasibility of all or elements of the service being provided by NWSSP. The examination will look to categorise income streams into risks and make recommendations around any categories that are high risk to the organisations' services and accordingly may not be acceptable to move. The examination will look at the current debt collection procedures, the average levels of debt, the promptness of payments, escalation to follow-up, final demand, debt collection, legal action and finally write off. It will also look at the accounting processes that underpin the system e.g. the bad debt provisions, general ledger and bank reconciliations.

Areas of examination

- Identify any previous work in this area to avoid rework
- Baseline activity in order to measure success and gauge complexity and volume.
- Baseline costs of bill processing and accordingly, staffing, and further in house or outsourced collection services in each organisation
- Examine Periodic Income Registers or equivalent in each organisation to identify volume and value of income items
- Identify what in each organisation, is already included in current Long Term Agreements
- Examine the accounting requirements and set-up in each organisation, with the assumption that this is already standardised.
- Examine procedural documents in each organisation and to look at standardisation of approach to what can and cannot be included in any shared arrangements.
- Examine the current inter NHS indebtedness and the use of the arbitration process.
- Identify if a standard processes exists for treatments of both NHS debts and Non NHS debts and how these debts are categorised and risk assessed.
- Identify volumes of small value bills in each organisation to identify and suggest other means of trade to prevent bills being raised that outweigh the cost of process and review
- Examine current or planned arrangements or contracts for debt collection and or factoring of debts.
- Examine system for bad debt provisioning to ensure that the process remains robust
- Examine write off procedures.
- Examine debt categorization, follow-up and reporting

Product

The review will deliver a recommendation to the Wales Finance Directors of the suitability or otherwise of some or all elements of the Accounts Receivable service being provided by NWSSP.

Deliverables

The review will provide supporting information in order for FD's to make an informed decision on the future of the Accounts Receivable service in NHS Wales.

Objective

The review will provide a recommendation on a way forward for all or elements of the Accounts Receivable service in NHS Wales.

Assumptions and Limitations

There may not be sufficient commitment to the process, and no engagement to deliver the information. Therefore, unless there is acceptance by all Financial Directors to examine their processes, then this is unlikely to reach firm and universal conclusions.

Approved By: _____

Proposal Lead : _____ **Date: 16th October, 2018**

 GIG CYMRU NHS WALES	Partneriaeth Cydwasaethau Shared Services Partnership	AGENDA ITEM: 15 November 2018
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The report is not Exempt

Teitl yr Adroddiad/Title of Report

**Shared Services Partnership Committee (SSPC)
Effectiveness Action Plan 2018**

ARWEINYDD: LEAD:	Peter Stephenson, Head of Finance & Business Development
AWDUR: AUTHOR:	Roxann Davies, Compliance Officer
SWYDDOG ADRODD: REPORTING OFFICER:	Peter Stephenson, Head of Finance & Business Development
MANYLION CYSWLLT: CONTACT DETAILS:	Peter.Stephenson2@wales.nhs.uk

**Pwrpas yr Adroddiad:
Purpose of the Report:**

To provide the Committee with an update on the results of the Shared Services Partnership Committee (SSPC) Effectiveness Survey for 2018.

Llywodraethu/Governance

Amcanion: Objectives:	Each of the five key Corporate Objectives
Tystiolaeth: Supporting evidence:	Not applicable

Ymgynghoriad/Consultation:

The Chair of the SSPC, Margaret Foster, the Managing Director, Neil Frow and the Director of Audit and Assurance, Simon Cookson were consulted on the questions contained within the original survey questionnaire issued in 2015 and a review of the questions was undertaken in 2017 and in 2018.

Adduned y Pwyllgor/Committee Resolution (insert ✓):

DERBYN/ APPROVE		ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE	✓
Argymhelliad/ Recommendation		Outline the recommendation of the report <ul style="list-style-type: none"> The Committee is asked to APPROVE the Action Plan for SSPC Effectiveness 					

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	An Equality Impact Assessment was not required due to the small number of potential respondents. The survey questionnaire was distributed via an online link and was made available in both Welsh and English. The questionnaire could have been made available in other formats on request.
Cyfreithiol: Legal:	No direct impact
Iechyd Poblogaeth: Population Health:	No direct impact
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	No direct impact
Ariannol: Financial:	No direct impact
Risg a Aswiriant: Risk and Assurance:	The results of the survey provides assurance to the SSPC in terms of reviewing and developing its effectiveness.
Safonau Iechyd a Gofal: Health & Care Standards:	The provision of high quality, safe and reliable care is dependent on good governance, leadership and accountability which features as an overarching principle of the quality themes outlined in the Health and Care Standards: http://www.wales.nhs.uk/sitesplus/documents/1064/24729_Health%20Standards%20Framework_2015_E1.pdf
Gweithlu: Workforce:	No direct impact
Deddf Rhyddid Gwybodaeth/ Freedom of Information	Open

SSPC Effectiveness Survey Action Plan 2018

No.	Issue	Action	Reference	Responsibility	RAG Status & Deadline
1.	60% response rate from members	Issuing of future surveys to be done through Survey Monkey, incorporating a QR code for ease of access through smartphones and tablets, circulate average time taken to complete survey to encourage participation; consideration of hard copy surveys to be issued at Committee's comfort interval	Response Rate	NWSSP	Ongoing January 2019
2.	I feel the Committee receives sufficient detail, at the right level, to allow me to focus on asking the right questions. The Committee papers are clear and concise and allow me to understand the key issues presented	Review and refresh templates to include Executive Summary and reduce to single cover page; consider linking in corporate and strategic objectives for NWSSP	Question 2 Question 4	NWSSP	Ongoing January 2019
3.	The Committee has effective escalation arrangements in place to alert relevant individuals, committees, boards of any urgent/critical matters that may affect the operation and/or reputation of NWSSP/NHS Wales "The recent discussion re the Laundry review has perhaps identified the need to consider how the committee can be assured that NHS stakeholder organisations are appropriately engaged throughout so that Boards are sighted appropriately. I am aware that the committee is attending to this."	Consideration to be given as to introduction of engagement and escalation matrix for SSPC members information	Question 5 Comment	NWSSP	Ongoing March 2019
4.	The structure of the Committee meeting (e.g. papers, presentations, and attendees), encourage a high quality of debate with robust and probing discussions where relevant.	Introduction of separate "for discussion" and "for information" sections of the agenda	Question 6	NWSSP	Ongoing January 2019
5.	The number of papers are often far too many - most of which are provided for info or do not get discussed in detail at the meetings. Need to find a way to streamline this. How the Chair manages to navigate through to a finish time as planned is quite something sometimes!"	"Governance, Assurance, Audit and Risk" and "items for approval/endorsement" sections to be moved further up the agenda to allow the Committee to focus on key issues	Comment	NWSSP	Ongoing January 2019



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Shared Services
Partnership

AGENDA ITEM:6.3
15 November 2018

The report is not Exempt

Teitl yr Adroddiad/Title of Report

NWSSP Corporate Risk Update – November 2018

ARWEINYDD: LEAD:	Peter Stephenson Head of Finance & Business Development
AWDUR: AUTHOR:	Peter Stephenson Head of Finance & Business Development
SWYDDOG ADRODD: REPORTING OFFICER:	Andy Butler Director of Finance & Corporate Services
MANYLION CYSWLLT: CONTACT DETAILS:	Andy Butler Director of Finance & Corporate Services 01443 848552 / Andy.Butler@wales.nhs.uk

**Pwrpas yr Adroddiad:
Purpose of the Report:**

To provide the Partnership Committee with an update on the NHS Wales Shared Services Partnership's (NWSSP) Corporate Risk Register.

Llywodraethu/Governance

Amcanion: Objectives:	Excellence – to develop an organisation that delivers a process excellence through a focus on continuous service improvement
Tystiolaeth: Supporting evidence:	-

Ymgynghoriad/Consultation:

The Senior Management Team (SMT) reviews the Corporate Risk Register on a monthly basis.

Individual Directorates hold their own Risk Registers, which are reviewed at local directorate and quarterly review meetings.

Adduned y Pwyllgor/Committee Resolution (insert ✓):							
DERBYN/ APPROVE		ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE	✓
Argymhelliad/ Recommendation		The Committee is asked to NOTE the report.					

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	No direct impact
Cyfreithiol: Legal:	Not applicable
Iechyd Poblogaeth: Population Health:	No impact
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	This report provides assurance to the Committee that NWSSP has robust risk management processes in place.
Ariannol: Financial:	Not applicable
Risg a Aswiriant: Risk and Assurance:	This report provides assurance to the Committee that NWSSP has robust risk management processes in place.
Safonau Iechyd a Gofal: Health & Care Standards:	Access to the Standards can be obtained from the following link: http://www.wales.nhs.uk/sitesplus/documents/1064/24729_Health%20Standards%20Framework_2015_E1.pdf Standard 1.1 Health Promotion, Protection and Improvement
Gweithlu: Workforce:	No impact
Deddf Rhyddid Gwybodaeth/ Freedom of Information	Open. The information is disclosable under the Freedom of Information Act 2000.

NWSSP CORPORATE RISK REGISTER UPDATE November 2018

1. INTRODUCTION

The Corporate Register is presented at **Appendix 1** for information.

RISKS FOR ACTION

The ratings are summarised below in relation to the Risks for Action:

Current Risk Rating	Nov 2018
Red Risk	2
Amber Risk	9
Yellow Risk	1
Green Risk	0
Total	12

2.1 Red-rated Risks

Risk A1 - Demise of the Exeter Software System
Current Risk Score: Red 20

Risk A2 – Threat of a "No-Deal Brexit"
Current Risk Score: Red 20

Both risks are covered in the Managing Director's Report to the Committee.

2.2 New Risks

No further risks have been added to the Risk Register since the last meeting of the Committee in September.

2.3 Risks removed from Register

No risks have been removed from the Risk Register since the last meeting of the Committee in September.

2. RISKS FOR MONITORING

There are five risks that have reached their target score and which are rated as follows:

Current Risk Rating	Nov 2018
Red Risk	0
Amber Risk	1
Yellow Risk	3
Green Risk	1
Total	5

3. ASSESSMENT/GOVERNANCE & RISK ISSUES

There is a significant risk to the NWSSP if robust governance arrangements are not in place for risk management and each Director has responsibility for notifying the SMT of any risks that could have a financial impact if arrangements are not in place to manage risk. If there are insufficient communication flows to manage risk then there could be a resulting adverse effect on NWSSP and its customers.

4. RECOMMENDATION

The Committee are asked to:

- **NOTE** to the Corporate Risk Register as at November 2018.

Corporate Risk Register

Ref	Risk Summary	Inherent Risk			Existing Controls & Mitigations	Current Risk			Further Action Required	Progress	Trend since last review	Target & Date
		Likelihood	Impact	Total Score		Likelihood	Impact	Total Score				
Risks for Action												
A1	Risks associated with the demise of the Exeter system coming to an end in 2015, with no replacement system designed for NHS Wales. The contract in NHS England has been outsourced to Capita.	4	5	20	Establishment of NHS Wales Steering Group. High level option appraisal undertaken. Mapping exercise completed with Capita and PCS subject matter experts to identify gaps between NHSE and NHSW.	4	5	20	Review costings when received from Northern Ireland and submit business case (PS 30 June 2018) - figures still awaited at 6 Nov).	Regarding GMS, there are 3 potential options: 1. NHS Wales redevelop the GMS payments system; 2. Contract with CAPITA; 3. To engage with Northern Ireland. Northern Ireland is preferred option and visit undertaken in Apr 18. Detailed costings still awaited at 7/9/18 and there is a potential governance issue over whether NI can provide services to us. NAO review in England now makes June 20 a more realistic date for the system to be switched off. NHS Digital have been approached to explore a formal agreement to extend support for NHAIS and OE to March 2020 to ensure that appropriate replacement solutions can be sourced.		31-Dec-18
	Escalated Directorate Risk									Risk Lead: Director of Primary Care Services		
A2	Threats to the supply of medical consumables, and potential employment issues, in the event of a no-deal Brexit.	4	5	20	Regular discussions with UK and Welsh Governments Attend Ministerial Advisory Board	4	5	20		Matter is in hands of Welsh Government to make decisions on whether to invest in additional stock and related infrastructure.		31-Mar-19
	Strategic Objective - Customers									Risk Lead: Director of Procurement Services		
A3	Disruption to services and threats to staff due to unauthorised access to NWSSP sites.	5	4	20	Manned Security at Matrix CCTV Locked Gates installed at Matrix.	3	4	12	Undertake reviews of security at all sites (ND 31/12/2018) On-going discussion with Landlord at Matrix (RD 31/12/2018)	Further incident noted at Companies House - full investigation undertaken and report produced and shared with CH who are undertaking independent penetration testing of physical security. Security review commissioned and is being undertaken by the Police Increased traveller activity noted close to Matrix House		30-Oct-18
	Strategic Objective - Staff									Risk Lead; Director Specialist Estates Services/Director of Finance and Corporate Services		
A4	NWSSP are unable to recruit and retain sufficient numbers and quality of staff for certain professional services (Procurement Services) resulting in a potential failure to meet desired performance targets and/or deliver service improvements.	5	4	20	Staff Surveys & Exit Interviews Monitoring of turnover and sickness absence Workforce & OD Framework Work with Great With Talent to develop On-Boarder, Absence & Exit questionnaires (3, 6 and 12 months) Development of Clerical Bank Strengthened relationship with local universities Work-based degree opportunities in some professional services Use of Social Media Use of Recruitment Consultants Targeted Advertising - Trade Journals	4	3	12	Exit interviews to assess rationale for staff leaving employment - 31 Mar 2018 (HR) - on hold due to procurement tender exercise	Recruitment and retention remains a concern, particularly within professional posts primarily with the procurement services function. Recruitment has improved in other professional functions. Work is taking place with all services to have in pace agile recruitment and retention strategies to attempt to address these concerns, utilising available data and information.		31-Dec-18
	Strategic Objective - Staff									Risk Lead: Director of Workforce and OD		

A5	NWSSP is unable to adequately demonstrate the value it is bringing to NHS Wales due to insufficiently developed reporting systems.	4	4	16	Quarterly Performance Reports to Health Boards & Trusts Performance Reporting to SSPC & SMT SSPC Assurance reports Periodic Directorate Meetings with LHBs & Trusts Quarterly meetings with LHB and Trust Exec Teams Regular updates to Peer Groups (DOF's, DWODS, Board Secretaries) Customer Satisfaction Surveys Internal Audit Review (May 2018) Presentations from CEB Gartner (June 2018)	3	4	12	1. Introduce consistent approach in reporting and meetings for all directorates and all LHBs & Trusts (AB) 2. Review and refine performance framework - (MR - 31 Dec 2018) 3. Work proactively to support NHS Wales in delivering the actions outlined within the NHS Wales Chief Executives National Improvement Programme (NIP)	1. Completed 2. Ongoing 3. Paper taken to All Wales Finance Directors meeting in 09/2017.	➔	31-Dec-18
	Strategic Objective - Value For Money									Risk Lead: Director of Finance & Corporate Services		
A6	The transfer of responsibilities and staff in Bridgend from ABMU to CTUHB wef April 2019 will have significant implications for NWSSP processes and workloads.	5	4	20	Standing item on SMT agenda Programme Director attends SMT periodically NWSSP on finance and governance workstreams	4	3	12	Respond to Programme Director with implications for NWSSP - AB/PS Complete Ensure representation on HR Workstream (GH) - Complete	NF has spoken with CEOs of both HBs and got agreement that NWSSP will be included in all relevant planning discussions.	➔	31-Mar-19
	Strategic Objective - Customers									Risk Lead: Director of Finance and Corporate Services		
A7	NHS Wales A4C Pay Award and Priority Service Reconfiguration : NWSSP integral to national pay negotiations and delivery of 2018 A4C Pay Award and payment of T&C arrears. Depending on progress of negotiations implementation is proposed for July/Aug 18 running in parallel with significant service change: - M&D Trainee Rotation - Establishment of HEIW - Payment of T&C Arrears - CTUHB/ABMUHB Transfer	5	4	20	Draft framework in place	3	4	12	Escalate potential July/Aug timescales with IBM to secure and maximise application of new Award and T&C's in ESR Work commenced to establish payment of T&C arrears to individuals Pay modelling to inform negotiations to speed up decision process.	Pay Award now agreed and paid In October with arrears in November.	➔	31-Mar-19
	Escalated Directorate Risk									Risk Lead: Assistant Director Employee Services		
A8	NWSSP's lack of capacity to develop our services to deliver further efficiency savings and introduce innovative solutions for NHS Wales and the broader public sector.	4	4	16	IMTP Horizon scanning days with SMT and SSPC to develop services Established new Programme Management Office (PMO) IT Strategy Regular reporting to SMT and SSPC	3	3	9	1. Implementation of project management software (AB) 2. Invest in Robotic Process Automation (AB)	1. Procurement pilot project completed - currently being rolled out in NWSSP 2. RPA pilot in progress	➔	31-Dec-18
	Strategic Objective - Service Development									Risk Lead: Director of Finance & Corporate Services		
A9	Risks arising from changes introduced by the Welsh Government to the NHS Bursary Scheme whereby students now have to commit to work in Wales for the two years following completion of their course in order to receive the full package of benefits.	4	4	16	Governance Group with four workstreams established to meet all aspects of this announcement.	3	3	9	Further work required to develop the repayment mechanism. (PT)	The new scheme has been successfully implemented, however, further work required to develop the repayment mechanism. Developing an UCAS style system for placing students into jobs.	➔	31-Dec-18
	Strategic Objective - Service Development									Risk Lead: Director of Finance and Corporate Services		
A10	Lack of effective succession planning at a senior level will adversely impact the future and strategic direction of NWSSP due to the age profile of the SMT.	4	3	12	Workforce & OD Framework On-going development of existing staff to ensure a ready supply of staff to meet the maturing organisation's needs. Leadership Development Programmes	3	3	9	1. Develop a plan which includes likely key dates for each of the affected services and which prioritises succession planning based on proximity of risk (HR) 31 Dec 18 2. NHS Wales Leadership Programme - identify key staff with potential for future development and encourage them to undertake the leadership programme - (HR) 31 Dec 18 3. National Succession Strategy for NHS Wales - participate in the work of the national group and identify high performing staff who may be eligible for consideration to support succession planning requirements - (HR) 31 Dec 18	Recent appointments of senior staff have helped to address this risk.	➔	31-Dec-18
	Strategic Objective - Staff									Risk Lead: Director of Workforce and OD		

A11	Operational performance is adversely affected through the use of some out-of-date software systems, lack of consistent IT support across NHS Wales resulting in interoperability issues and the limited capacity of NWIS to meet the demand for IT development to develop our services.	4	5	20	Created a Business Systems and Informatics Department Service Level Agreement (SLA) in place with NWIS Significant additional capital funding obtained from Welsh Government in prior year for IT investment Development of draft IT strategy Quarterly Reporting of Performance to SMT	1	4	4	1. Finalise IT Strategy for NWSSP, to include an IT replacement strategy - complete 2. Consolidate Desktop support from one strategic partner - currently a mix of arrangements (NWIS & BCU) - 31 Mar 2019 (AB) 3.Finalise Cyber Security Action plan - complete 4. Develop an overarching Business Continuity plan for NWSSP incorporating operational, IT and building requirements and test the plan annually - complete	All actions on track and a consultant from the Wales Quality Centre is currently working with NWSSP to enhance BCP arrangements. 1. Completed 2. Ongoing 3. Completed 4. Completed - plan developed and tested in Sept.	↓	31-Dec-18
	Strategic Objective - Excellence									Risk Lead: Director of Finance & Corporate Services		
A12	Failure to comply with Welsh Language requirements and capacity to meet the increased demand for Welsh translation services resulting from the implementation of the Welsh Language Standards leading to reputational damage for NWSSP.	3	4	12	Welsh Language Officer appointed Staff required to populate Welsh language skillset in ESR Welsh Language Translator appointed WL awareness is included within the face to face corporate induction training day Accredited WL training in place at several NWSSP sites WL monitoring report submitted to SMT External comms - WIAP project ensuring all web information is bilingual, graphic design, public events, etc	2	4	8	1. Undertake a Cost/benefits analysis to justify further investment in Welsh Language capacity - complete 2.Bilingual interface of TRAC recruitment software to be fully bilingual - complete 3. Investigate the potential for introducing a WL hub to provide support with translation for NHS Wales - complete 4. Undertake Internal Audit review of progress against Welsh Language Standards - currently being scoped.	Updates provided to both June and July SMT. A further translator has been appointed who commenced in post in Sept 18.	→	31-May-19
	Strategic Objective - Staff									Risk Lead: Director of Finance and Corporate Services		
Risks for Monitoring												
M1	1. The Learning@Wales server provided and supported by NWIS requires enhancements to ensure user capacity is aligned with forecasted usage and is fully supported and managed to ensure provision of service does not degrade further. Further enhancements are required to reporting capability as this is affecting the service provided and reputation of NWSSP. 2. The ESR e-learning server is currently provided by NWSSP, via a server located in Manchester. This server has little resilience and requires hosting within NWIS DMZ with a fully supported service management wrap. Over 70% of learning undertaken in NHSW at 07/2017 was via e-learning. There would be a significant impact on the compliance of the workforce if the server failed.	4	4	16	Additional support provided from NWIS to schedule reports out of hours to minimise impact on server disruption. Significant cleansing and formatting of reports by DWS Team before they are forwarded to organisations to enable them to manage compliance. NWSSP IT function have enabled a temporary solution via the Manchester server.	2	4	8	1. Escalation with NWIS for resolution. 2. Provision of fully supported server, hosted in NWIS, DMZ required.	1. A part-solution is in place for reporting but the final reporting solution is still to be sourced. NWIS are making progress and a recent meeting has taken place where the specification and possible solutions have been discussed. NWIS need to go out to advert for a specialist to support this work and they have also submitted a request for a new server build for this project. A further update will be available at the end of June following the next meeting. 2. We are awaiting confirmation from NWIS on the timeline for the server move. The server is currently resilient and there is a meeting with NWIS on 13/6 where we hope to get clarification on a new migration timeline.	↓	
	Escalated Directorate Risk									Risk Lead: Director of Workforce and OD		
M2	Reputational impact due to issues within the Accounts Payable (AP) team that have resulted in the delay in payment to suppliers in a number of Health Boards and Trusts leading to failure to achieve their Public Sector Payment Policy (PSPP) targets.	4	4	16	Review of performance at regular meetings with LHBs and Trusts SMT review high level progress reports on regular basis Restructure of AP team to improve performance Action plan in place to address issues - has been subject to independent review Finance Academy has established P2P as a national project under the developing excellence initiative. Accounts payable helpdesk introduced	3	4	6	1. Complete implementation of action plan (RW) 2. Internal Audit to complete follow up review (SC) 3. The All Wales P2P group to provide regular updates on progress to the SMT (AB) 4. Appoint P2P Project Manager (AB)	1. Completed 2. Completed 3. Regular updates to Finance Directors and Committee 4. Completed Actions taken to date have resulted in improvement in PSPP performance not now considered a problem.	→	
	Escalated Directorate Risk									Risk Lead: Director of Procurement Services		





M3	Failure to ensure compliance with GDPR requirements leading to a serious breach which damages the reputation of NWSSP	4	3	12	Information Governance Steering Group Information Governance Manager Caldicott Guardian Senior Information Risk Owner (SIRO) Training programme for staff CPIP Annual Self-Assessment and Report Information Asset Owners in each Directorate ICO Audits Information Governance Risk Register Health and Care Standards	2	3	6	1. Information Governance Work Plan to be formally approved (AB) 2. Review lessons learned from IG breaches (AB) 3. GDPR Action Plan 4. Internal Audit review to be undertaken in 2018/19	1. Completed - IG Work Plan approved by IG Steering Group. 2. Ongoing - Standard agenda item on IG Steering Group; presentations delivered by each directorate, in turn. NWSSP achieved a score of 96% in the latest Caldicott Principles into Practice assessment.	➔	
	Strategic Objective - Service Development									Risk Lead: Director of Finance & Corporate Services in conjunction with Service Heads		
M4	The establishment of HEIW from October 2018 will cause significant disruption and uncertainty for NWSSP staff.	5	4	20	Programme Board Regular presentation to SMT WEDS Legacy Statement produced	1	3	3	WEDS Legacy Statement to be produced for SSPC September meeting - Complete Review accuracy of suggested costs ahead of next Finance workstream - Complete	HEIW established 1 Oct 2018. Recognition now from WG that this will be a hugely expensive exercise. Concerns over impact on NWIS and whether our service from them will suffer as a result.	⬇	
	Strategic Objective - Staff									Risk Lead: Director of Finance and Corporate Services		
M5	The forecasting of the Risk Pool spend is complex. Any inaccuracies could have a major impact on NHS Wales' ability to achieve financial balance and could adversely impact the reputation of NWSSP. The change in the discount rate in February 2017 has increased the complexity of the calculations.	4	4	16	Appointment of a dedicated Risk Pool Accountant Introduction of Business Partnering Arrangements On-going development of robust forecasting arrangements Regular reporting to SSPC and Directors of Finance Subject to WAO review.	2	3	6	1. Closer working with Health Boards, Welsh Government and Solicitors required to maintain a current and accurate view of the level of risk. 2. Development of a forecasting model to map the financial impact of the discount rate change over the next 3 years.	Both actions completed. NWSSP have developed a forecasting system which incorporates all the latest information about cases over £250k available from the Solicitors. This has been agreed with Welsh Government. A dialogue system is in place and forecasting is always on the LARS monthly Senior Team meeting, chaired by the Director and attended by Martin Riley and Legal & Risk Services' Senior Solicitors/Team Leaders. Finance Directors were updated on the latest position in 01/2018. Additional funding has now been provided by HM Treasury.	➔	
	Escalated Directorate Risk									Risk Lead: Director of Finance & Corporate Services		

Key to Impact and Likelihood Scores						
		Impact				
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood						
5	Almost Certain	5	10	15	20	25
4	Likely	4	8	12	16	20
3	Possible	3	6	9	12	15
2	Unlikely	2	4	6	8	10
1	Rare	1	2	3	4	5
	Critical	Urgent action by senior management to reduce risk				
	Significant	Management action within 6 months				
	Moderate	Monitoring of risks with reduction within 12 months				
	Low	No action required.				

	New Risk
	Escalated Risk
	Downgraded Risk
	No Trend Change

Key to Impact and Likelihood Scores						
		Impact				
		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood						
5	Almost Certain	5	10	15	20	25
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	Critical	Urgent action by senior management to reduce risk				
	Significant	Management action within 6 months				
	Moderate	Monitoring of risks with reduction within 12 months				
	Low	No action required.				

Consequence					
Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Yellow 5	Amber 10	Red 15	Red 20	Red 25
Likely	Yellow 4	Amber 8	Amber 12	Red 16	Red 20
Possible	Green 3	Yellow 6	Amber 9	Amber 12	Red 15
Unlikely	Green 2	Yellow 4	Yellow 6	Amber 8	Amber 10
Rare	Green 1	Green 2	Green 3	Yellow 4	Yellow 5
Red: Critical - Urgent action and attention by senior management to reduce risk					
Amber: Significant - Management consideration of risks and reduction within 6 months					
Yellow: Moderate - Monitoring of risks with a view to being reduced within 12 months					
Green: Low - These risks are considered acceptable					

	New Risk
	Escalated Risk
	Downgraded Risk
	No Trend Change

 GIG CYMRU NHS WALES	Partneriaeth Cydwasaethau Shared Services Partnership	AGENDA ITEM: 15 November 2018
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The report is not Exempt

Teitl yr Adroddiad/Title of Report

NWSSP Audit Committee Highlight Report – 23 October 2018

ARWEINYDD: LEAD:	Peter Stephenson, Head of Finance & Business Development
AWDUR: AUTHOR:	Roxann Davies, Compliance Officer
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**Pwrpas yr Adroddiad:
Purpose of the Report:**

The purpose of this paper is to provide the SSPC with details of the key issues considered by the Velindre University NHS Trust Audit Committee for NHS Wales Shared Services Partnership at its meeting on the 23 October 2018.

Llywodraethu/ Governance

Amcanion: Objectives:	Each of the five key Corporate Objectives
Tystiolaeth: Supporting evidence:	Individual reports submitted to Audit Committee

Ymgynghoriad/ Consultation:

Who has been consulted on the details of the report?

- NWSSP Audit Committee

Adduned y Pwyllgor/Committee Resolution (insert ✓):							
DERBYN/ APPROVE		ARNODI/ ENDORSE		TRAFOD/ DISCUSS		NODI/ NOTE	✓
Argymhelliad/ Recommendation		Outline the recommendation of the report <ul style="list-style-type: none"> The Committee is asked to NOTE the report 					

Crynodeb Dadansoddiad Effaith: Summary Impact Analysis:	
Cydraddoldeb ac amrywiaeth: Equality and diversity:	No direct impact
Cyfreithiol: Legal:	No direct impact
Iechyd Poblogaeth: Population Health:	No direct impact
Ansawdd, Diogelwch a Profiad y Claf: Quality, Safety & Patient Experience:	No direct impact
Ariannol: Financial:	No direct impact
Risg a Aswiriant: Risk and Assurance:	This report provides assurance to the Committee that NWSSP has robust risk management processes in place.
Safonau Iechyd a Gofal: Health & Care Standards:	Access to the Standards can be obtained from the following link; http://gov.wales/docs/dhss/publications/150402/standardsen.pdf
Gweithlu: Workforce:	No direct impact
Deddf Rhyddid Gwybodaeth/ Freedom of Information	Open or closed (i.e. is the information exempt) Assess if the information can be disclosed into the public domain, if not it will need to be presented as a part 2 agenda item.

HIGHLIGHT REPORT FROM THE VELINDRE NHS TRUST AUDIT COMMITTEE FOR NWSSP

1. CEFNDIR/BACKGROUND

The Velindre University NHS Trust Audit Committee for NHS Wales Shared Services Partnership (the "Audit Committee") provides assurance to the Shared Services Partnership Committee (SSPC) on the issues delegated to them through the Trust and NWSSP Standing Orders.

A summary of the business matters discussed at the meeting held on the 23 October 2018 is outlined below:

ALERT	No matters to alert/escalate.
ADVISE	No matters to advise.
ASSURE	<p>Internal Audit Position</p> <p>The Committee were informed that Internal Audit had made good progress with the annual programme of work and received 3 internal audit reports for consideration:</p> <ul style="list-style-type: none"> • Health Courier Services <ul style="list-style-type: none"> ○ Reasonable assurance with 1 high, 3 medium and 3 low priority recommendations • GP Trainees <ul style="list-style-type: none"> ○ Reasonable assurance with 1 high, 1 medium and 3 low priority recommendations • BACS Bureau <ul style="list-style-type: none"> ○ Advisory report with 3 medium and 1 low priority recommendations
ASSURE	<p>Tracking of Audit Recommendations</p> <p>An update on the current position with audit recommendations was provided:</p> <ul style="list-style-type: none"> • 204 recommendations raised; • 195 recommendations implemented; • 7 recommendations not yet due; • 0 overdue audit recommendations; and • 2 recommendations with revised deadlines, for approval. <p>The Committee were content to approve the requested extensions, relating to Central Team disaster recovery exercises being undertaken by 30 November 2018.</p>

ASSURE	<p>Risk Appetite Statement</p> <p>The organisation's first Risk Appetite Statement was reviewed, which had been developed based on the Velindre and Good Governance Institute Models and approved by the Senior Management Team (SMT) and Shared Services Partnership Committee (SSPC) in September.</p> <p>It was confirmed that work would take place to communicate risk assurance levels to staff in order to frame thinking and policy development, through engagement with directorates, as it is essential to ensure consistency with approach in risk management. Risk appetite levels were developed following consultation with SMT and in relation to services provided on an NHS Wales basis, it was noted that tolerance levels do vary.</p>
ASSURE	<p>Assurance Mapping</p> <p>The updated Assurance Maps were reviewed, a year after they were first presented to the Committee. It was confirmed that it was useful to continue to review them on an annual basis. An additional assurance map has been documented for the Welsh Infected Blood Support Scheme (WIBSS) and also an overall map for NWSSP linked to the corporate goals. Further work is needed to mature the governance arrangements for WIBSS, although much of this is dependent upon Welsh Government. Further work is also needed to strengthen assurance arrangements for Health Courier Services and Business Systems and Information.</p> <p>The main changes to services were summarised and Internal Audit noted that the assessment of assurance was helpful in identifying what level of controls were in place in order to focus on the key risk issues.</p>
ASSURE	<p>Corporate Risk Register</p> <p>The Corporate Risk Register was discussed and it was noted that there were two red risks for action:</p> <ol style="list-style-type: none"> 1. The demise of the Exeter software system, a long-standing risk where the preferred option remains working with Northern Ireland, however we were still awaiting figures; and 2. The risk surrounding the impact of Brexit for NHS Wales. <p>It was confirmed that whilst the HEIW transfer has been completed, the risk would remain on the Register, for monitoring.</p>

INFORM	<p>Update from Benchmarking Exercise on Audit Committee Effectiveness</p> <p>Findings to date included the following recommendations:</p> <ul style="list-style-type: none"> • Offer the use of video conferencing and skype facilities; • Integration of lessons learned from Counter Fraud cases into Position Statement; • Inclusion of Committee development sessions; • Collaboration with Velindre regarding induction packages and succession planning; • Communications and engagement of Independent Members and staff; and • Invitations extended for Committee members to attend lunch and learn/service development updates.
INFORM	<p>Workforce Education & Development Services (WEDS) Legacy Report</p> <p>The report was prepared to provide robust assurances ahead of the transfer to Health Education and Improvement Wales (HEIW) on 1 October 2018. The report has been shared with NWSSP Senior Management Team and the Shared Services Partnership Committee (SSPC).</p> <p>Controls and processes were robust and we asked Internal Audit to review the arrangements in place over the last financial year. Following completion, they provided an opinion of substantial assurance.</p>
OTHER AGENDA ITEMS	<p>Additional agenda items presented to the Committee included Governance Matters and Report on How Procurement Services Minimises Obsolete Warehouse Stock, Counter Fraud Position Statement, Wales Audit Office Position Statement, Health and Care Standards Self-Assessment Action Plan and Audit Committee Forward Plan.</p>

2. ARGYMHELLIAD/RECOMMENDATION

The Committee are asked to:

- **NOTE** the Highlight Report