

12. PROCUREMENT AND CONTRACTING

Any instruction or summary of legislation in this chapter of Digital Health and Care Wales' (DHCW) SFIs is neither legal advice nor statutory guidance, is not intended to be exhaustive, nor an authoritative statement of the law, nor is it intended to override existing legal obligations applicable to DHCW. The law is subject to constant change and DHCW should seek its own legal advice as appropriate as well as consult with NHS Wales Shared Services Partnership (NWSSP) Procurement Services.

In the event of any conflict between what is contained in legislation and DHCW's, the former shall prevail.

General Information

12.1 Procurement Services

12.1.1 While the Chief Executive is ultimately responsible for procurement, the service is delivered by NHS Wales Shared Services Partnership (NWSSP) Procurement Services (**"Procurement Services"**).

12.1.2 Procurement staff employed by NWSSP provide a procurement support function to all health organisations in NHS Wales. Although NWSSP is responsible for the provision of a Procure to Pay service and provision of appropriate professional procurement and commercial advice, ultimate responsibility for compliance with legislation and policy guidelines remains with DHCW. Where the term 'procurement staff' or 'department' is used in this chapter it should be read as equally applying to those departments where the procurement function is undertaken locally and outside of Procurement Services, e.g.; 'Pharmacy' and 'Works', who undertake procurement on a devolved basis.

12.2 Policies and Procedures

12.2.1 Procurement Services shall, on behalf of DHCW maintain detailed policies and procedures for all aspects of procurement, including tendering and contracting processes. The policies and procedures shall comply with these SFIs, the NWSSP Procurement Manual (existing and future revised), and the Revised General Consent to enter Individual Contracts [included as Schedule 1 of these SFIs.

12.2.2 The Chief Executive is ultimately responsible for ensuring that DHCW Executive Directors, Independent Members and officers within the organisation strictly follow procurement, tendering and contracting procedures.

12.2.3 NWSSP's Director of Procurement Services is responsible for ensuring that procurement, tendering and contracting policies and procedures are:

- kept up to date;
- conform to statutory requirements and regulations;
- adhere to guidance issued by the Welsh Ministers; and
- are consistent with the principles of sustainable development.

12.2.4 All procurement guidance issued by the Welsh Ministers should have the effect as if incorporated in these SFIs.

12.3 Legislation Governing Public Procurement

12.3.1 Legislation governs public sector procurement in the UK. From the 24 February 2025, the [Procurement Act 2023](#) and associated subordinate instruments (together “**the 2023 Act**”) and the [Health Services \(Provider Selection Regime\) \(Wales\) Regulations 2025](#) and associated subordinate instruments (together “**the PSR Wales Regulations**”) are the key pieces of legislation which governs public sector procurement in the UK. The PSR Wales Regulations only apply to certain health services (“**In-Scope Health Services**”) and further detail these can be found in the Welsh Government’s statutory guidance titled “[Health service procurement: statutory guidance](#)”. Goods and services which are not In-Scope Health Services (“**Goods and Non-Health Services**”) fall within the scope of the 2023 Act. `

12.3.2 Where specific instruction relates only to procurements undertaken under the PSR Wales Regulations, the words ‘**In-Scope Health Services Only**’ will appear at the start of the instruction paragraph. Where specific instruction relates only to procurements undertaken under the 2023 Act, the words ‘**Goods and Non-Health Services Only**’ will appear at the start of the instruction paragraph. If such references do not appear at the start of the instruction paragraph, all information detailed is applicable to the procurement regimes under both the PSR Wales Regulations and the 2023 Act, save for any bracketed instruction reference following a phrase to either regimes applicability.

12.3.3 ‘**Goods and Non-Health Services Only**’ The 2023 Act governs the procurement of Goods and Non-Health Services. The Welsh Government’s Policy Framework and the Wales Procurement Policy Statement (WPPS) under section 14 of the 2023 Act also govern this area. A key objective of the legislation is to establish a flexible, accessible and equitable framework for public procurement in Wales that maximises social, economic, environmental and cultural outcomes for communities across Wales. Legislation, policy, and guidance setting out procedures and requirements for awarding all forms of regulated contracts shall have effect as if

incorporated in DHCW's SFIs. **In the event of any conflict between what is contained in the 2023 Act and DHCW's SFIs, the former shall prevail.**

12.3.4 **'In Scope Health Services Only'** The PSR Wales Regulations governs the procurement of In-Scope Health Services. Under this legislation, relevant organisations to which the PSR Wales Regulations apply must also have regard to the Wales Procurement Policy Statement (WPPS) under section 14 of the 2023 Act. They must also have regard to the statutory guidance issued by the Welsh Government which sets out how the PSR Wales Regulations should be adopted. One of the key objectives of this legislation is to ensure there is more flexibility when selecting providers for health services, with competitive tendering being one tool for DHCW to use when it is of benefit; alongside other routes that may be more proportionate, and which better enable the development of stable partnerships and the delivery of collaborative care. Legislation, policy, and guidance setting out procedures for awarding all forms of regulated contracts shall have effect as if incorporated in DHCW's SFIs. **In the event of any conflict between what is contained in the PSR Wales Regulations and DHCW's SFIs, the former shall prevail.**

12.3.5 All Directors and their staff are responsible for ensuring that all legal requirements in the area of public procurement are understood and fully complied with. The provisions set out in the 2023 Act, the PSR Wales Regulations, Welsh Procurement Policy Notices and all associated subordinate instruments are the model upon which all procurement exercises should be based.

12.3.6 Procurement advice should be sought in the first instance from Procurement Services. The commissioning of further specialist advice shall be jointly agreed between DHCW's and Procurement Services e.g., engagement of NWSSP Legal and Risk Services prior to 3rd party Legal Service providers.

12.3.7 All other relevant legislation, guidance and policy documents must also be observed, including but not limited to the following:

- Social Partnership and Public Procurement (Wales) Act 2023
- The Well-being of Future Generations (Wales) Act 2015
- Welsh Language (Wales) Measure 2011
- Modern Slavery Act 2015
- Bribery Act 2010
- Equality Act 2010
- Welsh Government's Code of Practice for Ethical Employment in Supply Chains.
- The Producer Responsibility Obligations (Packaging Waste) Regulations 2007
- Welsh Government 'Towards zero waste: our waste strategy'

- The Welsh Government Procurement Policy Framework, including:
 - Wales Procurement Policy Notes (extant at the time of undertaking the procurement exercise)
 - The Wales Procurement Policy Statement (WPPS) (section 14 of the Procurement Act 2023)

12.4 Procurement Principles and Objectives

12.4.1. The term "procurement" embraces the complete process from planning, sourcing to taking delivery of all works, goods and services required by DHCW to perform its functions, and furthermore embrace all building, equipment, consumables, and services including health services. Procurement further embraces contract and/or supplier management, including market engagement and industry monitoring.

12.4.2 **‘Goods and Non-Health Services Only’** The legal and governing principles guiding ‘covered procurement’ under the 2023 Act, and incorporated into these SFIs include but are not limited to the following:

- Having regard to the objectives of delivering value for money; maximising public benefit; sharing information for the purpose of allowing suppliers and others to understand the authority’s procurement policies and decisions; acting, and being seen to act, with integrity; and removing or reducing the barriers faced by SMEs.
- Ensuring equal treatment by treating suppliers the same, unless differences between the suppliers justify different treatment (and where different treatment of suppliers is justified, to take all reasonable steps to make sure the different treatment does not put a supplier at an unfair advantage or disadvantage).

12.4.3 **‘In Scope Health Services Only’** The legal and governing principles guiding procurement of In-Scope Health Services under the PSR Wales Regulations, and incorporated into these SFIs include but is not limited to DHCW doing the following:

- Making decisions in the best interests of people who use the service by acting with a view to (1) securing the needs of the people who use the services; (2) improving the quality of the services; (3) improving efficiency in the provision of the services;
- Acting transparently, fairly, and proportionately;
- Having regard to the Welsh Government’s Health Service Procurement: Statutory Guidance; and
- Having regard to the Wales Procurement Policy Statement published under section 14 of the 2023 Act.

12.5 Procurement Procedures

12.5.1 To help towards ensuring that DHCW is compliant with the legislation governing public sector procurement in the UK, and Welsh Ministers' guidance and policy, DHCW shall, through Procurement Services, ensure that it shall have procedures that set out:

- a) requirements for, and exceptions to, formal competitive tendering ('**Goods and Non-Health Services Only**');
- b) tendering processes including post tender discussions;
- c) requirements and exceptions to obtaining quotations ('**Goods and Non-Health Services Only**');
- d) evaluation and scoring methodologies; and
- e) approval of firms for providing goods and services.

12.5.2 All procurement procedures must comply with all relevant legislation, the Welsh Ministers' guidance and DHCW's delegation arrangements and approval processes.

12.6 Notification to Welsh Government and consent from the Welsh Ministers

12.6.1 **Schedule 1** details the requirement and process when entering into contracts exceeding £1m and monitoring arrangements for contracts below £1m.

12.6.2 The provisions of Schedule 1 do not remove the requirement for DHCW to comply with Standing Orders, SFIs or to obtain any other consents or approvals required by law for the transactions concerned.

Planning

12.7 Sustainable Procurement

12.7.1 To further nurture the Welsh economy and in support of social, environmental, economic and cultural goals in Wales, DHCW must also be mindful to structure requirements ensuring Welsh companies have the opportunity to transparently and fairly compete to deliver services regionally or across Wales where possible and within the legislative framework. The principles of the [Well-being of Future Generations \(Wales\) Act 2015](#) ("**the WBFG Act 2015**") should be adopted at the earliest stage of procurement planning.

12.7.2 For example, the WBFG Act 2015 requires affected public bodies to act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. The WBFG Act 2015 also provides for a shared purpose through seven well-being goals for

Wales which are indivisible from each other and explain what is meant by the well-being of Wales.

12.7.3 The seven well-being goals are:

- a prosperous Wales;
- a resilient Wales;
- a healthier Wales;
- a more equal Wales;
- a Wales of cohesive communities;
- a Wales of vibrant culture and thriving Welsh language; and
- a globally responsible Wales.

12.7.4 The WBFG Act 2015 puts in place a “sustainable development principle” which tells relevant public bodies how to go about meeting their well-being duty. Such bodies need to make sure that when making their decisions they take into account the impact they could have on people living in Wales now and in the future. The WBFG Act 2015 includes five principles that those public bodies need to think about to show they have applied the sustainable development principle, which by way of brief summary are as follows:

- Collaboration: acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives;
- Integration: considering how the public body’s well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies;
- Involvement: the importance of involving people with an interest in achieving the well-being goals, and ensuring that those people reflect the diversity of the area which the body serves;
- Long term: the importance of balancing short-term needs with the need to safeguard the long-term needs; and
- Prevention: how acting to prevent problems occurring or getting worse may help public bodies meet their objectives.

12.7.5 DHCW is required to consider the [Welsh Government Guidance on Ethical Employment Practices in Public Sector Supply Chains](#) and the [Code of Practice](#) on ethical employment in supply chains which includes aims to commit public, private and third sector organisations to a set of actions designed to eliminate modern slavery and support ethical employment practices.

12.7.6 DHCW shall make use of the tools developed by Welsh Government Commercial Delivery team in implementing the principles of the WBFG Act 2015. DHCW shall benchmark its performance against the WBFG Act 2015. As detailed in

WPPN 005, for the procurement of all contracts over £25,000, DHCW are required to take into account the social, economic, environmental and cultural goals in the WCFG Act 2015 using the [Sustainable Risk Assessment Template](#) (SRA).

12.8 Small and Medium Sized Enterprises (SMEs), Third Sector Organisations (TSOs) and Supported Factories and Businesses (SFBs)

12.8.1 In accordance with the '[covered procurement](#)' objectives in the 2023 Act, Welsh Government's commitments are set out in the current and subsequent versions of the WPPS, DHCW shall ensure that it provides opportunities for SMEs, TSOs and SFBs to quote or tender for contracts.

12.9 Planning Procurements

12.9.1 DHCW must ensure that all staff with delegated budgetary responsibility or who are part of the procurement process for goods, services and works are aware of the legislative and policy frameworks and requirements governing public procurement.

12.9.2 A process of planning all procurement exercises must be undertaken with the Procurement Services and appropriate representative from the service and other appropriate stakeholders, (depending on the value, risk and complexity of the procurement). The purpose of a planning phase is to determine:

- the likely financial value of the procurement, including whole life cost;
- the likely 'route to market' which will consider the legislative and policy framework set out above;
- the availability of funding to be able to award a contract following a successful procurement process; and
- that the procurement follows current legislative and policy frameworks including Value Based Procurement.

12.9.3 The procurement specification should factor in the four principles of prudent healthcare:

- equal partners through co-production;
- care for those with the greatest health need first;
- do only what is needed; and
- reduce inappropriate variation.

For '**Goods and Non-Health Services Only**' Value based outcome/experience/delivery principles must also be included where appropriate ensuring best value for money, sustainability of services and the future financial position. For '**In Scope Health Services Only**' Value Based Healthcare should be

considered under the Key Criteria ‘Value’ where this is appropriate and applicable. Value for money is defined as the optimum combination of whole-life cost and quality to meet the requirement (and is also a core objective of the 2023 Act).

12.9.4 Where free of charge services are made available to DHCW, Procurement Services must be consulted to ensure that any competition requirements are not breached, particularly in the case of pilot activity to ensure that DHCW does not unintentionally commit itself to a single provider or longer-term commitment. Regular reports on free of charge services provided to DHCW should be submitted by the DHCW Board Secretary to the Audit Committee.

12.9.5 DHCW are required to participate in all-Wales collaborative planning activity where the potential to do so is identified by the procurement professional involved in the planning process. Cross sector collaboration may also be required.

Joint or Collaborative Initiatives

12.9.6 Specialist advice should be obtained from Welsh Government’s Health and Social Care Finance department, and the opinions of Procurement Services and NWSSP Legal and Risk prior to external opinion being sought, where there is an undertaking to commence joint or collaborative initiatives which may be deemed as novel or contentious.

12.10 Procurement Process

12.10.1 Where there is a requirement for goods or services, the manager must source those goods or services from the DHCW approved catalogue. Where a required item is not included within the catalogue, advice must be sought from Procurement Services on opportunities to source those goods or services through public sector contract framework, such as those provided by the Welsh Government Commercial Delivery team, NHS Supply Chain or Crown Commercial Services. The use of suitable Welsh frameworks (where access is permissible) shall take precedence over frameworks led by public sector bodies outside of Wales.

12.10.2 **‘Goods and Non-Health Services Only’** - In the absence of an existing suitable procurement framework to source the required item, a competition must be operated in accordance with the table below. DHCW must ensure the value of their requirement considers cumulative spend across the DHCW for like requirements and opportunity for collaboration with other NHS Wales organisations:

TABLE ‘Goods and Non-Health Services Only’

Goods/Services/Works Whole Life Cost Contract value (figures excl. VAT)	Minimum competition (1)	Form of Contract
Below £5,000	Evidence of value for money has been achieved	Purchase Order
£5,000 - £24,999	Evidence of 3 written quotations	Simple Form of Contract/Purchase Order
£25,000 plus to the prevailing Procurement Act 2023 threshold (2)	Advertised open call for competition. Minimum of 4 tenders received if available	Formal contract and Purchase Order
Over the prevailing Procurement Act 2023 threshold	Advertised open call for competition. Minimum of 5 tenders received if available or appropriate to the procurement route	Formal contract and Purchase Order
Contracts above £1 million	Welsh Government approval required (3)	Formal contract and Purchase Order

(1) Subject to the existence of suitable suppliers

(2) The Procurement Act 2023 - [Schedule 1 – threshold amounts](#)

(3) In accordance with the requirements set out in Schedule 1.

12.10.3 ‘In Scope Health Services Only’ - In the absence of an existing suitable procurement framework to source the required item, DHCW are required to follow the most appropriate and proportionate procurement process as set out under the PSR Wales Regulations and the [health service procurement: statutory guidance](#). DHCW should note that one of the key objectives of these regulations are to provide more flexibility when selecting providers for health services with competitive tendering being one tool for DHCW to use when it is of benefit; alongside other routes that may be more proportionate, with a view to enabling the development of stable supplier partnerships and the delivery of collaborative care. Legislation, policy, and guidance setting out procedures for awarding all forms of regulated contracts shall have effect as if incorporated in the DHCW SFIs.

12.10.4 Agreements awarded are required to deliver best value for money over the whole life of the agreement. Value for money is defined as the optimum combination of whole-life cost and quality to meet the requirement.

Competition Requirements

12.11 Procurement Thresholds

12.11.1 **‘Goods and Non-Health Services Only’** DHCW must consider the minimum thresholds for quotes and competitive tendering arrangements when undertaking a procurement. The total value of the contract, whole life cost, over its entire period is the qualifying sum that should be applied (except in specific circumstances relating to aggregation and contracts of an indeterminate duration) as set out below, and in [Schedule 1 of the 2023 Act](#).

12.11.2 **‘Goods and Non-Health Services Only’** Advice from the Procurement Services must be sought for all requirements in excess of £5,000 (excluding VAT).

12.11.3 **‘Goods and Non-Health Services Only’** The deliberate sub-dividing of contracts to fall below a specific threshold is strictly prohibited. Any attempt to avoid these limits may expose the Board to risk of legal challenge and could result in disciplinary action against an individual[s].

12.11.4 **‘Goods and Non-Health Services Only’** Deliberate re-engagement of a supplier, where the value of the individual engagement is less than £5,000 (excluding VAT), must not be undertaken where the total value of engagements taken as a whole would exceed £5,000 (excluding VAT) and require competition.

12.11.5 **‘In Scope Health Services Only’** There is no minimum threshold for application of the PSR Wales Regulations.

12.12 Designing Competitions

12.12.1 The budget holder or manager responsible for the procurement is required to engage with the Procurement team to ensure:

- required timescales are achievable.
- specifications are drafted which:
 - are fit for inclusion in competition documents;
 - are drafted in a manner encouraging innovation by the market;
 - are capable of being responded to and do not narrow competition;
 - deliver in line with legislative and policy frameworks;
 - include robust performance measures to effectively measure and manage supplier performance; and
 - consider the ability of the market to deliver.

12.12.2 Appropriate performance measures are included in agreements awarded, thus ensuring best value for money decisions taken that return maximum benefit for the organisation and ultimately the improvement of patient outcomes and wider

health and social care communities. **‘Goods and Non-Health Services Only’**, under the 2023 Act there is a requirement to set and publish at least 3 Key Performance Indicators (KPI’s) for contracts above £5m, and to publish a notice on these at least annually during the term of the contract (note: this does not apply to ‘light touch regime’ contracts).

12.12.3 **‘Goods and Non-Health Services Only’** Criteria for selecting suppliers and achieving an award recommendation must be evaluated on the basis of the “Most Advantageous Tender”, which provides contracting authorities with greater flexibility to take into account wider social and environmental issues where that is decided to be relevant for the best solution. Such criteria must:

- be appropriately weighted;
- be transparent and proportionate;
- deliver value for money outcomes;
- fully explore complexity/risk; and
- consider whole life costs, including (where appropriate) the cost of change and / or end of life costs.

12.12.4 **‘In-Scope Health Services Only’** Criteria for selecting suppliers and achieving an award recommendation must follow (where applicable) the provisions in the PSR Wales Regulations, regarding:

- Key Criteria (regulation 6);
- Basic Selection Criteria (regulation 22); and
- Exclusions (regulations 25 and 26)

DHCW is required to ensure the appropriate criteria is set with regards the selected procurement process, as set out under the PSR Wales Regulations and [Health service procurement: statutory guidance](#)".

12.13 Single Quotation Application (SQA) or Single Tender Application (STA) - ‘Goods and Non-Health Services Only’

12.13.1 In exceptional circumstances, there may be a need to secure goods/services/works from a single supplier. This may concern securing requirements from a single supplier, due to a special character of the firm, or a proprietary item or service of a special character. Such circumstances may include:

- follow-up work where a provider has already undertaken initial work in the same area (and where the initial work was awarded from open competition);
- a technical compatibility issue which needs to be met e.g., specific equipment required, or compliance with a warranty cover clause;

- a need to retain a particular contractor for genuine business continuity issues (not just preferences); or
- when joining collaborative agreements where there is no formal agreement in place. Request for such a departure must be supported by written evidence from the Procurement Service confirming local agreements will be replaced by an all-Wales competition/National strategy.

12.13.2 Procurement Services must be consulted prior to any such application being submitted for approval. The Director of Finance must approve such applications up to £25,000, the Chief Executive or designated deputy, and Director of Finance, are required to approve applications exceeding £25,000. A register must be kept for monitoring purposes and all single tender actions must be reported to the Audit Committee.

12.13.3 In all applications, through Single Quotation Application or Single Tender Application (SQA or STA) forms, the applicant must demonstrate adequate consideration to the Chief Executive and Director of Finance, as advised by the Head of Procurement, that securing best value for money is a priority. The Head of Procurement will scrutinise and endorse each request to ensure:

- robust justification is provided;
- a value for money test has been undertaken;
- no bias towards a particular supplier;
- future competitive processes are not adversely affected;
- no distortion of the market is intended;
- an acceptable level of assurance is available before presentation for approval in line with the DHCW Scheme of Delegation; and
- an “or equivalent” test has been considered proving the request is justified.

12.13.4 Under no circumstances will Procurement Services endorse a retrospective SQA/STA, where DHCW has already entered into an arrangement directly.

12.13.5 As SQA or STA are only used in exceptional circumstances DHCW, through the Chief Executive, must report each, including the specifics of the exceptional circumstances and the total financial commitment, in sufficient detail to its Audit Committee. The report will include any corrective action/advice provided by the Chief Executive, Director of Finance or NWSSP Director of Procurement Services to prevent repeated inappropriate use of SQA or STA by DHCW.

12.13.6 The Audit Committee may consider further steps to be appropriate, such as:

- instruct a representative of DHCW to attend Audit Committee;
- escalate to the Board;

- request an internal Audit Review;
- request further training; or
- take internal disciplinary action.

12.13.7 No SQA/STA is required where the seeking of competition is not possible, nor would the application of the SQA/STA procedure add value to the process/aid the delivery of a value for money outcome. The Procurement Manual details schedule of departures from SQA/STA where competition not possible.

12.13.8 For performance monitoring purposes, Procurement Services will retain a central register of all such activity including SQA/STA's not endorsed by Procurement Services or any exceptional matters.

12.14 Disposals - 'Goods and Non-Health Services Only'

12.14.1 Disposal of surplus, obsolete equipment/consumables is also subject to the competition rules.

12.14.2 Obsolete or condemned articles and stores, which may be disposed of in accordance with applicable regulations and law at the prevailing time (e.g., Waste Electrical and Electronic Equipment (WEEE)) and the procedures of DHCW making use of any agreements covering the disposal of such items.

12.14. DHCW must obtain the best possible market price.

Approval & Award

12.15 Evaluation, Approval and Award

12.15.1 The evaluation of procurement competitions must be undertaken by a minimum of 2 evaluators from within the operational service of DHCW. Evaluation teams for competitions of greater complexity and value must be multi-disciplinary and reach a consensus recommendation for internal approval.

12.15.2 The internal approval of any recommendation to award a competition must follow the Board's Scheme of Delegation.

12.15.3 The communication of the external notification to the market to award the contract must be managed by the Procurement Service.

12.15.4 Information throughout the process must be handled and retained as 'commercial in confidence' and not shared outside of staff directly involved in the competition process.

12.15.5 All associated communication throughout the competition process must also be managed by the Procurement Service.

Implementation & Contract Management

12.16 Contract Management

12.16.1 Contract management is the process which ensures that both parties to a contract fully meet their respective obligations as effectively and efficiently as possible, in order to deliver the business and operational objectives required by the contract and in particular, to achieve value for money. The relevant budget holder shall oversee and manage each contract on behalf of DHCW so as to ensure that these implicit obligations are met. This contract management will include:

- retaining accurate records;
- monitoring contract performance measures;
- engaging suppliers to ensure performance delivery;
- implementing contractual sanctions in the event of poor performance in conjunction with advice from Procurement Services; and
- permitting stage payments as part of a formally agreed implementation/delivery plan which must be supported by written evidence issued by the budget holder.

12.16.2 Contract management on All Wales contracts will be provided by Procurement Services.

12.16.3 Advice on Contract Management best practice is available from Procurement Services.

12.17 Extending and Varying Contracts

12.17.1 ‘Goods and Non-Health Services Only’

12.17.1.1 Extending, modifying, or varying the scope of an existing contract is possible, if the provision to do so was included as an option in the original awarded contract, e.g., scope of requirement, further expenditure due to unforeseen circumstances, change in regulatory requirements, etc.

12.17.1.2 If there is no such provision, the 2023 Act defines such limitations. Further information on contract modifications can be found in [sections 74-77 of the 2023 Act](#) and in [Guidance: Contract Modifications](#).

12.17.2 ‘In-Scope Health Services Only’

12.17.2.1 Modification of the scope of an existing contract is possible if the modification is clearly and unambiguously provided for in the original contract or framework agreement documents, or the original contract was awarded under Direct Award Process 1 and the modification does not render the contract ‘materially different’ in character.

12.17.2.2 If provisions set out in 12.17.2.1 are not met, the PSR Wales Regulations define limitations concerning modifications of contracts as being, the modification must be:

- solely a change in the identity of the provider however continues to meet the basic selection criteria, and there are no other considerable changes to the contract; or
- made in response to external factors beyond the control of the 'relevant authority' (as defined under section 10A of the National Health Service (Wales) 2006), and the provider, for example changes in patient or service user volume; changes in prices in accordance with a formula provided for in the contract documents and neither of these modifications render the contract or framework agreement materially different in character; or
- made at the discretion of the relevant authority and does not render the contract or framework agreement materially different in character and the cumulative change in the estimated lifetime value of the contract or framework agreement is under £500,000 or is under 25% of the estimated lifetime value.

12.17.3 Further approval is not required to extend an agreement beyond the original term/scope where prior approval was granted as part of the procurement process.

12.17.4 If there was no provision to extend, further approvals are required from DHCW budget holder and the DHCW Head of Procurement. Budget holders must also be mindful of the threshold under which the original contract was awarded. Any increase in the contract value may require a more senior level of approval in line with the Scheme of Delegation.

12.17.5 This ensures an appropriate identification and assessment of potential risks to DHCW compliance of approvals being granted within the Scheme of Delegation and assurance that value for money continues to be delivered from public funds.

12.17.6 The budget holder must seek advice from Procurement Services in advance of committing further expenditure to ensure the contract is reflective of requirements. The budget holder must assess whether there is sufficient evidence to support the justification and whether the budget is available to support the additional requirements.

Transactional Processes

12.18 Requisitioning

12.18.1 The budget manager in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for DHCW. The budget holder will source those goods (**‘Goods and Non-Health Services Only’**) or services from the approved catalogue. Where a required item is not included within the catalogue, advice must be sought from the Procurement Services on opportunities to source those goods or services through public sector contract framework, such as those managed by Welsh Government Commercial Delivery team, NHS Supply Chain or Crown Commercial Services.

12.18.2 Where a required item is not on catalogue or on framework contract the budget manager shall request the Procurement Services to undertake quotation / tendering exercises (**‘Goods and Non-Health Services Only’**) on their behalf in line with SFI 12.11 thresholds (**‘Goods and Non-Health Services Only’**).

12.18.3 All orders for goods (**‘Goods and Non-Health Services Only’**) and services must be accompanied by an official order number, available from the Procurement Department. In no circumstances must a requisition number be used as an order number.

12.19 No Purchase Order, No Pay

12.19.1 DHCW will ensure compliance with the ‘No Purchase Order, No Pay’ policy, the All-Wales policy which was introduced to ensure that Procure to Pay continues to provide high-class services on a ‘Once for Wales’ basis.

12.19.2 The policy ensures that a purchase order is raised at the beginning of a purchase in circumstances where a purchase order is required under the policy. This follows industry standard best practice as it provides a commitment as to what is likely to be spent. The supplier must obtain a purchase order number for their invoice in order for it to be processed for payment.

12.20 Official orders

12.20.1 Official Orders, issued following approved requisition and sourcing, must:

- a) Be consecutively numbered;
- b) State DHCW terms and conditions of trade.

12.20.2 Official Orders will be issued on behalf of DHCW by Procurement Services.

SCHEDULE 1

GENERAL CONSENT TO ENTER INDIVIDUAL CONTRACTS

This schedule included as “General Consent to enter individual contracts” replaces all previous versions of Schedule 1 and should be read in conjunction with the revised Model Standing Financial Instructions (SFI’s) issued in relation to Chapter 11 for Local Health Boards and NHS Trusts and Chapter 12 for Health Education and Improvement Wales (HEIW) and Digital Health and Care Wales (DHCW).

PROCESSES FOR NHS WALES CONTRACTS, AND INTERESTS IN PROPERTY

Paragraph 13 of Schedule 2 to the National Health Service (Wales) Act 2006 states as follows:

“(1) Subject to sub-paragraph (3), a Local Health Board may do anything which appears to it to be necessary or expedient for the purposes of or in connection with its functions.

(2) In particular it may—

- (a) acquire and dispose of property,*
- (b) enter into contracts,*
- (c) accept gifts of property (including property to be held on trust, either for the general or any specific purposes of the Local Health Board or for any purposes relating to the health service).*

(3) A Local Health Board may not do anything mentioned in sub-paragraph (2) without the consent of the Welsh Ministers (which may be given in general terms covering one or more descriptions of case).”

Section 10.1 of the NHS Wales Infrastructure Investment Guidance issued on 22 October 2018 (“**the Investment Guidance**”) includes the following in relation to Local Health Boards:

“Contract approvals over £1m for individual schemes will be sought as part of the normal business case submission process where funding from the NHS Capital Programme is required. For schemes funded via discretionary allocations, a request for approval will need to be submitted to Chief Executive NHS Wales, copying in the Deputy Director of Capital, Estates & Facilities Division.

Detailed arrangements in respect of approval process linked to the acquisition and disposal of leases, where consent does not form part of the business case process are included in Welsh Health Circular WHC(2015)031. Organisations should ensure

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that the monitoring arrangements and the requisite forms and returns are included as part of their own assurance arrangements.”

This is also to be regarded as being applicable to HEIW and DHCW, which were both established after the two WHC’s mentioned above were issued.

Section 10.2 of the Investment Guidance includes the following in relation to Trusts:

“Whilst formal Cabinet Secretary consent is not required for Trusts as detailed above, general consent arrangements are still applicable in terms of relevant transactions. Detailed requirements in terms of appropriate notifications were sent in the Welsh Health Circular referenced above.”

Section 11 of the Investment Guidance also includes provision as to disposals and property protocols.

Welsh Health Circular WHC (2015) 031 issued 22 June 2015 includes arrangements for consent to acquire or dispose of a lease in property (where not covered by any business case approval process).

That WHC is also to be regarded as being applicable to HEIW and DHCW in the same way as it applies to LHBs.

Entering into contracts

This schedule confirms to all NHS Wales bodies that the authorisation and consideration of notified contracts and applications for the acquisition or disposal of a lease or any interest in property are delegated to the Director General, Health Social Care and Early Years.

The Director General may, as with any other matter relating to the operation of the NHS in Wales, brief the Cabinet Secretary for Health and Social Care on any arrangement of particular policy note, or with a novel, contentious or innovative nature.

Accordingly, any issues relevant to the exercise of the Cabinet Secretary for Health, and Social Care’s consent will, as a matter of course, be drawn to his attention.

The process which NHS Wales bodies entering into contracts must follow is:

- All NHS contracts (unless exempt) >£1m in total to be notified to the Director General HSCEY prior to tendering for the contract;
- All eligible LHB and HEIW and DHCW contracts >£1m in total to be submitted to the Director General HSCEY for consent prior to award;

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- All eligible NHS Trust contracts >£1m in total to be submitted to the Director General HSCEY for notification prior to award; and
- All eligible NHS contracts >£0.5m in total to be submitted to the Director General HSCEY for notification prior to award.

The requirement for consent does not apply to any contracts entered into pursuant to a specific statutory power, and therefore does not apply to:

- i) Contracts of employment between LHBs, HEIW, or DHCW and their staff;
- ii) Transfers of land or contracts effected by Statutory Instrument following the creation of LHBs, HEIW, or DHCW;
- iii) Out of Hours contracts;
- iv) All NHS contracts; that is where one health services body contracts with another health service body;
- (v) Contracts entered into by HEIW for services which are the consequences of annual commissioning approved by the Cabinet Secretary e.g. annual education and training commissioning also do not require further Ministerial notification or consent; and
- (vi) Contracts between £500k - £1 million (for noting) and £1 million + (for approval).
 - a) Wales Public Sector Framework Agreements e.g., Frameworks established by the Welsh Government's Commercial Delivery team or NWSSP (not exhaustive) – no written approval required to award contracts under these Frameworks through a direct award or mini competition.
 - b) Third-Party Public-Sector Framework Agreements e.g., Frameworks established by Crown Commercial Services, NHS Supply Chain (not exhaustive) – no further approval required to award contracts under these Frameworks through a direct award. Approval will however be required for award of contracts under these Framework Agreements through mini-competition or where the specification of the product/service required is modified from that stated within the Framework Agreement.

For non-capital contracts requiring DG approval, the request for approval or notification should be sent to Rob Eveleigh in the Financial Control and Governance team : Robert.Eveleigh@gov.wales