

# Arrangements for Commissioning Services – Denbighshire County Council

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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# Summary report

## Why we did this audit

### Our audit duties

- 1 We are carrying out this audit under the duties contained within:
  - section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) to help enable the Auditor General to be satisfied (or not) that the Council has put in place proper arrangements to secure value for money in the use of its resources and;
  - section 15 of the Well-being of Future Generations (Wales) Act 2015 to help enable the Auditor General to assess the extent to which the Council is acting in accordance with the sustainable development principle in taking steps to meet its well-being objectives.
- 2 This audit may also inform a study for improving value for money under section 41 of the 2004 Act.

### Our objectives for this audit

- 3 Our objectives for this audit are to:
  - provide assurance that councils have proper arrangements for commissioning services to secure value for money in the use of resources;
  - provide assurance that councils are acting in accordance with the sustainable development principle in commissioning services; and
  - explain how councils approach the commissioning of services and inspire and empower councils and other public sector bodies by identifying and sharing examples of notable practice/approaches where relevant.
- 4 We are undertaking this audit at each of the 22 principal councils in Wales.

## Why commissioning is important

- 5 Commissioning is the process by which the Council designs services it intends to deliver. It starts with defining the service and the desired outputs and outcomes and ends when the Council organises its method of delivery. For example, by establishing a delivery team internally, or through procuring an external supplier.
- 6 Commissioning arrangements can help to ensure services are delivered economically, efficiently and effectively. Conversely, weaknesses in commissioning arrangements can reduce both the impact and value for money of services, even if the processes which follow, such as procurement and contract management, are robust.



## What we looked at and what does good look like<sup>1</sup>

- 7 We reviewed the Council's arrangements for commissioning services and specifically the extent to which this has been developed in accordance with the sustainable development principle; and that it will help to secure value for money in the use of the Council's resources.
- 8 This audit did not cover procurement arrangements or the Council's contract management arrangements.
- 9 The audit sought to answer the overall question: **In commissioning services does the Council put in place proper arrangements to secure value for money in the use of its resources?**
- 10 We used the audit criteria set out in **Appendix 1**, which also shows how the criteria relate to the audit questions. This has been informed by our cumulative knowledge as well as the question hierarchy and positive indicators we have developed to support our Sustainable Development Principle examinations.



## Our audit methods and when we undertook the audit

- 11 Our findings are based on document reviews, and interviews with the senior officers responsible for the development of the Council's strategic approach to commissioning. We also interviewed senior officers with responsibility for services that the Council has commissioned externally.
- 12 Given the wide range of council services, we undertook sample testing of the arrangements the Council has put in place to commission services. To do this, we selected several services where the Council has taken the decision to commission services externally and examined the commissioning arrangements the Council has put in place. The sample of service areas we reviewed in the Council were:
  - Youth Support Services
  - VERTO – Performance management and project management solution
  - UK Resettlement Scheme
- 13 The evidence we have used to inform our findings is limited to these sources. We undertook this work during July and August 2024.

<sup>1</sup> Defined as 'what should be' according to laws or regulations, 'what is expected' according to best practice, or 'what could be', given better conditions.

- 14 We are undertaking this work at each of the 22 principal councils in Wales and, as well as reporting locally to each council, we also intend to produce a national report.



## What we found

- 15 Overall, we found that the Council has set out clear expectations of departments when commissioning services, but the Council does not have arrangements in place to ensure that these are consistently met. We set out below why we reached this conclusion.
- 16 The Council demonstrates a clear rationale for commissioning services. For example, the Council's procurement and commissioning strategy outlines the process of determining whether and how a service is commissioned. The Council has developed a commissioning form to support this process. The procurement team also provide advice on this process. This prompts departments to consider the rationale for commissioning services. The Council had considered why and if it needed to commission activity in the services we looked at. This is important because having a clear understanding of why services are being commissioned, and what they are intended to achieve is important for the Council to be able to subsequently evaluate value for money.
- 17 The Council also has arrangements for conducting options appraisals to inform commissioning activity. The Council's procurement and commissioning strategy outlines its approach of achieving value for money by considering different delivery models and using technology to deliver efficiencies in the commissioning process. The Council's commissioning form also prompts services to consider and outline the range of delivery options available to the service. The Council had considered a range of commissioning options in the services we looked at. This reduces the risk of making commissioning decisions that do not secure the best value for money.
- 18 However, the Council does not have arrangements in place to systematically prompt departments to begin considering commissioning options at the appropriate time. Departments' engagement with commissioning workflows is driven by them rather than being scheduled corporately. This risks departments not engaging with commissioning workflows early enough in the commissioning process. Therefore, the Council may not always have enough time to fully consider all of the options and factors that could inform commissioning decisions.
- 19 The Council considers the short, medium and long-term factors that may influence the commissioning timescales. For example, the Council awarded a three-year contract to deliver its youth support services with an option to extend for a further two years. Officers articulated how this timeframe aligns with the grant funding available from the Welsh Government and the timescales of national policy and guidance on the delivery of youth support services. Considering both the long and

short-term implications of commissioning decisions reduces the risk of not achieving value for money over the longer term.

- 20 The Council considers how its commissioned services could impact on its own well-being objectives and those of regional and national partners. For example, the Council's procurement and commissioning strategy outlines how commissioning impacts on its own well-being objectives and those of partner organisations at a strategic level. The Council's commissioning form asks that services complete an impact assessment which includes details of how the commissioned service will impact the Council's well-being objectives and other strategic priorities. Taking into account the wider implications of commissioning decisions can help the Council avoid duplication and identify multiple benefits that secure improved outcomes and value for money. However, the Council does not always identify the full resource implications when commissioning services. For example, the Council's commissioning form does not prompt service areas to consider contract management costs. As the Council does not ensure it considers the full resource implications of commissioning decisions, there is an increased risk that it will select options that do not deliver the best value for money.
- 21 The Council considers opportunities for collaboration when commissioning services. The Council worked with internal and external partners to help develop its procurement strategy. The Council's commissioning form also prompts departments to consider why they are commissioning a service and if they have considered links with internal and external partners when developing service delivery options. The services we reviewed provided evidence that they undertook this process. The Council has a joint procurement agreement with Flintshire County Council which prompts consideration of the feasibility of a joint procurement for services. The agreement is included in the Council's commissioning form, which prompts departments to consider other joint commissioning opportunities and explain why they chose the proposed approach. Considering options for partnership working is important to help the Council identify potential opportunities to deliver better value for money.
- 22 Involvement activity to inform commissioning decisions is mostly ad-hoc. We found evidence of the Council involving a range of stakeholders to inform some of its commissioning activity. For example, the Council worked with residents and key partners to help inform the commissioning of the UK resettlement scheme. However, the Council's involvement activity is mostly driven by the relevant service area and is not highlighted as a strategic consideration in the Council's procurement and commissioning strategy. Working with the right people is important to help ensure that the Council commissions services that meet the needs of its communities, and that those services are delivered in a way that maximises value for money.
- 23 The Council has established arrangements to monitor the value for money of commissioned services. For example, the Council's youth support service considers regular reporting against objectives and measures and the Council's commissioning form prompts departments to set out how value for money will be

evaluated. The Council also monitors and reports progress against its procurement and commissioning strategy through its corporate challenge and scrutiny arrangements.

- 24 The Council does not, however, systematically share lessons learned from its commissioning activity. Evaluating the cost and effectiveness of commissioning arrangements is important to identify areas for improvement, share learning, and help secure value for money.

## Our recommendations for the Council

### Exhibit 1: our recommendations for the Council

#### Recommendations

##### **Strengthening the strategic oversight of commissioning activity**

- R1 This report highlights potential inconsistencies in how commissioning workflows are applied across the Council. To address this, the Council should strengthen and embed its commissioning arrangements across all departments. This should include:
- where known, an overview of commissioning activity scheduled to take place over the medium term to help it plan future commissioning activity in a timely manner;
  - consideration of the full cost of commissioning activity (eg including contract management costs); and
  - systematic consideration of which stakeholders to involve, to inform commissioning decisions.

##### **Developing formal arrangements for sharing lessons learnt**

- R2 The Council provided evidence that it evaluates commissioning processes and learns lessons from this, but this activity is mostly informal in nature. To address this, the Council should strengthen arrangements for sharing lessons learned across departments and with external partners.



# Appendix 1

## Audit questions and criteria

**Overall question:** In commissioning services does the Council put in place proper arrangements to secure value for money in the use of its resources?

Level 2 questions	Level 3 questions	Criteria
Does the Council have a clear rationale for commissioning services?	<p>Does the Council clearly define the services it intends to commission and why?</p> <p>Does the Council conduct a comprehensive options appraisal of commissioning options before deciding to commission a service?</p>	<ul style="list-style-type: none"><li>• The Council sets out a clear definition of the services it intends to commission.</li><li>• The Council sets out ‘why’ it needs to commission the services including:<ul style="list-style-type: none"><li>– the intended outcomes/impact of delivering the service; and</li><li>– if/how the service helps the Council meet its statutory duties.</li></ul></li><li>• The Council considers the full range of commissioning options for providing the service – options might include for example:<ul style="list-style-type: none"><li>– in-house provision;</li><li>– partnership arrangements or approaches to commissioning within and across sectors;</li><li>– externalising the service to another provider through a trust or other arrangement; and</li><li>– contracting the service through a tender process.</li></ul></li><li>• The Council considers the cost-benefits of the options from the perspective of economy, efficiency and effectiveness – including over the short, medium and long term.</li><li>• The Council includes the costs of contract management within its assessment of commissioning options.</li><li>• The Council includes an assessment of risk for each commissioning option as part of the assessment of cost-benefits.</li><li>• The Council uses a broad range of information from internal and external sources to develop an understanding of the current and long-term factors that are likely to impact on commissioned services.</li></ul>

Level 2 questions	Level 3 questions	Criteria
Is the Council planning over an appropriate timescale?	<p>Does the Council consider what long term means when commissioning services?</p> <p>Does the Council understand long-term resource implications when commissioning services?</p> <p>Does the Council set out how it will monitor the value for money of commissioned services over the short, medium and long term?</p>	<ul style="list-style-type: none"> <li>• The Council considers what long term means in planning its approach to commissioning services – ie how far ahead it can/should plan and why.</li> <li>• The Council considers how it will balance short and long-term needs when planning the commissioning of services, including, for example, when determining the timeframe for contracts or other commissioning arrangements.</li> <li>• The Council thinks about the resources it will need over the medium and longer term (whole-life costs) to deliver commissioned services.</li> <li>• The Council considers how a range of future budget reduction scenarios could be implemented to commissioned services.</li> <li>• The Council sets out the monitoring arrangements it will follow for the commissioned service.</li> <li>• The Council should set out how value for money of commissioned services will be assessed and monitored including: <ul style="list-style-type: none"> <li>– costs and benefits; and</li> <li>– progress towards short, medium and longer-term milestones and measures.</li> </ul> </li> </ul>
Has the Council thought about the wider impacts its commissioned service could have?	<p>In commissioning services, does the Council consider how it can maximise their contribution to the Council's well-being objectives?</p> <p>In commissioning services, does the Council consider how services can maximise their contribution to the well-being objectives of other public sector bodies?</p>	<ul style="list-style-type: none"> <li>• The Council considers how commissioned services will impact on all of its own well-being objectives to secure multiple benefits, avoid duplication or any unintended consequences, eg consideration of longer-term objectives, local supply chain, market resilience and impact of contract length of time, bio-diversity, and carbon reduction.</li> <li>• The Council considers how commissioned services will impact on the well-being objectives of other public sector bodies to secure multiple benefits and avoid duplication or any unintended consequences.</li> </ul>

Level 2 questions	Level 3 questions	Criteria
Is the Council working with the right people and partners to design and deliver its commissioned services?	In commissioning services, does the Council consider how services can maximise their contribution to the National Well-being Goals?	<ul style="list-style-type: none"> <li>The Council considers how commissioned services will impact on the national well-being goals to secure multiple benefits and avoid duplication or any unintended consequences.</li> </ul>
	Has the Council identified who it needs to involve?	<ul style="list-style-type: none"> <li>The Council understands who will be directly and indirectly affected by commissioned services. This has been informed by a stakeholder analysis or similar.</li> </ul>
	Is the Council involving the full diversity of people?	<ul style="list-style-type: none"> <li>The Council involves the full diversity of views in deciding how to commission services.</li> <li>The Council uses the results of involvement activity to inform how it will commission services, including its impact on groups who share protected characteristics</li> </ul>
Does the Council have arrangements in place to evaluate the value for money of its approach to commissioning?	Is the Council collaborating with the right partners?	<ul style="list-style-type: none"> <li>The Council has a good understanding of which partners and potential partners it could work with to commission services to improve value for money. This has been informed by comprehensive analysis of potential partners and their priorities.</li> <li>Where opportunities to improve value for money by commissioning of services in partnership are identified, the Council pursues them.</li> </ul>
	Does the Council routinely evaluate the effectiveness of commissioning arrangements?	<ul style="list-style-type: none"> <li>The Council regularly reviews the effectiveness of its approach to commissioning including: <ul style="list-style-type: none"> <li>the extent to which commissioned services meet the objectives the Council has set; and</li> <li>the value for money of chosen commissioning models including consideration of inputs, outputs and outcomes.</li> </ul> </li> </ul>
	Does the Council routinely share any lessons learned to inform future commissioning exercises?	<ul style="list-style-type: none"> <li>The Council shares and applies any lessons learned from its approach to commissioning widely across the organisation, and with partners where relevant.</li> </ul>



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