

Arrangements for Commissioning Services – Newport City Council

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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:
 - 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 like¹

- 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 officer(s) 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 commissioned services we reviewed in the Council were a families and community service commissioned in 2023 and a property management service that is currently being commissioned. The evidence we have used to inform our findings is limited to these sources. We undertook this work during March to August 2024.
- 13 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.

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



What we found

- 14 Overall, we found that **the Council has arrangements to secure value for money when commissioning its services, but these are not consistently used.** We set out below why we reached this conclusion.
- The Council does not consistently consider a range of commissioning options but has updated its project management tools to support this process. One of the services we reviewed was commissioned in 2023 and was not able to clearly demonstrate that an appraisal of commissioning options had been undertaken. The other service we reviewed is currently being commissioned and was able to demonstrate that a comprehensive options appraisal had been undertaken by using the Council's updated project management tools. Consistently having a clear and documented understanding of why services are being commissioned, what they are intended to achieve, and the different options available are important elements of arrangements to secure value for money.
- 15 The Council's approach to considering the cost-benefits over the long term is not consistent. For example, in one commissioned service we saw evidence that the Council had considered the cost-benefits of the options from the perspective of economy, efficiency and effectiveness over the short, medium and long term. However, in the other service area we reviewed, the Council had accepted the limitations of a grant funding cycle rather than considering the long-term impact of options against wider priorities for the service. Therefore, the Council cannot assure itself that it is consistently securing value for money over the long term when commissioning services.
- 16 Long-term planning is also important to understand the resources commissioning options will require. In one commissioned service we reviewed, we found that the Council had produced financial analysis which included an estimation of transition costs to the new service delivery model. In the other service we reviewed, a range of future budget scenarios had not been considered. Subsequently, following a less favourable grant settlement, the Council had to reduce the service budget and requirements at short notice. Consistently considering both the short and long-term implications of commissioning decisions and the resources required will help assure the Council that it is securing value for money over the longer term. This is particularly important where service delivery relies heavily upon grant funding which may be more uncertain.
- 17 The Council has Contract Standing Orders which set out the monitoring arrangements it will use to assess value for money of procured services. However, the Council does not have arrangements to consistently monitor progress against intended outcomes for its commissioned services. For example, in one service we reviewed, the Council's monitoring arrangements were limited to indicators required by the grant funder rather than enabling monitoring against the Council's broader outcomes for the service. A lack of monitoring arrangements limits the Council's ability to gain assurance that its commissioned services are achieving

intended outcomes and delivering value for money over the short, medium and long term.

- 18 The Council does not routinely consider the wider impact its services could have because it does not consistently consider a range of commissioning options. One of the services we reviewed had considered how the commissioned service supported the Council's well-being objectives and those of other public sector organisations. The other service we reviewed had not undertaken a comprehensive options appraisal and therefore had not fully considered the wider impact its commissioned service could have. This service did demonstrate consideration of well-being objectives through procurement documentation. However, this documentation was completed after a commissioning decision to use an external provider had already been made. Having arrangements in place to ensure wider implications of the services being commissioned helps the Council to assess options, avoid duplication and identify multiple benefits to improve outcomes and secure value for money.
- 19 The Council identifies and involves partners and stakeholders when commissioning services. The Council's impact assessment process requires services to demonstrate how a range of views have been sought and used to inform commissioning decisions. Both services we reviewed had sought views of those affected by commissioned services, engaged with partners they could work with to improve value for money and used this to assess the impact of the commissioned service. Working with the right partners helps the Council to assure itself that it is commissioning services that meet the needs of its communities and therefore secures value for money.
- 20 The Council has arrangements to evaluate its commissioning approach but these are not consistently used. The Council shares lessons learned within service areas but these are not always documented or shared widely across other service areas. The Council has a Project Closure and Lessons Learned template but this is not routinely used to evaluate commissioned services or share information across the organisation and externally with partners. Evaluating, documenting and sharing lessons learned for each commissioned service is important to identify what works well and why, to avoid repeating mistakes, and to secure value for money. Evaluating each service commissioning exercise will help the Council to evaluate the effectiveness of its overall commissioning arrangements.



Our recommendations for the Council

Exhibit 1: our recommendation for the Council

Recommendations

- R1 We found that the Council has arrangements to secure value for money when commissioning services but these are not consistently used. To ensure that its approach to commissioning consistently secures value for money, the Council should put arrangements in place to ensure that all service areas use the Council's corporate processes and tools when commissioning services.

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?	Does the Council clearly define the services it intends to commission and why?	<ul style="list-style-type: none">• The Council sets out a clear definition of the services it intends to commission• The Council sets out 'why' it needs to commission the services including:<ul style="list-style-type: none">– the intended outcomes/impact of delivering the service– if/how the service helps the Council meet its statutory duties
	Does the Council conduct a comprehensive options appraisal of commissioning options before deciding to commission a service?	<ul style="list-style-type: none">• The Council considers the full range of commissioning options for providing the service – options might include for example:<ul style="list-style-type: none">– in-house provision;– partnership arrangements or approaches to commissioning within and across sectors;– externalising the service to another provider through a trust or other arrangement; and– contracting the service through a tender process• 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• The Council includes the costs of contract management within its assessment of commissioning options• The Council includes an assessment of risk for each commissioning option as part of the assessment of cost-benefits• 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

Is the Council planning over an appropriate timescale?	Does the Council consider what long term means when commissioning services?	<ul style="list-style-type: none"> • The Council considers what long term means in planning its approach to commissioning services – ie how far ahead it can/should plan and why. • 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
	Does the Council understand long-term resource implications when commissioning services?	<ul style="list-style-type: none"> • The Council thinks about the resources it will need over the medium and longer term (whole life costs) to deliver commissioned services • The Council considers how a range of future budget reduction scenarios could be implemented to commissioned services.
	Does the Council set out how it will monitor the value for money of commissioned services over the short, medium and long term?	<ul style="list-style-type: none"> • The Council sets out the monitoring arrangements it will follow for the commissioned service • The Council should set out how value for money of commissioned services will be assessed and monitored including: <ul style="list-style-type: none"> – costs and benefits; and – progress towards short, medium and longer term milestones and measures
Has the Council thought about the wider impacts its commissioned service could have?	In commissioning services, does the Council consider how it can maximise their contribution to the Council's well-being objectives?	<ul style="list-style-type: none"> • 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, carbon reduction
	In commissioning services, does the Council consider how services can maximise their contribution to the well-being objectives of other public sector bodies?	<ul style="list-style-type: none"> • 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
	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"> • 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

Is the Council working with the right people and partners to design and deliver its commissioned services?	Has the Council identified who it needs to involve?	<ul style="list-style-type: none"> • The Council understands who will be directly and indirectly affected by commissioned services. This has been informed by a stakeholder analysis or similar.
	Is the Council involving the full diversity of people?	<ul style="list-style-type: none"> • The Council involves the full diversity of views in deciding how to commission services. • The Council uses the results of involvement activity to inform how it will commission services, including its impact on groups who share protected characteristics
	Is the Council collaborating with the right partners?	<ul style="list-style-type: none"> • 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. • Where opportunities to improve value for money by commissioning of services in partnership are identified, the Council pursues them.
Does the Council have arrangements in place to evaluate the value for money of its approach to commissioning?	Does the Council routinely evaluate the effectiveness of commissioning arrangements?	<ul style="list-style-type: none"> • The Council regularly reviews the effectiveness of its approach to commissioning including: <ul style="list-style-type: none"> – The extent to which commissioned services meet the objectives the Council has set – The value for money of chosen commissioning models including consideration of inputs, outputs and outcomes.
	Does the Council routinely share any lessons learned to inform future commissioning exercises?	<ul style="list-style-type: none"> • The Council shares and applies any lessons learned from its approach to commissioning widely across the organisation, and with partners where relevant.



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