

# Arrangements for Commissioning Services – Merthyr Tydfil County Borough Council

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This document has been prepared as part of work performed in accordance with statutory functions.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.

# Contents

Summary report	
Why we did this audit	4
Our audit duties	4
Our objectives for this audit	4
Why commissioning is important	4
What we looked at and what does good look like	5
Our audit methods and when we undertook the audit	5
What we found	6
Our recommendations for the Council	8
Appendices	
Appendix 1 – audit questions and criteria	9

# 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 two 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 Services
  - Reactive Maintenance – non-housing
- 13 The evidence we have used to inform our findings is limited to these sources. We undertook this work in November 2024.
- 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.

<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.



## What we found

- 15 Overall, we found that **the Council has arrangements to support the commissioning of services, but there is a lack of corporate oversight and evaluation which limits the Council's assurance on whether it is securing value for money from its commissioned services.** We set out below why we reached this conclusion.
- 16 The Council's arrangements and procedures to support service areas when commissioning services include:
  - Project Concept form
  - Business Case
  - Project Initiation Documentation
  - Communication Plan
  - Project Plan
  - Risk Log
  - Issue Log
  - Highlight Report
  - Project Closure report
- 17 These arrangements require service areas to clearly define the service to be delivered and the rationale for doing so. Having a clear understanding of the service is important to secure value for money.
- 18 The Council's commissioning arrangements require all service areas to complete a business case. This includes an options appraisal process to include data and evidence, advantages and disadvantages, risks, and costs. The Council commissioned the two services we reviewed 10 years and 15 years ago respectively. These services did not use the Council's current arrangements and procedures when initially commissioning the service. However, one of the two services we examined was able to provide a completed comprehensive options appraisal. The requirement to complete an options appraisal process reduces the risk of the Council making commissioning decisions that do not secure the best value for money.
- 19 The business case template within the Council's commissioning arrangements does not require service areas to be explicit on the expected outcomes of a service. However, one of the two services we examined was clear on the outcomes and how these are to be assessed. A key element in assessing value for money of a commissioned service is understanding the potential outcomes at the outset. Without clearly stating outcomes, it is difficult for the Council to assess value for money from the commissioned service.
- 20 The Council's commissioning arrangements require service areas to consider the timescale for each of its services. For the two services we examined, the Council was not able to explain the rationale for the timescales for the commissioned

services and had not reviewed the services for many years. Not reviewing service delivery models regularly potentially risks missing an opportunity to assess and understand if anything has changed that may mean other service delivery options could now offer better value for money.

- 21 The Council's commissioning arrangements require service areas to consider the resources it will need in the future. These arrangements include requiring service areas to consult with specialist finance officers to understand the potential resource implications of commissioning decisions. Consideration of both the short-term and longer-term resource implications of service commissioning decisions reduces the risk of not securing value for money over the longer term.
- 22 The Council's commissioning arrangements require service areas to consider links to its well-being objectives, national well-being goals and national priorities. However, the arrangements do not require services to consider the well-being objectives and/or priorities of other public sector bodies. Despite this, the services we reviewed could demonstrate partnership working and collaboration which supports other public bodies in delivery of their priorities. Considering the wider implications of commissioning decisions can help the Council avoid duplication and identify multiple benefits that may secure improved outcomes and value for money.
- 23 The Council's commissioning arrangements require service areas to consider the views of service users and stakeholders early within the commissioning process. Additionally, the Council expects services to complete an Integrated Impact Assessment to include undertaking a range of engagement and consultation, including with people (or represented groups) who share protected characteristics. The Council can demonstrate how involvement activity informed the design and delivery of its commissioned services. This is important because working with the right people and partners can help the Council ensure that it commissions services that meet the needs of its communities, and that those services are delivered in a way that maximises value for money.
- 24 While the Council has arrangements to support and guide services when considering commissioning activity, the Council does not monitor if service areas are routinely complying with these arrangements. Without this oversight, the Council cannot have assurance that commissioning decisions consider the full range of key factors that will deliver value for money.
- 25 The Council's commissioning arrangements do not include a structured approach for reviewing their effectiveness. The Council also does not have a consistent approach to share lessons learnt from commissioning activity across the organisation. Arrangements that ensure evaluation takes place and any lessons learnt are widely shared are important to help identify opportunities to improve value for money.



## Our recommendations for the Council

### Exhibit 1: our recommendations for the Council

#### Recommendations

##### **R1 Wider impacts of commissioning services**

To avoid duplication and identify opportunities to secure multiple benefits, the Council should routinely consider the potential impact on the well-being objectives of other public sector bodies when commissioning services. **(Paragraph 22)**

##### **R2 Strengthen compliance with its commissioning arrangements**

To ensure that the Council's corporate approach to commissioning is consistently implemented across service areas, the Council should introduce arrangements to monitor compliance. **(Paragraph 24)**

##### **R3 Review of the Council's commissioning arrangements**

To ensure the Council identifies opportunities to improve value for money it should:

- clarify its expectations on the frequency with which service delivery options should be subsequently reviewed once commissioned **(paragraph 20)**;
- routinely evaluate the effectiveness of its commissioning arrangements **(paragraph 25)**; and
- share learning across the organisation **(paragraph 25)**.



# 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"> <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</li> <li>– if/how the service helps the Council meet its statutory duties</li> </ul> </li> </ul>
	Does the Council conduct a comprehensive options appraisal of commissioning options before deciding to commission a service?	<ul style="list-style-type: none"> <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</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>

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"> <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> </ul>
	Does the Council understand long-term resource implications when commissioning services?	<ul style="list-style-type: none"> <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> </ul>
	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"> <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</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?	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"> <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, carbon reduction</li> </ul>
	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"> <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>
	In commissioning services, does the Council consider how services can maximise	<ul style="list-style-type: none"> <li>• The Council considers how commissioned services will impact on the national well-being goals to secure</li> </ul>

	their contribution to the National Well-being Goals?	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"> <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>
	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 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"> <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</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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