

Arrangements for Commissioning Services – Caerphilly County Borough Council

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

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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:
 - 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 they have 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 service areas we reviewed in the Council were:
 - Floating Support and Financial Capacity
 - Education Other Than At School (EOTAS) Framework
 - Mobilising Team Caerphilly (Fleet Services Review and Future Provision of Meals Direct, and The Hive Café, Tŷ Penallta)
- 13 The evidence we have used to inform our findings is limited to these sources. We undertook this work during September 2024 to January 2025.

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.

- 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 there are weaknesses in the Council's commissioning arrangements that potentially risk it not securing value for money in the use of its resources. We set out below why we reached this conclusion.
- 16 At the time we completed our audit, the Council was refining its approach to commissioning. Whilst the new refined approach was still being developed, the Council could provide an example of a service that had used the refined commissioning arrangements. However, as the new refined arrangements had not been fully documented or ratified by the Council, our findings are based largely upon the Council's current commissioning arrangements.
- 17 The Council requires service areas to set out a clear definition and explanation of the need for commissioned services, together with their intended outcomes. The service areas we examined demonstrated this was in place. Having a clear understanding of why services are being commissioned and what they are intended to achieve are important elements of arrangements to secure value for money.
- 18 The Council considers a range of delivery options before deciding to commission a service. For example, the Council considered a range of options for the provision of its Meals Direct Service before deciding to stop delivering it. It also shared these options with councillors for scrutiny before a decision was taken. It is important that a range of different commissioning options are considered to help ensure that the option that provides the best value for money is selected.
- 19 The Council does not routinely consider a broad range of information to inform its choice of commissioning options. The Council's Integrated Impact Assessment (IIA) requires service areas to list the information used to inform the development of commissioning proposals. The Council's Procurement Code of Practice also emphasises the importance of "pre-procurement research". However we found that this was not set out in the sample of services we reviewed. By not using a broad range of information from internal and external sources to inform commissioning decisions, the Council risks developing services that may not provide value for money or meet the needs of services users.
- 20 The Council does not consistently consider what long term means when planning its approach to commissioning services or how it will balance longer-term and short-term needs. Service areas are not required by the Council to consider what long term means in relation to commissioning decisions, and our review of a sample of service areas found that this is not always clearly considered. However, we found some examples of longer-term planning considerations and how these

were to be balanced by short-term needs. For example, the Council provides some housing services using different types of contracts to respond to fluctuations in demand over the short and long term.

- 21 The Council also does not consistently ensure that it understands long-term resource implications when commissioning services. The Council's New Initiatives Process form asks service areas what the expected costs of delivering the proposed change will be. Housing-related support services also have their own Financial Breakdown form to assess costs. However, these forms were not completed for the services we reviewed. By not understanding the short and longer-term implications of commissioning decisions, the Council increases the risk of not achieving value for money over the longer term.
- 22 The Council does not routinely set out how it will monitor and assess the value for money of commissioned services. The Council's Procurement Code of Practice sets out that value for money should be monitored through the day-to-day management of contracts. However, not all service areas we examined had set out how they would assess and monitor value for money. By not consistently ensuring that service areas set out how value for money will be assessed and monitored, it is difficult for the Council to assure itself that it is securing value for money.
- 23 The Council does not consistently consider how commissioned services can maximise their contribution to its own wellbeing objectives or those of other public sector bodies. Council service areas do not always comply with the corporate requirement to consider the wider impacts that services can achieve. For example, the Council's IIA requires service areas to consider how commissioned services will impact on its own well-being objectives and the National Well-being goals. But we found service areas do not consistently complete this section of the IIA. Also, the IIA does not require service areas to consider links with the well-being objectives of other public sector bodies. Considering the wider implications of commissioning decisions can help the Council to avoid duplication and identify opportunities for multiple benefits, and therefore secure value for money.
- 24 The Council does not consistently understand who will be directly and indirectly affected by commissioned services. For example, none of the services we reviewed had undertaken a formal or documented stakeholder analysis or similar. As a result, the Council does not routinely use the results of involvement activity to inform how it will commission services. The Council's IIA requires service areas to consider how to involve people who have an interest in the service and ensure they represent the diversity of its communities. For example, the Council consulted with stakeholders on proposed changes to its Meals Direct service. However, it is not clear how this engagement informed the commissioning process. Involving those affected by commissioned services in their design can help the Council to ensure that services meet the needs of its communities, and therefore helps to secure value for money.
- 25 The Council does not always consider which partners and potential partners it could work with to commission services to improve value for money. The Council's

IIA asks service areas to consider how the Council might work with potential partners when forming the commissioning proposal. However, this was not done by the service areas we reviewed. However, we did find an example of a jointly commissioned service within the Council's housing service. Consistently considering all potential opportunities for partnership working can help the Council identify opportunities to secure value for money.

- 26 The Council does not evaluate the effectiveness and value for money of its approach to commissioning. The Council also does not routinely share any lessons learnt to inform future commissioning exercises across all Council areas. Sharing lessons learnt is important because, whilst some services undertake lots of external commissioning, other areas of the Council have less experience of external commissioning. Evaluating the effectiveness of commissioning activity is also important to help identify areas for improvement and share learning that can help the Council to secure value for money.



Our recommendations for the Council

Exhibit 1: our recommendations for the Council

Recommendations

R1 **Establish consistent commissioning arrangements**

To enable the Council to assure itself that its decisions for commissioning services are consistently shaped by:

- planning over an appropriate timescale and balancing short and longer-term needs (Paragraph 20);
- an understanding of the long-term resource implications (Paragraph 21);
- setting out how it will assess and monitor value for money (Paragraph 22);
- ensuring that wider impacts of commissioned services are maximised (Paragraph 23);
- working with the right people and partners to design and deliver the service (Paragraph 25); and
- share learning across the organisation (Paragraph 26).

R2 **Ensure compliance with its commissioning arrangements**

To ensure that the Council's corporate approach to commissioning is implemented, the Council should introduce arrangements to monitor compliance with it. (Paragraphs 19 to 25)

R3 **Introduce a regular review of the Council's commissioning arrangements**

To ensure the Council identifies opportunities to improve value for money, it should routinely evaluate the effectiveness of its corporate commissioning arrangements. (Paragraph 26)

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; and – 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

		<p>commissioning services – ie how far ahead it can/should plan and why.</p> <ul style="list-style-type: none"> • 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	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

to design and deliver its commissioned services?		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; and – 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.



Audit Wales

1 Capital Quarter

Cardiff CF10 4BZ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
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