

Arrangements for Commissioning Services – Powys 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 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 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 service areas we reviewed in the Council were:
 - Family Support Services
 - Bus Services
- 13 The evidence we have used to inform our findings is limited to these sources. We undertook this work during October 2024 to February 2025.
- 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.

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

- 15 Overall, we found that the Council does not have arrangements to assure itself that it consistently secures value for money when commissioning services. However, we found that some key elements of arrangements are in place in some service areas. We set out below why we reached this conclusion.
- 16 All Council services, irrespective of their delivery mechanism, are commissioned. The Council does not have a consistent corporate approach to commissioning. Instead, it relies upon service areas to organise appropriate arrangements.
- 17 The Council had both defined and explained the need for the sample of commissioned services that we reviewed. It had also set out the intended outcomes for the services. However, the Council's corporate arrangements do not require service areas to define or set out why a commissioned service is needed. Setting out the rationale for commissioned services and the outcomes they are intended to deliver is important, to enable the Council to assess and monitor the extent it is achieving those outcomes and therefore providing value for money.
- 18 The Council does not require service areas to set out how the value for money of commissioned services will be assessed and monitored. Only one of the services we reviewed collects quarterly outcome measures and case studies that enable it to monitor its impact. By not ensuring that it always sets out how the value for money of commissioned services will be assessed and monitored, it is difficult for the Council to assure itself that it is routinely securing value for money.
- 19 The Council does not have arrangements in place to ensure that it systematically undertakes comprehensive options appraisals when commissioning services. The Council does not require service areas to undertake a comprehensive options appraisal before choosing how a service is to be delivered. We found that only one of the services we looked at had undertaken an options appraisal. This means that the Council cannot be assured that it always considers all options for service delivery to secure the best value for money. This is particularly important at a time when the Council is experiencing significant financial challenges² and intends to undertake a significant programme of commissioning decisions through its Sustainable Powys Programme.
- 20 The Council's arrangements do not require service areas to consider balancing immediate short-term needs with those in the longer term when commissioning services. However, both the services we examined could show that they had considered how they would balance both short and longer-term needs. But by not ensuring this happens systematically across all service areas when commissioning services, the Council limits its assurance that services are securing value for money.

² Audit Wales, Financial Sustainability Review of Powys Council, November 2024

- 21 The Council does not require service areas to set out the financial implications of delivering services over the medium and longer term (whole life costs) as part of its commissioning arrangements. However, the service areas we looked at could demonstrate consideration of the whole life costs of commissioning decisions. They had also set out how they would respond if funding for the services reduced in the future. Considering both the long and short-term implications of commissioning decisions can help the Council to avoid commissioning approaches that do not secure value for money over the longer term.
- 22 The Council's arrangements do not require commissioning decisions to be informed by links with its own strategic priorities, those of other public sector organisations and the national well-being goals. The services we looked at were able to demonstrate how they contribute to the well-being objectives of the Council and other public sector organisations, as well as the national well-being goals. However, the Council's arrangements for this are only actioned after the decision has been made to procure a service from an external provider. Ensuring that the wider implications of all commissioning decisions are systematically considered as part of commissioning arrangements can help the Council avoid duplication and identify multiple benefits to improve outcomes and value for money.
- 23 The Council does not require service areas to identify who are the right people to involve when designing services. One of the services we examined did engage with service users, but only after the decision to procure the service was made. The other service we examined had engaged with the service users as part of the commissioning process. By not always involving the full diversity of those affected by commissioning decisions in the design of services, the Council is at risk of providing services that do not meet the needs of its communities or not securing value for money.
- 24 The Council does not require consideration of which partners the service areas could work with to commission services. The Council had not undertaken an analysis of potential partners as part of the commissioning process for any of the service areas we examined. By not ensuring it systematically considers the full range of potential partners, the Council risks missing opportunities to improve value for money through, for example, sharing expertise, capacity, and resources.
- 25 As the Council does not have a consistent corporate approach to commissioning, it cannot regularly review the value for money and effectiveness of its approach. Regularly reviewing the effectiveness of its commissioning arrangements can help the Council to identify opportunities to improve their effectiveness and value for money.
- 26 The Council does not have arrangements to ensure that lessons learned from commissioning activity are routinely identified and shared. Sharing lessons learned across the Council is important because whilst some services undertake lots of external commissioning, other areas of the Council are less experienced.



Our recommendations for the Council

Exhibit 1: our recommendations for the Council

Recommendations

R1 Establish commissioning arrangements

The Council should establish arrangements to assure itself that commissioning decisions are consistently shaped by:

- an understanding of the service to be commissioned and intended outcomes (Para 17);
- setting out how it will assess and monitor value for money (Para 18);
- an appraisal of all the options to deliver the service from the perspective of economy, efficiency, and effectiveness over the short to longer term (Para 19);
- planning over an appropriate timescale (Para 20);
- an understanding of long-term resource implications (Para 21);
- ensuring that wider impacts of commissioned services are identified and maximised (Para 23);
- involving the right people and partners to design and deliver the service (Para 24); and
- share learning across the organisation (Para 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.

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.

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 |

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| | | <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 |

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| 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. |



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