

ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	13 December 2022
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Internal Audit Report AC2205 – Commissioning
<b>REPORT NUMBER</b>	IA/AC2205
<b>DIRECTOR</b>	N/A
<b>REPORT AUTHOR</b>	Jamie Dale
<b>TERMS OF REFERENCE</b>	2.2

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**1. PURPOSE OF REPORT**

1.1 The purpose of this report is to present the planned Internal Audit report on Commissioning.

**2. RECOMMENDATION**

2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

**3. CURRENT SITUATION**

3.1 Internal Audit has completed the attached report which relates to an audit of Commissioning.

**4. FINANCIAL IMPLICATIONS**

4.1 There are no direct financial implications arising from the recommendations of this report.

**5. LEGAL IMPLICATIONS**

5.1 There are no direct legal implications arising from the recommendations of this report.

**6. ENVIRONMENTAL IMPLICATIONS**

6.1 There are no direct environmental implications arising from the recommendations of this report.

**7. RISK**

7.1 The Internal Audit process considers risks involved in the areas subject to

review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council's Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

## 8. OUTCOMES

- 8.1 The proposals in this report have no impact on the Council Delivery Plan.
- 8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

## 9. IMPACT ASSESSMENTS

Assessment	Outcome
<b>Impact Assessment</b>	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
<b>Privacy Impact Assessment</b>	Not required

## 10. BACKGROUND PAPERS

- 10.1 There are no relevant background papers related directly to this report.

## 11. APPENDICES

- 11.1 Internal Audit Report AC2205 – Commissioning

## 12. REPORT AUTHOR CONTACT DETAILS

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# **Internal Audit Report**

## **Commissioning**

**Issued to:**

Gale Beattie, Director of Commissioning  
Martin Murchie, Chief Officer – Data and Insights  
Vikki Cuthbert, Interim Chief Officer – Governance  
Jonathan Belford, Chief Officer – Finance  
External Audit

# EXECUTIVE SUMMARY

## Background

The previously constituted Strategic Commissioning Committee and now the Full Council considers and approves reports relating to key elements of the commissioning cycle, including development of a Population Needs Assessment, refresh of the community planning Local Outcomes Improvement Plan (LOIP), Council Strategies and Outcome Based Performance Management. The Council Delivery Plan and the Council's budget, both agreed by Council, complete the commissioning cycle.

The Council Delivery Plan brings together the Council's annual priorities derived from strategies and requirements identified by Local, Scottish & UK Government; City/Region arrangements; the Community Planning Partnership; and as a single agency. It sets out the Council's business for the year, including the strategy framework, policy statement, and how the Council intends to support delivery of the LOIP through its commissioning intentions. This includes key LOIP drivers, Council commitments, the associated commissioning, and key measures.

Commissioning Intentions define, annually, the contributions which the Council will make, through services, to the delivery of the outcomes set in the LOIP and supporting strategies. This covers internal, arm's length, and external services. These are set out as actions, and are supported by key measures, in the Council Delivery Plan.

## Objective

The objective of this audit was to review plans and progress with implementation of the Council's Strategic Commissioning Approach set out in the Council Delivery Plan.

## Assurance

Positive assurance has been obtained over development and implementation of the Council's Strategic Commissioning Approach. The commissioning cycle has been embedded into the Council's planning and performance management activities, facilitating a data-led approach to delivering against key outcomes prioritised as part of the LOIP, within available resources.

Through the Aberdeen Outcomes Framework, in conjunction with community planning partners, the Council has also progressed a variety of improvement projects to further contribute towards the LOIP stretch outcomes.

## Findings and Recommendations

Areas where enhancements to processes could better demonstrate the linkage between individual aspects of service delivery, key measures, plans and the LOIP stretch outcomes they are designed to deliver against, have been highlighted to management.

These recommendations are focused on obtaining Best Value and best practice as we found no area to be currently devoid of control, whilst also recognising that this is a complex area with many different stakeholders and overlapping elements.

Specific enhancements include clarification of baselines and targets for individual measures, and quantification of the planned and actual contribution of each action to the overall outcomes.

## Management Response

Since the time of the initial data and evidence gathering, management has developed the Commissioning process further and embedded their own enhancements into the process. Where some of IA's recommendations are now implemented, others will be considered by management as a means of strengthening the process further.

## **1. INTRODUCTION**

- 1.1 The Strategic Commissioning Committee approved a Strategy Framework for the Council in November 2019, setting out the strategies in place for the Council and its Partners, and their alignment with the Local Outcome Improvement Plan (LOIP) and its stretch outcomes. These strategies inform the Council's commissioning intentions and are themselves commissioned or recommissioned through an ongoing annual review process.
- 1.2 The Council's commissioning intentions for 2021/22 were approved in principle by the Strategic Commissioning Committee in November 2020, and were set out in the Council Delivery Plan, approved by Council in March 2021. The LOIP itself was refreshed in July 2021. The commissioning cycle refreshes and updates annually, with a delivery plan annual report last concluded in October 2021, and revised intentions set out in the 2022/23 Council Delivery Plan in March 2022.
- 1.3 The Commissioning Intentions set out key areas that the Council will prioritise to deliver elements of the LOIP stretch outcomes and supporting strategies, through commissioned services. A list of key measures is set out in the Delivery Plan for each intention.
- 1.4 The objective of this audit was to review plans and progress with implementation of the Council's Strategic Commissioning Approach set out in the Council Delivery Plan. This involved consideration of the various stages of implementing the approach including planning, governance, monitoring and reporting of progress with fulfilling the Commissioning Intentions.
- 1.5 The factual accuracy of this report and action to be taken regarding the recommendations made have been agreed with Martin Murchie, Chief Officer – Data and Insights.

## **2. FINDINGS AND RECOMMENDATIONS**

### **2.1 The Commissioning Cycle**

- 2.1.1 At the time of this review the Strategic Commissioning Committee had the remit to consider and approve reports relating to key elements of the commissioning cycle, including the development of the Population Needs Assessment, the refresh of the LOIP, Council Strategies and Outcome Based Performance Management. Subsequent to this review this role has passed to the Council, which also agrees the Council Delivery Plan and the Council's budget, completing the commissioning cycle.
- 2.1.2 The Council Delivery Plan brings together the Council's annual priorities derived from strategies and requirements identified by the UK & Scottish Government; City/Region arrangements; the Community Planning Partnership; and as a single agency.
- 2.1.3 It sets out the Council's business for the year, including the strategy framework, policy statement, and how the Council intends to support delivery of the LOIP through its commissioning intentions. This includes key LOIP drivers, Council commitments, the associated commissioning, and key measures.
- 2.1.4 Commissioning Intentions define, annually, the contributions which the Council will make, through commissioned services, to the delivery of the outcomes set in the LOIP and supporting strategies. This covers internal, arm's length, and external services. These are set out as actions, and are supported by key measures, in the Council Delivery Plan.
- 2.1.5 The Budget allocates financial resources to support the delivery of commissioned services at the agreed standards of delivery.
- 2.1.6 Service Standards define the availability, responsiveness, and quality of, and eligibility for, the services commissioned. Standards have been reviewed alongside demand and design of services, to reduce the potential for negative demand (e.g. through failure or poor design) and to ensure affordability within available resources.
- 2.1.7 The Delivery Plan, Commissioning Intentions and Service Standards set out a series of outcomes and improvements to be delivered within planned timescales and budgets. Performance against these is monitored, and business intelligence derived therefrom is used to manage delivery and to identify and prioritise future options. This is presented in the Aberdeen Outcomes Framework - an online accessible source of performance data.
- 2.1.8 Where areas for improvement have been identified, these are being defined, prioritised and projects established for the delivery and analysis of tests of change to meet requirements.

### **2.2 Planning**

- 2.2.1 The commissioning intentions are set out in the Council Delivery Plan for each financial year. They are wider than a targeted programme of work. They focus on outcomes, and alignment with various strategies, through 'commissioning' of various priority areas. Most of the priorities reflect existing services, but the intentions are used to highlight areas in which there should be changes in focus, content, and application.
- 2.2.2 Each intention is aligned with a LOIP stretch outcome and includes a set of key measures. Some of the key measures are duplicated across outcomes and intentions in the plan, as they are anticipated to impact more than one element.

- 2.2.3 Whilst the majority of LOIP stretch outcomes are specific as to the intended impact to be delivered, the commissioning intentions are less so. To an extent this is to be expected - as the LOIP stretch outcomes are ambitious and would not have been included if there were a single straightforward solution to the identified issue. However, there is limited indication of the extent to which measures in the delivery plan are planned to be improved within the current year, or the extent to which each element will contribute to the intentions or outcomes.
- 2.2.4 Most of the measures are to deliver a specific output, or to measure the number of outputs delivered. The stated intent of the process is to deliver outcomes based commissioning, but this could be strengthened by clearer linking of outputs to outcomes.
- 2.2.5 Baselines are not clearly set out in the delivery plan for each measure included against the intentions. It may therefore be possible to make claims or assumptions about the data, or the impact of commissioning, which are not directly related to the activity, or where improvements have not been demonstrated.
- 2.2.6 In both the 2021/22 and 2022/23 delivery plans, it is not clear that every measure and intention has a clear line of sight to the LOIP stretch outcome it is recorded under, to what extent each needs improving, and whether it will if improved result in a specified level of impact on that stretch outcome. There is therefore a risk that measures and improvements will be prioritised and actioned which do not maximise the intended outcomes.

#### **Recommendation**

- i. The extent to which each commissioning activity is intended to impact on outcomes should be set out clearly in the delivery plan.
- ii. The extent to which key measures are intended to improve because of commissioning intentions should be set out clearly in the delivery plan.

#### **Service Response / Action**

- i. The outcomes and drivers which the Delivery Plan seeks to impact are derived from the LOIP. These are complex socio-economic issues, subject to macro and micro level influences e.g., “Mitigating the causes of immediate and acute poverty.” Attribution of impact at this level, at a planning stage or even retrospectively, is challenging. Therefore, although high level outcomes are measured directly, most of the stated commissioning intentions are measured through outputs as a proxy for their impact on an outcome. For example, a commissioning intention in the current Delivery Plan states “.... secure community benefits through ACC procurement ....”. This is measured by, amongst other things, the value of community benefits realised. It is not realistic to measure the extent to which this intention impacts on the complex outcome of poverty. In addition, the activity and value of community benefits is reported in detail within the Council’s Annual Procurement Performance Report. Whilst the intent of this recommendation is understood, the purpose of the Delivery Plan has not been to quantify nor report on the impact of each commissioning intention. Notwithstanding this, in preparing the Delivery Plan for 2023/24 officers will seek to design its presentation to highlight the anticipated relationship between the proposed intentions and agreed outcomes.
- ii. There are >200 key measures in the current Delivery Plan. They span a very broad range of services and they measure activity and outputs at strategic and operational levels. As a general principle, it is widely accepted that targets are appropriate for some measures and not for others. Regardless, targets have not been included in the Delivery Plan, because it is a high-level document which has not been designed to provide this level of detail. This does not mean that targets do not exist for many of these key measures. For example, many of the key measures in the Delivery Plan match those set out in the National Improvement Framework Plan, which includes

measurable targets. Not specifically including these targets within the Delivery Plan has been a choice designed to i. maintain a degree of consistency throughout the document, ii. allow supporting strategies and plans, which do contain these targets and are produced to a variety of timescales, to flex to meet changing requirements during the year and remain consistent with the Council Delivery Plan and iii. not overwhelm the document with detail. Notwithstanding this, in preparing the Delivery Plan for 2023/24 officers will seek to refer to such targets as are appropriate.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2023	Chief Officer – Data and Insights	Important within audited area

2.2.7 Supporting the development of the commissioning intentions was a suite of service-design analysis. Each cluster undertook a comprehensive annual review of its structure, resources, standards, access, and eligibility, and how these should be applied to mitigate demand, manage risks, and deliver services. Consideration was given to current and future requirements, and any changes required, including potential for cross-functional and complex redesign beyond functional boundaries. These were peer reviewed, and subject to final consideration by Corporate Management Team (CMT).

2.2.8 The main focus was on delivery of services, any planned changes to business as usual, and the level of finance and other resource inputs required to maintain or adjust these as required. The planned impact on outcomes, or on specific performance indicators as a proxy, was not explicitly set out - except in cases where these were encapsulated within existing service performance standards.

**Recommendation**

Service design should include the planned impacts on outcomes as a result of changes are clear, and that any gaps are filled with complementary commissioning activity.

**Service Response / Action**

Since the fieldwork for this review, the service design process for council services has changed. Service design is part of the Transformation Programme agreed by Council on 24<sup>th</sup> August 2022, and will be supported through implementation of Council Strategy, including enabling strategies. Each of these will relate action to the impact on agreed outcomes.

<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2023	Chief Officer – Data and Insights	Important within audited area

2.2.9 There are numerous projects aligned with LOIP stretch outcomes and planned for delivery by the Council and other Community Planning Partners. These are being planned, progressed, and monitored using a consistent format developed and supported by the Council.

2.2.10 Each project is intended to contribute towards achieving specified outcomes by 2026. Projects typically set out smaller more focused tests of change, with the remainder of the outcomes to be achieved through wider commissioning activity, service redesign, or business as usual for the Council or its partners. If projects are successful, then it may be possible to scale them up and deliver further improvements and outcomes. At the point they were reviewed by Internal Audit, three of ten selected Council projects had not commenced, with business cases still to be developed and outcomes defined. The extent of impact from each project / intervention / test of change had not been explicitly set out or put in context with business as usual or other commissioned activity, and baselines were not all up to date.

- 2.2.11 If projects do not deliver at the pace and scale anticipated when they were originally conceived and commissioned, other actions will need to progress to deliver against the LOIP stretch outcomes. This will need to be reflected in the Council's planning and delivery of its commissioning intentions for future years.

<b><u>Recommendation</u></b>		
The Council should ensure the planned impact on outcomes from projects is clear, and that any gaps are filled with complementary commissioning activity.		
<b><u>Service Response / Action</u></b>		
Agreed. This is complex matter, and it is difficult to isolate Council activity from the wider partnership working which is a feature of the LOIP. It is part of improvement methodology to continuously look for ways to meet the stretch outcomes identified.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
September 2023	Chief Officer – Data and Insights	Important within audited area

## 2.3 Monitoring and Reporting

- 2.3.1 Monitoring overall is through the Aberdeen Outcomes Framework, which is an open-access data portal. This collates various sources of Council data, and other LOIP partners, to indicate progress towards delivery of the LOIP stretch outcomes. Performance is regularly reviewed by Chief Officers using dashboards and local data, quarterly by the Strategy Board, and annually as part of the Council Delivery Plan annual report. Community Planning Aberdeen also receives quarterly reports and an annual outcomes improvement report sharing outcomes and achievements with delivering against the LOIP stretch outcomes.
- 2.3.2 There is an apparent time-lag in updating data. This is common where reliance is placed on other partners and national datasets, e.g. where figures are taken from annual reports that follow a different schedule to the Council's performance framework. From a sample of indicators reviewed on the framework, one third had 'current data' dating back to 2020 or earlier. This included indicators that could be derived from Council service data.

<b><u>Recommendation</u></b>		
Management should review the data sets utilised and ensure that data is maintained and as up to date where possible.		
<b><u>Service Response / Action</u></b>		
This recommendation reflects ongoing improvement activity. As a matter of policy and practice, data is updated to the Data Observatory (within the Aberdeen Outcomes Framework) when it is available. However, the datasets included are, in many cases, subject to timetabling of national releases which are not within the gift of the Council to change. However, the addition of alternative local datasets is being reviewed.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2023	Chief Officer – Data and Insights	Important within audited area

- 2.3.3 Whilst the majority of performance data has relevant baselines, the starting point in time for each varies. Determining the impact of actions referenced in the LOIP against the needs and requirements identified when it was developed in 2016 (and refreshed in 2021) may therefore be more difficult - though comparison against any baseline will give an indication of direction of travel. For some of the more specific outcomes (e.g. those which refer to a specific number of people for whom outcomes will be improved) there is a risk

assumption will have to be made as to the impact prior to baselines being established. As noted at 2.2.5 above, the baseline for each measure is also not set out in the Council Delivery Plan.

<b><u>Recommendation</u></b>		
Management should carry out a programme of work to review the appropriateness of baselines.		
<b><u>Service Response / Action</u></b>		
Agreed. In updating the ACC measures in the Outcomes Framework officers do and will review the appropriateness of baselines.		
Regarding the inclusion of baselines within the Council Delivery Plan, as stated above in the Service response to the recommendation at 2.2.6, the Delivery Plan is not intended to be a document that catalogues all the detail of performance or impact. Notwithstanding this, in preparing the Delivery Plan for 2023/24 officers will seek to refer to such targets as are appropriate.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
March 2023	Chief Officer – Data and Insights	Important within audited area

2.3.4 The Council Delivery Plan Annual Report provides highlights of activities and impacts, but in line with the Plan itself the report does not clearly state the extent to which each activity or measure has contributed towards the outcomes to which it was aligned. There is limited clarity in the narrative section of the report as to which commissioning activities have delivered outcomes, and how much of a success or otherwise these have been in the wider context of the issue identified to be addressed in the LOIP.

2.3.5 An appendix to the annual report sets out detailed performance information, including an indication of whether the measures indicate targets have been met, trend direction, and a note of which commissioning intention they relate to. Each intention is matched against a variety of indicators. Again there is no clear link to the extent to which each had an impact on delivering against the overall LOIP objective/s.

<b><u>Recommendation</u></b>	
The extent to which each commissioning activity has been delivered and improved outcomes should be recorded.	
The extent to which key measures have improved as a result of commissioning intentions should be recorded.	
<b><u>Service Response / Action</u></b>	
Not accepted. It is not the purpose of the Council Delivery Plan, nor the annual report, to catalogue the detailed delivery of each of the intentions. Nor is it possible in one document to measure the impact each commission activity will have, or has had, on an outcome.	
<b><u>Internal Audit Comment</u></b>	<b><u>Grading</u></b>
Service response noted in response to this minor recommendation.	Important within audited area

- 2.3.6 Progress and future milestones are further discussed in the following year's Council Delivery Plan (2022/23 - March 2022), but as with other performance reporting this contained highlights rather than full data, and there were no baselines or comparisons.
- 2.3.7 The link between past performance and development of new commissioning intentions is less clear. For example, if there are positive outcome indicators, more of the same might be commissioned; and if indications are that outcomes are not being achieved, what could be done differently. Whilst this is likely to form part of the discussion and decision making process that informs the new delivery plan each year, it is not explicitly set out in the final report, and as discussed at 2.2.8 is not detailed in service redesign paperwork.

**Recommendation**

The impact of performance on development of new plans and commissioning intentions should be made clear.

**Service Response / Action**

The Council Delivery Plan is a high-level output of the annual commissioning cycle which is structured around a “Plan, Do, Study, Act” model. The commissioning approach includes the Council’s Performance Management Framework and reporting, and consideration of performance is done continuously, through a number of methods to a number of audiences. Performance is one of a number of considerations that is distilled into proposed commissioning intentions, along with council policy, statutory duties, government requirements, strategic commitments, citizen need and demand, available resources, and risks. The Delivery Plan has not been designed to include a detailed narrative showing how each factor has influenced every commissioning intention. Notwithstanding this, in preparing the Delivery Plan for 2023/24 officers will seek to strengthen the visibility of the relationship between drivers, including performance, and the proposed intentions.

**Implementation Date**

September 2023

**Responsible Officer**

Chief Officer – Data and Insights

**Grading**

Important within audited area

- 2.3.8 Although the key measures generally match between plans and performance reports, they have been presented in a different order, and many relate to more than one action, activity, or outcome. There is no cross-referencing between them, e.g. using a unique reference number, to help readers match plans with performance and to track progress. The outcomes framework includes numbers, but these changed following the LOIP refresh in 2021, and are not repeated in subsequent plans and performance reports.

**Recommendation**

Key measures / indicators should have unique reference numbers to facilitate matching and monitoring between reports.

**Service Response / Action**

Agree. This work is underway.

**Implementation Date**

March 2023

**Responsible Officer**

Chief Officer – Data and Insights

**Grading**

Important within audited area

**2.4 Budgets and Savings**

- 2.4.1 There is a clear, comprehensive, joined up process for developing the Council's delivery plan, commissioning intentions, and delivery (or commissioning) of services to achieve its intended service standards.

- 2.4.2 Full Council agrees the Council Delivery Plan and the Budget for its delivery.
- 2.4.3 In advance of this stage, Services are subject to annual challenge over their service design and delivery models, which are pulled together in a consistent format and subject to peer-review and challenge, before sign off by Corporate Management Team (CMT).
- 2.4.4 Budgets and cost savings are built into this process. Delivery of those changes and savings is demonstrated through budget monitoring, year-end outturn, and subsequent years' review of the service delivery models, budgets and cost savings.
- 2.4.5 For individual projects, budgets may be agreed - although for the Council projects reviewed this was within existing resources. As they are outcomes based, finance may be one of many priority outcomes. There are existing processes in place to monitor these.

**AUDITORS:** J Dale  
C Harvey  
R Brand

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the organisation.
<b>Major at a Service Level</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.