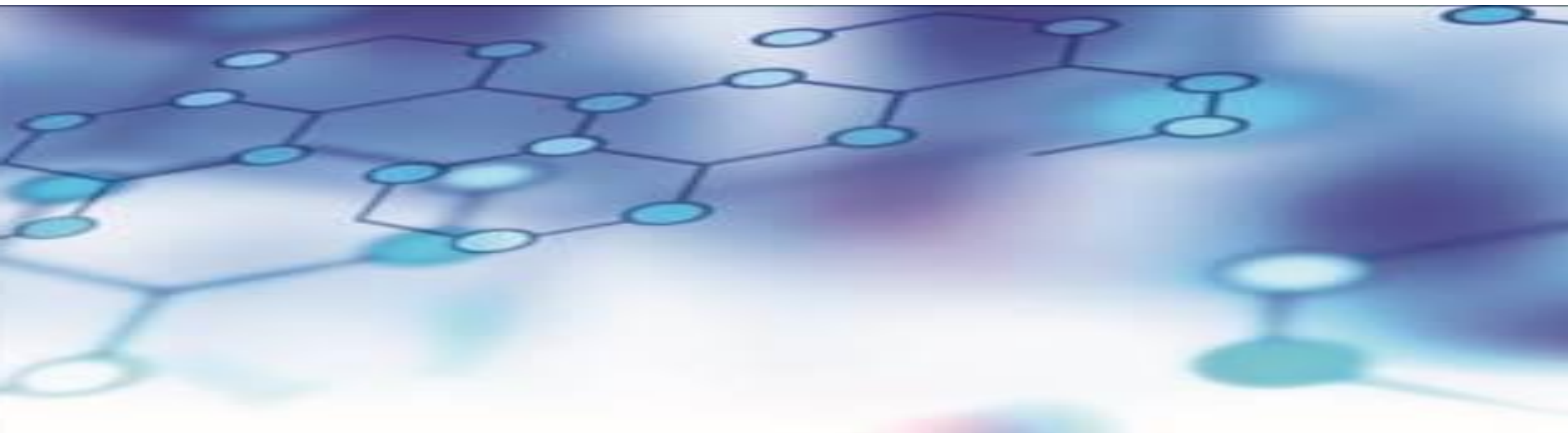


City of York Council

Review of the Housing for Older People Project

Final Report

29 July 2015



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1. Executive Summary

The Older People's accommodation project was an ambitious and complex programme of work for City of York Council (CYC) involving multiple inter-related work-streams, various stakeholder interests and a high public profile. This required a disciplined business case development, robust governance arrangements and tight programme management to provide assurance on risks and appropriate, timely communication to decision-makers and stakeholders. Although we identified some areas of good practice, there were some weaknesses in CYC's approach and arrangements in these areas and consequent opportunities for improvement and learning on future major projects.

The underlying issue pervading our findings is the lack of a structured, best practice approach to **business case development**. The impact of this was that information on which to base the economic, financial and commercial cases and the adoption of the preferred solution was presented to Cabinet in a piecemeal way in a series of reports over a protracted period of time and highly caveated. Some of the key challenges involved were considered; but the lack of a more disciplined approach (for example, the Treasury's Five Case Model) meant that it was difficult to evidence in the formal records that the strategic case had been made, all options were properly considered and evaluated, or that financial, commercial and other risks were fully debated and mitigated.

Affordability was the key risk highlighted throughout the process and the fundamental issue observed was the **level of aspiration articulated into the specification** which the market was unable to respond to within the financial envelope. Financial information was available at the early stages of the project but heavily caveated pending further work; **operational assumptions were not robustly challenged and CYC did not develop a contingency plan** in the event of this significant risk materialising. Affordability was repeatedly highlighted as a key area of concern in reports to Cabinet throughout the process. There were therefore alerts at early stages to the need for more rigorous scrutiny of the economic and financial elements of the business case. Robust scrutiny at an earlier stage would have acted as an effective brake and "reality check" on proposals before the launch of a procurement process which was subject to the vagaries of the market during a recessionary period.

Governance arrangements over risk were not appropriate for a project of this scale, although risks were presented in Cabinet papers and progress reporting to the Programme Board. Risks were debated at the project Board, however minutes of meetings do not evidence escalation of these risks. A comprehensive risk register was not in place throughout the duration of the project. Mitigations proposed were not sufficient in some cases and significant risks were not routed in a **systematic** way to Corporate Management Team and Cabinet.

The programme aimed to drive cost improvements whilst at the same time delivering higher quality and transformational change for York residents. A competitive dialogue route was chosen as the procurement route to achieve this. CYC officers involved had **limited experience in this form of procurement and associated commercial issues**. Although a well managed process in the circumstances, significant problems were encountered by the team in driving this forward and maintaining sufficient interest by the market. In June 2014, CYC were faced with the scenario of a single remaining bidder before Invitation to Submit Detailed Solution stage. This presented a commercial challenge and although market failure can be difficult to predict, fuller consideration of the commercial implications before commencement of the process may have allowed measures to be put in place to allow better management of this scenario.

It is equally important to reflect upon the **areas of good practice** and successful delivery of elements of the programme:

- A comprehensive and well managed public consultation on the strategic direction and a good mechanism for engagement with external stakeholder representatives through a wider reference group;

- The **successful transition of residents and staff** following the closure of two homes in March 2012 which was externally scrutinised and confirmed as meeting best practice;
- **Elements of sound project management** at project team level in terms of disciplined reporting to Programme Board, highlighting/debate of risks and follow up of actions in the face of considerable resourcing and capacity constraints as well as numerous changes in the composition of the project team over the life of the project.
- The project team demonstrated **considerable commitment and diligence** in exploring ways to deliver an affordable solution in the face of considerable challenges to realise the programme's ambition, in particular given the duration of the project capacity issues and changes in personnel over that time

It should be noted that during the course of our review we have not identified any serious concerns with regard to the conduct of officers. We have considered the concerns raised regarding the **lack of communication on progress to Members and stakeholders**, particularly over the formal procurement phase. In our view, this was not down to any deliberate intention to mislead or conceal information from Members; but rather, this reflected the difficulties politically led and publicly accountable organisations face in terms of putting in place an **appropriate governance framework to allow debate of commercial risks**.

Our detailed findings and recommendations on areas for improvement and learning are provided in Sections 3-7.

2. Introduction

2.1 Background and Context

In 2009, City of York Council (CYC) carried out a comprehensive review of Older People's accommodation needs across the city which assessed current provision, future population needs and potential approaches to meeting future needs. At the time, the council operated nine care homes which were built in the 1960s and 1970s and which were coming to the end of their useful life as fit for purpose facilities. CYC also envisaged a greater demand for specialist dementia care accommodation.

The review considered alternatives to residential care and the wider perspective of developments under CYC's programme of transformation of Adult Social Care, including prevention approaches, configuration of homecare services, the Older People's Housing Strategy and linkages with the wider health and care economy. The report provided examples of good practice care models implemented elsewhere in the country.

The Joint Vision for the Health and Well Being of Older People in York was approved in 2010 and presented a 5 year strategy with a focus on supporting older people to remain in community settings; reducing hospital and care home admissions and providing a wider choice of accommodation options. In December 2010, this vision was articulated in the Commissioning Plan for Older People which set out intentions to:

- invest in services that reduce the need for residential and hospital based care and increase independence;
- increase the capacity for Elderly Mentally Infirm (EMI) residential and nursing care and high dependency residential care within the city, and reduce the number of 'standard' care beds provided by CYC;
- increase the housing based choices for older people such as sheltered housing;
- develop care and support models to enable more people to be supported at home; and
- ensure best value for money and use of resources to support a growing number of older people.

This groundwork set the context for an ongoing programme of work to develop and implement options for the re-provision of accommodation for older people. CYC officially embarked on this programme in July 2011 following the change in administration when a paper presenting the case for change and strategic options was presented to Cabinet which approved the request to take this forward to a public consultation phase.

Following the successful public consultation phase, CYC experienced a series of complex challenges relating to site suitability, design specification and affordability with consequent impact on timescales for delivery. This led CYC to terminate its procurement of the preferred option in March 2015 and seek an alternative solution which is now in the process of being implemented.

As a consequence, CYC has experienced considerable external challenge with regards to its management of the programme, choice of procurement route, governance and communication arrangements. The Chief Executive has therefore commissioned this independent review to identify whether there are lessons to be learned from the Older People's Homes (OPH) programme and make recommendations for improvement with regards to future major change programmes, where required.

2.2 Scope of Work

We have carried out a detailed review of the housing for older people project, including consideration of:

- Programme initiation, option appraisal and business case development;
- Programme governance and decision making processes;
- Programme management activity and resourcing;
- Use of external organisations to support the process;
- Specification development and selection of procurement approach;
- Management of competitive dialogue process;
- Evidence supporting the decision to terminate the procurement; and,
- Steps being taken in exploring an alternative approach.

It should be noted that our review covers the generic best practice aspects of programme management and the procurement process. It does not cover technical elements of the process, for example, relating to financial and demand modelling, technical specifications, planning and design.

Our work has consisted of a detailed desk-top review of supporting corporate documentation relating to the project supplemented by interviews with key officers and stakeholders. We would like to thank CYC Members, officers and other stakeholders for their considerable support in providing information and being available for interviews during the course of our work. A full list of the information reviewed and interviewees is provided in Appendix 2.

2.3 Presentation of Report

Our detailed findings are presented in subsequent sections of this report, structured as follows:

- Section 3* *Programme Initiation*
- Section 4* *Programme Governance and Decision-Making*
- Section 5* *Programme Management and Resourcing*
- Section 6* *Procurement Process*
- Section 7* *Approach to an Alternative Solution*

For ease of presentation in view of the multiple reporting and decision points over the duration of the programme, we have presented in Appendix 2 a timeline of key events which is referenced in bold to our findings where applicable.

3. Programme Initiation

Detailed Findings	Areas for Improvement
<p>1. Strategic Case</p> <p>The paper presented to Cabinet in July 2011 formally initiated the project and provided an outline case for change and proposed options for re-provision. Cabinet was asked to agree to a 3 month period of consultation.</p> <p>This was a clear and succinct paper, however, did not provide the content and level of detail that would be expected for a Strategic Outline Case (SOC).</p> <p>Five options were described; however there was no explanation as to how a long-list and then a short-list had been derived. This may have had the impact of restricting the feasibility of the business case from the outset.</p> <p>Options on phasing to create more manageable chunks to reduce the complexity of the project were not considered as part of the options appraisal.</p> <p>Feedback from officers questions whether the full range of options was considered particularly in view of the focus on re-provision of residential care. The direction of travel articulated in the Health and Wellbeing Strategy and Commissioning Plan for Older People was for more accommodation choices to help people to remain independent, for example through sheltered housing or improving support in their own homes. It is clear that other options were feasible as demonstrated by the refreshed programme currently underway.</p> <p>Potential risks were not captured in the paper at this stage so at this point no formal governance arrangements had been established for Cabinet over programme risks.</p> <p>As a structured business case development process was not followed, subsequent papers did not develop in a systematic manner from SOC to Outline Business Case (OBC). The impact of this was a fragmented approach to providing the information to allow Cabinet to scrutinise effectively and make decisions.</p>	<ul style="list-style-type: none"> • For major projects, a formal business case process should be adhered to as a best practice framework to ensure all options are properly appraised, risks are evaluated at an early stage and stakeholder expectations are managed. Where there are significant changes in the internal or external operating environment, the business case should be formally re-evaluated to ensure fully informed decisions are made. • We recommend that CYC develops formal guidance for officers on Business Case requirements following the Treasury's structured best practice approach – the Five Case Model (The Green Book). This is recognised good practice in the public sector for the appraisal, development and planning of major projects to deliver best public value and ensuring evidence is captured to support decisions, covering: <ul style="list-style-type: none"> - the Strategic Case (case for change); - the Economic Case (best public value); - the Commercial Case (proposal attractive to the market place); - the Financial Case (affordability); and - the Management Case (deliverable). • We recommend that where appropriate, senior level training on business case development and evaluation is provided to establish a rigorous, disciplined approach to investment decisions (see also below for the Outline Business Case). • The Strategic Outline Case (SOC) is a scoping phase which should be further developed at the OBC stage. It makes the case for change and explores the potential way forward. In practical terms this entails: <ul style="list-style-type: none"> - describing the strategic context and fit; - determining investment objectives, existing arrangements and future needs; - identifying benefits, risks, constraints and dependencies; - identifying critical success factors;

<p>CYC does not currently have a documented Business Case Policy or guidance for officers.</p>	<ul style="list-style-type: none"> - indicative costs if feasible at this stage; - preparing and appraising the long list of options (using a SWOT analysis). <ul style="list-style-type: none"> • A SOC should identify a wide range of options (typically about 12); consider the advantages and disadvantages of each with an early indication of a short-list as a direction of travel rather than a defined short-list at this stage. Phasing of large scale and complex projects should also be considered. We recommend using a working group approach to generating and assessing the long list of options. • A risk review should also be carried out as a workshop session at this stage to start to populate a risk register and risk assurance framework for the programme with mitigating actions/further information required at this early stage. A PESTLE (political, economic, social, technological, legal and environmental) analysis is a useful tool to provide a framework for this. This work should be captured in the SOC. Using such an approach provides an ongoing governance framework over key risks at the appropriate decision-making level. • A formal business case development process helps to identify significant risks at an early stage. In this way, it can pre-empt issues which may require a greater degree of focus and avoid unnecessary or hastily completed work being undertaken at later stages process.
<p>2. Initial Scrutiny</p> <p>As referred to in 1 above, the Cabinet paper does not highlight any risks at this stage. However, some key risks and issues are referred to within the body of the document which had a subsequent impact on the deliverability and affordability of the programme, including:</p> <ul style="list-style-type: none"> • the potential complexity of a design, build and operate deal with the independent sector and the impact on costs of site ownership; • growing interest by the private sector in developing care home capacity in York and developments underway; • a complex 3-4 year programme of work involving home closures and moving current residents to alternative provision; 	<ul style="list-style-type: none"> • For major projects of this type, risks and key issues should be clearly presented as part of the SOC to open up challenge and debate by the decision-making forum. These should be captured and mitigations presented through Cabinet papers on an on-going basis as a project progresses. • The basis for any assumptions should be presented as part of the SOC so that these can be considered and debated at an early stage at the appropriate level, particularly around the economic environment, financials, impact on the local population and timescales. • In order to provide assurance over programme governance and resourcing, it would have been good practice to include an outline plan for the consultation process and intended next steps in terms of development of an Outline Business Case for the next stage of approvals required.

- the potential loss to CYC of the capital receipt for the Lowfield site to the wider capital programme;
- the need for various planning approvals;
- the site valuations used were before the economic downturn.

There is no evidence of discussion in these key areas at Cabinet.

A high level indication of capital and revenue costs was provided. Annual revenue costs of £5.75m for 200 bed provision were indicated with a reference to current revenue spend of £7m. There was no indication of the source of this assumption and no explanation as to the rationale for the perceived saving of £1.25m implied (although we understand this related to anticipated capital receipts from the sites to be closed). There was no indication as to the source of capital funding estimated at £13.4m. These assumptions were not queried or debated at Cabinet.

Given the elapsed time between the original groundwork (which included some soft market testing) for the proposal in 2009 to the date of this paper, more detailed work on the business case in terms of financials and risks would have been feasible. This may have highlighted at an earlier stage the affordability issue that led to the termination of the procurement.

The Cabinet paper did not look any further ahead than the consultation process and therefore did not set out a plan for next steps following the consultation, particularly regarding production of an OBC and project initiation document.

4. Programme Governance, Decision-Making and Communication

Detailed Findings	Areas for Improvement
<p>1. Consultation and Engagement</p> <p>It was reported in Cabinet papers and recognised in interviews that the public and stakeholder consultation in 2011 was comprehensive and well run. There was convincing support for CYC's vision for the future of residential care and the care village concept. The subsequent consultation on the proposed closure of homes was well managed under challenging circumstances for existing residents.</p> <p>There was some feedback from the public that not all permutations may have been considered. There was clear support (89%) for Option D which proposed council run provision. Subsequent work on the financial viability of options indicated that in-house provision was not affordable. Almost 50% of respondents supported Option E to partner with the independent sector to design, fund, build and operate the homes.</p> <p>The key elements of the feedback from the York Older People's Assembly (YOPA) documented in their response to the consultation and provided for the purposes of this review were :</p> <ul style="list-style-type: none"> • the lack of information on the wider market provision; • proposed locations; • the need for a greater focus on independent living and choice. <p>Feedback from discussion with Age UK York indicated their perception that plans presented for consultation were already significantly advanced and needed to take fuller account of local need.</p> <p>Public papers to Cabinet are clear that the programme of work would be subject to affordability and timescales subject to unknown variables such as planning permission and procurement. However, the expectations of the public were raised by the process of consultation itself. The consultation documents do not make explicit statements on estimated timescales or that options would be subject to value for money assessment. YOPA commented on the absence of information to enable views on value for money.</p>	<ul style="list-style-type: none"> • A full long-list of options should be put forward at Strategic Outline Case stage and referred to in the public consultation to provide assurance to stakeholders on how options have been generated and considered. • Value for money implications should also be included in the consultation to allow stakeholders to take a view on the best use of public resources. • It would be a prudent step to make a clear statement in consultation briefings for other major projects to manage expectations where there are unknowns, particularly around affordability, operational complexity and timescales.

<p>Good practice arrangements were put in place to provide routine engagement with stakeholder representative groups through the Wider Reference Group. This included representation from York Older People's Assembly, Age UK, Alzheimer's Society, Dementia Without Walls, York Carer's Forum amongst others. Feedback from YOPA indicates that this was a valued and effective forum which informed the project through appropriate programme governance arrangements.</p>	
<p>2. Outline Business Case (OBC)</p> <p>The next paper to Cabinet in November 2011 provided the consultation findings and other key information including:</p> <ul style="list-style-type: none"> • the proposed phased programme of closures and rebuilds; • additional financial analysis of Options D and E only; • a protocol for Moving Homes Safely. <p>This was a rather fragmented paper which repeats a significant amount of information from the previous paper.</p> <p>The financial analysis and commentary contained in this paper is unclear and incomplete. For example, this introductory comment (paragraph 46) is illogical:</p> <p><i>“The overall programme of development of the four facilities on three sites is considered to be affordable within the current budget allocation for the nine EPHs subject to projected costs and receipts over the four-year period”</i></p> <p>The paper raises various issues which would have benefited from further scrutiny at this point:</p> <ul style="list-style-type: none"> • It does not provide costings for Options A, B and C for consideration, therefore these options do not appear to have been further considered at this point. • The assumptions underpinning the operating cost projections for Options D and E are not clearly explained. • Running costs in 2011/12 are stated at £7.5m with £1.5m forecast savings under Option D and £3.4m under Option E by 2015/16. The source of the significant savings/financial gap in each option is not clearly articulated, for example in terms of proceeds of sale of sites. 	<ul style="list-style-type: none"> • A comprehensive Outline Business Case following Treasury guidance should be developed for major projects to provide a focused and structured document for consideration and fully informed decision-making by Cabinet. • The economic and financial cases as well as significant risk evaluation should be the key areas of focus and detailed work at this point. • The options appraisal should be transparent and fully documented including the rationale for excluding options from subsequent evaluation. • For major programmes of work, particularly where in-house capacity is limited, CYC should consider using temporary external business case development expertise to ensure a basis for robust and prudent recommendations to Cabinet.

<ul style="list-style-type: none"> • Site valuations remain at pre-downturn levels. • The source and robustness of the number of beds (200) required and included in the modelling is not defined and described as a Commissioning Team estimate. The number of beds used for the consultation was 180 and YOPA commented on the lack of rationale for the figure. <p>There is no evidence in Cabinet minutes of any significant debate on these risks.</p> <p>A comprehensive options appraisal, including options A, B and C did not take place and therefore subsequent discussions and decisions have focused solely on permutations around Options D and E.</p> <p>In January 2012, Cabinet approved the following recommendations subject to further analysis:</p> <ul style="list-style-type: none"> • the closure of Fordlands and Oliver House by March 2012; • the phased development outlined in November 2011; • a more detailed business case to be presented in April 2012 for the care home development on Fordlands; and • a soft market testing exercise for the development of Lowfield site and development of the financial model for the operating and design options to be presented in April 2012. <p>These decisions therefore represented a commitment to the proposed programme of work under Options D or E without full consideration of Options A, B and C.</p> <p>It was also noted that approval was given to progressing the expansion of day care activities in the community to replace current provision. We understand that Age UK took on this element.</p>	
<p>3. Programme Governance and Communication</p> <p>A Programme Board was set up to provide oversight with Corporate Management Team (CMT) representation through the Director of Adult Social Care and the Director of Customer and Business Support Services.</p> <p>Feedback on the effectiveness of this Board has been mixed. The level of challenge</p>	<ul style="list-style-type: none"> • For any major programme, risks which may impact on the deliverability of the project should be formally documented through a structured risk assurance framework in reports to the Corporate Management Team and Cabinet. • We would recommend the inclusion of an individual on the Programme Board to provide independent challenge in a “critical friend” role and as a pragmatic solution to broker a way forward between conflicting standpoints.

and debate appears appropriate, particularly around the tension of affordability versus the imperative to deliver the programme. However, where this trade-off could not be resolved by the Board within its decision-making remit, escalation to the Chief Executive would have been appropriate.

Officers have advised that significant risks were debated with CMT, however minutes indicate that these were not formally escalated to CMT and the Chief Executive. We understand that CYC has now put arrangements in place to provide this governance structure over transformation projects, including automatic alerts to the Programme Lead and Chief Executive of “red rated” risks.

Governance and communication arrangements from Programme Board to CMT and Cabinet were not documented in the programme governance arrangements. Arrangements were limited in various areas:

- There is no indication of any formal reporting/communication to CMT on the project from a review of CMT minutes and actions although we understand that verbal updates were provided. We are unable to comment on any informal discussions as these are not documented. Transformation projects are now routinely reported on to CMT.
- A formal risk assurance framework was not put in place for escalation of significant risks to Corporate Management Team and Cabinet.
- Papers were periodically provided to Cabinet for decision-making but progress updates were not routine.
- Reference is made to briefings on progress by the programme lead to the Cabinet member but these are not formally documented.

Cabinet papers do not refer to any affordability or potential project slippage risks until May 2012. The Cabinet paper in May 2012 heavily caveated the financial analysis provided, stressed that a further review was required to “ensure affordability” [para 63] but did not formally record the uncertainties highlighted as key risks. The paper did refer to a risk log with mitigations being maintained and over-seen by the Programme Board but this was not visible to the Corporate Management Team or Cabinet Members.

- Governance arrangements need to be specifically considered where any commercial sensitivities present a risk to the Council should such issues be disclosed in the public domain. Whilst recognising the challenges involved in this regard, we recommend that lead CYC officers and Members take the opportunity to examine options for creating a forum for discussion of such issues where these create a significant risk to delivery of a programme.
- For example, this may be feasible through a confidential Cabinet session where terms of reference and a code of conduct are documented and signed up to in terms of commercial confidentiality and the serious implications for the Council of disclosure of information outside of this forum.
- Informal briefings have a role to play in supporting programme progress, however on complex projects, this presents a risk in terms of challenge from other Members and decisions being taken and actioned by officers which are outside their delegated remit.
- For major transformation projects, it would be good practice to provide routine, periodic progress updates to:
 - Cabinet as a standing agenda item, thereby also allowing project team to plan reporting;
 - other stakeholders in the form of summary briefings, for example to staff and the Wider Reference Group forum.
- We understand that CYC has implemented this approach for the new programme (see Section 7).
- Such updates should clearly consider and make reference to constraints due to commercial sensitivities but notwithstanding this, communication would be appropriate in terms of:
 - whether the programme is progressing to plan;
 - progress of work-streams, risks arising and mitigations not associated with any commercial process;
 - any slippage anticipated in timescales and impact on the final

The May 2012 paper presents a large disparity in costs presented, comparing the Council-run with privately operated options mainly due to the impact of terms and conditions for staff. The Council run option does not pay back over the 25 year period of the financial projection.. The paper does not present a clear explanation of this issue and staff implications which are important issues for staff, their representatives and Cabinet.

The delivery of new, high quality accommodation was eagerly anticipated by the older people of York with timescales clearly of critical importance. As the programme timescale became more protracted, risks became apparent to the planned opening of the new homes by April 2016. Frustrations were therefore understandably expressed over the limited communication provided on progress to Members and stakeholders, particularly over the period of the procurement process.

There was no formal reporting on progress over the periods discussed further below. Key themes are described to demonstrate the nature of deliberations at Programme Board.

June 2012-March 2013

Over this period, considerable challenges emerged and some key decisions were made by the Programme Board. The following issues were debated:

- the unfeasibility of the Fordlands site due to site survey findings;
- materially higher construction costs indicated by Property Services than those indicated by external consultants;
- the complexity of the procurement process;
- project team resourcing issues; and
- risk of delay to the project timescales (opening of Fordlands and Lowfields by April 2014).

Informal briefings to the Cabinet member took place over this period. The decision was taken not to advise Cabinet until a revised timescale could be determined.

The Programme Board took the decision not to develop the Fordlands site and the Burnholme site option started to be developed by the project team in November 2012.

programme delivery date.

- It is also important to consider any assumptions made regarding commercial sensitivities and legal challenge. Discussion of key principles, for example on affordability and timescales, may be appropriate if all parties to a procurement agree to the disclosure of this information in an agreed forum, for example, in a confidential Cabinet session.

Soft market testing on the Lowfields project took place over this period.

In December 2012, project team minutes refer to an in-house bid to operate the Lowfields site as unfeasible. This was demonstrated by subsequent financial modelling however it is not apparent from Cabinet papers how this was communicated to the in-house team.

June 2013 – March 2015

A paper was presented to Cabinet in June 2013 providing a progress update, advising of the Burnholme and Lowfield site option and recommending a procurement for the design, build and operation of the development.

The formal procurement phase is described fully in Section 6.

The paper also presented the financial considerations in terms of the financing of the project and clearly highlighted the risks of the procurement exercise not delivering the required solution within the proposed budget. Minutes of the Cabinet meeting do not evidence any debate on the financial risks highlighted.

Over this period, concerns escalated over the affordability and deliverability of the programme. The issue of the change of use of the Burnholme site also surfaced during this time. Significant work was undertaken on reiterations of the financial model and options to value engineer the specification.

In **June 2014**, a summary position statement was presented to the Programme Board. This clearly highlighted:

- a remaining affordability gap of £10.7m over 15 years; and
- the impact on timescales, home opening dates envisaged in 2017.

A briefing was provided to the Chief Executive on the status of the procurement. Following the appointment of the new Acting Director of Adult Social Care (ASC) and his evaluation of the process to date, further discussions with Bidder 3 took place over the summer. Programme Board meetings ceased at this point. We have no evidence of a status update to Members at this point.

Cabinet's stated view is that the affordability issue was only communicated at the later stages of the process. Cabinet's understanding was that the commercial sensitivities of

<p>the procurement process precluded communication and discussion of progress over this period due to the risk of legal challenge. This message was reiterated by officers during the process and was challenged at the Health Overview & Scrutiny Committee (January and March 2015) and Corporate and Scrutiny Management Committee Calling-in in March 2015.</p> <p>The Chair of the HOSC and Acting Director of ASC also discussed in the January 2015 meeting if the programme timescale remained deliverable. The transcript is provided below</p> <p><i>HOSC Chair: "Would you say we are still on target to see something concrete built by 2016 or in 2016?"</i></p> <p><i>DASC: "I would like to say yes because actually it's my intention to ensure that the homes that we've got are fit for purpose really, so regardless of what method that is, we need to make sure that the homes we provide are fit for purposeSo, if not that route it will be a route that gets us to where we need to be.</i></p> <p>This exchange demonstrates the uncertainty over the deliverability of the programme to the planned timescale at this point and the possibility of an alternative solution being required.</p> <p>Other stakeholders reflected concerns during this period over the lack of communication, for example YOPA in its newsletter of Autumn 2014. Unison has commented that staff morale has been adversely impacted by the uncertainty and that arrangements are needed to support staff on the impact of major change.</p> <p>In our view, the lack of appropriate communication on progress over these periods was not due to any deliberate intention to mislead or conceal information from Members; but rather, this reflected the difficulties councils face in terms of putting in place an appropriate governance framework to allow debate of commercial risks.</p> <p>It also reflected an element of procurement inexperience in terms of understanding the communication which could have been provided in a public forum, with the agreement of all parties to the process, without disclosing commercially sensitive information.</p>	
<p>4. Affordability Risk</p> <p>The consistent challenge for the Programme Board and CYC was the affordability of</p>	<ul style="list-style-type: none"> • Significant dedicated resource on the financial, operational and commercial considerations of proposed major projects is recommended at an early stage.

the proposed solution given the high standard of the specification required. The estimated size of the financial gap was £1-1.5m in revenue funding.

We consider that there were several opportunities to challenge the financial projections at the earlier stages of the project. In particular, we highlight:

- A defined base case was not developed at a point in time. Instead, the business case has been articulated in a piecemeal manner through a series of Cabinet papers, with caveated decisions based on further financial analysis and evaluation to be provided.
- There was insufficient challenge and debate around the risks and assumptions in the financial analysis presented in the Cabinet paper of **1 November 2011**.
- The capital cost estimate was provided by Pinders in April 2011 on the basis of £3.7m build cost for a 55 bed home. The basis for the £6m capital cost estimate for Lowfields is not stated and was to be informed by soft market testing. No queries were raised by Cabinet in **January 2012** regarding the source and validity of these estimates.
- The basis for the £1.1m savings referred to in the January report for 2012/13 as a consequence of the closure of Fordlands and Oliver House is not stated.
- In April 2011, the number of beds assumed is 180 whereas this increased to 200 in the November 2011 and January 2012 papers. The bed requirement reduced to 162 by June 2013 as the basis for the procurement. Discussions with officers have indicated ongoing concerns by the project team on the basis for the number of beds required.

The **January 2012** report to Cabinet referred to further detailed financial analysis to be provided in April 2012. The Cabinet member deferred this report until May 2012 to allow more time to incorporate findings from the Lowfield soft market testing exercise into the financial modelling work. There is no evidence from our review of documentation how this research further informed the financial model.

The **May 2012** paper provided more detailed financial analysis of 4 sub-options of Options D and E. The financial analysis appears comprehensive and includes various scenario analyses around property receipts and assumed over-run on build costs.

The economic and financial cases with associated risks should be well articulated at the OBC stage. This provides a robust “base case” from which to move forward on the financial appraisal of options, focusing subsequent work on validating assumptions and mitigating risks.

- Soft market testing can be used effectively as an opportunity to specifically test out risks envisaged at SOC stage. Such exercises should be used where feasible to inform the financial and commercial cases with the aim of pre-empting any “show-stopping” issues at a later date. This is particularly the case for projects which are innovative and relatively untested.
- The basis for key operational and financial assumptions together with a comparison of the affordability of options should be clearly summarised, in tabular format, to facilitate ease of comparison and understanding. This is particularly important for Cabinet Members with busy agendas who need to make critical strategic decisions on the basis of robust and clearly presented information.
- Risks and mitigations should be clearly articulated in the risk section of Cabinet reports rather than expressed as part of detailed paragraphs in the body of the report to ensure visibility and significance for debate.
- Development of a “Plan B” where there are significant risks to delivery of a project is a critical requirement, particularly where dependent on the outcome of a complex procurement process. This would need to be put in place before the commencement of a formal procurement in order to maintain credibility in the market.

However, it does not present the financial information and evaluation of options in a format which allows for clear comparison and comprehension by Members. Key financials are masked in textual format so that key messages are not easily extracted. Much of the detail is provided in complex technical annexes.

The analysis raised further issues of concern relating to the financing of the project which were not challenged:

- The key assumption was that the project would be self-financing. Operating and capital financing costs were to be covered by the current annual operating costs for the remaining 7 care homes of £5.3m. The paper makes reference to efficiencies already having been delivered in care homes during 2011 making further efficiencies a considerable stretch. This issue is reiterated in the following statement:

“There is no new long term money available to the project. As a consequence, savings must be made in current revenue/operating costs to be able to afford the capital repayments and deliver the new facilities for the future”

- The underlying estimates of build costs were not reassessed over the period from July 2011 to May 2012. Capital costs had risen to £15.3m (from £13.4m) in the May paper but only to reflect the loss of the £2m capital receipt to the Council from the Lowfields site.
- Discussion with officers has indicated some concerns over the validity of the assumptions underpinning the Pinders’ costings but this is not referred to as a risk in the paper and there is no evidence of challenge on Pinders’ recommendations. The Programme Board minutes later refer to the need for more robust capital costings and further external advice was sought through EC Harris.
- There are risks on property valuations at this stage on which sales proceeds to fund the programme were dependent. Internal Property Services valuations in January 2011 presented the most optimistic position. CYC had obtained external valuations in April 2011 which presented much more cautious values. A risk was highlighted around intentions for Oliver House.
- The funding of the early years’ deficit is uncertain at this point.

It should also be noted that the project team were working with external legal advisors

on the commercial options at this stage. They produced a comprehensive appraisal paper and an action plan which stated:

“CYC (or its external advisers) will need to be comfortable at the outset that the specification of the works and services that is asked for (particularly if a prescriptive approach is adopted) is affordable and undertake the appropriate financial due diligence”

The report to Cabinet clearly articulates the inherent uncertainty and the need to confirm costs via a procurement exercise and consideration of capital and revenue budget available for the scheme. However, these risks are not highlighted in the risk section of the paper and therefore mitigations are not proposed.

The next key discussion on affordability took place in a member briefing in **April 2013**. This represented a significant revision to proposals and demonstrated the financial risks to the programme and the need for additional revenue budget buffer:

- The bed requirement indicated was 162 which led to a revised proposal for two care homes (Burnholme and Lowfields) instead of three, alongside the care village.
- The standard of the specification was to be maintained.
- Significant increase in build costs **from £13.4m to £28-31m**. This was informed by EC Harris advice and internal work based on the requirements of the specification not included in the original high level estimates. The impact of the Household Model, dual registration requirements and delivery of a high level “gold standard” specification have been referred to by officers as the key drivers of the increase.
- Existing annual operating cost budget of £5.4m would allow for £21m of borrowing against an estimated requirement of £23-26m net of capital receipts from the closure of existing homes. This was the financial envelope set for the procurement on the basis of 162 beds after taking account of the closures of Fordlands and Oliver House.
- £800k of annual savings were yet to be identified.

The notes from this meeting did not indicate any major debate or concern over the financial implications despite the alerts which should have been raised as a result. The Programme Board Highlights Report in April 2013 did not indicate concern over the financial model (rated “green”). This does not concur with feedback from discussions

with officers.

It would have been prudent at this point, **April 2013** to consider development of an alternative option, “Plan B” in advance of the procurement process.

The June 2013 report to Cabinet summarised the financial implications of the programme, confirming expected capital costs of £25-30m with £5m expected in capital receipts. It highlighted the need for the procurement process to deliver a price at the lower end of this range to allow affordability within the existing revenue budget. The report clearly highlights the risk to affordability and the dependency on the outcome procurement process. The Risk Management section, para 54, reiterates these risks however does not propose any mitigation at this point.

Following the stalled procurement process, from **June 2014**, the Programme Board instructed the team to start to work on alternative options. Meeting papers show that various options were evaluated and risk assessed at a high level but not developed in terms of operational and financial modelling.

The desire of the leadership to deliver the vision and transformation for local people drove the continued efforts of the project team to find an affordable solution. The following sequence of events described below from **September 2014 to March 2015** demonstrates the challenging environment within which the project team were operating and the further uncertainty as a consequence.

Officers advised that informal meetings including key Cabinet Members took place in the period **September – November 2014** to further discuss the affordability concerns on the project in the context of budget setting for 2015/16. As informal meetings, they were not formally documented. We understand that the £1-1.5m funding gap was reaffirmed, and that it was also highlighted that should a decision be made to allocate more budget to the project, this would have an impact in terms of the procurement process and potential challenge.

In early November 2014, the Council Leader communicated to the Chief Executive the Cabinet’s continuing commitment to the project and a requirement for this to proceed as soon as possible. The Chief Executive therefore instructed the Programme Board to continue the procurement process. Members of the Programme Board have indicated the difficulties envisaged at this point in terms of the continuing affordability challenge

<p>and the considerable amount of work still remaining to bring the procurement to detailed solution stage.</p> <p>The Council's leadership changed in November 2014. Further budget discussions took place in December 2014 and January 2015 and the budget approved in February 2015 confirmed that additional resources would not be allocated to the project. Cabinet then approved termination of the procurement in March 2015 and the pursuit of alternative options.</p> <p>Other pressures on the budget set for the procurement arose during the process:</p> <ul style="list-style-type: none"> • Subsequent overspends occurred against the running cost budgets in 2013/14 and 2014/15 mainly due to the complexity of the needs of residents which had not been fully reflected in budget setting and other unavoidable staffing issues; and • The Summary Position Statement to the Programme Board on 24 June 2014 highlights the pressure on the annual budget (£5.4m to £4.85m) of reduced income to CYC as a consequence of the reduction in the number of beds from 162 to 126 proposed during the competitive dialogue process. 	
<p>5. Wider Council and System Linkages</p> <p>The original review carried out by CYC in 2009/10 and subsequent Health and Wellbeing Strategy highlighted the need to consider the wider perspectives of other developments in the transformation of Adult Social Care, Housing Strategy and the Health sector. These linkages do not appear to have been effectively made in terms of informing the programme and ensuring integrated governance arrangements, for example:</p> <ul style="list-style-type: none"> • This project was managed within the Adult Social Care directorate. There was no formal link into wider transformation projects being planned by CYC, for example, housing projects. • Discussions indicate that the care village concept combined with affordable housing was developed without consultation with Housing officers. Housing officers reported concerns on the demand for, design and affordability of the concept as well as the suitability of the proposed site. The affordable housing element was also deemed a risky proposition. • The York Older People's Assembly (YOPA) expressed concern in response to the 	<ul style="list-style-type: none"> • We understand that CYC now manages all major projects within the Transformation Programme with oversight of a Transformation Board to ensure linkages across the Council are made appropriately. • In view of the role of the Health and Wellbeing Board across the system, governance arrangements should ensure their full engagement to ensure opportunities to integrate across health and social care are not missed. • The Clinical Commissioning Group is now represented on the Programme Board for the revised programme.

2011 consultation that information was not made available on the wider market provision for care homes and services.

- There was no representation of Health colleagues on the Programme Board. The Lowfields development was not attractive to health partners due to good, modern provision locally as a result of Primary Care investment.
- The Health and Wellbeing Board was not involved in the programme. There was a reference in the Cabinet paper of November 2011 to the involvement of the then shadow Health and Wellbeing Board but there is no further reference to this being taken forward.

As a consequence, other projects with a clear inter-relationship to the Older People's Accommodation project have not been fully considered as part of the business case, for example community health hubs and options around Sheltered Housing.

The Health Overview and Scrutiny Committee and Health and Wellbeing Board have been considering ways to work in a more integrated way as recorded in the minutes of the HOSC meetings in 2014/15.

5. Programme Management and Resourcing

Detailed Findings	Areas for Improvement
<p>1. Programme Management Arrangements</p> <p>A project group led by the Assistant Director of Adult Provision and Modernisation was originally set up in September 2010 to work towards developing a report for Cabinet by June 2011 on options and recommendations for older people's accommodation. The group is referred to as a Project Board but was acting as the project team at this time.</p> <p>This group included representation from Commissioning, Housing, Adult Services, Corporate Services, Unison with an external advisor. A project manager was put in place. Attendance was inconsistent, however, this reflected the needs of the programme at the early stages.</p> <p>The programme management framework was subsequently established and reflected many aspects of good project management practice; a project brief was produced, a project plan with appropriate work-streams was developed and a highlights report and risk log were introduced for monitoring progress. At this time, resourcing of work-streams was not defined.</p> <p>Highlights reports continued to update on progress. However, as the project progressed, some elements of good practice programme management were not maintained, in particular the maintenance of a risk log which is periodically referred to for discussion but not part of the meeting papers.</p> <p>In March 2013, additional programme management resource was put in place. The programme management structure was revised to a more appropriate framework to reflect the needs of a major transformation project in terms of:</p> <ul style="list-style-type: none"> • a Programme Board with director level representation (met monthly); • a core Project Team chaired by the Assistant Director who had been leading the programme to date (met fortnightly); • an Operational Team to support the project team (met bi-monthly); 	<ul style="list-style-type: none"> • Major transformation projects should be supported by formal and comprehensive programme management arrangements, following a best practice framework. Prince 2 tools tailored proportionately to the needs of a project provide an example of good practice. • We understand that CYC has since implemented a robust project management system around transformation projects (Verto). • Programme management discipline should be maintained throughout the duration and resourced accordingly in the resource plan. Flexibility in arrangements is required but any changes should be documented in minutes of meetings. • Governance arrangements over the Programme Board should be documented in terms of a route for escalation of significant risks and decisions which are outside the remit of the Board to resolve, potential "show-stopping" issues and to consider communication to Members and wider stakeholders. This should include clear delegated authority including limits for expenditure. • Project team roles should be explicit and documented if necessary. Without this clarity, there is a risk that officers are acting in roles which are not within their area of expertise with consequent impact on the project.

- the Wider Reference Group to engage with external stakeholders (met quarterly);
- defined work-streams with nominated leads feeding the project team with a high level resourcing plan;
- a clear line of responsibility for ensuring operational input with the Programme Manager supported by relevant leads on the Programme Board;
- a more structured reporting through Highlights Reports.

There were some limitations in these arrangements and some blurring of responsibilities:

- The terms of reference of the Programme Board were not fully documented in terms of their responsibilities and delegated authority.
- The structures did not define how issues and risks would be escalated from the Programme Board to the Corporate Management Team, Chief Executive or Cabinet.
- There was no evidence of a detailed project plan, resourcing plan and risk log at this stage.
- The respective roles of the Programme Manager and Project Manager were not clearly defined; however, we understand these were shared roles to some extent to support capacity constraints.
- The Project Manager was not a formal member of the Programme Board (although periodically attended).
- We have records of the Operational Team meeting only twice in February and May 2013. Officers have referred to difficulties encountered in obtaining operational agreement on the home closure plan, staffing model and specification.
- Officers have referred to the lack of clarity in terms of who was driving the project on. Although the responsibility of the Adult Social Care Directorate, discussions have indicated that key Corporate Services staff, supporting the project, took on this role.

2. Risk Management

A risk log was set up in **January 2011** by the Review Board. It highlighted some emerging significant risks:

- resourcing and potential impact on timescales;
- lack of specialist commercial support;
- risk of challenge if not all options considered; and
- linkages between projects.

There were no mitigating actions recorded against these risks. Risks were not fed into the Corporate Risk Register as deemed inappropriate in terms of sensitivities at this stage on a project for which consultation would be necessary. The risk register started to be further populated in **February 2011**, however, subsequently this does not appear to have been used.

Risks were subsequently referred to in a relatively unstructured way in the Highlights reporting. There is tendency to “rag rate” activities rather than the risks themselves.

Agendas refer to a risk log but this was not incorporated in the papers reviewed. We have had sight of a comprehensive risk log dated **September 2013**. The levels of risk around validity of costings, affordability, resourcing and deliverability are rated high and critical which is consistent with our discussions with officers. These levels of risk have not been appropriately reflected in the Highlights reports.

We note that from **January 2014**, the Highlights reports improve considerably in term of the recording of the debate and actions to address key risks.

Our review of Programme Board and Project Team papers indicates a good level of debate on the key risks which then materialised over the course of the project.

We noted that some of the mitigations referred to in the Highlights Reports are not adequately described, for example reference to referral to the Programme Board or an individual for action. Some of the “rag ratings” are not consistent with the evidence in the minutes of meetings or feedback from officers, for example:

- Good practice risk management should be consistently applied in terms of a comprehensive assessment of risks using an appropriate scoring methodology, fully documented mitigations and actions to address with routine follow-up of these actions.
- Risk registers should be maintained by work-stream leads to feed a project risk log. For the purposes of Programme Board reporting, a Risk Assurance Framework is more appropriate which escalates high scoring risks only for consideration by this forum.

<ul style="list-style-type: none"> • In October 2013, procurement is rated as green despite the challenges being experienced at this time; • Finance is rated as green and referred to as dependent on revisions to the specification; • In January 2014, the finance and procurement work-streams are rated amber in the context of continuing significant issues. <p>Our underlying observation is that significant risks have not been reported on systematically and escalated outside of the Programme Board appropriately. Controls around ownership of mitigating actions required strengthening. This was a fundamental weakness in the programme management and governance arrangements.</p> <p>With respect to the article in The York Press 24 February 2015 which makes reference to a partial extract from a risk register. We are unable to validate the source of this document. However, we can confirm that this document is not part of the formal papers presented to Project Team nor Project Board Meetings. In addition, it is not in the format of any risk registers presented to these groups.</p>	
<p>3. Resourcing and Capacity</p> <p>The capacity of the project team to deliver the significant project tasks involved was highlighted consistently in the risk register as an area of concern. Officers' involvement on the project was mainly in addition to their substantive posts and this created significant additional workload for key members of the team. This has contributed to the multiple changes observed in the composition of the project team and Board.</p> <p>Over the period of the project, there were three changes to the officer with overall responsibility for the project, the Director of Adult Social Care.</p> <p>External expertise was sourced in key areas where the Programme Board had identified skills and resource gaps, for example legal, procurement/commercial, financial modelling, site valuation. However, it was noted in discussions that CYC officers expressed concern over the validity of some of the externally sourced expert advice and turned to internal expertise, particularly on site valuations,</p>	<ul style="list-style-type: none"> • A comprehensive resource plan is a core requirement to ensure successful delivery of major projects and should be fully documented as part of a Project Initiation Document. • Major projects typically require dedicated resource which needs to be taken account of in terms of project management costs. Where this is internally sourced, arrangements need to be put in place for back-fill of substantive posts. • External resourcing requirements should also be identified at this stage after due consideration of the availability of internal expertise either to provide the knowledge required directly or to formally assess the recommendations of external experts. • Contingency/succession plans should also be considered where programme delivery spans several years and is dependent on key individuals. • Where external advice is sought and this conflicts with the expectations of internal officers, CYC should scrutinise and challenge the assumptions and findings presented.

capital and running costs.	
<p>4. Project Management Costs</p> <p>Project costs of up to £500k were approved by Cabinet in June 2013.</p> <p>The project cost summary at September 2013 showed forecast expenditure to the end of the procurement as £537k against the budget, therefore an over-spend of £37k was anticipated. The forecast included an estimate for all costs to be incurred to the point of contract implementation.</p> <p>At the point of termination of the procurement (March 2015) costs of £381k had been incurred. Approximately £50k of this expenditure was prior to the June 2013 budget approval and had been covered by other budgets. Key elements included:</p> <ul style="list-style-type: none"> • £161k on external legal/commercial support • £48k for internal project manager • £51k for internal procurement support • £52k for internal property services • £25k external architect services • £15k external archaeological services <p>The project costs of £330k reported at March 2015 Cabinet were an estimate as at a point in time. Further work has now been done to review any outstanding transactions and this has resulted in revised costs of £381k.</p> <p>An analysis of costs was provided periodically to the Programme Board meetings for monitoring purposes. Some internal costs, for example Finance were not included. The analysis does not clearly identify each line of internal and external costs and provide a variance analysis against budget to date against each item.</p>	<p>Reporting on project management costs should be improved in terms of:</p> <ul style="list-style-type: none"> • inclusion and analysis of all internal costs; • variance analysis against budget to explain reasons for under/overspends to date; and • commentary on the forecast out-turn to enable a full understanding of costs yes to be incurred.

6. Procurement Process

Detailed Findings	Areas for Improvement
<p>1. Planning and Management</p> <p>A timescale is provided to Cabinet in January 2012 for preliminary market testing and procurement for the Lowfield care village element of the project. At this point a competitive dialogue process was not under consideration. This was estimated as:</p> <ul style="list-style-type: none"> • 10 weeks for market engagement to April 2012; • 6 months formal procurement from April to November 2012; • Completion of build by April 2014. <p>This appears to be an ambitious procurement timetable given the complexity of the specification.</p> <p>A revised timeframe to incorporate competitive dialogue for the procurement of the full solution was presented in the Cabinet paper in June 2013. It showed best/mid and worst case scenarios. The optimistic case gave the following timeline:</p> <ul style="list-style-type: none"> • procurement commences June 2013; • winning bidder selected May 2014; • care homes operational spring 2016. <p>The invitation to participate in dialogue issued in September 2013 reflected this timetable. Dialogue commenced in October 2013.</p> <p>The competitive dialogue process itself was well managed with initial stages to the planned timescale. The considerable effort by the project team to construct the appropriate documentation and respond to numerous bidder queries is evident in the project team progress reports. There was no evidence of negative feedback from bidders recorded in minutes of discussions in response to pro-active requests for feedback by the project team.</p>	<ul style="list-style-type: none"> • For time critical programmes where stakeholder expectations need to be managed, an investment needs to be made in planning upfront to establish a realistic timescale for delivery, • Complex procurements with competitive dialogue need to be resourced appropriately with dedicated resource to minimise the risk of slippage with: <ul style="list-style-type: none"> - leadership and full involvement of service leads on the operational work streams to inform the specification; - appropriately experienced and skilled corporate support; and - external support in specialist areas where required. • Competitive dialogue is intended to be an adaptable process to be tailored to specific requirements. For future procurements, CYC could consider more flexible use of the process. For example the preliminary information and Invitation to Submit Outline Solution (ISOS) stages could request indicative costing information. This may help to flush out affordability concerns at an earlier stage and avoid subsequent protracted dialogue. • CYC's current procurement policy which we understand has been issued in May 2015 should be updated to provide more guidance to officers on different approaches to procurement, typical timescales and how to ensure appropriate technical support.

<p>Extensive legal and commercial advice was sought to support preparation and running of the process itself which was a prudent step given the relative inexperience in the core team.</p> <p>The process actually ran from June 2013 to June 2014 at which point two of the three bidders had withdrawn from the process on the basis of the affordability of the specification (see below). There remained a significant amount of work to do with the remaining bidder as the process had not yet reached invitation to submit detailed solution (ISDS) stage.</p> <p>The protracted process was primarily driven by the affordability concerns and therefore the need for detailed specification development and the volume of queries from bidders which had not been anticipated in planning.</p> <p>Officers have commented, however, that the capacity of the team, its relative inexperience and ability to respond in a timely way to bidders queries contributed to the protracted dialogue phase. Discussions also referred to the insufficient involvement of service managers to inform the specification as it evolved.</p> <p>The Invitation to Submit Outline Solutions stage was removed from the process on legal advice in August 2013 as deemed redundant in terms of bidder selection and to assist in shortening the timescale.</p>	
<p>2. Market Engagement and Outcome</p> <p>Feedback from the soft market testing for Lowfield care village presented to Cabinet in May 2012 was reported as good level of interest (100+) with 24 companies making a formal response and meetings with 10 companies held to discuss the concept. The attrition rate from the initial level of interest was therefore high.</p> <p>The type of companies who responded and their track record in similar developments is not discussed in the Cabinet paper and not referred to in project team minutes. This would have provided valuable information to Cabinet in terms of its original interest in working with the not-for-profit sector. YOPA referred to the Joseph Rowntree Housing Trust and Yorkshire Housing as potential interested local players.</p>	<ul style="list-style-type: none"> • Procurement processes run the risk of failure due to potential lack of market interest and commitment, particularly for innovative, relatively untested concepts. • Where there is a risk of market failure on a critical project of this nature, due consideration should be given to potential options to avert this risk with a view to early abortion of the process should market interest appear limited. • Should market failure occur, the Council should consider alternative ways to test the financial submission of a single bidder, for example, requesting evidence of value through the supply chain. Legal support should be sought to advise on potential options. • Equally, it would have been more prudent to put a “Plan B” in place before the commencement of any market engagement.

The report makes the following observation:

“Officers were left with little doubt about the interest that would be generated by any formal procurement exercise.”

With hindsight this statement appears to be rather optimistic and whether a condition of a minimum of only 3 bidders at PQQ stage was prudent in the face of a relatively unproven concept in the UK is open to debate.

The Programme Board considered the risk of potential market failure and set a condition of a minimum of 3 bidders being required to proceed from pre-qualification (PQQ) to the next stage in order to have a viable procurement process. This reflects good practice and the conditions of the procurement gave the Council the remit to abort the process at any stage.

At PQQ stage, there were 6 submissions but only 3 organisations qualified so the level of market interest was already at the minimum requirement.

There was no contingency plan in place as mitigation of this risk in terms of an alternative approach.

There were three interested bidders.

Bidder 1 raised concerns on the funding envelope in **November 2013** and withdrew from the process in **January 2014**.

In the **December 2013** meeting, Bidder 2 did not express any major concerns on affordability. Their queries were around the multiple planning issues involved and the deliverability of the Burnholme element. They referred to the high level of design aspired to and the household size (12) not reflecting the general market of 16 on new builds. They requested an extension to timescales as this would be their concern with regards to their proceeding in the process.

In **January 2014**, Bidder 2's concerns were more readily expressed on affordability and timescales.

In **January 2014**, Bidder 3 were keen to continue to work with CYC on value engineering the specification to come within the financial envelope, particularly regarding the household size required.

The procurement process was paused in **February 2014** to allow the CYC team to carry out further work on the financial model due to the continuing affordability concerns. The process recommenced in **May 2014**.

Following a further meeting in **May 2014**, Bidder 2 withdrew from the process in June 2014. Bidder 3 advised that capital costs were rising fast in the improving market. However, they offered a potential solution and shared their financial model with CYC. They were aiming for approval by their Board in **June 2014**.

In **June 2014**, a summary position statement was presented to the Programme Board. This clearly highlighted:

- a remaining affordability gap of £10.7m over 15 years; and
- the impact on timescales, home opening dates envisaged in 2017.

Programme Board minutes indicate that:

- At the **end of June**, a briefing to the Chief Executive on the status of the procurement was provided.
- Following the appointment of the new Acting Director of Adult Social Care and his evaluation of the process to date, further discussions with Bidder 3 took place over the summer.

Programme Board meetings ceased at this point. Discussions continued over the autumn on the project as part of the budget setting process. In **February 2015**, Cabinet confirmed no uplift for the project. The procurement was terminated in **March 2015** following approval by Cabinet.

7. Approach to Alternative Solution

Detailed Findings	Areas for Improvement
<p>1. Revised Modernisation Programme</p> <p>The strategic case for the new programme is presented in the paper to Cabinet of March 2015. This is not presented in the format of a Strategic Outline Case (SOC) but contains much of the detail which would be expected. The paper refers to the requirement for a detailed business case.</p> <p>The new programme is focused on providing care and accommodation in community settings and includes:</p> <ul style="list-style-type: none"> • additional provision of Sheltered Housing with Extra Care; • an integrated care, health, housing and community facility on the Burnholme site; • greater use of private sector provision; • the potential development of the Acomb site for Extra Care/health hub; • Lowfield housing development; • disposal of vacant former sites. <p>The report refers to changes in the sector and national funding programme since commencement of the procurement programme in 2013 which make other options viable. It also refers to renewed interest from the independent sector and smaller providers in providing beds.</p> <p>The strategic case for the revised programme is more aligned with developments in terms of need, demand and national policy. It is a phased programme of work.</p>	<p>A Strategic Outline Case should be presented to Cabinet in a best practice format rather than an unstructured paper to aid decision-making (see Section 3 for content)</p> <p>An Outline Business Case should now be produced as a priority to obtain approval for the full phased programme of work to avoid the fragmented approach previously experienced.</p>
<p>2. Programme Management and Governance</p> <p>In June 2014, the new Acting Director of Adult Social Care (ASC) recognised the need to appraise the current programme and plan a way forward.</p> <p>In January 2015, work commenced on developing an alternative solution under</p>	<p>CYC should consider the recommendations made throughout the report relating to programme management and governance and their application to the revised programme, in particular:</p> <ul style="list-style-type: none"> • the need for an Outline Business Case;

the direction of the new Programme Director, Older People's Accommodation reporting to the Acting Director ASC and the Director of Transformation and Change.

The paper to Cabinet in **March 2015** sought approval for the programme. We understand the Business Case to which this refers is planned for completion in July 2015

A document describing programme governance and management structure arrangements, work-streams and a project plan is in place. This is supported by the project management tools available through the Verto system.

The Verto project management software provides good practice project set-up and ongoing project management tools and systematic management of risks. We have not examined the functionality of the Verto system as part of this review but we have had sight of the reporting generated.

The Outline Programme plan shows work streams, a draft schedule of homes to close and key milestones. The programme is set up in a phased way with transformational work-streams aligned to operational work-streams with the intention of making better use of capacity. External resource will be sought where required for aspects which are outside team's normal activities.

The Highlights report generated by the system is a detailed 24 page document and contains:

- a summary;
- project scope and costs;
- financial and non-financial benefits;
- progress on tasks and milestones;
- full reporting on risks.

The Highlights report makes reference to the completion of a Full Business Case to be prepared following commercial agreements but there is no reference to the Outline Business Case.

The revised governance structure shows a clear line of accountability to the

- risk assurance;
- developing summary reporting which is concise and appropriate for its audience;
- putting in place arrangements for ongoing communication to stakeholders on project progress during periods where there may be commercially sensitive issues;
- focusing resource on the operational and financial modelling aspects required. It may be appropriate to consider the use of external resource given that this risk is rated amber at this early stage. CYC might consider the need for Model Audit of complex financial models should staff changes occur.
- consideration of reporting and communication which may be required to the Health and Well Being Board and Health Overview and Scrutiny Committee.

Transformation Corporate Management Team (CMT) and Cabinet. A monthly update is provided to CMT and the Verto system generates automatic alerts to the Programme Director and Chief Executive on significant risks and missed milestones. Cabinet reporting is scheduled into the project plan at key gateways.

The Clinical Commissioning Group and voluntary sector is represented on the Programme Board. Monthly briefings to a wider stakeholder group are being produced which YOPA has received positively.

Unison is represented on the operational team in response to the need for genuine and productive staff engagement.

The Programme Director is proactively engaging with the market to keep abreast of developments and liaising with the independent sector, for example, the Joseph Rowntree Foundation.

The operational and financial modelling aspects have not been finalised and this is an area which requires further development.

Appendix 1 – Programme Timeline

Date	Key Milestones and Decision-Making Points																								
19 July 2011	<p>Report to Cabinet by the Member for Health, Housing and Adult Social Services. Formal commencement of programme with Cabinet decision to proceed to 3 month consultation on five options presented which were:</p> <p><i>Option A - Taking no action and retain current operating model and provision</i></p> <p><i>Option B - Extend and refurbish</i></p> <p><i>Option C - Purchase all or an increased proportion of beds from the Private Sector</i></p> <p><i>Option D - CYC fund, build and operate four new care homes providing 200 beds across 3 sites (Fordlands (55 beds), Haxby (55 beds), Lowfield (2 x 45 beds with care village concept).</i></p> <p><i>Option E - CYC enters a partnership with a developer/operator to fund, build and operate four new care homes (sites as above).</i></p>																								
Aug-Nov 2011	Full public and stakeholder consultation																								
1 Nov 2011	<p>Report to Cabinet by the Member for Health, Housing and Adult Social Services. Results of consultation and proposed a programme of closures and new builds in three phases, supported by a further consultation period on proposed closures of Oliver House and Fordlands.</p> <table border="1" data-bbox="297 826 1256 1238"> <thead> <tr> <th data-bbox="297 826 613 879">Phase 1 – April 12</th> <th data-bbox="613 826 938 879">Phase 2 – April 14</th> <th data-bbox="938 826 1256 879">Phase 3 – April 15</th> </tr> </thead> <tbody> <tr> <td data-bbox="297 879 613 932"><i>Oliver House closes</i></td> <td data-bbox="613 879 938 932"><i>Lowfield Village opens</i></td> <td data-bbox="938 879 1256 932"><i>New Haxby Hall opens</i></td> </tr> <tr> <td data-bbox="297 932 613 984"><i>Fordlands closes</i></td> <td data-bbox="613 932 938 984"><i>New Fordlands opens</i></td> <td data-bbox="938 932 1256 984"><i>Grove House closes</i></td> </tr> <tr> <td></td> <td data-bbox="613 984 938 1037"><i>Haxby Hall closes</i></td> <td data-bbox="938 984 1256 1037"><i>Woolnough closes</i></td> </tr> <tr> <td></td> <td data-bbox="613 1037 938 1090"><i>Oakhaven closes</i></td> <td></td> </tr> <tr> <td></td> <td data-bbox="613 1090 938 1142"><i>Windsor House closes</i></td> <td></td> </tr> <tr> <td></td> <td data-bbox="613 1142 938 1195"><i>Morrell House closes</i></td> <td></td> </tr> <tr> <td></td> <td data-bbox="613 1195 938 1238"><i>Willow closes</i></td> <td></td> </tr> </tbody> </table>	Phase 1 – April 12	Phase 2 – April 14	Phase 3 – April 15	<i>Oliver House closes</i>	<i>Lowfield Village opens</i>	<i>New Haxby Hall opens</i>	<i>Fordlands closes</i>	<i>New Fordlands opens</i>	<i>Grove House closes</i>		<i>Haxby Hall closes</i>	<i>Woolnough closes</i>		<i>Oakhaven closes</i>			<i>Windsor House closes</i>			<i>Morrell House closes</i>			<i>Willow closes</i>	
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Nov 11-Jan 12	Further 6 week consultation on proposed closure programme																								
10 Jan 2012	<p>Report to Cabinet by the Member for Health, Housing and Adult Social Services.</p> <p>Consultation with staff, residents and their families and carers on proposal to close Fordlands and Oliver House, including changes to day care services as a</p>																								

	<p>result. Recommendation to close Fordlands and Oliver House and proceed with proposal for phased development outlined in November 2011.</p> <p>The paper also recommended a soft market testing exercise throughout January and February 2012 to obtain more information regarding the Lowfields development in terms of level of interest and funding arrangements with feedback to be provided in April 2012 (see May 2012 Cabinet meeting below).</p>
March 2012	Fordlands and Oliver House closed
15 May 2012	<p>Report to Cabinet by the Member for Health, Housing and Adult Social Services</p> <p>Successful homes closure and transition for residents</p> <p>Feedback on soft market testing for Lowfield care village</p> <p>Detailed financial modelling and scenario analysis of four sub-options of original Options D and E</p> <p>Option 4 is recommended and approved for CYC to fund and operate Fordlands and Haxby Hall (later phase) and seek a Partner to design, build & operate the Lowfield Village (Council team can operate).</p>
30 Nov 2012	Decision made public not to proceed at the Fordlands site, identifying Burnholme as a possible alternative site.
June 2012- March 2013	No formal communication to Cabinet over this period
19 April 2013	<p>Member Briefing to Cllr James Alexander, Cllr Tracey Simpson-Laing</p> <p>Purpose to discuss and confirm, strategic vision, funding of the programme and procurement approach.</p> <p>Revised proposal for two care homes (162 beds) at Burnholme and Lowfield with community village</p> <p>Significant increase in build costs and highlights potential risk to affordability</p>
4 June 2013	<p>Report to Cabinet by the Member for Health, Housing and Adult Social Services</p> <p>Proposal on new modernisation programme as per April 2013 briefing. The council to fund the building of the two new care homes and so retain ultimate ownership of the buildings and the land with care homes designed, built, operated and maintained by an external provider.</p> <p>Approval of new proposal, agreement to the household model, a single procurement under competitive dialogue process for both sites and project costs of up to £500k.</p>
June 2013	Formal procurement commences with 3 interested bidders.
14 Feb 14	Procurement process paused and bidders advised
March 2014	<p>Council held consultation event on Burnholme opportunity.</p> <p>Officers met with NHS England and the Vale of York Clinical Commissioning Group and they have expressed interest in the proposals. NHS England</p>

	indicated that funding is likely to be available for the capital, and some of the revenue, costs associated with the health elements of the development and a new funding round may be available in the summer of this year. Funds may also be available to support feasibility and business case development.
May 2014	Procurement recommences with further discussions with remaining bidders in May 2014.
June 2014	Summary Position Statement to Programme Board highlighting key financial, procurement and timescale risks
July 2014	Record of decision to approve the procurement of a development partner to develop the Burnholme site as a Community Health and Wellbeing Hub.
Sep 2014	Informal meeting held between officers and key Cabinet Members as part of budget discussions.
Jan 2015	Development of alternative solution initiated by Acting Director of Adult Social Care
14 Jan 2015	Health Overview and Scrutiny Committee
21 Jan 2015	Freedom of Information (FOI) request (20 day standard deadline)
10 Feb 2015	Cabinet agreed 15/16 budget with no uplift to project
25 Feb 2015	FOI response provided by day 24 - within extended deadline of 30 days
15 Mar 2015	Report to Cabinet by the Acting Director of Adult Social Care Revised proposals presented to Cabinet, based on creating new Extra Care Housing and reforming the Council's existing ECH stock; building a new care home on the Burnholme site as part of wider health and community facilities; and working more closely with current care providers to deliver more specialist dementia accommodation across the city. Proposal to abandon the current procurement process. Approved by Cabinet subject to development of business case.
25 Mar 2015	Health Overview and Scrutiny Committee Corporate and Scrutiny Management Committee Calling-in

Appendix 2 – Information Sources

Interviewees

Senior CYC Officers

CYC Members

Representatives of external stakeholders (Age UK York, Unison, York Older People's Assembly)

Key documentation reviewed

<i>Corporate and Scrutiny Management Committee</i>	Agenda, Papers and Minutes Jan 14 to April 15
<i>Corporate and Scrutiny Management Committee Calling-In</i>	Observation of webcast 16 March 15
<i>Health Overview & Scrutiny Committee</i>	Agenda, Papers and Minutes Jan 14 to March 15 Observation of webcast March 15
<i>FOI Request Submission CCF5485</i> <i>25 February 2016</i>	Cabinet Member Briefing 19 April 2013 and associated documents (3 files) Cabinet Reports (July 2011, Nov 2011, Jan 2012, May 2012, June 2013) Moving Homes Safely, report by York St John University, Feb 2013 Handover to Ian McCartney (3x specifications, EPH Board (30/4/14, 25/6/14), meeting Dementia Care Matters, Project Brief 15/3/13 EPH Project Board Agendas and Papers, Minutes (Sep 2010-Dec 2012) EPH Project Board Highlights Reports (Dec 2010-Jan 2014) EPH Operational Group Agenda and Papers, Minutes (Feb 2013 and May 2013) Programme Board Agendas and Papers, Minutes (Jan 2013-June 2014) Programme Board report on Burnholme site 15/8/13 EPH Project Costs Summary 25/9/13 EPH Project Board Scenario Planning paper 24/1/14 EPH Project Board paper for approval of £80k of budget for programme to develop dementia care Preparation for Corporate and Scrutiny Management Committee (Calling-in) 16 March 2015
<i>CMT and CMT Transformation Meetings</i>	Agendas and action notes 2/4/14 to 22/4/15

Other information provided by officers

Pinders Report, April 2011
 EPH OJEU notice 4 June 2013
 CYC EPH MOI OJEU 10 June 2013
 CYC EPH PQQ 10 June 2013
 ITPD (FINAL 09/09/13)
 ITDS (FINAL 28/10/13)
 Summary of Options (commercial structure) with Addleshaw Goddard paper, May 2012
 Note of Lowfield Project Procurement Workshop with Addleshaw Goddard, December 2012
 EPH Modernisation Programme – Revised Project Structure - from April 2013
 EPH Project Resource Plan v1.2
 EPH Modernisation Programme Structure v1.2
 Soft Market Testing – Pre-meeting Brief – Tues 21 Feb
 Competitive Dialogue meeting minutes (4/11/13, 6/11/13, 2/12/13, 3/12/13, 10/12/13, 13/1/14, 14/1/14, 27/1/14, 21/5/14)
 Key Issues doc EPH Project Board 24/1/14
 RAG rating – EPH Board Options vs Vision (26/3/14)
 Summary Position Statement to the Programme Board on 24 June 2014
 Burnholme Site v1.2
 Burholme and Lowfields sites updates 21/5/14
 Health Overview Scrutiny Group transcript 14/1/15
 Cabinet Report 3 March 2015
 The Press - articles 23-25/2/15
 OPA Programme Governance, March 2015
 OPA Programme Governance and Programme Plan, March 2015
 24.04.15 Verto Project Highlight Report OPA with Care
 12/5/15 Running cost budget
 How procurement processes work at City of York Council (not dated but issued may 2015)

Documents provided by YOPA 20/5/2015

Review of City of York Elderly Person's Homes – Response by York Older People's Assembly, Sep 2011

YOPA Newsletter, Autumn 2014

Extracts from The Press, Feb 2015, July 2014

Note of Wider Reference Group meeting, May 2013