



## Notice of a public meeting of the Audit & Governance Committee

<b>To:</b>	Councillors N Barnes (Chair), Dew (Vice-Chair), Cuthbertson, Fenton, Flinders, Kramm and Lisle Mr Mendus and Mr Bateman
<b>Date:</b>	Tuesday, 20 December 2016
<b>Time:</b>	5.30 pm
<b>Venue:</b>	The Thornton Room - Ground Floor, West Offices (G039)

### AGENDA

#### 1. **Declarations of Interest**

At this point in the meeting, Members are asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they might have in respect of business on this agenda.

#### 2. **Minutes** (Pages 1 - 10)

To approve and sign the minutes of the meeting of the Audit & Governance Committee held on 7 December 2016.

#### 3. **Public Participation**

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. The deadline for registering is by **5:00pm on Monday 19 December 2016**.

To register please contact the Democracy Officer for the meeting, on the details at the foot of this agenda.

### **Filming, Recording or Webcasting Meetings**

Please note this meeting will be filmed and webcast and that includes any registered public speakers, who have given their permission. This broadcast can be viewed at:

<http://www.york.gov.uk/webcasts>.

Residents are welcome to photograph, film or record Councillors and Officers at all meetings open to the press and public. This includes the use of social media reporting, i.e. tweeting. Anyone wishing to film, record or take photos at any public meeting should contact the Democracy Officer (whose contact details are at the foot of this agenda) in advance of the meeting.

The Council's protocol on Webcasting, Filming & Recording of Meetings ensures that these practices are carried out in a manner both respectful to the conduct of the meeting and all those present. It can be viewed at:

[http://www.york.gov.uk/download/downloads/id/11406/protocol\\_for\\_webcasting\\_filming\\_and\\_recording\\_of\\_council\\_meetings\\_20160809.pdf](http://www.york.gov.uk/download/downloads/id/11406/protocol_for_webcasting_filming_and_recording_of_council_meetings_20160809.pdf)

**4. Programme/Project Management Update Report (Pages 11 - 56)**

The purpose of this report is to present to the Audit and Governance Committee an update on the project management framework, to update on areas of the framework that are being strengthened and to provide an update on the major or "Large" projects.

**5. Audit and Counter Fraud Monitoring Report (Pages 57 - 94)**

This report provides an update on progress made in delivering the internal audit workplan for 2016/17 and on current counter fraud activity.

**6. Mazars Annual Audit Letter 2015/16 (Pages 95 - 118)**

The paper attached at Annex A from Mazars – the Council's external auditors – summarises the outcome of their audit of the

Council's 2015/16 annual accounts and their work on the value for money conclusion.

**7. Mazars Audit Progress Report (Pages 119 - 132)**

The paper attached at Annex A of this paper reports on the progress of Mazars in delivering their responsibilities as the Council's external auditors.

**8. Mazars Value for Money Review 2015/16 (Pages 133 - 202)**

The paper attached at Annex A of this report from Mazars, the Council's external auditors, considers whether the Council's arrangements over some of the major programmes of work are effective in terms of governance, management of risk and project delivery.

**9. Audit and Governance Committee Forward Plan (Pages 203 - 210)**

This paper presents the future plan of reports expected to be presented to the committee during the forthcoming year to September 2017.

**10. Urgent Business**

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democracy Officer:

Name: Jayne Carr

Contact Details:

Telephone – (01904) 552030

Email – [jayne.carr@york.gov.uk](mailto:jayne.carr@york.gov.uk)

For more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting:

- Registering to speak
- Business of the meeting
- Any special arrangements

- Copies of reports and
- For receiving reports in other formats

Contact details are set out above.

**This information can be provided in your own language.**

我們也用您們的語言提供這個信息 (Cantonese)

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جا سکتی ہیں۔ (Urdu)

 **(01904) 551550**

City of York Council

Committee Minutes

---

Meeting	Audit & Governance Committee
Date	7 December 2016
Present	Councillors N Barnes (Chair), Cuthbertson, Fenton, Flinders, Kramm, Lisle and Brooks (Substitute for Councillor Dew) and Mr Mendus
Apologies	Councillor Dew and Mr Bateman

---

### **Part A - Matters Dealt with Under Delegated Powers**

#### **31. Declarations of Interest**

Members were asked to declare any personal interests not included on the Register of Interests, any prejudicial interests or any disclosable pecuniary interests which they may have in respect of business on the agenda. None were declared.

#### **32. Minutes**

Resolved: That the minutes of the meeting of 28 September 2016 be approved as a correct record and then signed by the Chair subject to the word “inevitable” being replaced by “possible” in minute 23.

#### **33. Public Participation**

It was reported that there had been no registrations to speak at the meeting under the Council’s Public Participation Scheme.

#### **34. Implementation of actions arising from the Internal Audit Report on Health and Safety**

Members considered a report which responded to specific issues identified in the Health and Safety Internal Audit Follow-Up Report which had been presented to the Audit and Governance Committee on 28 September 2016.

Officers gave an update on the progress that had been made in implementing the actions arising from the audit and stated that processes had been strengthened, including closer working with the Property Services team. This was enabling a more coordinated approach to be taken. Details were also given of the new management structure and of the joint working arrangements with North Yorkshire County Council. Members were informed that the Executive Member for the Environment had received two assurance reports, which were available on the council's website. In February 2017 the Executive Member would be considering proposals in respect of shared services.

Resolved: (i) That the report be noted.

(ii) That a further update report be presented to the committee in July 2017.

Reason: To respond to concerns raised in a follow-up report into health and safety undertaken by internal audit.

### **35. Sickness Absence Management Update Report**

Members considered a report which responded to specific issues identified in the Attendance Management (follow-up) memo dated 18 January 2016. The report also outlined the wider actions and plans in place to manage sickness absence in the council, including the implementation of iTrent absence management, which was a recommendation of the audit, and which would improve the recording of sickness absence across the council. The report also provided an update on the Workplace Wellbeing Charter which was a statement of intent showing the council's commitment to improving the health and wellbeing of employees.

Referring to paragraph 23 of the report, which detailed the number of managers who had attended the five Absence Management courses that had been held, officers were asked how this figure compared to the number of managers who had responsibility for dealing with sickness absence. Officers explained that, although the number of managers who dealt with sickness absence was much higher than the number who had attended the training sessions, it was recognised there were differing levels of responsibility. The HR team also provided one to one support for managers and bespoke training as

appropriate. Consideration had been given as to whether sickness absence management training should be mandatory for managers.

Members asked if regular health checks were available for employees. Officers stated that these had been offered in an ad-hoc way, for example blood pressure checks. It was an aspiration of the Wellbeing Charter for these to be offered as routine.

Officers were asked about further support that could be put in place to reduce sickness absence. They stated that a considerable amount of effort was put into supporting staff, and efforts were being made to change the culture to ensure that wellbeing was higher on the agenda. It was important that staff were made aware of how they could access the support that was available. Improvements were also being made to the performance monitoring information that was made available to managers.

Referring to questions from Members, officers confirmed that the trade unions were involved in shaping policies and procedures in respect of the management of sickness absence. They also had an important role to play in signposting their members to the support that was available.

Officers were asked if statistics were available on work-related sickness absence. They stated that this data was not available but that account was taken as to whether a sickness absence was work related during the management of individual cases.

Referring to the absence statistics in paragraph 18 of the report, officers were asked about the likely overall figure for 2016/17. They stated that, as sickness absence tended to rise during the winter months, the annual figure was likely to be in line with recent years.

Members noted that a further internal audit review of sickness absence would be carried out, although the timing of this was not yet known. It was agreed that the committee would consider the findings of the audit review before determining whether further update reports were required.

Resolved: That the report be noted.

Reason: To enable Members to understand the key issues and the response to recommendations to secure improvements, and the control arrangements around sickness absence.

### **36. Information Governance and Freedom of Information Report (including information security)**

Members considered a report which provided an update on the following:

- information governance performance
- the new General Data Protection Regulation (GDPR)
- the Information Commissioners Office (ICO) data protection audit and recommendations
- compliance with the Local Government Transparency Code 2015 (LGTC 2015)
- the Health and Social Care Information Centre (HSCIC) Information Governance Toolkit (IG Toolkit) update
- information security checks

Officers drew attention to the sustained improvements in the compliance rates for responding to Freedom of Information (FoI) requests and of the significant improvement in the response to Subject Access Requests. Members were also informed of the position in respect of decision notices published by the Information Commissioner's Office.

At the request of Members, officers agreed to provide the more detailed information which supported the ICO Progress Report. This would also be made available with the online agenda papers for the meeting<sup>1</sup>.

Members expressed concern that the search function on the City of York Council website did not extend to the information contained on the York Open Data Platform, which made accessing information difficult. Officers confirmed that a request had been made for the search function to be applied across both websites but that priority was currently being given to work such as the My Account project. Members suggested that consideration be given to including a prompt referring users to the York Open Data Platform if the search function on the CYC website did not deliver any results.<sup>2</sup>



Members commented that Freedom of Information requests were sometimes lodged because of difficulties in obtaining information from officers directly. Officers asked to be made aware of instances when this occurred and stated that they would look into this matter, as service standards were in place and should be being applied. Officers also drew Members' attention to guidance issued by the ICO regarding the type of request for information which should be considered as a normal business enquiry and that which would be considered an Fol request.

Officers were asked about the number of Fol requests that were submitted by CYC Members. They stated that they would seek to provide information on this issue within the constraints of the principles of "applicant blind" which were applied when dealing with Fol requests.<sup>3</sup>

Referring to the transparency indicator on the organisation chart, Members requested that this information be updated to reflect recent changes in the management structure.<sup>4</sup>

Members' attention was drawn to their responsibilities as data controllers. Training sessions had been held to support Members in this issue.

- Resolved:
- (i) That the sustained performance levels be noted.
  - (ii) That Members gave a commitment to support the work required to implement the General Data Protection regulation.
  - (iii) That the ongoing work required to ensure the council meets its information governance responsibilities be noted.

Reason: To ensure that Members are kept updated on information governance issues.

Action Required

- |   |    |
|---|----|
| 1. Provide additional information requested                   | LL |
| 2. Ascertain whether possible to implement requested function | PS |
| 3. Provide additional information requested                   | LL |
| 4. Arrange for information to be updated                      | LL |

**37. Scrutiny of Treasury Management Midyear Review and Prudential Indicators 2016/17**

Members considered a report which presented the Treasury Management Mid Year Review and Prudential Indicators 2016/17 report, which had been considered by the Executive on 24 November 2016. The report provided an update on treasury management activity for the first six months of 2016/17.

Members suggested that it would be helpful for the committee to receive data on CYC's rate of return when compared to that of other authorities.<sup>1</sup>

Resolved: That the Treasury Management Mid Year Review and Prudential Indicators 2016/17, as detailed in Annex A of the report, be noted.

Reason: To ensure that those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Action Required

1. Seek to obtain requested information DM

**38. Audit and Governance Committee Forward Plan to September 2017**

Members considered a report which presented the future plan of reports expected to be presented to the committee during the forthcoming year to September 2017. Members were invited to identify any further items they wished to add to the Forward Plan.

Members suggested that, following consideration of the Mazars' report on procurement, the committee may wish to receive further information on procurement issues.

Members agreed that, in view of the committee's workload, it would be appropriate to increase the number of meetings held each municipal year.

Resolved: That the committee's Forward Plan for the period up to September 2017 be approved subject to the following:<sup>1</sup>

- Consideration to be given to holding an additional meeting in March 2017
- Health and Safety Update Report (July 2017)

Reason: To ensure that the committee receives regular reports in accordance with the functions of an effective audit committee and can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.

Action Required

1. Update Forward Plan

EA

**Part B - Matters Referred to Council**

**39. Appointment of External Auditors**

Members considered a report which presented the changes to the arrangements for appointing external auditors following the end of the current transitional arrangements on completion of the 2017/18 audit and which set out the options available to the council for future appointment.

Members considered the following options:

Option 1: To make a stand-alone appointment

Option 2: Set up a Joint Auditor Panel/local procurement arrangements

Option 3: Opt-in to a sector led body

The advantages and disadvantages of the options, as detailed in the report, were noted.

Members noted that, whilst the council had until December 2017 to appoint its external auditors, Public Sector Audit Appointments Ltd (PSAA) had formally invited the council to opt into the national sector led body. Details relating to this invitation had been provided in Appendices 1 and 2 of the report. If the council wished to take advantage of this national scheme for appointing external auditors, then it needed to take the decision to enable it to accept the invitation by early March

2017. The Local Audit (Appointing Person) Regulations 2015 required that a decision to opt-in must be made by a meeting of the Full Council. The Council was then required to formally respond to PSAA's invitation in the form specified by PSAA.

At the request of Members, officers confirmed that, at the end of the audit period, a value for money assessment would be carried out.

Clarification was sought as to the economies of scale that could be achieved were the Council to opt into the sector led body approach. Members were informed that this would be dependent on the number of local authorities that joined the scheme. Information on the PSAA website indicated that around fifty authorities had already opted into the scheme, and it was anticipated that more would do so before the deadline.

Recommended: That Council opt-in to the approved sector led body, Public Sector Audit Appointments Ltd (PSAA), to act as the appointing person for the appointment of external auditors for the council for five years commencing 1 April 2018.

Reason: To enable the council to take advantage of the national scheme for appointing external auditors.

#### **40. Local Code of Corporate Governance**

Members considered a report that reviewed the Code of Corporate Governance following the updated framework and guidance notes issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

Members noted that the council's current Code of Corporate Governance was included within the Constitution. Following the new framework and guidance issued by CIPFA/SOLACE, it was considered that the Code would be more appropriate as a separate policy outside of the Constitution but it would be published on the council's website with links to the related policies. Officers stated that it was intended that, by separating the Code from the Constitution, it would have more prominence.

Officers were asked to check whether the use of the word “ensure” was appropriate within the document because of its legal definition.<sup>1</sup> Members commented on the need for equalities issues to be appropriately reflected within the Code.

Members noted that the Governance, Risk and Assurance Group, which was an officer group, would monitor the implementation of the Code and report back to the committee through the Annual Governance Statement. Members suggested that it would be helpful for an additional column to be included in the table on Annex A to detail how the implementation of the Code would be monitored and controlled. Officers confirmed that they had working documents in place to support this process. The committee would be made aware of its implementation through the Annual Governance Statement and through the items which were included in its workplan.

Members expressed their support for the Code and agreed that they would wish any changes to the document to be brought to the committee for consideration.

- Recommended:
- (i) That the current Code of Corporate Governance be removed from the Constitution.
  - (ii) That the revised Local Code of Corporate Governance, as attached at Annex A of the report, be adopted.
  - (iii) That any future changes to the Code of Corporate Governance be presented to the committee for consideration.

Reason: To ensure appropriate governance arrangements are in place.

Action Required

1. Confirm that there are no legal implications in the AD wording used

Councillor N Barnes, Chair  
[The meeting started at 5.30 pm and finished at 7.20 pm].

This page is intentionally left blank



---

Audit and Governance Committee

Report of the Corporate Project Assurance lead

## **Programme/Project Management Update**

### **Summary**

1. The purpose of this report is to present to the Audit and Governance committee an update on the project management framework, to update on areas of the framework that are being strengthened and to provide an update on the major or “Large” projects, as agreed at Audit and Governance Committee on the 23<sup>rd</sup> September 2015.

### **Background**

2. The council undertakes a large amount of programme and project management and there is a necessity to ensure that there is an ongoing drive to maintain the standards that have previously been set and to strengthen areas where required.
3. In the context of reducing resources there is a challenge to ensure that the management of programmes and projects is as efficient as possible. This includes the project management approach and the governance, decision making and assurance.
4. Steps have been taken this calendar year to ensure that robust arrangements are in place (as previous reported to this committee); this includes the refining and embedding of the All about Projects framework, the structures around the framework to support its application and the further rollout of the corporate project management system, Verto, in order to improve quality, transparency and consistency.
5. The body of the report seeks to update the committee on implementation of the Programme and Project management approaches presented in the previous reports to this committee and **Annex A** contains the individual “Large” project updates.

6. It is anticipated that following the conclusions of the Internal and External audit reports on the corporate project management practices at City of York council, there will not be a separate report on the subject after this one. Instead the Large project highlight report will be provided to this committee as an annex of the quarterly risk monitor report, will a brief supporting statement in the body of the report.
7. It has been assumed that the committee is familiar with the flow of the All about Projects framework and its content, based on the content of the previous reports on this subject and the updates of the internal and external audits, that the organisation is now making progress in adopting the framework.

### **Programme and Project Approach Update**

8. The Corporate programme (which is made up of the Directorate project registers) is now considered, as recommended, on a two monthly basis at Council Management team, in addition to any individual reports relating to specific projects. The Directorate project lists are being considered on at least a monthly basis by Directorate Management Teams. The Directorate process is facilitated by the Directorate assurance lead.
9. The Programme assurance group meets on a monthly basis where the corporate programme is considered. The group is constructed of the Directorate assurance leads and every other meeting is attended by support leads.
10. The Project support group is meeting every month to ensure that project managers have a support mechanism and can discuss improvements to process (such as the development of the Integrated Impact assessment), Project management practices and share experience. The group is investigating methods of keeping the issues at the support group live through collaborative software.
11. Further support is being provided to Project Managers in the use of Verto and this will continue when the new version of Verto is implemented in the New Year. The new version is still structured in the same way in order to support the corporate project management framework, but is made more usable for the end user (additions include field level editing and audit, which allows concurrent editing of the same project and the ability to roll back edits and a simplified dashboard view for the Project Manager).



12. The timing of the roll out of the new version isn't an urgent matter and the necessary updates to training and guidance material will be updated to reflect the functionality of the new version, however due to the benefits of the new version the desire is to make the switch over as soon as possible.
13. Further work is also ongoing in terms of the support arrangements around projects and proposals are likely to emerge in the New Year. There is a review of support for business case development, the framework, Project Management Office support, the use of Verto and reporting.
14. There is now open discussion with the workforce development unit to build more Verto training into the Introduction to Projects courses.
15. The corporate assurance lead and other key assurance leads and project managers have been in engagement with Internal and External audit for the last 8 months in order to ensure that the processes in place are robust and the risk to the council in terms of the management of projects is reduced.

## Reporting

16. The highlight report accompanying this paper (**Annex A**) will now, by routine, be circulated to CMT, Executive and scrutiny committees (where relevant). The generation of **Annex A** is now linked to the highlight reporting Verto.
17. Note that there have been two additions to Annex A in this period. The first is the reporting period, so it is clear to the committee when the highlight report is from, and second the large transport projects have now been added to the list.
18. The key risks from the medium and large projects will also be exported, on a monthly basis from January, to sit with the corporate risk register on Magique and will be reported alongside these as part of the quarterly risk monitor.
19. In progress is also the linking of this information to the KPI (key performance indicator) machine, where the council's performance information is available to officers and members.

20. Finally, in the New Year, there will be implemented a corporate highlighting reporting cycle, on a monthly basis, from the Verto system. This will ensure that project information is update to date and that committees, management meetings, etc, will have the latest information when considering proposals and options.

### Recommendation

21. Audit & Governance Committee are asked to note the updates to programme and project approach, consider the project information provided and provide feedback on any further data that they wish to see in future updates

Reason: To ensure that the committee is kept updated on key programme and project activity.

### Contact Details

<b>Author:</b>	<b>Chief Officer responsible for the report:</b>		
Dave Atkinson Programme Manager 01904 553481	Ian Floyd, Director Customer and Corporate Services  Neil Ferris, Corporate Director Economy and Place		
	<b>Report Approved</b>	√	<b>Date</b> 12 December 2016
<b>Specialist Implications Officer(s)</b> None			
<b>Wards Affected:</b> All			√
<b>For further information please contact the authors of the report</b>			

### Background Papers

This report follows up the Audit and Governance report – Project management report from May 2016

<http://democracy.york.gov.uk/ieListDocuments.aspx?CId=437&MId=9646&Ver=4>

For interpretation of the risk scoring see the Corporate Risk management policy and guide.

### **Abbreviations**

AAP – All About Projects (this is the council’s project management framework)

CMT – Council Management Team

CYC – City of York Council

DMT – Directorate Management Team

KPI machine – Key Performance Indicator machine is used

Prince2 – Prince2 is a project management methodology that is widely adopted for managing projects in the public sector.

RAG – this is a risk status rating, which stands for “Red”, “Amber” or “Green”

Verto – Verto is the council’s project management ICT system

### **Annexes**

**Annex A** – Update of “Large” projects

This page is intentionally left blank

## Annex A – Update of “Large” Projects

Over the page is a summary of “Large” projects:

### Please note before reviewing the “Large” project information:

- The Summary of “Large” projects will evolve over time as projects progress, are completed and new projects are initiated and is provided to inform the committee in performing its role of **risk and assurance of the project management approach**.
- Projects are in the process of being assessed (using the Project assessment matrix (presented to the A&G committee in May 2016). Any project that achieves a score of 106 or more out of 160 qualifies as a “Large” project and is included in this list as a “Large” project.
- Executive is responsible for scheme financing/policy and Scrutiny will perform detailed reviews of any relevant project.
- Further information on projects can be provided to the committee on request or the committee can request that a relevant scrutiny committee to do a more detailed review.
- The status (RAG – Red, Amber or Green) is provided to give an overview of any significant risks and provide assurance as to how individual projects are being managed. An explanation as to what the status means is included in the July 2016 Projects update to Audit and Governance.
- See the matrix below when reviewing the risk scores.

Impact	Catastrophic	17	22	23	24	25
	Major	12	18	19	20	21
	Moderate	6	13	14	15	16
	Minor	2	8	9	10	11
	Insignificant	1	3	4	5	7
		Remote	Unlikely	Possible	Probable	Highly Probable
Likelihood						

<b>Large projects summary</b>	<b>Previous period (RAG)</b>	<b>This period (RAG)</b>	<b>Direction of travel</b>
Local Plan	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
Community Stadium	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
York Central	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
Southern Gateway	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
The Guildhall	<b>Green</b>	<b>Green</b>	<b>Same</b>
ASC - Older person's accommodation	<b>Green</b>	<b>Green</b>	<b>Same</b>
Local area teams	<b>Green</b>	<b>Green</b>	<b>Same</b>
Digital services (CRM)	<b>Amber</b>	<b>Amber</b>	<b>Same</b>
Outer ring round (A1237)		<b>Red</b>	
York Central Access		<b>Amber</b>	

**Detailed updates**

<b>Project title</b>	Local plan
<b>Reporting period</b>	Up to November 2016
<b>Description</b>	
<p>The 'Local Plan' is a citywide plan which sets the overall planning vision and the spatial land use strategy for the city. It provides a portfolio of both housing and employments sites for at least a 15 year period and will set the Green Belt boundaries for York. In addition it incorporates both policies and approaches to set the context for development management decisions. Effectively, it sets out the opportunities and policies on what will or will not be permitted and where, including new homes and businesses.</p> <p>The Local Plan must be accompanied by an infrastructure delivery plan setting out the Council's approach to strategic infrastructure and its funding. All housing and employments sites included must be viable and deliverable this is directly linked to future approaches to planning gain i.e. CiL and S106.</p> <p>In response to both the Council resolution in autumn 2014, and the changed national and local context, officers have initiated or a series of work streams to inform the next stages of plan production. This relates to housing need, economic growth and the related need for employment land, and detailed site assessments.</p> <p>The production of the plan has to be in accordance with statute and national guidance. This includes a legal requirement to work with neighbouring authorities. It also means that the plan must be subject to Sustainability and Environmental Assessments. It will also ultimately be subject to an independent examination by a government inspector.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <p>The Local Plan was reported to the Local Plan Working Group and Executive in June. The purpose of the reports was to ask Members to approve the publication of a document entitled 'Local Plan – Preferred Sites 2016' for consultation. It draws on the previous stages of consultation and technical work undertaken to support the plan. Its purpose is to allow the public and other interested parties to comment on additional work relating to housing and employment land need and supply.</p>	

In addition to the 'Local Plan – Preferred Sites 2016' several technical documents were also made available during the proposed consultation. These were attached as annexes to the reports and comprise:

- Strategic Housing Market Assessment (2016)
- Employment Land Review (2016)
- Windfall Analysis Technical Paper (2016)
- Sustainability Appraisal

Following approval of Executive, consultation took place starting in July through to 12<sup>th</sup> September and is now complete. This has included exhibitions, drop in sessions, attendance and dialogue with stakeholders.

Following the consultation two further factors have arisen that require consideration.

First, on the 12<sup>th</sup> July 2016 the Department of Communities and Local Government (CLG) released the Sub National Household Projections (SNHP) which update the May 2016 release. This release indicates a higher demographic starting point for York than the previous figures taken from the 2014 SNHP.

Secondly, the Ministry of Defence (MOD) announced on the 7<sup>th</sup> November that they would be disposing of a number of military sites across the country as part of their Strategy – A better Defence Estate (MOD, 7<sup>th</sup> November 2016).

Reports are being prepared for both the Local Plan Working Group and Executive in early December to provide an update on the Local Plan following the Preferred Sites consultation and to highlight implications of the factors identified.

### **Future outlook**

Following the report detailed above it is anticipated that the programme may need to be extended by up to 6 months to take account of the factors identified.



<b>Key risks</b>			
<b>Risk (brief description/consequence )</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Unable to steer, promote or restrict development across its administrative area	Work to approve LDS continuing to develop a strong evidence base.	19	18
The potential damage to the Council's image and reputation if a development plan is not adopted in an appropriate timeframe	Work to approve LDS continuing to develop a strong evidence base.	19	18
Risks arising from failure to comply with the laws and regulations relating to Planning and the SA and Strategic Environmental Assessment processes and not exercising local control of developments, increased potential to lose appeals on sites which may not be the Council's preferred development options	Procure appropriate legal and technical advice to evaluate risk as the plan progresses.	19	18
Financial risk associated with the Council's ability to utilize planning gain and deliver strategic infrastructure	Develop Local Plan policies linked to planning gain, undertake viability and deliverability work and progress CIL.	19	18
The Government has stated its intention to remove the New Homes Bonus in the case of an authority that has not submitted its Local Plan by early 2017.	Work to approve LDS continuing to develop a strong evidence base.	19	18
<b>Reports to</b>	Executive, Local Plan Working Group		
<b>Exec member</b>	Cllr. Ian Gillies is Executive Member Cllr. David Carr and Cllr. Keith Aspden are responsible for leading the process. Cllr Nigel Ayre chairs LPWG		
<b>Director</b>	Neil Ferris – Director of City and Environment Services		

<b>responsible</b>	
<b>Dependencies</b>	Deliverability of York Central
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive July 2015</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8840&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8840&amp;Ver=4</a></p> <p>Document</p> <p><a href="http://democracy.york.gov.uk/documents/s98802/Report.pdf">http://democracy.york.gov.uk/documents/s98802/Report.pdf</a></p> <p>Executive May 2016</p> <p>City of York Local Plan – Preferred Sites Consultation</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9191&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9191&amp;Ver=4</a></p> <p>Document</p> <p><a href="http://democracy.york.gov.uk/documents/s106782/Final%20report%20for%20Executive%2022.06.16.pdf">http://democracy.york.gov.uk/documents/s106782/Final%20report%20for%20Executive%2022.06.16.pdf</a></p>

<b>Project title</b>	Community Stadium
<b>Reporting period</b>	Up to November 2016
<b>Description</b>	
<p>The Community Stadium project will deliver a new football and rugby stadium for professional sport and community sport and leisure facilities for the city of York. The project also includes a new athletics facility for use by York Athletic Club as well as many community uses and work with community partners.</p> <p>The core project objectives are to provide a new Community Stadium within a new leisure facility complex on the grounds of the existing Huntington Stadium / Waterworld swimming pool.</p> <p>This project represents an opportunity to create one of the country's most far reaching community stadium complexes.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <p>On 17th March 2016 an update on the progress of the procurement process was presented to Executive. The paper also reflected the commitment for the long – term future of Yearsley Pool.</p> <p>On 24th March 2016 the report was presented to Full Council. The report was approved in full.</p> <p>In the last six months of the project progress has been made as follows:</p> <ul style="list-style-type: none"> <li>•Planning amendment approved at the June planning committee.</li> <li>•Secretary of State confirmed No call in on 21st June 2016.</li> <li>•The Council confirmed its commitment to Yearsley Pool and redefined the full Project Programme Plan associated with the project.</li> <li>•In March 2016 completion of the extension to the Monks Cross Park and Ride and demolition of the existing leisure facilities.</li> </ul> <p>A Judicial Review application has been submitted by VUE cinemas on the S73 amendment approved in June. A court date of the 18 January 2017 has been set for the hearing with a decision to follow after.</p> <p>Finalisation and signing of all contracts in the project cannot take place until after any Judicial Review claim has been formally completed.</p>	

This will inevitably impact on the timescales for the project, however at present, this impact is manageable and opening of the stadium is still planned for the start of the 18/19 football season.

If the Judicial Review is successful this will impact upon delivery dates for the facilities beyond the start of that season.

### **Future outlook**

The scheme is predicted to create around 165 FTE jobs including match and event day staff. There will also be additional temporary construction jobs created during the build phase.

During the construction period the development will generate a range of employment opportunities. At the peak of the construction programme, there would be up to 250 people on the site.

The new stadium has the potential to increase supporter demand and attendance numbers. Evidence suggests that the new stadium could generate from 20% - 40% increase in visitor numbers. A 20% increase in visitor numbers to the stadium will equate to 4,200 additional visitors per year from outside the City of York.

Between £129,831 & £259,662 additional expenditure could be generated per annum from the stadium, based on a range of 20% to 40% increase in attendance at matches.

The next steps involve:

- Formal completion of the Judicial review process. January/ February 2017.
- Completion of the Design, Build, Operate and Maintain (DBOM) contract, following Judicial review period. March 2017.
- Finalisation of all community partner agreements. March 2017.
  - Full construction will begin once the JR challenge has been completed and contracts signed. Expected March/ April 2017.

### **Key risks**

<b>Risk (brief description/consequence)</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Judicial Review challenge is successful and project is delayed by more than 6	Impacts are dependent upon the JR challenge and length of delay.	19	19

<p>months. Miss the season start 18/19 increased costs, possible compensation claims.</p> <p>Pitch is not operational for the start of the 18/19 football season. Delay to the move in of the clubs, increased costs in operating two stadiums, stadium income not generated as clubs can't play.</p>			
<p>NHS fail to sign agreement for lease in time for DBOM. GLL will require CYC to underwrite all costs for the NHS areas which total c£240k at present per year.</p>	<p>Discussions ongoing at high level between CYC Chief Exec and Chief Exec of the York NHS Trust. Confirmation of design and delivery and NHS approval of legal agreement.</p>	19	19
<p>Failure to deliver completion of the DBOM legal contract in the current timescales</p> <p>Delay to the project build and delivery timescales.</p> <p>Increased cost of build, increase in legal and project costs</p>	<p>Legal advice and input from Bond Dickenson as well as Legal officers.</p> <p>Ongoing work to finalise all contracts within the agreed timeline</p>	19	19
<p>Commercial return on land receipt</p> <p>Not realising estimated commercial return on commercial proposals in the final bid</p> <p>Not sufficient revenue to finance the build of the leisure building and facilities. Additional capital required by CYC, value engineering required,</p>	<p>Savilles report supports figures as proposed</p> <p>Potential to increase the amount of retail in the final scheme</p> <p>Reduce the outputs of the project</p> <p>Awaiting outcome of the call in and the judicial review periods before contract can be closed.</p>	19	18

decrease spec or size of the build			
<b>Reports to</b>	Executive, Economic Development and Transport Scrutiny Committee, Project Board		
<b>Exec member</b>	Cllr. Nigel Ayre		
<b>Director responsible</b>	Ian Floyd – Director of Customers and Business Support Services		
<b>Dependencies</b>	Yearsley review. The continued operation of Yearsley is potentially linked to the DBOM contract proposed.		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	Full Council March 2016: <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?Cld=331&amp;Mid=8836&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?Cld=331&amp;Mid=8836&amp;Ver=4</a>		

<b>Project title</b>	York Central
<b>Reporting period</b>	Up to November 2016
<b>Description</b>	
<p>York Central is a key strategic development site for economic growth and housing delivery for the city. The majority of the land is in the ownership of Network Rail and the National Railway Museum. CYC have a role to play in de-risking the site and accelerating delivery with public sector partners. In recent months, the site and the opportunity it presents have been positioned at all levels of Government as a priority site for support to enable delivery of locally-led regeneration and development schemes.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <ul style="list-style-type: none"> <li>• KPMG and Savills have undertaken workshops with all Partners to inform Partnership arrangements. Reporting back December 2016</li> <li>• Design and Technical advisers (ARUP, Allies and Morrison (masterplanners) and Gustafson Porter (landscape architect)) appointed October 2016 and progressing Planning Strategy/Masterplanning work</li> <li>• Ecological surveys have been undertaken and are continuing</li> <li>• Feasibility study in relation to District Heat Network underway.</li> <li>• Completion of acquisition of third party land in Leeman Yard area of the site.</li> <li>• Representations from the Partnership have been made as part of the local plan process</li> <li>• Negotiation of Unipart acquisition continues</li> <li>• Informal consultation with local resident groups undertaken</li> <li>• Access selection study being carried out to inform access options and strategy for consultation</li> </ul>	
<b>Future outlook</b>	
<ul style="list-style-type: none"> <li>• KPMG to advise on Governance arrangements in October and financial modelling will then commence to inform how the Partnership could operate. Report due December 2016</li> <li>• Exec approval for WY+TF and future consultation and Unipart acquisition 24/11/16</li> <li>• Masterplanning and evidence base being progressed</li> <li>• Planning strategy being progressed, expected prior to Christmas</li> </ul>	

<ul style="list-style-type: none"> <li>• Inaugural Community Forum held and chaired by the Very Reverend Vivian Fall – positively received from those on the forum. To be held once a quarter by promoter team</li> <li>• Communication/PR support budget provided by HCA. ITT being worked up by all Partner teams.</li> </ul>			
<b>Key risks</b>			
<b>Risk (brief description/consequence)</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Partnership with NR and NRM breaks down leading to failure to unlock site	Establish a senior level Board and formalise via a Memorandum of Understanding with development of the site delivered under the terms of a proposed partnership agreement.	23	23
Inability to attract finance/ investment in sufficient quantity at acceptable levels of risk and return	Early market testing, as well as market viability work, to confirm level of interest.	23	19
Failure to agree satisfactory repayment mechanism for partners	Engage specialist advisors to work on the financial model.	23	19
<b>Reports to</b>	Executive, Economic Development and Transport Policy and Scrutiny Committee, Project steering group		
<b>Exec member</b>	Lead Member Board:  Cllr. M. Cannon, Cllr. F. Derbyshire, Cllr. L. Kramm, Cllr. K. Myers, Cllr. A. Reid, Cllr. J. Hayes, Cllr. D. Levene		
<b>Director responsible</b>	Neil Ferris – Director of City and Environment Services		
<b>Dependencies</b>	Local Plan Policy, City Transport Policy		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a</b>	Executive December 2015  <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8844&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8844&amp;Ver=4</a>  Document  <a href="http://democracy.york.gov.uk/documents/s101740/York%20">http://democracy.york.gov.uk/documents/s101740/York%</a>		



<p><b>scrutiny committee)</b></p>	<p><a href="#">20Central%20Exec%20December%2015%20Final.pdf</a></p> <p>Member update – May 2016</p> <p>Executive July 2016</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4</a></p> <p>Document</p> <p><a href="http://democracy.york.gov.uk/documents/s107107/York%20Central%20Exec%20July%202016%20final.pdf">http://democracy.york.gov.uk/documents/s107107/York%20Central%20Exec%20July%202016%20final.pdf</a></p> <p>Executive November 2016</p> <p>Consultation on access options</p> <p><a href="http://democracy.york.gov.uk/documents/s110389/York%20Central%20Exec%20Nov%202016%20Consultation%20on%20access%20options%20V7.pdf">http://democracy.york.gov.uk/documents/s110389/York%20Central%20Exec%20Nov%202016%20Consultation%20on%20access%20options%20V7.pdf</a></p> <p>Third party acquisitions</p> <p><a href="http://democracy.york.gov.uk/documents/s110392/York%20Central%20-%20Third%20Party%20Acquisition%20November%2016%20v7.pdf">http://democracy.york.gov.uk/documents/s110392/York%20Central%20-%20Third%20Party%20Acquisition%20November%2016%20v7.pdf</a></p>
-----------------------------------	---

<b>Project title</b>	Southern Gateway
<b>Reporting period</b>	Up to November 2016
<b>Description</b>	
<p>City of York Council (CYC) are one of the principal land owners in the area around Piccadilly, the Eye of York, St George's Field and the Foss Basin. This area is being referred to as the "Southern Gateway" and many parts of the area are underused, semi derelict or of poor quality. Many of the properties are for sale or owned by investors and there is a risk that the area will continue to be blighted or that important sites will be developed in a piecemeal manner. The area is urgently in need of a fresh vision to improve the locality and create a socially and economically sustainable future. As the principal landowner, CYC will be instrumental in delivering a joined-up regeneration of the area which will maximise social and economic benefits for the City.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <p>October Executive approved the disposal of the freehold of Stonebow House to Oakgate Group to allow the redevelopment of the vacant, run down building. Work is anticipated to start on site in January 2017 and complete in January 2018.</p> <p>An in principle agreement has been reached with a Community Interest Company called Spark:York to offer a 3 year tenancy on 17-21 Piccadilly, subject to planning. They would provide a meanwhile use of start-up space for local business, street food and exhibition space in advance of the future long term redevelopment of the site. This would help drive the regeneration of the area, with a paper approving the above taken to November's Executive.</p> <p>English Heritage have been granted planning permission to construct a new visitor centre as part of wider restoration works to Clifford's Tower to improve visitor numbers and satisfaction. For the proposals to proceed English Heritage need to acquire a small area of council owned.</p> <p>The draft Southern Gateway Area of Opportunity policy for the Local Plan is under review with the Local Plan team and Development Management. Feedback has also been sought from wider stakeholders</p> <p>The council are in discussions with the other major landowner in the</p>	

Southern Gateway regarding their proposals for the area. The outcome of these discussions will be taken to Executive for consideration in January.

### **Future outlook**

A major update report will be taken to Executive in January 2017 outlining progress to date on Southern Gateway and the future direction of travel. Key actions and next steps will flow out of this report.

As part of this report a decision on the future of Castle Mills car park will be taken.

Procurement of appropriate legal and valuation advice to guide decision making on the best delivery models for the council's land assets to complete by end of January 2017.

Subject to Executive approval in November, Spark:York will submit a planning application for 17-21 Piccadilly in January 2017, with the intention of opening the meanwhile use in May 2017.

A report outlining the land deal for the Clifford's Tower visitor centre will be taken to Executive in December.

### **Key risks**

<b>Risk (brief description/consequence)</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
<p>Insufficient legal resources and internal experience in to support the establishment of a delivery model for the council's assets</p> <p>The council fail to develop the best delivery structure for developing out its land assets, or are unable to secure the most advantageous contractual agreements with identified partners. This represents a significant risk to both the Southern Gateway project and the council achieving</p>	<p>It is likely that the council will need to seek external legal support and advice</p> <p>The council have already sought external legal advice from Bevan Brittain on earlier partnering opportunities in the Southern Gateway. It is probable that their (or another framework partner's) advice will be required in future.</p>	21	14

best value			
<p>Land assets outside the council's control do not come forward to market, continuing to undermine the area and depress the council assets and income</p> <p>Southern Gateway remains run-down, with a number of derelict, vacant or poor quality sites damaging the local area and having a negative impact on the capital and revenue value of the council's assets</p>	<p>Discussions with landowners and developers to facilitate development, and understand the implications of the EU referendum on investor confidence. Establishing a planning framework to ensure coherent and high quality proposals when they do come forward</p> <p>Discussions with other land owners and developers are active and ongoing, and an update on this will be taken to Executive in the new year. A draft area of opportunity policy for the Southern Gateway has been submitted to the Local Plan team for review. The proposals for a meanwhile use on 17-21 Piccadilly will lead to an improvement in the area and increased footfall which could act as the catalyst for development</p>	23	19
<p>Failure to provide a realistic timeframe for potential development of council land assets may result in unnecessary expenditure and investment in the short term to keep them operational. This is particularly pressing for Castle Mills and Castle car park, both of which are in a poor condition and if they were to remain open in even a short to medium</p>	<p>To develop and bring forward a clear vision for the Southern Gateway, including identified options for the council's land assets, as soon as possible. Developing this vision requires a clear strategic view on the level of investment and risk the council want to assume.</p> <p>Work is ongoing with</p>	20	19

<p>time period would need significant expenditure.</p> <p>The council has to spend significant money on assets in the short term to keep them operational when they will potentially close in the near future. This would represent wasted expenditure, but it may be unacceptable to close them without a clear identified plan in place for their future use. If any money is invested in to the assets it may make it difficult to bring them forward for fear of having wasted that money</p>	<p>Directors and Members to establish the level of risk and investment the council want to assume, which will establish the nature of the council's involvement in Southern Gateway and the future use of land assets. The first stage in assessing these options will be the Southern Gateway vision report that will be taken to the Executive in early 2017. This will start to establish delivery options and proposed timescales for development.</p>		
<p>There will be a number of options and opportunities for the council to consider throughout the Southern Gateway project. These will require varying levels of investment and risk. Choosing not to pursue some of these opportunities may result in the failure of the key aims of the project</p> <p>Private sector and other public sector sites may not progress without the council's investment. Although there may be possibilities to achieve the regeneration aims of the Southern Gateway without council investment these may result in the council losing existing and</p>	<p>Clear and realistic delivery models need to be established and presented to Members for decision, founded on robust business case principles</p> <p>Officers are currently working up proposals that will provide a range of options from low to high intervention, and are in discussions with neighbouring landowners to understand their proposals and desire to work in partnership. External valuation and planning advice will be procured by the end of January to provide detail on the land values of council assets. This is key to assessing the different delivery options</p>	21	20

potential new revenue streams. Not taking key decisions regarding investment may mean that the project ultimately fails	and the council's capacity to generate financial returns.		
<b>Reports to</b>	Executive, Economic Development and Transport Policy and Scrutiny Committee, project board		
<b>Exec member</b>	Cllr Chris Steward and Cllr Ian Gillies		
<b>Director responsible</b>	Neil Ferris, Director of City and Environmental Services		
<b>Dependencies</b>	Local Plan Policy, City Transport Policy		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive October 2015  <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4</a>  Document  <a href="http://democracy.york.gov.uk/documents/s100456/Report.pdf">http://democracy.york.gov.uk/documents/s100456/Report.pdf</a></p> <p>Executive November 2016  Land assets on Piccadilly  <a href="http://democracy.york.gov.uk/documents/s110378/Executive%20report%20-%20Update%20on%20land%20assets%20on%20Piccadilly.pdf">http://democracy.york.gov.uk/documents/s110378/Executive%20report%20-%20Update%20on%20land%20assets%20on%20Piccadilly.pdf</a></p>		

<b>Project title</b>	Guildhall
<b>Reporting period</b>	Up to November 2016
<b>Description</b>	
<p>City of York Council vacated the Guildhall in April 2013, moving to West Offices as part of the Admin Accommodation programme, in order to make approx £1m pa savings. An evaluation of potential future uses had already been undertaken, and following further feasibility work and review a decision on the Future of the complex was taken by Executive in October 2015. Approval was granted for detailed project development work to secure the future of the Guildhall as a serviced office venue; with virtual office and business club facilities, maximising the benefits of the different spaces within the complex, its heritage appeal, and also ensuring ongoing council use and public access in a mixed use development.</p>	
<b>Current status</b>	
<b>GREEN</b>	
<p>This progress update covers the period August - Nov 2016</p> <p>The project was considered by Executive 14 July 2016 and approval was given for progression of key work streams to the next stages including :</p> <p>Submission of Planning and Listed Building Consent applications - submissions validated 23 August 2016</p> <ul style="list-style-type: none"> <li>• Planning decision expected 14 Dec 2016</li> <li>• Marketing of Restaurant unit - Cushman Wakefield stage 2 appointment confirmed and draft marketing materials prepared for sign off 1 Nov 2016 - (comments made and revisions now pending) - marketing activity to follow pending planning decision</li> <li>• Design Team appointed to undertake RIBA stage 4 detail design target date 1 Oct - appointments / programme actually confirmed 11 Nov 2016</li> <li>• In preparation the Design team have undertaken - A procurement workshop / a value engineering workshop / a risk workshop / early contractor involvement market testing.</li> <li>• Investigate / secure potential complimentary funding sources - A revised submission made to LCR for LGF grant funding - approved by Investment Committee 9 Nov 2016 - A £2.35m grant offer subject to contract</li> <li>• Investigate options for operation / management of the business club / serviced office offer - soft market testing with 2 national companies has confirmed interest in the facility and their outline business plans</li> </ul>	

validate the council's business model.

- Commence procurement of a contractor for the construction works - a timetable and proposed 2 stage process is being worked up with legal and procurement to commence early 2017.

### Future outlook

For the period Dec 2016 - March 2017 - the following project activity / key milestones :

- Planning / Listed Building consent - target date 14 Dec 2016
- Marketing the Restaurant unit - Dec 2016 - January 2017
- Design team under take RIBA stage 4 detail design
  - Nov 2016 - Dec 2016 - sign off GAs / confirm pretender estimate / construction target
  - January 2017 - April 2017 - detail design of building elements to detail programme
- Procurement of construction contractor (2 stage process)
  - preparation of documentation Nov / Dec 2016
  - PQQ (including ITT info) - January 2017
  - ITT stage 1 Feb - Mar 2017
  - ITT stage 2 - May 2017 -
- Decision making project board 1 Feb 2017 - sign off on initial stage 4 design work / detailed business case
  - lead into Exec - DMT / CMT Feb
  - Exec - 16 Mar - seeking approval to deliver the scheme
  - Full Council 30 Mar - seeking approval to borrow scheme finance

### Key risks

From project risk register

Risk (brief description/consequence)	Control/action	Gross	Net
Insufficient funding to deliver the project.  Capital costs and/or gap between cost of repaying borrowing and income from lease/rentals exceeds	LGF funding application for 'gap funding' as soft loan to secure delivery of LCR SEP objectives in partnership with CYC	25	20



<p>agreed limit.</p> <p>Project is unviable or requires additional council revenue to underwrite borrowing costs</p>			
<p>Capital costs increase/exceed budget</p> <p>Costs of scheme exceed current budget estimate as scheme is developed in detail.</p> <p>Project becomes unaffordable</p>	<p>Project team approach - early contractor involvement - value engineering workshops</p>	23	19
<p>Insufficient revenue income to repay borrowing</p> <p>Gap between cost of repaying borrowing and income from lease/rental exceeds agreed limit.</p> <p>Project is unviable or requires additional council revenue to underwrite borrowing costs.</p>	<p>Soft market testing</p> <p>Robust marketing - selection and assessment process</p> <p>LGF funding application for 'gap funding' to secure delivery of LCR SPE objectives in partnership with CYC</p>	23	19
<p>Failure to secure pre-let on restaurant unit at appropriate value</p> <ul style="list-style-type: none"> <li>• No offers at expected value</li> <li>• Failure to agree heads of terms</li> </ul> <p>Project is unviable/too risky</p>	<p>Soft market testing</p> <p>Robust marketing - selection and assessment process, may require re-marketing</p>	23	18
<b>Reports to</b>	Executive, CSMC, project board		
<b>Exec member</b>	Portfolio of the Executive Member for Finance and Performance Councillor Chris Steward		

<b>Director responsible</b>	Ian Floyd Director of Customers and Business Support Services
<b>Dependencies</b>	Local plan
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive October 2015  <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4</a></p> <p>Scrutiny – 13 June 2016  <a href="http://modgov.york.gov.uk/ieListDocuments.aspx?CId=144&amp;MId=9420&amp;Ver=4">http://modgov.york.gov.uk/ieListDocuments.aspx?CId=144&amp;MId=9420&amp;Ver=4</a></p> <p>Exec – 14 July 2016  <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4</a></p> <p>Planning application links</p> <p>16/01971/FULM   Alterations and refurbishment of Guildhall complex to create conference rooms, meeting rooms and offices, refurbishment and part rebuild of existing south range to provide cafe and ancillary accommodation, and erection of extension on north side of complex to form restaurant and office accommodation   The Guildhall Coney Street York YO1 9QN</p> <p><a href="https://planningaccess.york.gov.uk/online-applications/applicationDetails.do?activeTab=summary&amp;keyVal=OCD5KESJMZK00">https://planningaccess.york.gov.uk/online-applications/applicationDetails.do?activeTab=summary&amp;keyVal=OCD5KESJMZK00</a></p> <p>16/01972/LBC   Alterations and refurbishment of Guildhall complex to create conference rooms, meeting rooms and offices, refurbishment and part rebuild of existing south range to provide cafe and ancillary accommodation, and erection of extension on north side of complex to form restaurant and office accommodation   The Guildhall Coney Street York YO1 9QN</p> <p><a href="https://planningaccess.york.gov.uk/online-applications/applicationDetails.do?activeTab=summary&amp;keyVal=OCD5LDSJMZL00">https://planningaccess.york.gov.uk/online-applications/applicationDetails.do?activeTab=summary&amp;keyVal=OCD5LDSJMZL00</a></p>

<b>Project title</b>	Older Persons' Accommodation Programme
<b>Reporting period</b>	Up to November 2016
<b>Description</b>	
<p>The Council's Executive on 30th July 2015 approved the Business Case for the Older Persons' Accommodation Programme in order to prepare the city for a 50% increase in the size of the over 75 people. This will:</p> <ul style="list-style-type: none"> <li>• fund 24/7 care support at Auden House, Glen Lodge and Marjorie Waite Court Sheltered Housing with Extra Care schemes;</li> <li>• progress with plans to build a 27 home extension to Glen Lodge;</li> <li>• seek the building of a new Extra Care scheme at Oakhaven in Acomb;</li> <li>• see the procurement of a new residential care facility as part of the wider Health and Wellbeing Campus at Burnholme; and</li> <li>• encourage the development of additional residential care capacity, extra care and age related housing, supporting older people to continue to live independently in their own home.</li> </ul> <p>These efforts will facilitate the replacement of council-run Older Persons' Homes which are not longer fit for purpose.</p>	
<b>Current status</b>	
<b>GREEN</b>	
<i>This report now includes the Burnholme Project</i>	
<u>Glen Lodge Extra Care scheme</u>	
<ol style="list-style-type: none"> <li>1. Construction of the extension to Glen Lodge Extra Care facility in Heworth and is progressing well. The new access road is complete and in use and the foundations of the 25 home extension are in place and ground floor block work is going up. Good progress is also being made on the two bungalows with walls up to roof height. Good resident and neighbour relations are being maintained. The cost estimates are within budget.</li> </ol>	
<u>Burnholme Health &amp; Wellbeing Campus</u>	
<ol style="list-style-type: none"> <li>1. Work at Burnholme progresses well: <ol style="list-style-type: none"> <li>a. The procurement of an 80 bed care home on the site of the Burnholme School is on-going. The Council seeks a partner to</li> </ol> </li> </ol>	

fund, build and operate the home and will “buy” up to 30 beds from the provider, at a discount. Three bidders have been invited to submit formal Tenders and these will be received in January 2017. A decision on preferred bidder will be made in Q1 2017.

- b. Enabling works to allow the Care Home and other facilities to be built at Burnholme are progressing well. New electricity and gas services plus a new boiler for the sports area are in place and the "redundant" school builds are now isolated from services and are ready for demolition.
  - c. No tenders were submitted for the combined demolition and road building opportunity and so we have re-tendered for demolition only. A result should be known by Christmas. Demolition is due to be completed by Easter 2017.
  - d. Tenders for the construction of the access road will form part of the construction contract for the Community & Library facilities or will be separately tendered.
  - e. The planning application for the new Library and community facilities at Burnholme was submitted at the end of August. Following extensive pre-planning engagement with neighbours and stakeholders which demonstrated continuing support for the proposals no objections to the formal planning application have been received. We anticipate determination of this application in December 2016.
2. Department for Education (DfE) Academies Act consent has been granted for the disposal of the school buildings on this site. This frees the land for the care home, the library and community facilities and the health centre. This removes a major risk to the delivery of the project.
  3. The DfE confirm that our application under Section 77 of the School Standards and Framework Act 1998 has been recommended for approval by the Minister of State and we await a final decision on this matter.

#### Oakhaven Extra Care Facility

1. Planning consent has been awarded for the use of Oakhaven as temporary accommodation. The implementation of this use has not yet begun as the housing team have been evaluating options regarding Ordnance Lane and alternative temporary accommodation.
2. The procurement for a partner to develop the new Extra Care facility on this Oakhaven site was launched on 3rd November 2016 and will conclude in February 2017.
3. North Yorkshire Police have confirmed their continued interest in

moving off of their Acomb Road site and re-locating to join other services at Lowfield. They meet formally in September to agree proposed terms. We will evaluate this and decide if it is worthwhile in the context of the Extra Care facility.

#### Lowfield re-development

1. Members agreed in July 2016 to proceed with the redevelopment of the Lowfield site. The development will be called Lowfield Green.
2. A spatial plan on the proposals to develop Lowfield Green has been drawn up and this was the subject of public engagement in October 2016. Over 400 residents engaged and the majority support the plan to deliver a 70 bed care home, bungalows and flats for older people, family homes, plots for self-build housing (delivering over 160 new homes), a health centre and public open space on the site. We are now ready to progress this development.
3. The proposal also includes the examination of the provision of new football pitches on Ashfield Estate land off of Tadcaster Road.

#### Existing Older Persons' Homes

1. Grove House, the Older Persons' Home which closed in February of this year, was marketed for sale and Executive have accepted the offer of £1.6m for use of the site for housing, subject to planning consent.
2. McCarthy & Stone have obtained planning consent for the re-development of the Oliver House Older Persons' Home site (the home closed in 2012) to provide 36 retirement apartments.
3. Willow House Older Persons' Home on Long Close Lane, Walmgate, has been the subject of consultation on the option to close. The consultation has revealed no strong objections to this proposal and residents, relatives and staff are focused on where to move to. Facilities provided for people with a learning disability will be re-provided in other locations.
4. We have completed a review of options for Haxby Hall including seeking a partner to take on the home as a "going concern" with an obligation to re-develop and build a new 70 bed care home on the site. Residents, relatives and staff have had the opportunity to comment.

#### New Extra Care provision

1. The Council continue with the negotiation of nomination rights to the rented apartments in the development as well as control over access to the low-cost home ownership homes and a block-purchase

arrangement for 8 care home beds at the Joseph Rowntree Housing Trust 60 bed nursing and residential care home and 105 Extra Care apartments on the site of Red Lodge and the Folk Hall at New Earswick. Construction work will begin early in 2017 with the care home and first extra care apartments ready by Q2 2018.

### Resources

1. The Programme received good support from our Biology Research Council intern over the autumn. Peter has worked on Lowfield consultation, the Haxby Hall option appraisal and the Lowfield business case, as well as integration of health and other activities at Burnholme.
2. The Programme has also recruited a one-day-per-week Programme Facilitator to support the Programme working on elements of the Lowfield, Haxby Hall and other part of the programme.

### **Future outlook**

#### New Extra Care

1. The re-design of the new entrance area for Glen Lodge will be completed by Christmas and is likely to need separate planning consent. This will be pursued in Q1 2017.
2. In Q1 2017 we will review the staff arrangements, allocations procedures and operation of the allocations panel for Glen Lodge in order to ensure that the scheme is ready for expansion in Q3 2017.
3. Procurement of a partner to deliver the next Extra Care facility at Oakhaven will continue and conclude in Q1 2017.
4. In Q1 2017 we will implement 24/7 care at Marjorie Waite Court to make this a full Extra Care scheme. This change will run alongside a review of the allocations and care assessment route for potential residents of this scheme.
5. Local residents will also be consulted on the option to close Burton Stone Lane Community Centre (BSLCC) next to Marjorie Waite Court. Should the decision to close BSLCC be made then the option to extend Marjorie Waite Court will be pursued.
6. We will seek to conclude negotiations with JRHT regarding nominations at New Lodge.
7. We will support the Abbeyfield Society with plans to extend Regency Mews.

### Existing Older Persons' Homes

1. Executive on 24th November 2016 will be asked to decide on the closure of Willow House Older Persons' Home and, should the decision to close be made, then residents will move out during January and February 2017 and the home will close by Easter 2017
2. Executive on 7th December 2016 will be asked to move forward with a sustainable future for Haxby Hall and begin formal consultation with residents, relatives and staff. This will take place in Q1 2017.
3. In Q1 2017 we will decide which will be the next Older Persons' Home to be the subject of consultation on the option to close.

### Burnholme Health & Wellbeing Campus

1. Procurement for a partner to deliver a care home at Burnholme will continue and conclude in Q1 2017.
2. Procurement of the demolition works at Burnholme will conclude in December 2016.
3. The planning application for the new Community & Library facility at Burnholme is due to be considered by Committee in December 2016.
4. Executive on 7th December 2016 will be asked to approve investment in the new Community & Library facilities and, once that consent is given, we will begin procurement for the constructor to undertake this work.
5. We await DfE consent for release of the redundant playing field land at Burnholme. The Community & Library facilities will not progress beyond the preparation stage until this consent is granted.
6. We await NHS approval of the grant application to fund the health centre on the site.

### Lowfield Green

1. Executive on 7th December 2016 will be asked to approve the spatial plan for the Lowfield Green development and agree to:
  - a. procure a partner to develop the care home on the site;
  - b. invest £993k in enabling and access works on the site;
  - c. prepare and submit relevant planning applications;
  - d. develop housing on the site;
  - e. progress self-build housing plots on the site; and
  - f. progress the health and other public service uses of the site.
2. We will progress new football pitches on the Ashfield estate land off of Tadcaster Road.

### Programme Resources

1. The Programme Board will review resources needed to support the Lowfield Green and Haxby Hall projects.

### Key risks

A key risk relating to the granting Department for Education consent to dispose of land and/or buildings at the Burnholme school site is deminising. Consent has been granted for the disposal of the building. We new press for the playing fields consent. The Burnholme Health and Wellbeing Campus proposals is carefully structured and brought forward in such a way as to minimise the impact upon the Programme should the consent not be granted to sell the playing field land.

A key element of risk management of this project is contingency planning. As we move forward with the Programme we seek to identify key steps and to plan for alternative options at these steps so that, in the event of blockage or problem we can proceed to goal via an agreed alternative route. At present these option points include:

1.The award or not of HCA grant for the Glen Lodge extension. Should grant not be forthcoming CYC will use RTB receipts or Section 106 "commuted" sums in its place.

Grant has now been awarded including arrangements to allow recent potential changes to Housing Benefit regulations (the LHA issue) to be mitigated.

2.When we have tested the market for interest investment in the residential care home at Burnholme (2016), should there be no willingness to invest CYC will ether invest itself or pursue the option to invest on the Haxby Hall site and buy more care beds from the independent sector. We are currently testing this via the Care Home procurement.

Loss of EPH staff morale leading to negative impact on service provided to existing EPH residents	Maintain staff morale and focus through regular, open and honest briefings/updates; engagement through EPH Managers and staff groups; investment in staff training, support and development.	19	13
Project does not deliver the right number and type of care places required by the City.	Regular market review  Modelling of predicted care levels to look at effect of the provision of different	19	6



Needs remain unmet.	numbers of care places by type		
Increase in interest rates would impact negatively on borrowing.	Ensure impact is capped or controlled through the contracts.	19	14
There is insufficient funding to deliver all of the elements of the project.  The Programme does not progress.	Sale of vacant OPH sites and land at Burnholme.  Alternative sources of funding be identified and secured in order to achieve full project	19	13
The existing sites may not realise the anticipated level of capital receipts included in the financial model.	Work closely with partners and CYC finance to maximise capital receipts	8	1
<b>Reports to</b>	Executive, CMT, Project board, DMT		
<b>Exec member</b>	Cllr. Carol Runciman		
<b>Director responsible</b>	Martin Farran – Director of Adult Social Care		
<b>Dependencies</b>	Burnholme Health & Wellbeing Campus Capital Programme		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive July 2016 <a href="http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4">http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303&amp;Ver=4</a></p> <p>Executive October 2015 <a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8842&amp;Ver=4</a></p> <p>Executive July 2016 <a href="http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8840&amp;Ver=4">http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8840&amp;Ver=4</a></p> <p>Executive November 2016 (Willow house OPH) <a href="http://democracy.york.gov.uk/documents/s110335/Willow%20House%20Older%20Persons%20Homes%20-%20Executive%2024th%20November%202016%20f.pdf">http://democracy.york.gov.uk/documents/s110335/Willow%20House%20Older%20Persons%20Homes%20-%20Executive%2024th%20November%202016%20f.pdf</a></p>		

<b>Project title</b>	Local area teams
<b>Reporting period</b>	Up to November 2016
<b>Description</b>	
<p>Reshape early intervention services for 0-19yrs to make best use of our collective skills and resources and look at creating a multi-agency approach to improving the experience of families from a range of services. To make efficiencies within our systems and meet council budget reductions for all areas of service affected.</p> <p>Provide place based and intelligence led prevention services which increase the resilience of families within their communities, build community capacity and reduce the need for high cost specialist service support.</p> <p>Reshape prevention and early intervention services for 0-19 yrs (inc up to 25 yrs LDD). Establish 3 Local Area Teams to deliver place based services for families. Review use of Children's Centre Services and city centre youth offer.</p>	
<b>Current status</b>	
<b>GREEN</b>	
<p>Selection processes have now been completed to the substantive structure. Staff are being supported to look at redeployment opportunities ahead of the new structure going live in January 2017. The new management team is regularly meeting now in readiness for launch of the new service. A skills audit has been undertaken with all staff to identify training and development needs and to allocate staff to localities.</p> <p>The Transition Plan is now underway to ensure the safe and secure transformation from current service delivery to the new operating model. The Transition Plan covers a myriad of smaller projects and covers the time period up to launch in January 2017 and through to March 2018. The arrival of Ofsted has impacted on transition plan delivery but these risks are being managed through reporting to CEC DMT.</p> <p>Planning is underway with Facilities Management to undertake the next round of moves to bring together Local Area Teams. This will also require the relocation of some social care staff currently based in children's centres back into West Offices.</p>	
<b>Future outlook</b>	

Oct-Nov Transition Plan implementation. Local Area Outcome Plan and draft early help strategy in development. 01/01/2017 – go live Jan – Feb – project closedown move into longer term transition plan work-streams			
<b>Key risks</b>			
<b>Risk (brief description/consequence )</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Corporate asset strategy impacts on ability of this model to achieve facilities savings in isolation.	Corporate asset strategy risk highlighted to DMT, Create Resilient Communities Board and CMT. Savings in this project assigned to assets profiled to 2018/19 allowing time for corporate asset strategy to be developed.	19	19
Risk of staff skills and knowledge not meeting the required level to deliver against new roles.	Set in place workforce development plan to support induction of staff into new structure.	19	19
That changes at both statutory and early help levels negatively impact on outcomes.	Need to maintain regular dialogue through change programme. Establish a short term specific working group prior to go live to address any issues.	19	19
<b>Reports to</b>	Children's Services, Education and Skills Directorate Management Team		
<b>Exec member</b>	Cllr. Stuart Rawlings		
<b>Director responsible</b>	Jon Stonehouse		
<b>Dependencies</b>	Facilities Management, Business Support, Strategic Intelligence Unit, Corporate asset review is a significant part of understanding value for money in the co-location of multi-agency services, reviewed use and condition of CSES assets and ability to change use and review community need.		
<b>Link to paper if</b>	Executive March 2016 Prevention and Early Intervention Services - a proposal		

<p><b>it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b></p>	<p>for a new way of working</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8847&amp;Ver=4">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=8847&amp;Ver=4</a></p> <p>Executive July 2016</p> <p>Review of Children's Centre services and city centre youth offer</p> <p><a href="http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303">http://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&amp;MId=9303</a></p>
---	--

<b>Project title</b>	Digital Services (CRM)
<b>Reporting period</b>	Up to November 2016
<b>Description</b>	
<p>This project replaces our existing system (Lagan) with a new system (Oracle Right Now.) This will provide much increased alignment with the website and a “My Account” style function, social media consolidation and proactive management and integration across a number of back office systems facilitating automation, work allocation and monitoring.</p>	
<b>Current status</b>	
<p><b>AMBER</b></p> <p>The Digital Services Project Board agreed to delegate the sign-off to key stakeholders which subsequently took place on the 24th November. Sign-off was agreed for MyAccount functionalities, street lighting and street cleansing processes. Some changes were highlighted to be completed before the deployment on the 29th November 2016 and some enhancements were also recognised and noted.</p> <p>The remaining 7 processes are in development and the project has confirmed that due to the differing levels of changes required they will be released at a regular pace with all 9 being in place by the end of February 2017.</p> <p>We have continued to launch Revenues and the Benefits solutions with Single Occupancy On / Off and student forms now completed and released with no issues reported since that last board. We are now preparing to release Special arrangements and Change of Circs in December. The remaining processes will be delivered through Oracle as part of Release 3.</p> <p>Training and Member testing have successfully been delivered and feedback / concerns have been responded to. On-site demonstrations have also been given to Councillors. Value Stream maps and business readiness have highlighted areas that can be improved and made more efficient e.g. providing a mobile device to Inspectors. The CRM system offers a browser version which we are investigating / trialling when the Highways processes go live to support mobile working.</p> <p>At this time, we are concentrating on the Release 2 process drops however we are continuing to work with GovTech for the integration of all Revs &amp; Bens processes into My Account (Release 3), e-billing web-chat, email and social media suites.</p>	

The project has enrolled in Oracle University so as to develop in-house skills of developers. Configurer training is now running twice per week with the appointed developers, the project team and CPT.

## Phase 2

The initial rollout of digital in the revenue and benefits area has been extremely successful in terms of the customer experience, demand for digital solutions and delivery of savings. CMT along with the Executive are both supportive and keen to push on with the programme into Phase 2 and beyond.

The project team will go back to CMT/Portfolio holders in January with a clear plan and business case including areas to be considered in Phase 2. This is going to be looked at in terms of where the largest savings may be delivered through the digitalisation of either internal or external processes. The timeline to do this is quite short and the knowledge of IT in relation to areas we should look at is been provided by AC.

We are approaching the Christmas break but will endeavour to bring back to board a draft of the areas been considered for Phase 2 in January.

## Future outlook

The project team will go back to CMT/Portfolio holders in January with a clear plan and business case including areas to be considered in Phase 2. This is going to be looked at in terms of where the largest savings may be delivered through the digitalisation of either internal or external processes.

We are approaching the Christmas break but will endeavour to bring back to board a draft of the areas been considered for Phase 2 in January.

## Key risks

Risk (brief description/consequence )	Control/action	Gross	Net
Solution does not meet requirements in terms of fully automated end to end processes within project timescales so the Service is not ready to implement solution.	<b>Controls</b> - Engage with all business areas - stakeholders through a business readiness assessment <b>Actions</b> - Business readiness assessments and VSM to be completed	23	23

	by end of Sept		
Unable to configure system once transferred to the council. This would mean that there would be a failure to ensure system is maintained effectively And that the recovery from system problems is delayed	<b>Controls:</b> Work with Connection point on the skills transfer and ensure all staff involved in future support are fully skilled up Ongoing face to face dialogue with services <b>Actions</b> CPT to complete knowledge transfer including training material Processes (outside of Release 2) passed to configurers whilst CPT are still on-site Schedule Oracle training course (5 day)	17	12
Service not ready to implement solution due to a of robust business readiness assessments. This would impact the go-live	<b>Controls:</b> Ongoing face to face dialogue with services <b>Actions:</b> Complete Business Readiness Assessments	23	19
Solution does not meet requirements in terms of fully automated end to end processes within project timescales so the Service is not ready to implement solution.	<b>Controls</b> - Engage with all business areas - stakeholders through a business readiness assessment <b>Actions</b> - Business readiness assessments and VSM to be completed by end of Sept	23	23
<b>Reports to</b>	Digital Services Programme Board; Corporate Scrutiny and Management Board		
<b>Exec member</b>	Cllr. Chris Steward		
<b>Director responsible</b>	Ian Floyd – Director of Customers and Business Support Services		
<b>Dependencies</b>	CRM Lagan		

	MDM -Clearcore Govtech Rev's and Ben's.
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	Corporate and Scrutiny Management Policy and Scrutiny Committee 9th May 2016 City of York Digital Inclusion <a href="http://democracy.york.gov.uk/documents/s105678/City%20of%20York%20Digital%20Inclusion.pdf">http://democracy.york.gov.uk/documents/s105678/City%20of%20York%20Digital%20Inclusion.pdf</a>



<b>Project title</b>	Outer Ring Road (A1237)		
<b>Reporting period</b>	Up to November 2016		
<b>Description</b>			
<p>This project increases the capacity of 7 roundabouts on the ring road to reduce orbital and radial journey times. Upgrades would be to a similar standard to the A59 and A19 roundabouts with 3 lane approaches and 2 lane exits on the A1237. The enhancements will be designed to accommodate future dualling where possible.</p>			
<b>Current status</b>			
<b>RED</b>			
<p>Outline designs for the roundabout upgrades were prepared in 2015 and Gateway 1 approval was received from the West Yorkshire Combined Authority subject to City of York Council joining the West Yorkshire Transport Fund. The work was suspended at the end of 2015 as commencement of the next phases (public consultation and land acquisition) was dependent on the availability of a funding source for delivery. The potential use of the West Yorkshire Transport Fund to provide the necessary funding for the construction of the roundabout upgrades was discussed at the Executive on 24 November and a decision was made to move to full council on the 15<sup>th</sup> December for approval.</p>			
<b>Future outlook</b>			
<p>If access to the WYTF was confirmed in this financial year then a project delivery team could be rapidly established and construction could potentially commence in 2018/19. It is anticipated that all of the roundabouts could be completed by 2021/22 depending on the availability of land and receipt of planning consent where required.</p>			
<b>Key risks</b>			
<b>Risk (brief description/consequence)</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Funding not available/ Next phase of project can not progress until funding is	Obtain funding – Access to WYTF to be discussed at 24 November Executive.	23	18

confirmed			
Planning consent not granted/ The most complex roundabouts can not progress	Ensure necessary preparatory survey and consultation work is undertaken	23	18
Land not available/ project can not be progressed without the necessary land outside of the public highway boundary.	Ensure the necessary land acquisition and CPO processes are progressed	19	13
<b>Reports to</b>	Transport board		
<b>Exec member</b>	Cllr. Ian Gillies		
<b>Director responsible</b>	Neil Ferris		
<b>Dependencies</b>	LTP3, Local plan		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>Executive West Yorkshire Transport Fund – 24 November 2016</p> <p><a href="http://democracy.york.gov.uk/documents/s110381/WYTF%20Exec%20Nov%202016%20v5.pdf">http://democracy.york.gov.uk/documents/s110381/WYTF%20Exec%20Nov%202016%20v5.pdf</a></p>		

<b>Project title</b>	York Central Access		
<b>Reporting period</b>	Up to November 2016		
<b>Description</b>			
<p>The project delivers the key transport requirements of the York Central Project and comprises 2 main elements:</p> <p>Delivery of a new access route from the existing highway network into the York Central site and to the rear of the station.</p> <p>Delivery of a new transport interchange at the front of the station including the potential demolition of Queen Street Bridge.</p>			
<b>Current status</b>			
<b>AMBER</b>			
<p>Progression is currently dependent on the delivery of the overall York Central project and the availability of funding through the West Yorkshire Transport Fund. Gateway 1 approval for the funding has been obtained from West Yorkshire Combine Authority subject to City of York Council joining the fund.</p>			
<b>Future outlook</b>			
<p>Subject to the Council joining the WYTF and a decision on the preferred access route it is anticipated that work could commence in 2018/19. Papers on York Central Access options and the WYTF were be submitted to the Executive on 24 November. A decision was made to move the WYTF item to full council on the 15<sup>th</sup> December for approval.</p>			
<b>Key risks</b>			
<b>Risk (brief description/consequence )</b>	<b>Control/action</b>	<b>Gross</b>	<b>Net</b>
Funding not available/Next phase of project can not progress until funding is confirmed	Obtain funding – Access to WYTF to be discussed at 24 November Executive.	23	15
Public consultation affects choice of access point and increases cost.	Ensure necessary preparatory survey and consultation work is	20	15

	undertaken at an early stage		
Land not available / project can not be progressed without the necessary land	Approvals from landowners to be obtained through delivery partnership	20	18
Interface with Network Rail infrastructure delays scheme delivery	Gain necessary access approvals at an early stage once route is confirmed.	20	18
<b>Reports to</b>	Transport board		
<b>Exec member</b>	Cllr. Ian Gillies		
<b>Director responsible</b>	Neil Ferris		
<b>Dependencies</b>	LTP3, York central, Local plan		
<b>Link to paper if it has been to another member meeting (e.g. executive, council, a scrutiny committee)</b>	<p>York Central Access Options and West Yorkshire Transport Fund reports being submitted to the Executive meeting on 24 November See York Central papers</p> <p>West Yorkshire Transport fund Executive paper November 2016 <a href="http://democracy.york.gov.uk/documents/s110381/WYTF%20Exec%20Nov%202016%20v5.pdf">http://democracy.york.gov.uk/documents/s110381/WYTF%20Exec%20Nov%202016%20v5.pdf</a></p> <p>Executive November 2016 (Consultation on access options) Consultation on access options <a href="http://democracy.york.gov.uk/documents/s110389/York%20Central%20Exec%20Nov%202016%20Consultation%20on%20access%20options%20V7.pdf">http://democracy.york.gov.uk/documents/s110389/York%20Central%20Exec%20Nov%202016%20Consultation%20on%20access%20options%20V7.pdf</a></p>		



---

**Audit and Governance Committee**

20 December 2016

Report of the Head of Internal Audit

---

**Audit & Counter Fraud Monitoring Report**

---

**Summary**

- 1 This report provides an update on progress made in delivering the internal audit workplan for 2016/17 and on current counter fraud activity.

**Background**

- 2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports detailing the outcomes of internal audit work are presented to this committee.

**Internal Audit**

- 3 To date, internal audit has completed 29% of the 2016/17 audit plan based on reports issued. The figures do not reflect audits in progress or recently completed<sup>1</sup>. It is anticipated that the 93% target for the year will be exceeded by the end of April 2017 (the cut off point for 2016/17 audits). The current status of audits included in the audit plan is shown in annex 4.
- 4 Details of the audits completed and reports issued since the last report to this committee in September 2016 are given in annex 1.
- 5 One of the audits listed in the annex was given a Limited Assurance opinion (Schools Themed Audit - Information Governance) and the report is therefore included at annex 5.

---

<sup>1</sup> The figure including work in progress and work completed but not yet reported is 74%.

- 6 A review of the procurement of consultants has been carried out in the period. The findings will be reported to this Committee once investigations have been completed.
- 7 A number of variations to the audit plan have been approved by the Director of Customer and Corporate Services since the last report to this committee in September 2016. Details of these variations are included in annex 2.

### **Counter Fraud**

- 8 Counter fraud work has been undertaken in accordance with the approved plan. Annex 3 provides a summary of the work undertaken in the period.
- 9 To date the fraud team has recovered £121k in actual savings and has already surpassed its annual target (£100k). The team has achieved successful outcomes in 47% of the investigations undertaken (where cases have resulted in some form of action against the perpetrator, recovery of funds or other action by management). The team has also identified £126k in notional savings principally derived from housing fraud investigations.
- 10 As previously reported, the target for notional fraud savings has been reduced from £500k to £250k this year. The reduction is due to a change in the scope of work undertaken for the housing department. The fraud team used to assist in the recovery of abandoned council properties but this is now the sole responsibility of the housing department.

### **Breaches of Financial Regulations**

- 11 A number of breaches of the council's financial regulations have been identified during the review of the procurement of consultants. These will be reported once investigations have been completed. No other breaches have been identified during the course of recent audit work.

### **Consultation**

- 12 Not relevant for the purpose of the report.

### **Options**

- 13 Not relevant for the purpose of the report.

### **Analysis**

- 14 Not relevant for the purpose of the report.

### **Council Plan**

- 15 The work of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

### **Implications**

- 16 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

### **Risk Management Assessment**

- 17 The council will be non-compliant with the PSIAS if the results of audit work are not reported to the committee and could therefore be exposed to increased levels of scrutiny and challenge.

### **Recommendation**

- 18 Members are asked to:

- (a) Note the progress made in delivering the 2016/17 internal audit work programme, and current counter fraud activity.

#### Reason

*To enable members to consider the implications of audit and fraud findings.*

### Contact Details

**Author:**

Max Thomas  
Head of Internal Audit  
Veritau Limited  
01904 552940

**Chief Officer Responsible for the report:**

Ian Floyd  
Director of Customer & Corporate  
Services  
Telephone: 01904 551100

**Report  
Approved**



**Date** 24/11/2016

### Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

All

**For further information please contact the author of the report**

### Background Papers

- 2016/17 Internal Audit and Counter Fraud Plan

### Annexes

Annex 1 - 2016/17 Audits Completed and Reports Issued  
Annex 2 - Variations to the 2016/17 Audit Plan  
Annex 3 - Counter Fraud Activity  
Annex 4 - Current Status of Planned Audits  
Annex 5 – Schools Themed Audit - Information Governance audit report (Limited Assurance)

### Available on the council's website

The following Internal Audit reports referred to in annex 1 are published on the council's website:

- Housing Rents



- Petty Cash
- St Paul's Nursery
- Use of Interims, Specialists and Consultants

Information which might increase risk to the Council, its employees, partners or suppliers has been redacted.

This page is intentionally left blank

**AUDITS COMPLETED AND REPORTS ISSUED**

The following categories of opinion are used for audit reports.

<b>Opinion</b>	<b>Level of Assurance</b>
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Actions to address issues are agreed with managers where weaknesses in control are identified. The following categories are used to classify agreed actions.

<b><u>Priority</u></b>	<b><u>Long Definition</u></b>	<b><u>Short Definition – for use in Audit Reports</u></b>
1 (High)	<p>Action considered both critical and mandatory to protect the organisation from exposure to high or catastrophic risks. For example, death or injury of staff or customers, significant financial loss or major disruption to service continuity.</p> <p>These are fundamental matters relating to factors critical to the success of the area under review or which may impact upon the organisation as a whole. Failure to implement such recommendations may result in material loss or error or have an adverse impact upon the organisation's reputation.</p> <p>Such issues may require the input at Corporate Director/Assistant Director level and may result in significant and immediate action to address the issues raised.</p>	<p>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</p>

**Priority**

**Long Definition**

**Short Definition – for use in Audit Reports**

2

Action considered necessary to improve or implement system controls so as to ensure an effective control environment exists to minimise exposure to significant risks such as financial or other loss.

A significant system weakness, whose impact or frequency presents risks to the system objectives, and which needs to be addressed by management.

Such issues may require the input at Head of Service or senior management level and may result in significantly revised or new controls.

3

Action considered prudent to improve existing system controls to provide an effective control environment in order to minimise exposure to significant risks such as financial or other loss.

The system objectives are not exposed to significant risk, but the issue merits attention by management.

Such issues are usually matters that can be implemented through line management action and may result in efficiencies.

### Draft Reports Issued

Ten internal audit reports are currently in draft. These reports are with management for consideration and comments. Once the reports have been finalised, details of the key findings and issues will be reported to this committee.

### Final Reports Issued

The table below shows audit reports finalised since the last report to this committee in September 2016. In all cases the actions have been agreed with management, and will be followed up by internal audit when the due date is reached.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Housing Rents	Substantial Assurance	0	0	3	The audit reviewed procedures and controls relating to rents administration, including billing and recovery.  The system was found to be operating well, with some relatively minor issues identified.
Petty Cash	Substantial Assurance	0	0	2	The audit reviewed the central administration of petty cash funds as well as the processes at a sample of individual locations where funds were held.

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
					Petty cash was found to be well managed. A few small areas for improvement were identified.
St Paul's Nursery	Substantial Assurance	0	0	8	A routine audit of financial, operational and governance procedures at the school. Systems were generally working well.
Use of Interims, Specialists and Consultants	Reasonable Assurance	0	3	0	<p>This was a review of interims, specialists and consultants employed by the council. The audit built on initial work carried out in 2015/16.</p> <p>Whilst the number of consultants engaged by the council has significantly reduced, improvements are required to procedures.</p> <p>The council needs to agree on a formal definition for interims, specialists and consultants as well as establishing a framework to allow the most efficient route for employing staff of this nature in the future.</p>

Audit	Opinion	Agreed actions			Work done / issues identified
		P1	P2	P3	
Schools Themed Audit – Information Governance	Limited Assurance	0	4	4	<p>This was an audit of the processes that schools have implemented to comply with the key requirements of the Data Protection and Freedom of Information Acts. A questionnaire was sent to a sample of schools and follow-up testing was carried out based on the responses.</p> <p>The testing identified a number of areas requiring improvement, including:</p> <ul style="list-style-type: none"> <li>• Awareness of Data Protection roles and responsibilities.</li> <li>• The existence of policies and procedures.</li> <li>• Back up data and how it can be restored.</li> <li>• Encryption of portable storage devices.</li> </ul>



## VARIATIONS TO THE 2016/17 AUDIT PLAN

Additions to the plan are considered where:

- specific requests are received from the S151 Officer which are necessary for him to discharge his statutory responsibilities;
- new or previously unidentified risks result in changes to the priority of audit work;
- significant changes in legislation, systems or service delivery arrangements occur which have an impact on audit priorities;
- requests are received from customers to audit specific services, systems or activities usually as a result of weaknesses in controls or processes being identified by management;
- urgent or otherwise unplanned work arises as a result of investigations into fraud and other wrongdoing identifying potential control risks.

Additions to the audit plan are only made if the proposed work is considered to be of a higher priority than work already planned, the change can be accommodated within the existing resource constraints and the change has been agreed by the Head of Internal Audit.

Audits are deleted from the plan or delayed until later years where:

- specific requests are received from the S151 Officer or the audit customer and the grounds for such a request are considered to be reasonable;
- the initial reason for inclusion in the audit plan no longer exists;
- it is necessary to vary the plan to balance overall resources.

To reflect the contractual relationship between the council and Veritau, all proposed variations to the agreed audit plan arising as the result of emerging issues and/or requests from directorates will be subject to a change control process. Where the variation exceeds 5 days then the change must be authorised by the Director of Customer and Corporate Services. Details of variations are communicated to the Audit and Governance Committee for information.

## 2016/17 Audit Plan Variations

The following variations have been approved by the Director of Customer and Corporate Services since the last report to this committee in September 2016. They represent a net allocation of ten days from the audit contingency and do not affect the overall planned audit days.

Audit	Days	Reason For Variation
<b>Additions / Increases to the Audit Plan</b>		
Consultant Investigation	30	To carry out an investigation into the procurement of a consultant previously employed by the council. This review was requested by the s151 Officer.
Risk Management	20	To complete an audit into Risk Management processes. This work commenced in 2015/16 and continued into 2016/17; however no allocation of time or variation was previously agreed for it.
Joseph Rowntree School	25	To carry out a review of governance arrangements at Joseph Rowntree School as requested by the AD, Education and Skills.
HR Process Review	20	An allocation of time to support the HR Process Review, as requested by the Head of HR&OD and the s151 Officer.
Section 106 Agreements (follow-up)	5	An update has been requested by the Audit & Governance committee following the previously agreed deferral of the next s106 audit until 2017/18.
	<b>100</b>	

Audit	Days	Reason For Variation
<b>Deletions / Reductions from the Audit Plan</b>		
Budget Savings	20	Requested by the Head of Corporate Finance. Previous audits have found processes are working well so the request was agreed.
Document Management	25	This was requested by the AD, Legal and Governance due to the ongoing work in relation to the implementation of ICO recommendations. We have agreed that this audit would be better timed in 2017/18.
Schools Audits	20	The time allocated to Schools Audits has been reduced to accommodate the review of governance arrangements at Joseph Rowntree School.
Asset Management	25	This will be deferred from Q4 2016/17 to Q1 2017/18; therefore it will not be significantly delayed. In addition an audit review of the Asset Disposal policy is currently ongoing.
	<b>90</b>	

This page is intentionally left blank

**COUNTER FRAUD ACTIVITY 2016/17**

The table below summarises the outcomes from fraud investigation work for the period to 31 October 2016. The indicators include the full range of counter fraud work undertaken.

	<b>2016/17 (Actual:31/10/16)</b>	<b>2016/17 (Target: Full Yr)</b>	<b>2015/16 (Actual: Full Yr)</b>
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	47%	30%	41%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£121,434	£100,000	£141,579
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£126,200	£250,000 <sup>1</sup>	£511,100

**Caseload figures for the period are:**

	<b>As at 31/10/16</b>	<b>As at 1/4/16</b>
Awaiting allocation	19	10
Under investigation	96	93

<sup>1</sup> The annual target for notional savings has been reduced from £500,000 following changes to the scope of work undertaken for the Housing Department.

## Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Data for the 2016/17 National Fraud Initiative has been extracted and securely transferred to the Cabinet Office for data matching. Results of the exercise will be returned in early 2017.</p> <p>The council has joined Ryedale, Selby, Hambleton and Richmondshire district councils to undertake data matching exercises to detect cross boundary fraud. Initial matching has begun looking at single person discounts and other council tax exemptions.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Social Care fraud</b> – is a substantial risk to the council and remains an area of development for the fraud team. To date this year the team has helped to recover £105k. There are currently 23 ongoing investigations in this area.</li> <li>• <b>Housing fraud</b> – Working in conjunction with housing officers, 5 properties have been recovered to date in 2016/17. In addition, 3 properties were prevented from being let where the prospective tenants had provided false information in their housing applications. There are currently 17 ongoing investigations in this area.</li> <li>• <b>Internal fraud</b> - The team has received 6 referrals for internal frauds in 2016/17, and 7 cases are currently under investigation.</li> </ul>

Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – This area is the subject of cross boundary data matching to detect fraud. To date in 2016/17 the team has received 15 referrals for potential fraud in this area. There are currently 12 ongoing investigations into Council Tax and Non Domestic Rates fraud.</li> <li>• <b>York Financial Assistance Scheme fraud</b> – To date the fraud team has received 4 referrals in 2016/17. This year the team achieved its first prosecution. It has also issued two cautions/warnings.</li> <li>• <b>Council Tax Support fraud</b> – The council is responsible for the investigation of council tax support payments. The team has identified £5,4k in loss due to CTRS fraud to date. There are currently 12 cases under investigation.</li> <li>• <b>Parking fraud</b> – Alongside the Parking department, the team are currently looking at how other authorities deal with blue badge fraud and are prioritising closer working arrangements and proactive exercises. This financial year the team has issued 4 warnings for disabled badge misuse. There are currently 8 cases under investigation.</li> <li>• <b>Education verification</b> – The fraud team works with the schools team to investigate and deter false applications for school placements. The team have received two referrals to date in 2016/17.</li> </ul>

<b>Activity</b>	<b>Work completed or in progress</b>
	<ul style="list-style-type: none"><li>• <b>Benefit fraud</b> – On 1 March 2016 the council’s remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations. The team have dealt with 365 requests on behalf of the council this financial year.</li></ul>



## CURRENT STATUS OF WORK IN AUDIT PLAN

AUDIT	STATUS
<b>Corporate &amp; Cross-Cutting</b>	
Annual Governance Statement & Governance Support	Ongoing
Asset Disposals	In progress
Asset Management	Deferred (December)
Business Continuity and Emergency Planning	Not started
Data Quality	Planning commenced
Document Management	Deferred (December)
Freedom of Information	Not started
Health & Safety (follow-up)	Complete
Health and Wellbeing Board	Deferred (September)
Information Security	In progress
Information Security Sweeps (September)	Draft report issued
Office Security	In progress
Overtime (follow-up)	Not started
Performance Management	Not started
Procurement and Contract Management:	
Adult Social Services	In progress
Waste Disposal Contract	Planning commenced
Project Management:	
OPH (risk reporting)	Complete

AUDIT	STATUS
Digital Services Programme (support)	Ongoing
Digital Services Programme (initial review)	Fieldwork complete
Risk Management	Fieldwork complete
Training	In progress
Use of Social Media	Not started
Ward Committee Budget Decision Making	Draft report issued
<b>Main Financial Systems</b>	
Budget Savings	Cancelled (December)
Cashiers and Income Management: Petty Cash	<b>Substantial Assurance</b>
Council Tax & NNDR	In progress
Council Tax Support and Housing Benefits	In progress
Debtors	Fieldwork complete
Housing Rents	Not started
Main Accounting System	Not started
Ordering and Creditor Payments	In progress
Payroll	Not started
VAT Accounting	Not started
York Financial Assistance Scheme	Planning commenced
<b>Health, Housing and Adult Social Care</b>	
Better Care Fund	Not started
Deprivation of Liberty Assessments	Not started

AUDIT	STATUS
Homeless Establishments	Not started
Housing Repairs	In progress
Management of Travellers' Sites	Not started
Public Health	In progress
Right to Buy	In progress
Safeguarding	Not started
<b>City and Environmental Services</b>	
Fleet Management	Fieldwork complete
Highways Regulation	Planning commenced
Section 106 Agreements (follow-up)	Not started
Bus Pass Usage Claims (addition to plan)	Not started
<b>Children, Education and Communities</b>	
Contributions to Care	Not started
Free Early Education Funding	In progress
School Placement Planning	Planning commenced
Schools: St Paul's Nursery Elvington CE Primary	<b>Substantial Assurance</b> Draft report issued
<b>Customer and Corporate Services</b>	
Blue Badge Scheme	In progress

AUDIT	STATUS
IT audit	Not started
PCI DSS Compliance	In progress



# Themed Audit Information Governance

## City of York Council

### Internal Audit Report 2015/16

Business Unit: Children's Services, Education & Skills,  
 Responsible Officer: Assistant Director Education & Skills  
 Service Manager: Headteachers  
 Date Issued: 13/10/2016  
 Status: Final  
 Reference: 15699/009

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>4</b>	<b>4</b>
<b>Overall Audit Opinion</b>	Limited Assurance		

## Summary and Overall Conclusions

### Introduction

The Information Governance themed audit was agreed as part of the 2015/16 audit plan for Children's Services, Education & Skills to try and gauge the level of understanding of Data Protection and Freedom of Information requirements within City of York Council schools.

### Objectives and Scope of the Audit

The purpose of the audit was to provide assurances to management that the processes that schools have implemented to manage key requirements in compliance with Data Protection and Freedom of Information Acts are effective.

An initial Information Governance Audit Questionnaire was issued to 20 randomly selected schools.

The questionnaire covered the following key controls:

- Schools are registered with the Information Commissioner as data holders.
- Schools have appointed a Senior Information Risk Owner (SIRO) and they have received appropriate training.
- Staff are aware of their Data Security procedures and requirements.
- Policies are in place to comply with the various requirements.
- Data is stored securely and retained only in line with guidance.
- Back-up of electronic data procedures are in place

### Key Findings

20 schools were issued with a questionnaire. 5 schools failed to return these questionnaires despite subsequent reminders. The key findings taken from the 15 returned questionnaires and some limited additional testing included:

All schools who responded had procedures in place to ensure that staff were aware of their responsibilities regarding data security and e-mail and internet acceptable use.

All schools ensured that personal data relating to children and staff was kept up to date.

All schools had anti-virus software firewalls and filters on their ICT network.

All schools ensured they had permission from parents before allowing children to be photographed.

However several schools did not have appropriate policies in place to comply with legislation.

Schools were not generally aware of the term SIRO and their role and responsibilities prior to the audit.

Schools did not evidence that they had disposed of records in accordance with document retention schedules and a small number of schools were not clear on how long to retain personal files of staff and children.

At least a third of schools could not confirm that back-up data was tested to ensure its functionality.

Around a third of schools did not have encrypted memory sticks or laptops.

Data sharing protocol agreements were not in place to govern the work of any third party data processors.

## **Overall Conclusions**

It was found that the arrangements for managing risk were poor with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance.

## 1 Data Protection Roles and Responsibilities

### Issue/Control Weakness

Although the majority of schools identified their Headteacher as their SIRO they were not generally aware of the term Senior Information Risk Owner (SIRO) and their role and responsibilities.

### Risk

Data Protection and information governance may not be effectively managed.

### Findings

Every school should have a member of staff, who has overall responsibility for information risk to ensure information relating to both teaching staff and pupils is managed securely. This person is the designated Senior Information Risk Owner (SIRO). It was found that of the 15 schools returning their questionnaire:

- Nine schools were not aware of the term SIRO prior to receiving the questionnaire, however fourteen schools named the Headteacher or School Business Manager as their SIRO. Guidance states that the SIRO must be an executive operating at Board level. In a school environment it is unclear if anyone other than the Headteacher has sufficient seniority to fulfil this role.
- No training for this role was identified as having been completed by these officers.

### Agreed Action 1.1

Each school is its own data controller and is legally responsible for complying with data protection legislation. The findings from the internal audit report will be shared with all headteachers and will include recommended action points to consider implementing. It will be suggested that all schools consider completing a data protection risk assessment in the first instance. If training and support is required arrangements can be made through the CYC team to provide this through the traded service for Information Governance or alternatively support can be obtained through other organisations.

#### Priority

2

#### Responsible Officer

Children's Services /School(s) / Head teacher(s)

#### Timescale

31<sup>st</sup> July 2017

### Actions for Schools

1. To understand role of SIRO and provide at each school.
2. Training needs to be identified at school(s) and then a programme of training to be provided which must be recorded / evidenced.



## 2 Data Protection and Freedom of Information Policies and Procedures

### Issue/Control Weakness

Some schools did not have policies and procedures in place that adequately covered data protection and Freedom of Information requirements.

### Risk

The school may not be complying fully with the requirements under the Data Protection Act (DPA), Environmental Regulations (EIR) and Freedom of Information Act (FOIA). Failure to address Information Security Risks could result in breaches and financial penalties from the Information Commissioner.

### Findings

Part of a schools compliance with the Data Protection and Freedom of Information legislation is to implement an Information Policy, adopt a Publication Scheme and to issue Privacy Notices parents and staff. A number of schools were not clear whether they had policies in place that adequately covered the security and management of records. A review of policies at several schools identified that most policies did not adequately cover the security of physical records, the removal of images from peripheral devices and guidance to staff on changing passwords. Of the fifteen schools returning questionnaires:

- Four schools had not adopted their own information management/data protection policy. It was noted that the model policy for schools is a number of years old and makes no reference to the role of SIRO.
- One school had not required staff to acknowledge the e-mail and internet acceptable use policy and seven schools had not periodically renewed this acknowledgement.
- Nine schools had no procedure in place for investigating and responding to security incidents.
- Three schools stated they had no monitoring procedure to ensure compliance with school policies.
- Five schools had not adopted the Information Commissioners Model Publication Scheme. Of those who had, four had not published the scheme and guide to information on their website.

### Agreed Action 2.1

Each school is its own data controller and is legally responsible for complying with data protection legislation. The findings from the internal audit report will be shared with all headteachers and will include recommended action points to consider implementing. It will be suggested that all schools consider completing a data protection risk assessment in the

**Priority**

2

**Responsible Officer**

Children's Services  
/School(s) / Head  
teacher(s))

first instance. If training and support is required arrangements can be made through the CYC team to provide this through the traded service for Information Governance or alternatively support can be obtained through other organisations.

**Timescale**31<sup>st</sup> July 2017

### Actions for Schools

1. Adopt and publish their Publication Scheme based on (as a minimum) the Information Commissioners Office (ICO) model publication scheme for schools
2. Undertake a review of required information governance and security policies and procedures and implement either new or up to date ones
3. Implement a method of monitoring and recording that their information governance and security policies and procedures have been read and understood by all staff & governors.
4. To introduce (or review their existing one) a data breach management policy/procedure in their school
5. Introduce (or review existing) retention policy/procedures and retention schedules for their records
6. Introduce or review the policies/procedures for responding to both FOI and Subject Access to Records (SARs) requests

### 3 Freedom of Information and Subject Access Requests

#### Issue/Control Weakness

A designated person and a deputy had not been appointed in all schools to champion and coordinate information management and process information requests.

#### Risk

Information requests may not be passed to the appropriate officer to ensure they are properly addressed within given timescales.

#### Findings

All schools confirmed that they had a system in place to ensure requests for information received (including subject access requests and freedom of information requests) were logged and responded to within the appropriate deadlines. However, five schools did not name a designated officer who would take responsibility for dealing with these requests.

#### Agreed Action 3.1

Each school is its own data controller and is legally responsible for complying with data protection legislation. The findings from the internal audit report will be shared with all headteachers and will include recommended action points to consider implementing. It will be suggested that all schools consider completing a data protection risk assessment in the first instance. If training and support is required arrangements can be made through the CYC team to provide this through the traded service for Information Governance or alternatively support can be obtained through other organisations.

#### Priority

3

#### Responsible Officer

Children's Services  
/School(s) / Head  
teacher(s)

#### Timescale

31<sup>st</sup> July 2017

#### Actions for Schools

1. To provide either a named person or post to be designated officer with responsibility for dealing with FOIs and SARs

## 4 Data Back Up

### Issue/Control Weakness

A number of schools were not sure of the location of their back up data and whether this data could be restored.

### Risk

Back up data could be lost or not function as required.

### Findings

Although all fifteen schools confirmed they had procedures in place to back up their finance and admin data on a regular basis:

- One school confirmed they did not store back-up data in a secure location or away from the main server and one was not sure (the back up being held by the IT managed service contractor).
- Five had not tested (or had not asked their IT managed service contractor to test) that data could be restored from their back-ups.

### Agreed Action 4.1

Each school is its own data controller and is legally responsible for complying with data protection legislation. The findings from the internal audit report will be shared with all headteachers and will include recommended action points to consider implementing. It will be suggested that all schools consider completing a data protection risk assessment in the first instance. If training and support is required arrangements can be made through the CYC team to provide this through the traded service for Information Governance or alternatively support can be obtained through other organisations.

#### Priority

2

#### Responsible Officer

Children's Services  
/School(s) / Head  
teacher(s)

#### Timescale

31<sup>st</sup> December 2016

### Actions for Schools

1. Check contracts with their IT managed services providers or suppliers where
  - a. Back up data is stored
  - b. How it is stored
  - c. Is it retrievable/able to be restored from back ups
2. If there is no back up and/or inadequate security of back up data and/or no restoration ability, to urgently put these into place and ensure this is evidenced. Ongoing quality checking/monitoring and /or testing should be put in place

## 5 Disposal of Records

### Issue/Control Weakness

Schools were unable to evidence destruction of records in accordance with document retention schedules.

### Risk

Failure to comply with Data Protection Principles for retention of records.

### Findings

Schools should ensure that records, both physical and electronic, are destroyed in accordance with the schools document retention schedule. Of the fifteen schools returning questionnaires:

- Three schools were not clear how retention guidelines were applied to personal information (such as files for staff and students) and how long personal files should be retained.
- Although schools confirmed they used suitable methods of disposal for physical records most were not clear on the disposal of electronic records.
- There was no record of what groups of documents had been destroyed in compliance with the document retention guidelines.

### Agreed Action 5.1

Each school is its own data controller and is legally responsible for complying with data protection legislation. The findings from the internal audit report will be shared with all headteachers and will include recommended action points to consider implementing. It will be suggested that all schools consider completing a data protection risk assessment in the first instance. If training and support is required arrangements can be made through the CYC team to provide this through the traded service for Information Governance or alternatively support can be obtained through other organisations.

**Priority**

3

**Responsible Officer**

Children's Services  
/School(s) / Head  
teacher(s)

**Timescale**

31<sup>st</sup> July 2017

### Actions for Schools

1. Introduce or review retention guidance, schedules etc based on legislative/statutory records management and/or best practice including method(s) for recording destruction of information etc
2. Introduce or review current disposal methods for electronic records ensuring they meet information security/Data Protection Act (DPA) etc requirements

## 6 Encryption

Issue/Control Weakness	Risk
Data held on portable storage devices such as laptops and memory sticks was not adequately protected at all schools and confidential or sensitive information could be accessible by unauthorised persons.	If the unencrypted laptop or other assets holding confidential or sensitive information is lost or stolen this would be a data protection breach notifiable to the Information Commissioner and sanctions may be incurred.

### Findings

Whilst the majority of schools ensured that any IT equipment staff use for work purposes such as laptops or memory sticks were encrypted:

- Five schools had laptops that could be used to hold personal data that were password controlled but not encrypted.
- Four schools used unencrypted memory sticks.

### Agreed Action 6.1

Each school is its own data controller and is legally responsible for complying with data protection legislation. The findings from the internal audit report will be shared with all headteachers and will include recommended action points to consider implementing. It will be suggested that all schools consider completing a data protection risk assessment in the first instance. If training and support is required arrangements can be made through the CYC team to provide this through the traded service for Information Governance or alternatively support can be obtained through other organisations.

<b>Priority</b>	2
<b>Responsible Officer</b>	Children's Services /School(s) / Head teacher(s)
<b>Timescale</b>	31 <sup>st</sup> December 2016

#### Actions for Schools

1. Ensure that all portable storage devices eg laptops, memory sticks etc are encrypted

## 7 Data Sharing Protocol

### Issue/Control Weakness

Information shared with other data controllers may not be adequately protected and may be used for unauthorised purposes.

### Risk

Failure to comply with the legal duty to protect data.

### Findings

Schools need to ensure that data passed to other data controllers and third party providers is transmitted and held securely and is only used in accordance with the schools privacy notice. It was noted that there is no formal data sharing protocol agreement in place at schools which clearly sets out the responsibilities of both parties:

- Six schools did not know whether information sharing protocols were in place to govern routine information sharing with other data controllers.
- Six schools did not know whether there were contracts in place to govern the work of data processors (third party providers) that provide assurance of their compliance with data protection principles.

### Agreed Action 7.1

Each school is its own data controller and is legally responsible for complying with data protection legislation. The findings from the internal audit report will be shared with all headteachers and will include recommended action points to consider implementing. It will be suggested that all schools consider completing a data protection risk assessment in the first instance. If training and support is required arrangements can be made through the CYC team to provide this through the traded service for Information Governance or alternatively support can be obtained through other organisations.

#### Priority

3

#### Responsible Officer

Children's Services  
/School(s) / Head  
teacher(s)

#### Timescale

31<sup>st</sup> December 2016

#### Actions for Schools

1. Review what data is shared and with who and for what purpose
2. Put in place or review information sharing agreements
3. Review contracts with data processors to ensure DPA compliance

## 8 CCTV

### Issue/Control Weakness

Schools may not be compliant with the information Commissioners Code of Practice for the use of CCTV.

### Risk

Data Protection breaches may occur.

### Findings

Nine out of the fifteen schools returning questionnaires had CCTV cameras in place and had specified the use of CCTV on their data registration. However, two schools indicated on the questionnaire that they were unable to confirm that they were compliant with the Information Commissioners code of practice for the use of CCTV and schools did not have their own policy or procedures in place to ensure compliance.

### Agreed Action 8.1

Each school is its own data controller and is legally responsible for complying with data protection legislation. The findings from the internal audit report will be shared with all headteachers and will include recommended action points to consider implementing. It will be suggested that all schools consider completing a data protection risk assessment in the first instance. If training and support is required arrangements can be made through the CYC team to provide this through the traded service for Information Governance or alternatively support can be obtained through other organisations.

#### Priority

3

#### Responsible Officer

Children's Services /School(s) / Head teacher(s)

#### Timescale

31<sup>st</sup> December 2016

#### Actions for Schools

1. Introduce as a minimum, the ICOs code of practice on use of CCTV in schools
2. Introduce or review the policy and procedures covering CCTV use in schools



## Audit Opinions and Priorities for Actions

### Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

### Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.



---

**Audit and Governance Committee**20<sup>th</sup> December 2016

Report of the Director of the Deputy Chief Executive/Director of Customer & Corporate Services

**Mazars Annual Audit Letter 2015/16****Summary**

1. The paper attached at Annex A from Mazars – the Council's external auditors – summarises the outcome of their audit of the Council's 2015/16 annual accounts and their work on the value for money conclusion.

**Background & Analysis**

2. The report covers:
  - a) Key Messages
  - b) Financial Statements
  - c) VFM Conclusion
  - d) Follow up of Public Interest Report recommendations
  - e) Future challenges
  - f) Fees

**Options**

3. Not relevant for the purpose of the report.

**Corporate Priorities**

4. The report contributes to the overall effectiveness of the Council's governance and assurance arrangements.

**Implications**

5. There are no financial, HR, equalities, legal, crime and disorder, IT or property implications arising from this report.

**Risk Management**

- 6. The Council will fail to comply with legislative and best practice requirements to provide for a proper audit of the Council if it does not consider this report.

**Recommendations**

- 7. Members are asked to:

- a) note the matters set out in the Annual Audit report presented by Mazar's;

Reason

*To ensure Members are aware of Mazar's progress in delivering their responsibilities as external auditors.*

**Contact Details**

**Author:**

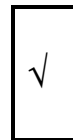
Emma Audrain  
Technical Accountant  
Corporate Finance  
Telephone (01904) 551170

**Chief Officer Responsible for the report:**

Ian Floyd  
Deputy Chief Executive/Director of  
Customer & Corporate Services

Debbie Mitchell  
Finance & Procurement  
Manager  
Telephone (01904) 554161

**Report  
Approved**



**Date** 20<sup>th</sup>  
December  
2016

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

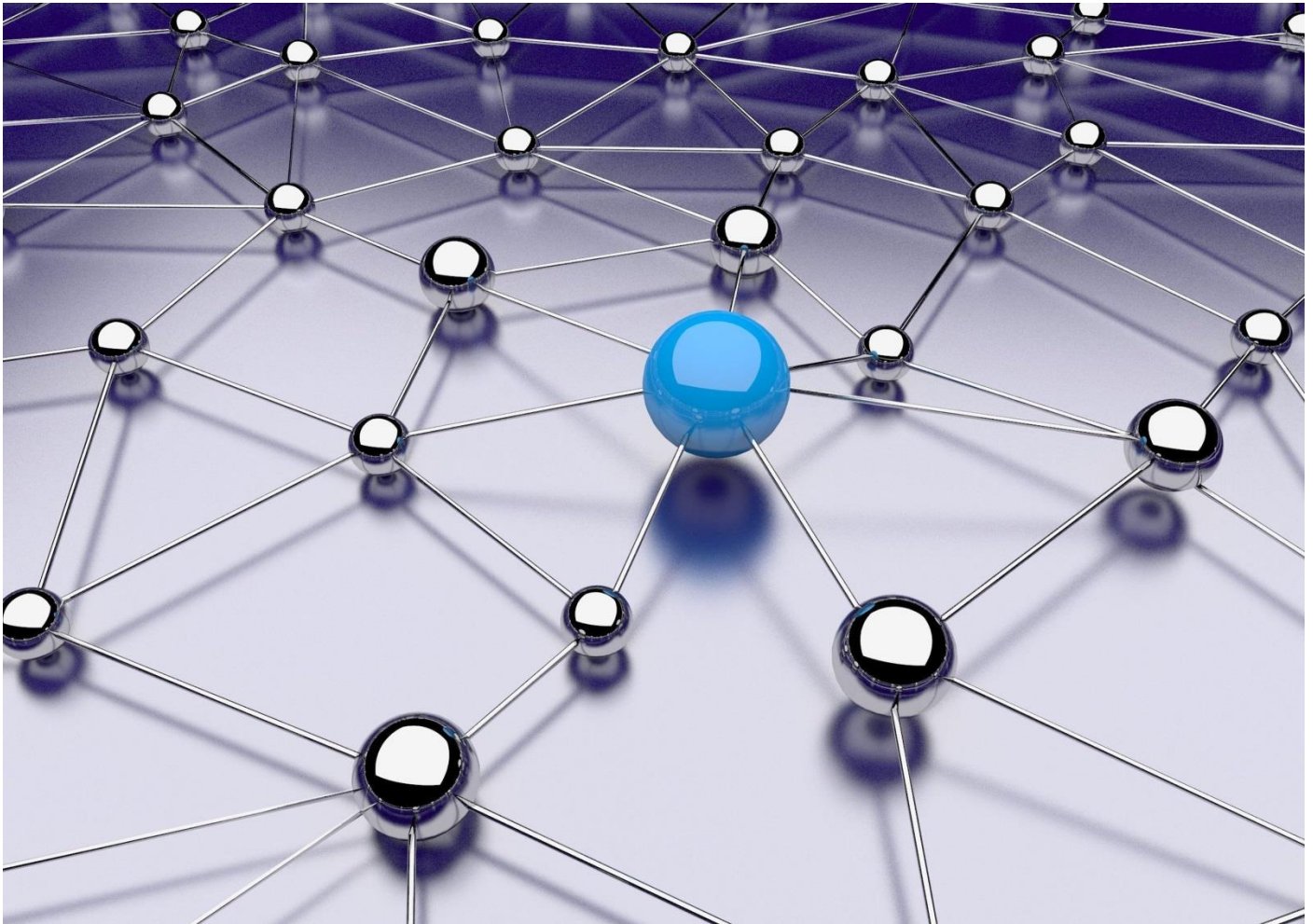
None

**Annexes**

Annex A - Mazars Annual Audit Report

# Annual Audit Letter 2015/16

City of York Council



October 2016

Mazars LLP  
Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Members  
City of York Council  
West Offices  
Station Rise  
York  
YO1 6GA

27 October 2016

Dear Members

**City of York Council - Annual Audit Letter 2016**

I am pleased to present to you City of York Council's (the Council's) Annual Audit Letter. The purpose of this document is to summarise the outcome of our audit of the Council's 2015/16 annual accounts and our work on the value for money conclusion.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies issued by the National Audit Office and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2015.

We issued an unqualified opinion on the statement of accounts and an unqualified value for money conclusion.

I would like to express my thanks for the assistance of the Council's finance team, as well as senior officers and the Audit and Governance Committee.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6300.

Yours faithfully

Gareth Davies  
Partner  
Mazars LLP

# Contents

01 Key messages .....	2
02 Financial statements.....	4
03 VFM conclusion.....	6
04 Follow up of Public Interest Report recommendations.....	15
05 Future challenges .....	18
06 Fees.....	19

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies 2015-16' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to Members or officers are prepared for the sole use of the Council and we take no responsibility to any Member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

# 01 Key messages

Our Annual Audit Letter provides a summary of our work and findings for the 2015/16 audit period for Members and other interested parties.

We reported the detailed findings from our audit work in our Audit Completion Report for City of York Council which was presented to the Audit and Governance Committee on 28 September 2016. The key conclusions for each element of our work are summarised below:

## **Our audit of the statement of accounts**

We issued an audit report including an unqualified opinion on the Council's financial statements on 30 September 2016.

## **Our VFM conclusion**

We carried out sufficient, relevant work, in line with the National Audit Office's guidance, so that we could conclude on whether you had in place, for 2015/16, proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We issued an unqualified VFM conclusion on 30 September 2016.

## **Whole of Government Accounts**

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of your WGA consolidation pack with the audited statement of accounts. We reported that your consolidation pack was consistent with the audited statement of accounts on 20 October 2016.

## **Our other responsibilities**

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Local Audit and Accountability Act 2014. These include responding to questions and objections on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest.

## **Objection to the accounts**

On 11 August 2016 we were notified by a local elector of an objection to the Council's accounts. The objection notice raised a number of issues, from which two specific areas relating to the procurement of services from two separate suppliers constituted a valid objection. At the time of writing, we are considering the Council's response to the issues raised in the objection.

The expenditure in the 2015/16 accounts relating to these procurements was below £100k and consequently well below the level of materiality for our opinion on the financial statements. We were able to issue our opinion and VFM conclusion on 30 September 2016, but we are unable to certify completion of the audit, and will be unable to do so until the objection has been determined.



## Public interest report

Since our last Annual Audit Letter was published we have issued a Public Interest Report entitled *Governance Issues in relation to Remuneration of Council Officers for work as Directors of City of York Trading Ltd*. This related to the 2014/15 audit, was issued under the Audit Commission Act 1998 and was published on 26 February 2016.

The report identified:

- governance failings in relation to remuneration of Council officers for work as Directors of this Council-owned trading company;
- action needed to regularise the position; and
- important lessons to be learnt and applied to ensure the future good governance of the Council's relationships with its trading companies.

We made a number of important recommendations which were agreed by the Council.

During the 2015/16 audit, we followed up the progress made by the Council in addressing our recommendations and this is set out in section 4 of this report.

# 02 Financial statements

## Audit of the financial statements

We audited your financial statements in line with auditing standards and we reported our detailed findings to the meeting of the Audit and Governance Committee on 28 September 2016. We issued an audit report, including an unqualified opinion, on the statement of accounts on 30 September 2016.

## Risk and materiality

Our work on your financial statements aims to provide reasonable assurance that your accounts are free from material misstatement. The assessment of materiality is, therefore, a key part of our work and we specify an overall materiality threshold, based on your gross revenue expenditure, together with lower materiality values for accounting entries we consider to be more sensitive, such as officer remuneration and members' allowances.

We consider materiality when planning and performing our work and in assessing the results.

At the planning stage, we make a judgement about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We updated our materiality calculation when we received the draft accounts and set the overall level at £7.4m. We do not purely use a formula for our calculation of materiality and we look at any errors identified on their merits and can choose to report errors and uncertainties below our thresholds if we deem this to be appropriate.

In applying our view of materiality we identified the following two significant risks:

- management override of controls; and
- accounting entries for pensions.

We carried out a programme of work to address these risks which included the testing of journals, transactions and disclosures. Our work did not identify any issues to report.

In completing our work we assess the scale of errors and uncertainties using our materiality calculation to determine the impact on our audit reports. We did not identify any material errors in your statement of accounts.

## Preparation of the accounts

During the course of the audit we did encounter one significant matter that required discussion with management, relating to the revaluation of Council dwellings.

In the draft accounts presented for audit, the value of Council dwellings increased by £43.9m, or 16.0%, between 1 April 2015 and 31 March 2016, against a gross book value of £276.1m. This followed a full revaluation carried out by the valuer at 1 April 2015; a full valuation is undertaken once every 5 years with a desktop revaluation exercise in the intervening years.

In view of the material nature of the increase in the valuation and the low likelihood that the increase related entirely to the past year, we discussed with officers whether a prior period adjustment should be made.

We accepted officers' view that it should not because (under IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) the significant increase following the revaluation arose from a change in accounting estimate rather than a change in accounting policy or an error, and IAS 8 states that for a change in accounting estimate, in this case the value of council dwellings, this would be adjusted in the current year and not give rise to a prior period adjustment.

We have recommended that the Council reviews its approach to the revaluation of Council dwellings in the years when a full revaluation is not carried out. Officers have agreed to address this recommendation.

### **Follow up in relation to the bank reconciliation**

We are pleased to report that our recommendation from last year to resolve historic discrepancies in the Council's bank reconciliation has been fully implemented and there are no outstanding issues relating to the bank reconciliation to bring to the attention of Members.

### **Preparation of the accounts**

The Council presented us with draft accounts in accordance with the national deadline. Working papers and other supporting evidence were produced on a timely basis throughout the audit. Your arrangements and the responsiveness of officers enabled us to complete our comprehensive procedures efficiently.

### **Issues arising from the audit of the accounts**

We would like to highlight the following key points:

- officers prepared good quality draft financial statements and working papers;
- there were few errors identified; and
- the audit progressed well and we received the full co-operation of officers.

### **Annual Governance Statement (AGS)**

The AGS is drafted by the Council to provide assurance to the reader over how it is managed and how it has dealt with risks in the year. We reviewed the AGS to see whether it complied with relevant guidance and whether it was misleading or was inconsistent with what we know about the Council. We found no areas of concern to report.

## 03 VFM conclusion

For 2015/16, we were required to satisfy ourselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We performed our work in this area in accordance with guidance set out by the National Audit Office. This required us to consider one overall criterion as set out below.

**Overall criterion:** *in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

Our work in this area focused on the three sub-criteria specified by the National Audit Office namely:

Sub-criteria	Focus of the sub-criteria
<b>Informed decision-making</b>	<ul style="list-style-type: none"> <li>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</li> <li>Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.</li> <li>Reliable and timely financial reporting that supports the delivery of strategic priorities.</li> <li>Managing risks effectively and maintaining a sound system of internal control.</li> </ul>
<b>Sustainable resource deployment</b>	<ul style="list-style-type: none"> <li>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</li> <li>Managing and utilising assets effectively to support the delivery of strategic priorities.</li> <li>Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>
<b>Working with partners and other third parties</b>	<ul style="list-style-type: none"> <li>Working with third parties effectively to deliver strategic priorities.</li> <li>Commissioning services effectively to support the delivery of strategic priorities.</li> <li>Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>

As part of our work, we also:

- reviewed your Annual Governance Statement;
- considered the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities; and
- carried out risk-based work we determined to be appropriate.

## Risk based work

We identified a significant audit risk around financial pressures from reduced funding and the continued need to identify plans to deliver future savings and improvements. Without robust budgetary control and delivery of its action plans, the Council's financial resilience and service performance could deteriorate.

In addition, there have been some high profile examples of problems with project delivery, such as the housing for older people procurement and more recently with the community stadium project. This has been the first year of operation of the Better Care Fund, which requires the Council to work with the local CCG and the wider health economy to reduce demand for acute healthcare. Any failures in these areas could compound the Council's financial and operational difficulties and impact adversely on services provided.

We reviewed budget monitoring and reporting, focusing on areas where action plans are in place to make savings and improvements, and seeking to minimise any adverse impact on service delivery. We reviewed the plans that are being developed to deliver savings and improvements.

We focused on:

- the budget process and the Medium-Term Financial Strategy;
- the progress made in identifying savings required;
- budget monitoring reports and other finance updates; and,
- delivery of improved outcomes.

In addition, we carried out a number of more detailed specific probes in areas of particular risk:

- overall programme and project management arrangements;
- the community stadium project;
- the older persons' accommodation programme;
- integration of health and social care and the operation of the Better Care Fund; and
- The 'future shape and size' programme, which considers the Council's future operating model and how services might be re-shaped to meet the challenges the Council faces.

These more detailed probes were carried out as additional fee work under the Code of Practice, and this work and the associated fee was approved by our regulator, Public Sector Audit Appointments Ltd.

We were able to gain sufficient assurance from our work to mitigate the audit risk although we note that the scale of the ongoing challenges facing the Council is significant.

## Financial standing

Ongoing pressure on the public finances presents significant challenges for the Council and the need to plan for further reductions in spending power coupled with increased demand for services.

The Council has made good progress in addressing its biggest challenges to date and has a proven track record of strong budget management and delivering planned budget reductions.

The 2015/16 revenue budget included savings proposals to address reduced funding and cost pressures.

The Council achieved a better than expected outturn for both the General Fund and HRA in 2015/16.

2015/16	Original Budget	Funding	Net Budget position	Outturn Position	Comparison against Original Budget
General Fund - revenue expenditure	£119.8m	£119.8m	£0	£876k Surplus	£876k Improvement
Housing Revenue Account	£32.0m	£34.6m	£2.624m surplus	£4.344m Surplus	£1.720m Improvement

The main reasons for the better than expected General Fund Outturn included a £1.8m saving against central budgets, which was partly offset by a £968k overspend in directorate budgets. Central budgets benefitted mainly from reduced interest costs and increased interest income, arising from slippage in the capital programme. The biggest directorate overspend was in children's services, education and skills (£791k). Adult social care, an area which has been subject to significant cost pressures in recent years achieved a net budget saving of £101k.

The Council has a significant capital programme, and the outturn for 2015/16 was £41.5m, compared to an original budget of £71.1m, the reduction mainly arising from slippage in the programme and re-profiling of budgets to future years.

## Achievement of objectives

The Council Plan 2015 – 2019 sets out the Council's corporate priorities.

### Key Priorities

**a prosperous city for all** - where local businesses can thrive and residents have good quality jobs, housing and opportunities

**a focus on frontline services** - to ensure all residents, particularly the least advantaged, can access reliable services and community facilities

**a council that listens to residents** - to ensure it delivers the services they want and works in partnership with local communities

The Plan was approved by full Council in October 2015 and is a high level document that sets out key aims, improved outcomes and what the Council will do over the next 4 years.

In March 2016, the Council invited a Local Government Association (LGA) peer challenge review team to undertake follow up work on their previous Corporate Peer Challenge in June 2013. This identified a number of issues to address including the need for stronger and more visible leadership (political and managerial), improvement in the working relationship between officers and members, improved clarity of the Council's vision and a budget process that better follows the Council's stated priorities. The peer review also highlighted some areas that had improved and also concluded that service delivery had been good to date.

The Council has developed an action plan in response to the issues raised in the peer review.

Part of the response has included a revised performance management framework which aims to establish a 'line of sight' from the Council's vision and priorities, through key strategies, statutory plans and directorate plans and down to individual and team performance plans. As part of this initiative the Council has articulated a 'New Vision' for the City of York in 2030 which reflects the overall vision that *"the Council will secure the future of York as a prosperous, progressive, and sustainable city, giving the highest priority to the wellbeing of its residents, whilst protecting the fabric and culture of this world-famous historic city"*.

The Council's current performance reporting, including the Annual Report for 2015/16 published in June, includes a large amount of performance data and reporting on activities that have been undertaken, but lacks milestones that show how the Council will move from where it is now to where it aims to be.

The development of the new vision provides an opportunity for the Council to take stock on what it is seeking to achieve, clarify what needs to be done and then the steps that need to be taken over time. Through this process the Council needs to assess whether all of its current activities and projects are appropriately directed towards its key objectives and take corrective action where this is not the case.

Over the last year, the Council has experienced significant changes in senior management, and interim arrangements have been in place in some areas, including at Chief Executive level. A new permanent Chief Executive started on 1 August 2016 and a new management structure is being implemented.

### **Overall programme and project management arrangements**

We found that the arrangements being put in place to improve programme and project management reflect good practice. We recognise that the new arrangements will take time to embed in the Council's wider management arrangements. It is important that the recommendations arising from the recent review by Veritau of programme and project management are fully implemented. We also see it as key that corporate oversight of programme and project management is maintained, and that adherence to the arrangements being put in place by the Programme Manager and other colleagues is supported and monitored by the Corporate Management Team. Reporting on programme and project management to the Audit and Governance Committee has noticeably improved as the Council has developed its new arrangements.

### **The community stadium project**

The Community Stadium is one of the Council's most ambitious projects aiming to deliver a sustainable future for local football and rugby clubs whilst providing much wider economic and social benefits to the whole community through leisure, retail and health facilities on the site. The project has evolved over a significant period of time through:

- the initial concept for a new shared football and rugby stadium in 2009;
- a comprehensive business case in 2012 for the stadium combined with other sporting, health and educational facilities; and
- final plans for an extensive new stadium and leisure complex including significant retail development and a cinema.

The project has attracted considerable public interest and is highly complex in terms of the legal and contractual framework, planning requirements, procurement process, technical specification and costing as well as the management of the multiple stakeholders involved.

A key objective is to maximise private sector funding for the project with minimal Council contribution. The current plan shared with the Executive in March 2016 is for a £44.2m development with £14.4m of Council funding. In broad terms this represents £2 of private investment for every £1 of public funds. In this calculation, we have treated the £11.3m commercial land deal as private investment, although we recognise that this has been achieved in return for the Council giving up its land asset.

Following our preliminary review of the Council's arrangements for the delivery of this project as part of our Value for Money work in the 2014/15 audit, the project has progressed in many areas. Greenwich Leisure Ltd were approved as the preferred bidder for the design, build, operate and maintain contract in September 2014 and following detailed planning approval in March 2015, dialogue has continued to finalise the design specification including value engineering work to contain costs where feasible.

However, the project continues to experience significant delays due to the complexities of finalising the design, planning approvals and associated legal agreements. A necessary planning amendment was approved in June 2016. The latest anticipated timescale for the stadium to be operational is early 2018. Early works have been implemented to mitigate the impact of the delays.

The timescale slippage has had a consequent impact on costs due to inflation and contractors not being in a position to fix prices until financial close when agreements can be signed. Including project costs and contingency, the total cost of the development has risen to £44.2m as reported to the Executive in March 2016 against an original budget of £37m based on the final tender price submitted in May 2014, an increase of almost 19.5%.

The reasons for the capital cost increase reported in the paper are progression of the detailed design, construction inflation, delays in the timetable and the inclusion of an increased contingency. However, as reported at March 2016, the revenue consequences of the scheme show a favourable impact over the 13 years of the scheme. The projected net revenue cost of £1.3m over 13 years compares to a budget of £5.6m over the same period, a saving of £4.3m.

The current estimated final costs of the project and the costs that have been incurred to get the scheme to its current position have been the subject of public comment.

The Council has been unable to debate many of these issues in public whilst within a competitive dialogue procurement exercise and whilst involved in commercial negotiations with a range of parties to the project.

As part of our review we have had access to all information held in relation to this project, including commercially sensitive information. The view we have to form is not whether the project will succeed, but whether the Council has proper arrangements in place to manage this project and mitigate the risks of failure.

The Outline Business Case approved in March 2012 was of a high standard. The procurement process ran well with two bidders remaining at the final stage thereby providing a market benchmark for the final accepted tender price.

The most recent public report to Executive on the project in March 2016 set out recommendations to proceed with the Community Stadium and Leisure Facilities Project, agree the required project budget and agree to complete all final negotiations and legal agreements for the project to reach financial close.



Until financial close can be achieved, which is subject to constraints outside of the Council's control, contractor and sub-contractor agreements and leases cannot be signed. As is common for major construction projects of this nature, this means prices are not fixed and therefore cost variations have and will continue at least to reflect the impact of inflation over time.

The project team has implemented a detailed cost tracking approach to evidence scrutiny of cost revisions for both capital and revenue. Challenge of costs is provided by independent technical experts employed as part of the project team. This has happened from the commencement of the procurement process at each formal cost restatement stage including the accepted tender price and as the design was developed, through to the latest cost estimates. The Council has therefore tested on an ongoing basis whether the project represents value for money to the public at each stage and has continued to update that assessment over the project life cycle.

A further recent development is a judicial review claim lodged by Vue Cinemas against the June 2016 planning approval. The Council continues to assess the impact of this further delay.

Despite the significant complexities of this major project, we have observed good practice in many areas including disciplined governance and project management, a well-run procurement process, appropriate technical resourcing of the project team, detailed cost tracking and the use of specialist independent support when necessary.

Members of the Executive have received regular briefings on the project, and this continues to be the case.

In our view the public reporting to Executive could have been expanded without compromising commercial confidentiality. Officers' view is that they sought external legal advice on what to disclose and that the reports were at the limits of what it was possible to include in a public report.

We suggest that some limited additional narrative could have been used to provide more assurance to Members and the public, for example:

- the arrangements that had been put in place to scrutinise and challenge the costs through the cost tracking process, including the use of independent and specialist external advisors. The reports set out the costs but did not explain the controls which have been put in place by the project team to ensure value for money;
- summarising how the scope of the project had changed over time and the impact on costs. The cost increases are clear but the narrative explanation could have been expanded, setting out the key factors explaining the increases, e.g. the cost escalation due to inflation; and
- providing more information on the reasons for the delays and a revised project plan for the key workstreams.

We recommend that as the Council progresses the community stadium project, it:

- ensures there is at least quarterly reporting of the project to the Executive;
- continues to assess the balance between putting information in public papers, and the clear need to exercise commercial sensitivity at times;
- provides narrative explanation of its assurance arrangements, and how it has demonstrated that value for money has been achieved;
- clearly restates the costs and benefits of the project and further consideration of risks once financial close is reached and agreements are in place; and
- continues regular reporting to the Executive during the construction phase.

We conclude that the Council has proper arrangements in place for the ongoing management of the external challenges, risks and delivery of this complex scheme. The challenge now is to overcome the remaining planning obstacles, contain further cost pressures and achieve financial closure on the project so that the focus can move to the construction phase.

### **The older persons' accommodation programme**

We followed up the actions taken since our review of the housing for older people's project which was reported to the Audit and Governance Committee on 29 July 2015. This review identified a number of areas for improvement following the abandonment of the older people's procurement early in 2015 on the grounds that the programme was not affordable.

Our report concluded that the older people's accommodation project was an ambitious and complex programme of work for the Council 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 the Council's approach and arrangements in these areas and consequent opportunities for improvement and learning on future major projects.

Part of the Council's response was to strengthen its programme and project management methodologies which was considered earlier in this report.

In addition, in July 2015 the Executive approved the business case for a new older persons' accommodation programme. This programme has progressed well and in July 2016, there was a very comprehensive progress report to the Executive which recorded the tangible progress that had been made in a number of specific areas, future plans, and in particular placed this in the context of an analysis of demand, financial considerations, risk assessment, consultation and community engagement.

In our view, the work undertaken on the older persons' accommodation programme has comprehensively addressed the issues we raised, and arrangements are in place to deliver improved outcomes.

### **Integration of health and social care and the operation of the Better Care Fund**

As experienced nationally, there have been significant challenges in progressing the integration of health and social care services. Some of these difficulties were evident in the operation of the first year of the Better Care Fund (BCF) in York.

The BCF is a national initiative which requires local authorities and Clinical Commissioning Groups (CCGs) to pool resources to realise the benefits of integrated care and support services. In the case of York, the pooled fund was £12.1m in 2015/16 with the majority of the funding provided by the Vale of York CCG.

The BCF objectives were summarised succinctly in reports to the Health and Well Being Board:

*"In 2015/16 the main aim of the BCF was to reduce Non Elective Admissions to hospital, as well as having an impact on permanent admissions to residential care, improving the effectiveness of reablement and helping to reduce the number of Delayed Transfers of Care (DToc) across the system. A local aim to reduce the number of falls related injuries for the over 65s was also agreed. Partners across the health and social care system agreed these aims and our ambitious plan was finally fully signed off through the National Assurance Process in January 2016."*

The Council and the CCG identified schemes that would support these objectives, however, it became clear that the measures taken were not delivering the level of improvement that had been hoped for on the measures included in the BCF plan for 2015/16.

The CCG experienced financial difficulties and in the Council's third quarter financial monitoring report for 2015/16, a potential financial pressure of £3m was reported due to issues with the Vale of York CCG, although it was hoped that this position would be resolved by the year end. The financial position was resolved for the Council and in terms of the adult social care budget a small underspend was achieved as noted earlier in this report.

There is an increasing imperative nationally and locally for more comprehensive and accelerated integration of health and social care, and an Integration and Transformation Board has been established as a sub board of the Health and Well Being Board to take this forward, including the development of a strategy for joint commissioning.

The 2016/17 BCF Plan, which is for £12.2m, has taken significant time to be agreed, due to ongoing negotiations between the Council and the CCG. We understand that NHS England confirmed that the 2016/17 BCF Plan had been approved on 15 August 2016, and that work is now being undertaken to ensure that the Section 75 agreement between the Council and the CCG is updated.

In considering the impact of these issues on our VFM conclusion, we have concluded that the Council has managed a difficult situation in relation to integration with health during 2015/16. Despite the challenges, the Council's contribution to BCF work streams in 2015/16 that were delivered within the financial envelope available is evidence that the Council had proper arrangements in place. As these pressures remain in 2016/17, this is likely to be an area we will seek to review again in next year's audit.

### **The 'Future Shape and Size' programme (FSS)**

"Future Shape and Size" is the Council's over-arching transformation programme which aims to deliver an operating model which will realise significant financial savings whilst ensuring sustainable services into the long-term. The programme continues the ambition and themes of the previous Rewiring Public Services programme which was subject to a review of programme management arrangements in 2014/15 as part of our VFM conclusion work.

In line with our recommendations, the Council has taken the opportunity to clarify the direction of the programme, define priorities and streamline governance arrangements.

The refreshed programme has progressed well since its initiation having developed and evaluated concepts into emerging proposals for implementation. It has benefited from the significant amount of groundwork undertaken as part of the previous transformation programme of work.

Local Area Teams is the first major project under the programme umbrella at the implementation phase. This is the place-based operating model proposed for Children and Young People's prevention and early intervention services. We found good practice in terms of the project management and governance processes in place over this project, particularly in terms of the improved use of the Verto project management system. We concluded that the Council's arrangements are appropriate and effective for the management of this major change programme.

**Overall conclusion**

We satisfied ourselves that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016 and we issued an unqualified VFM conclusion.

# 04 Follow up of Public Interest Report recommendations

On 26 February 2016, we issued a Public Interest Report on governance issues in relation to remuneration of Council officers for work as Directors of City of York Trading Ltd. As part of the 2015/16 audit, we have followed up the implementation of our recommendations.

We asked officers to provide us with an update on progress made to date. In the table below, we include our original recommendations, the update provided by officers and our own comments on the progress to date.

Recommendations	Progress report from officers	Our comments on progress
<p>R1 The Council should take steps to rectify the omission of Council approval for the payments made to the two directors of City of York Trading Ltd in March 2015 for work for the company in 2013/14.</p>	<p>The two directors have voluntarily repaid the payments made to them. No further action required.</p>	<p>Agree no further action is needed.</p>
<p>R2 Where the Council envisages a role for a committee within a Council-owned trading company to fulfil a Council function, as appears to have been the case with the Shareholder Committee of City of York Trading Ltd, the Council should ensure that the Constitution is amended to reflect this role and that the composition of the Committee is consistent with the Council's decision making and governance arrangements.</p>	<p>The Council continues to review the governance of its companies, including consideration of opportunities presented by trading some of its activities through external trading companies. Following the recommendations from the paper which went to June's Executive, a further report was taken to September's Executive, which set out the proposals to create a governance structure to oversee the activity of its current and future external bodies in which the council has an interest.</p>	<p>We note the decision to establish a single member decision making committee to act as shareholder and oversee the business of all Council trading companies. When these arrangements take effect the Council's Constitution needs to be updated to reflect them.</p>
<p>R3 The Council should review its approach to the establishment and governance of Council-owned companies to ensure that it fully reflects good practice and the lessons from this report.</p>		<p>We note that a comprehensive review of all Council trading companies was reported to the Executive on 30 June 2016, and a further report was taken to the Executive on 29 September 2016 setting out a new governance structure.</p>

Recommendations	Progress report from officers	Our comments on progress
<p>R4 In the light of the conclusions of the review recommended in R3, the Council should prepare specific guidance to members and officers on their involvement in Council-owned companies.</p>	<p>The Council continues to review the governance of its companies, including consideration of opportunities presented by trading some of its activities through external trading companies. Following the recommendations from the paper which went to June's Executive, a further report was taken to September's Executive, which set out the proposals to create a governance structure to oversee the activity of its current and future external bodies in which the Council has an interest.</p>	<p>The specific guidance to members and officers on their involvement in Council-owned companies still needs to be produced. As noted in the response to R5, the Council intends to address this when it has implemented the measures arising principally from its response to R2 and R3.</p> <p>We note that this is an important recommendation and needs to be given priority in the near future.</p>
<p>R5 The guidance recommended in R4 should address the conflict of interest risks likely to arise where members and officers hold both Council and Council-owned company roles (unpaid and paid) and set out clear advice on how these should be managed. The guidance should also specifically address how the conflict of interest risks should be managed where the Council officers involved hold one of the three Statutory Officer roles of Head of Paid Service, Chief Finance Officer and Monitoring Officer.</p>	<p>As previously advised, the recommendation will be addressed when drafting new guidance once R2/3/4 have been completed.</p>	<p>As noted above, the Council intends to address this when it has implemented the measures arising principally from its response to R2 and R3.</p> <p>We note that this is an important recommendation and needs to be given priority in the near future.</p>
<p>R6 The Council should review its arrangements for ensuring that internal legal advice is followed, and that any instances where such advice is not followed are identified.</p>	<p>As previously confirmed this will continue to be managed within the Council's constitutional procedure and where legal advice is prescriptive it will be followed.</p>	<p>We note the Council's response in relation to this recommendation and have no further comments.</p>

Recommendations	Progress report from officers	Our comments on progress
<p>R7 Where there are unusual or sensitive transactions such as the remuneration paid to Council officers for their work for a Council-owned trading company, particularly where they take place for the first time, the Council should bring the matter to the auditor's attention during the audit.</p>	<p>As previously confirmed this will be picked up as part of the Council's Statement of Account procedures and any issues discussed with External Audit.</p>	<p>These issues have been considered in the audit of the 2015/16 financial statements. As noted in the response to R8 below, Council officers no longer receive payments of this nature.</p>
<p>R8 Where senior Council officers receive remuneration for their work for a Council-owned trading company, the Council should recognise this as a related-party transaction and disclose it in the notes to the financial statements.</p>	<p>As previously advised Council Officers no longer receive payments of this nature.</p>	<p>As noted in the response, as Council officers no longer receive payments of this nature, there are no such transactions to disclose in the related parties note to the financial statements.</p>
<p>R9 The Council should update the officer register of interests form and guidance notes to require disclosure of the value of any remuneration received for an individual officer's role in a Council-owned trading company.</p>	<p>New procedures have been put in place to ensure that staff at grade 10 and above complete an annual register of interests' declaration. The form and guidance has been updated to reflect best practice in local government.</p>	<p>Officer disclosures have been reviewed as part of the audit of the 2015/16 financial statements and we have not identified any audit issues from our review.</p>
<p>R10 The Council should review its system for ensuring that all annual returns are received for the officer register of interests.</p>		<p>Officer disclosures have been reviewed as part of the audit of the 2015/16 financial statements and we have not identified any audit issues from our review.</p>

## 05 Future challenges

In common with many other local authorities, the Council faces continued pressure on its finances with reduced central government funding and a move to fully localised business rate income.

The Council has set its revenue budget for 2016/17, including a 3% council tax increase. The medium term financial plan estimates the savings required in the four years 2016/17 to 2019/20 as £23m, of which £6.5m has been reflected in the 2016/17 budget.

In the budget for the HRA a key factor in the next few years will be a requirement to reduce rents by 1% per annum. The Council has still been able to set a budget for 2016/17 for the HRA which predicts a £3.7m surplus.

The key challenges for the Council include:

- implementing the new management structure;
- making a reality of the key priorities in the Council Plan 2015 – 2019 and the new vision for 2030;
- delivering the demanding programme of projects that the Council has in place to improve the outcomes for the City and its residents;
- continuing to operate in an environment of austerity where further cuts in spending, new ways of working and alternative models of service delivery are likely to be required; and
- positioning the City of York to best advantage in the devolution process.

We will focus our 2016/17 audit on the risks that the challenges facing the Council present to your financial statements and your arrangements for securing value for money.

A major technical change in 2016/17 is the need to account for highways infrastructure on a depreciated replacement cost basis as required by the local government accounting code. This will require significant changes in the 2016/17 statements and we are already working with officers to ensure the required systems are in place.

Another key focus in the coming year will be on working with officers to bring forward the accounts and audit timetable in advance of the change in the statutory deadline which will take effect from the 2017/18 financial year.



# 06 Fees

As outlined in our Audit Strategy Memorandum presented to the Audit and Governance Committee on 13 April 2016, Public Sector Audit Appointments Ltd (PSAA) sets a scale fee for our audit work. The fees applicable to our work in 2015/16 are summarised below.

Element of work	2014/15 Final Fee	2015/16 As previously reported	2015/16 Final Fee
Code audit work <sup>1</sup>	183,476 <sup>2</sup>	126,607 <sup>3</sup>	124,294 <sup>3</sup>
Certification work	15,220	11,679	11,679 <sup>4</sup>
Non-audit work	21,900	0	2,750 <sup>5</sup>
Estimated fee in relation to the 2015/16 Objection	0	0	7,500 <sup>6</sup>
<b>Total</b>	<b>220,596</b>	<b>138,286</b>	<b>146,223</b>

*All fees are shown excluding VAT*

<sup>1</sup> The main reason for the reduction in the scale fee for Code audit work between 2014/15 and 2015/16, is that Public Sector Audit Appointments Ltd has passed on the 25% fee reduction arising from the final procurement exercise undertaken by the Audit Commission before its closure in March 2015. The value of this reduction to the Council was £33,869. The rest of the difference was explained by additional work that was undertaken in the 2014/15 audit as set out in <sup>2</sup> below.

<sup>2</sup> The final fee for 2014/15 included an initial scale fee of £135,476, plus an additional £8,500 to reflect additional VFM conclusion work in relation to programme and project management. In addition, the final fee included the additional cost of work in relation to our public interest report on City of York Trading Limited. The cost of this work was £27,000 in audit fees and £12,500 reimbursement of our legal costs, a total of £39,500.

<sup>3</sup> The proposed fee for the 2015/16 audit was £25,000 higher than the scale fee of £101,607. The £25,000 was the estimated cost of the additional VFM conclusion work which we described in section 3 of this report. In the event, our charge for this additional work was £22,687, slightly below our estimate. This work and the fee for it was approved by our regulator, Public Sector Audit Appointments Ltd.

<sup>4</sup> The fee outlined in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim.

<sup>5</sup> For 2015/16, the only non-audit work related to the 2015/16 teachers' pensions return at a fee of £2,750.

<sup>6</sup> We estimate that the cost of additional work in relation to the objection in the 2015/16 audit will be in the region of £7,500. At the time of writing this report this work is not yet completed and we cannot clarify the exact fee that will be charged. Any fee we determine will require the approval of our regulator, Public Sector Audit Appointments Ltd. When agreed, it is expected that these fees will be part of Code audit work for 2015/16.

Should you require any further information on this letter or on any other aspects of our work, please contact:

**Gareth Davies**

Partner

T: 0191 383 6300

E: [gareth.davies@mazars.co.uk](mailto:gareth.davies@mazars.co.uk)

Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS



---

**Audit and Governance Committee**20<sup>th</sup> December 2016

Report of the Director Customer and Corporate Services

**Mazars Audit Progress Report****Summary**

1. The paper attached at Annex A from Mazars, the Council's external auditors, reports on progress in delivering their responsibilities as auditors.

**Background**

2. The report covers:
  - a) A summary of audit progress
  - b) National publications and other updates

**Summary of Audit Progress**

3. This section of the report updates members on:
  - a) Progress on 2015/16 Accounts audit work and VFM work undertaken
  - b) Certification of grant claims and returns

**National Publications and other updates**

4. This section of the report updates Members on key issues emerging from recent national publications, including: Regularity, Compliance and Quality Report 2015-16, Local Public Service Reform, Understanding Local Authorities Financial Statements and Alternative Delivery Models.

**Consultation**

5. The Plan has been consulted on with the relevant responsible officers within the Customer & Business Support Services Directorate

prior to it being reported to those members charged with governance at the council.

### **Options**

6. Not relevant for the purpose of the report.

### **Analysis**

7. Not relevant for the purpose of the report.

### **Council Plan**

8. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

### **Implications**

9. There are no implications to this report.

### **Risk Management**

10. Not relevant for the purpose of the report

### **Recommendations**

11. Members are asked to:

a) note the matters set out in the Progress report presented by Mazars;

#### Reason

*To ensure Members are aware of Mazars progress in delivering their responsibilities as external auditors.*

**Contact Details**

**Author:**

Emma Audrain  
Technical Accountant  
Corporate Finance  
Telephone: 01904 551170

**Chief Officer Responsible for the report:**

Ian Floyd  
Director of CCS  
Telephone: 01904 551100

**Report  
Approved**



**Date** 12 December 2016

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

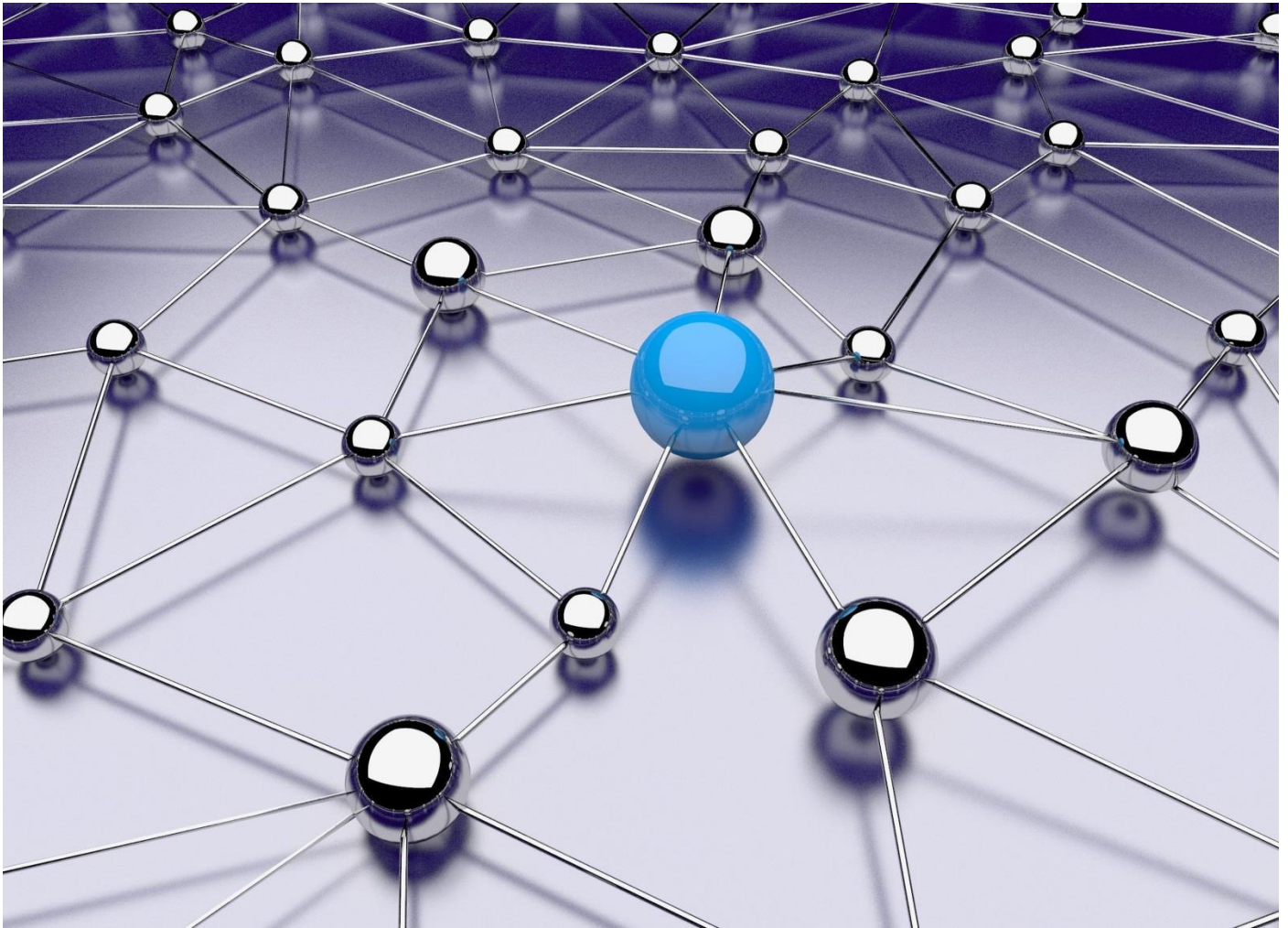
None

**Annexes**

Mazars CYC Audit Progress Report December 2016

This page is intentionally left blank

# City of York Council Audit Progress Report December 2016



# Contents

01 Introduction.....	2
02 Audit progress .....	3
03 National publications and other updates .....	5
04 Contact details .....	8

*Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to City of York Council, its Members, Directors or officers are prepared for the sole use of the audited body and we take no responsibility to any Member, Director or officer in their individual capacity or to any third party.*



# 01 Introduction

The purpose of this report is to update the Audit and Governance Committee of City of York Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the details at the end of this update.

# 02 Audit progress

## Progress of the 2015/16 audit

At the meeting of the Audit and Governance Committee on 28 September 2016 we reported that the audit was substantially complete and we expected to issue an audit opinion and VFM conclusion on 30 September 2016.

On 30 September 2016, we were able to issue:

- an unqualified opinion on the Authority's financial statements; and
- an unqualified value for money conclusion.

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of your Whole of Government Accounts (WGA) consolidation pack with the audited statement of accounts. We reported that your consolidation pack was consistent with the audited statement of accounts on 20 October 2016.

We finalised our Annual Audit Letter in October 2016 and we will be presenting it as a separate agenda item to this meeting. This summarises our work and findings as well as outlining future challenges.

Members will recall that when we presented our Audit Completion Report on 28 September 2016, we presented summary findings in relation to our additional VFM work and explained that we were preparing a separate and more detailed audit report on the findings from this work (covering programme and project management, the community stadium, the older persons' accommodation programme, integration of health and social care and the operation of the Better Care Fund, and the 'future shape and size' programme) and that this would be reported to a future meeting of the Audit and Governance Committee. This is also included as a separate agenda item to this meeting of the Committee.

## Objection to the accounts

On 11 August 2016 we were notified by a local elector of an objection to the Council's accounts. The objection notice raised a number of issues, from which two specific areas relating to the procurement of services from two separate suppliers constituted a valid objection. At the time of the meeting of the Audit and Governance Committee on 28 September 2016, we were considering the Council's response to the issues raised in the objection.

At that time, we noted that the expenditure in the 2015/16 accounts relating to these procurements was below £100k and consequently well below the level of materiality for our opinion on the financial statements. We were therefore able to issue our opinion and VFM conclusion on 30 September 2016, but we were unable to certify completion of the audit, and we reported that we would be unable to do so until the objection had been determined.

We have now determined the objection.

Our conclusion was that there were no issues in relation to the procurement of a corporate spending review, but that the objector raised some valid concerns around the procurement processes in the case of payments to a local supplier for consultancy work. Following a detailed review by Veritau, Council's internal audit service, we understand that the Council is considering the further action that may be required in the light of the findings of that review.

We produced a separate and more detailed report to outline our conclusions. At the request of the Chief Executive, we have deferred this report from the 20 December 2016 meeting of the Audit and Governance Committee pending further steps that are being taken by the Council in response to the issues arising.

Following determination of the objection, we made arrangements for certification of completion of the audit which formally concluded the 2015/16 audit. The certificate was issued on 6 December 2016.

Our report on the procurement matters will be issued as soon as the actions being taken by the Council allow.

### **Certification of claims and returns**

Work on the 2015/16 Housing Benefits Subsidy Claim is complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2016.

This is now the only claim remaining part of the national arrangements managed by Public Sector Audit Appointments Ltd (PSAA), successor to the Audit Commission.

### **Additional schemes outside the national arrangements**

The Council is required by funding bodies to arrange independent certification of certain grant claims and returns that are now outside the PSAA regime.

As reported in the annual audit letter, we made arrangements for the certification of the Teachers' Pension Return for 2015/16, for an agreed fee of £2,750 plus VAT.

The work on the Teachers' Pensions return has now been completed and reported ahead of the deadline of 30 November 2016.

### **2016/17 audit planning**

Planning for the 2016/17 audit will be the focus of our work in the first quarter of 2017.

# 03 National publications and other updates

This section contains updates on the following:

1. **Regularity, Compliance and Quality Report 2015-16, PSAA August 2016**
2. **Local Public Service Reform, NAO, September 2016**
3. **Understanding Local Authorities Financial Statements, CIPFA, September 2016**
4. **Alternative Delivery Models, CIPFA, October 2016**

## 1. **Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016**

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing the Authority's auditor, and assessing the performance of all appointed auditors. This consists of monitoring both the quality of the work undertaken and the regulatory compliance of all firms appointed under the Local Audit and Accountability Act.

The audit quality and regulatory compliance monitoring for 2015/16 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit quality monitoring reviews (QMRs) of its financial statements, Value for Money (VFM) conclusion and housing benefit (HB COUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of the inspection of each firm by the FRC's Audit Quality Review team (AQR) as part of PSAA's commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2014/15 work.

PSAA has recently completed this process for 2015/16. A 'RAG' rating system is used, and we are delighted to inform you that Mazars is one of only two firms that have been consistently graded '*green*' in all areas, scoring joint-highest for quality of work undertaken, and highest for client satisfaction.

**2016 Comparative performance for audit quality and regulatory compliance**

<b>BDO</b> Green	<b>Deloitte</b> Green	<b>EY</b> Green	<b>GT</b> Amber	<b>KPMG</b> Amber	<b>Mazars</b> Green	<b>PwC</b> Amber
---------------------	--------------------------	--------------------	--------------------	----------------------	------------------------	---------------------

**2015 Comparative performance for audit quality and regulatory compliance**

<b>BDO</b> Amber	<b>Deloitte</b> Amber	<b>EY</b> Green	<b>GT</b> Amber	<b>KPMG</b> Amber	<b>Mazars</b> Green	<b>PwC</b> Amber
---------------------	--------------------------	--------------------	--------------------	----------------------	------------------------	---------------------

Areas for improvement were identified in the report, and we are committed to acting on the recommendations and further strengthening our audit approach for 2016/17.

The report can be found at: <http://www.psa.co.uk/audit-quality/>

## **2. Local Public Service Reform, NAO, September 2016**

The NAO undertook research early in 2016 to ascertain:

- How local public service reform is being pursued in eight places in England;
- What the enablers and barriers are; and
- How the Government is supporting reform at a local level.

In September 2016 they published a report summarising their findings and identifying sources of help for public services needing to redesign services to be financially sustainable. The report concludes that by working together, and with service users and citizens, local public services can both improve outcomes and save money but a strategy is needed that:

- prevents or reduces demand for costly services;
- makes it easier for people to get access to the support they need; and
- re-designs services to meet people's needs in a more integrated and effective way.

The report is available on their website.

<https://www.nao.org.uk/report/local-public-service-reform/>

### 3. Understanding Local Authority Financial Statements, CIPFA, September 2016

This publication updates previous CIPFA guidance designed to make the complex financial statements required for local authorities more understandable. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- Comparison with budgets;
- Reserves positions; and
- Cash Flow.

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements>

### 4. Alternative Delivery Models, CIPFA, October 2016

Alternative service delivery models of various shapes and sizes are increasingly being used to deliver a growing number and range of public services in many locations in the UK.

An alternative delivery model can be a different way of managing, collaborating and contracting, or it can involve the establishment of a completely new organisation that could be wholly, or partly owned by the parent body or a completely independent enterprise.

They range from small community-based initiatives, employee led spin outs (large and small), local authority companies, to substantial multi-stakeholder partnerships involving private and public sector organisations.

At their best, these new models can provide greater flexibility and dynamism, while maintaining continued commitment to public service and wellbeing. This combination of innovation in public enterprise and public/social purpose can make them effective vehicles for improving service outcomes.

<http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-alternative-delivery-models-online>

# 04 Contact details

Please let us know if you would like further information on any items in this report.

[www.mazars.co.uk](http://www.mazars.co.uk)

Gareth Davies  
Partner  
0191 383 6300

[gareth.davies@mazars.co.uk](mailto:gareth.davies@mazars.co.uk)

Gavin Barker  
Senior Manager  
0191 383 6300

[gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

Address: Rivergreen Centre,  
Aykley Heads,  
Durham,  
DH1 5TS.

This page is intentionally left blank





---

**Audit and Governance Committee**20<sup>th</sup> December 2016

Report of the Director of Customer &amp; Corporate Services

**Mazars Value for Money review 2015/16****Summary**

1. The paper attached at Annex A from Mazars, the Council's external auditors, considers whether the Council's arrangements over some of the major programmes of work are effective in terms of governance, management of risk and project delivery.

**Analysis**

2. The review looks at overall programme and project management arrangements and goes on to consider a number of the Council's major projects including
  - a) Community Stadium
  - b) Older Peoples Accommodation
  - c) Better Care Fund & Integration
  - d) Future Shape & Size / Operating Model for Children's Prevention & Early Intervention Services.
3. They conclude that the Council has significantly improved reporting on progress of schemes and the roll-out of more robust project management arrangements. The focused attention on the development of the "All About Projects" framework demonstrates the Council's commitment to putting in place robust structures for managing projects of major scale and complexity.

**Consultation**

4. Extensive consultation has taken place with a range of Council officers.

**Options**

5. Not relevant for the purpose of the report.

## **Analysis**

6. Not relevant for the purpose of the report.

## **Council Plan**

7. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

## **Implications**

8. There are no implications to this report.

## **Risk Management**

9. Not relevant for the purpose of the report

## **Recommendations**

10. Members are asked to:

a) note the matters set out in the report presented by Mazars;

### Reason

*To ensure Members are aware of the issues and the action being taken by the Council.*

## **Contact Details**

### **Author:**

Debbie Mitchell  
Corporate Finance &  
Procurement Manager  
Telephone: 01904 554161

### **Chief Officer Responsible for the report:**

Ian Floyd  
Director of CCS  
Telephone: 01904 551100

**Report  
Approved**



**Date**

**Specialist Implications Officers**

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

None

**Annexes**

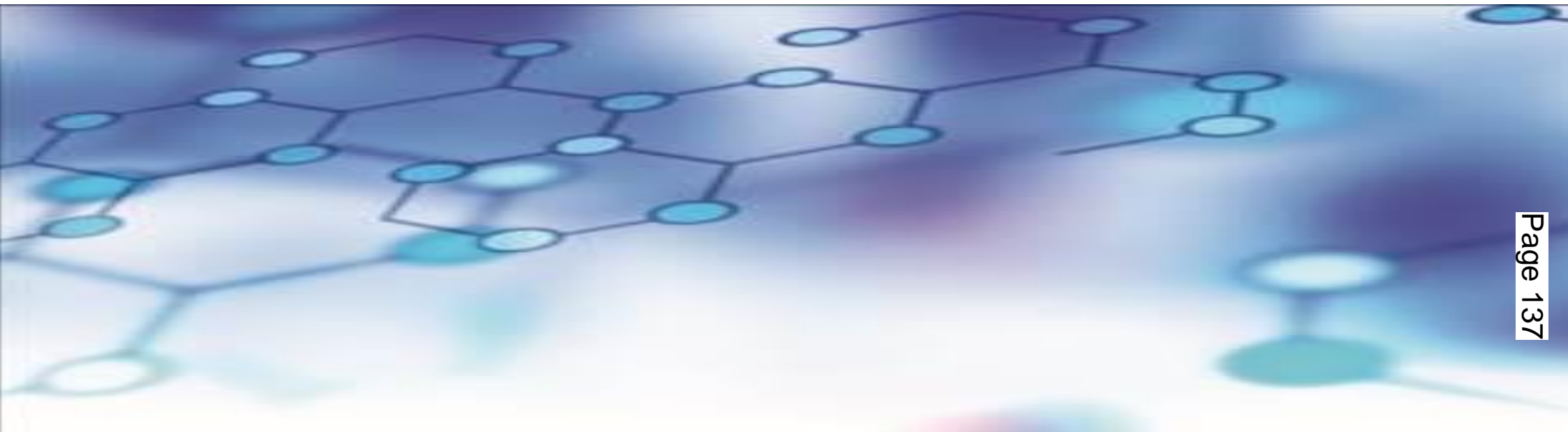
Mazars Value for Money Review 2015/16

This page is intentionally left blank

City of York Council

## Value for Money Review - 2015/16

*Delivering significant projects and new ways of working*



*Final Report*

*30 November 2016*



# CONTENTS

	<i>Page</i>
1. Executive Summary .....	3
2. Introduction .....	7
3. Programme and Project Management.....	9
4. Community Stadium Project.....	16
5. Older People’s Accommodation Programme .....	30
6. Better Care Fund .....	37
7. Future Shape and Size Programme .....	45
Action Plan .....	51
Appendix 1 – Community Stadium – Project Timeline .....	62
Appendix 2 – Information Sources .....	64

The contents of this document are confidential and not for onward distribution. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP. Mazars LLP is the UK firm of Mazars, the international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England with registered number OC308299. © Mazars LLP 2016

# 1. Executive Summary

City of York Council (CYC) is undertaking major programmes of work with the aim of delivering financial sustainability whilst improving services and outcomes for York residents. Some of the projects underway are ambitious in their vision for the City and require a transformational change in how the Council works with partners in the public and commercial sectors, community stakeholders and the public.

Several of these projects involve complex commercial partnerships and have taken many years to develop, gain the support of the public and Council approval. As a consequence, their progression has straddled several changes in Council leadership which has necessarily required further levels of challenge and scrutiny to ensure continued alignment with priorities. This has elongated the timescales for delivery of some key programmes and increased risk.

This review considers whether the Council's arrangements over some of these major programmes of work are effective in terms of governance, management of risk and project delivery. Our conclusions in each area of our scope of work detailed in Section 2 are provided below.

## 1.1 Overall Programme and Project Management Arrangements

Whilst recognising that the new programme and project management arrangements being rolled out by the Council will take time to embed, we found that the revised framework, "All About Projects" and supporting guidance reflects good practice principles.

The focused attention on the development of this framework demonstrates the Council's commitment to putting in place robust structures for managing projects of major scale and complexity. Accelerating the pace of the implementation of this framework, including formalisation of a training programme and the alignment of the Verto electronic project management system, will further improve arrangements around major transformation projects.

Corporate oversight of major programmes needs to be maintained including ensuring adherence to the new arrangements and processes being put in place in directorates and ensuring monitoring and support from the Corporate Management Team. The strengthened role of the Audit & Governance Committee is a positive step forward.

## 1.2 Community Stadium Project

The Community Stadium and Leisure Centre is one of the Council's most ambitious projects aiming to deliver a sustainable future for local football and rugby clubs whilst providing much wider economic and social benefits to the whole community through leisure, retail and health facilities on the site. The project has attracted considerable public interest and is highly complex in terms of the legal and contractual framework, planning requirements, procurement process, technical specification and costing.

The project continues to experience significant delays due to planning approvals and associated legal agreements. The latest anticipated timescale for operational delivery is early 2018 but this is now dependent on the outcome of a recent challenge against the June 2016 planning approval.

The timescale slippage has had a consequent impact on costs due to inflation and contractors not being in a position to fix prices until financial close. The total capital cost of the development has risen to £44.2m against an original budget of £37m. However, the revenue impact of the scheme is more favourable with a £4.3m saving over the 13 year contract period due to the expanded retail elements of the scheme.

We observed good practice in many areas including a robust business case, disciplined governance and project management. The procurement process was well managed with appropriate technical resourcing of the project team, detailed cost tracking and scrutiny with the use of specialist independent support when necessary. At

the pre-final tender stage there were two bidders remaining, both of whom had worked up detailed design proposals and costings thereby providing a market benchmark for the final accepted tender price.

CYC has sought expert legal advice in key areas of complexity, for example, to assess the implications on the procurement process of changes to the scheme and contract following approval of the preferred bidder. Based on this advice, the Council has determined that these were not substantial or material changes which would impact on compliance with procurement rules. In addition, to fulfil its best value obligations, CYC obtained an independent valuation of the commercial development land deal.

CYC has therefore tested whether the project represents value for money to the public at each stage and has continued to update that assessment over the project life cycle.

Members of the Executive have received regular briefings on the project. The Council has been unable to debate many of the commercial issues in public whilst involved in negotiations, however, it has sought legal advice on what was permissible to disclose. During our review we have had access to all information held in relation to this project, including commercially sensitive information.

We do consider however, that some limited, additional narrative could have been provided in reports to provide more assurance to Members and the public, for example, around the arrangements which had been put in place to scrutinise and challenge costs, summarising how the scope of the project had changed over time and the impact of delays on costs and the project plan.

We recommend quarterly reporting to the Executive as the project progresses, with continued regard to the balance between disclosure of information in the public domain and the need to exercise commercial sensitivity. Narrative should focus on assurance arrangements and demonstrating value for money. Once financial close is reached, an update should be provided to show a clear re-statement of the financial position and a re-assessment of risks.

We conclude that the Council has proper arrangements in place for the ongoing management of the external challenges, risks and delivery of this complex scheme. The challenge now is to overcome the remaining planning obstacles, contain further cost pressures and achieve financial closure so that the focus can move to the construction phase.

### 1.3 Older People's Accommodation Programme

This review has focused on following up the actions taken since our previous review of the Older People's Accommodation (OPA) project.

The business case for the revised OPA programme presented in July 2015 provided a clear and comprehensive summary of the rationale for proposals, key issues and risks. The planned phased development and implementation for the new programme provides a more prudent and measured approach and is a positive way forward in terms of risk management and providing flexibility to future changes in the operating environment.

The project has progressed well during 2015/16 and appropriate governance and risk management discipline has been maintained. The Council has strengthened its programme management methodologies for all major projects adopting a best practice framework which is supported by the Verto project management system. The OPA programme is now managed through Verto.

Reporting to the Executive has been very comprehensive and timely at required key decision points. We highlight in particular the thorough approach taken in the July 2016 report to the Executive. We also observed a marked improvement in progress reporting to the Audit and Governance Committee, including the new arrangements



for quarterly reporting on major projects.

Arrangements for engagement and consultation with the public and other stakeholders are comprehensive and continue to be effective. This has been a strength of the programme throughout.

We consider that the work undertaken and in progress comprehensively addresses the main issues we raised in our previous review. To ensure continued focus and rigour we recommend some areas for development in formal reporting, for example, on interdependencies between key stages and simplifying the presentation of financial information. Communication and reporting requirements to the Health and Wellbeing Board should be reconfirmed.

At a delivery level, programme team resourcing should be considered routinely by the Project Board and the Verto functionality should be used to a greater extent.

#### 1.4 Better Care Fund and Integration

The Care Act places statutory obligations on Councils to ensure integrated service provision. The nationally mandated Better Care Fund (BCF) programme is one of the mechanisms in place to deliver this agenda and requires CYC and Vale of York Clinical Commissioning Group (CCG) to pool resources and work together on schemes to realise the benefits of integrated care and deliver improved outcomes for people through greater community based provision.

The first year of full operation of the BCF was 2015/16 which for York involved a pooled budget of £12.1m with the majority of the funding provided by the Vale of York CCG. The Council has commissioned schemes to the value of approximately £8m as part of the BCF arrangements. Responsibility for oversight of the BCF lies with the Health and Wellbeing Board which approves the plan. A Joint Delivery Group is in place to oversee delivery of the schemes and monitor performance.

As experienced nationally, there have been significant challenges in agreeing plans, progressing the integration of health and social care services and delivering the BCF performance targets. Difficulties have arisen due to the multiple compounding system-wide factors, the deteriorating financial position of the CCG and the continued pressure on the Council's budgets. These issues were evident for the York programme as the schemes agreed did not deliver the level of improvement anticipated, particularly for reducing hospital admissions.

The CCG experienced financial difficulties in 2015/16 which created a risk to the funding of the BCF; a potential £3m funding gap was identified in Quarter 3 of 2015/16. The CCG implemented a financial recovery plan during the year and the BCF funding position with the Council was resolved by the year-end. CYC achieved a small underspend on the adult social care budget for the year.

The approved BCF Plan for 2016/17 is a pooled budget of £12.2m. Achieving agreement on the 2016/17 plan is a positive outcome following protracted negotiations with the CCG.

York partners have taken steps to establish arrangements to support the strategy, planning and delivery of programmes for wider whole system integration of which the BCF is one part. This includes a strategy for joint commissioning and an Integration and Transformation Board to take forward the Sustainability and Transformation Plan for the local footprint.

Our key recommendations to enable more effective joint working and facilitate an acceleration in the pace of delivery include increasing the visibility of progress on core BCF schemes and wider integration initiatives at the Health and Wellbeing Board through an appropriate performance reporting framework. Updates should also be provided to the Executive given the importance of the integration agenda and interlinkages with other CYC programmes of work involving health and wellbeing.

Governance arrangements need to be streamlined and clarified at both a strategic and implementation level to remove any blurring of responsibilities and to provide an appropriate balance between system oversight and focus on front-line delivery.

Working alongside the CCG, CYC should maintain close liaison with NHS England to access support available nationally through its Better Care Support Team and local Better Care Managers.

Our review concludes that CYC has made progress and is working hard with partners in a challenging financial environment to deliver the shared plans in place for integration. CYC will need to continue pro-actively working with partners to accelerate schemes and link into wider programmes of work on integration, including the Sustainability and Transformation Programme for the local footprint.

### 1.5 Future Shape and Size Initiative /Operating Model for Children’s Prevention and Early Intervention Services

“Future Shape and Size” (FSS) was an initiative, led by the outgoing interim Chief Executive, which aimed to deliver an operating model which would realise significant financial savings whilst ensuring sustainable services into the long-term. The initiative continued some of the themes of the previous Rewiring Public Services programme which was subject to a review of programme management arrangements in 2014/15 as part of our VFM conclusion work.

In line with our recommendations and following the pause in progress due to the change in administration and then changes in senior management, the Council has taken the opportunity to clarify the direction of its transformational activity, define priorities and streamline governance arrangements. The initiative achieved its initial objectives having developed and evaluated concepts into emerging proposals for implementation. The work will now be taken forward as projects within the new corporate programme. It benefited from the significant amount of groundwork undertaken as part of the previous transformation programme of work.

Local Area Teams was a significant project driven by the initiative and aligned to the themes under the programme umbrella at the implementation phase. It involves the place-based operating model proposed for Children and Young People’s prevention and early intervention services. We have therefore carried out more detailed review of this project to evaluate the arrangements in place over its delivery as part of the FSS initiative. We found good practice in terms of the project management and governance processes in place over this project, particularly in terms of the improved use of the Verto project management system, engagement and consultation processes and comprehensive reporting to the Executive.

Our key recommendations based on our review of the overall programme and the Local Area Teams project are:

- more disciplined use of the All About Projects methodology and Verto for individual projects to provide comprehensive and up-to-date status reports through the system;
- rigorous monitoring of risks to budgets, for example retraction of grant funding in the Children’s Services budget and monitoring of project management resourcing costs.

Recognising the stage of transition from FSS to the new corporate programme and the roll-out of the use of Verto, we conclude that the Council’s arrangements are appropriate and effective for the management of this major change programme. We recommend further review of progress in 2016/17.

Also noted is that the Local Area Teams project was initiated before improvements were made to Verto to align to the new project management framework. Consequently, some of the gaps in detail in Verto reflect the constraints of working with existing documentation within the new framework and how that is reflected on Verto.

## 2. Introduction

### 2.1 Background

City of York Council leads many major programmes of work which aim to deliver value for money whilst meeting the challenges of ongoing financial constraint, increasing demand for services and the need to create a sustainable and vibrant economy for York people. These projects are typically highly complex involving multiple inter-dependent work-streams, multi-agency working across the public sector and innovative commercial partnerships. As a consequence, they require a disciplined approach to programme management, comprehensive stakeholder and community engagement and rigorous financial management.

The challenges involved in successfully delivering such programmes of work are illustrated by the problems experienced in recent years by the Council on some high profile projects, for example Lendal Bridge and the Older People's Accommodation Programme. The Community Stadium project is a further example of a large scale, long-term project which has been hampered by issues relating to the complexity of the development and which continue to hinder the implementation phase.

The health and social care integration agenda is playing an increasingly important role in assuring the long-term sustainability of the public sector with a national requirement under Better Care Fund arrangements for Councils and Clinical Commissioning Groups (CCG) to pool resources and work together to manage demand for services whilst improving outcomes for people through greater community provision. The successful delivery of the BCF objectives requires an entirely new approach to how the Council works with health partners across York with the associated governance and delivery risks.

Within this context, we have carried out this review to consider whether the Council's arrangements over key programmes of work are effective in terms of governance, management of risk and project delivery. Any failures in these areas could compound the Council's financial pressures and impact adversely on services provided to local people. The review findings have informed Mazars' Value for Money conclusion audit work for 2015/16.

### 2.2 Scope of Work

We have carried out a review of the Council's overall **Programme and Project Management Arrangements** with further investigation into four key areas of risk:

- the **Community Stadium project**;
- the **Older People's Accommodation programme**;
- the operation of the **Better Care Fund** for the integration of adult health and social care ; and
- the **"Future Shape and Size" initiative** with specific reference to the project to redefine the operating model for Children's Prevention and Early Intervention Services.

Our review in each area includes evaluation where applicable of:

- the business case;
- the programme/project management and governance framework;
- risk assessment and management processes;
- project resourcing;
- financial management arrangements; and

- communication and consultation processes.

Our work involved review of corporate documentation relating to the programme areas supplemented by interviews with relevant CYC officers. We would like to thank CYC officers for their support during our work. A full list of the information reviewed is provided in Appendix 2.

***It should be noted that our review considers the effectiveness of the Council's arrangements and processes in place to provide assurance in each area to inform our Value for Money conclusion. It does not cover a detailed economic, technical or financial evaluation of each programme or project.***

### 2.3 Report Structure

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

Section 3 - Programme and Project Management

Section 4 - Community Stadium Project

Section 5 - Older People's Accommodation Programme (OPA)

Section 6 - The Better Care Fund (BCF)

Section 7 - The Future Shape and Size Initiative

Numbered recommendations are included in each section and an Action Plan has been completed by officers and is included in the final section of this report.

## 3. Programme and Project Management

### 3.1 Summary and Conclusions

Following up on our Value for Money work in 2014/15 on this topic and the Council's intentions to strengthen programme and project management arrangements, we have reviewed the steps taken to date and plans for further improvements to assess the adequacy of the arrangements to manage programmes and projects of major scale and complexity.

Whilst recognising that the new programme and project management arrangements being rolled out by the Council will take time to embed across the organisation, we found that the revised framework, "All About Projects" reflects good practice principles and guidance. The implementation of this framework will ensure effective support and governance around major transformation projects.

The focused attention on the development of this framework and comprehensive guidance demonstrates the full appreciation by the Council of the importance of robust structures for managing projects of major scale and complexity.

Under the new arrangements, there has been an emphasis on directorate arrangements to lead on programme and project management. These sit beneath an overarching corporate programme, which is an amalgamation of the Directorate project registers. Corporate oversight of major programmes needs to be maintained including ensuring adherence to the new arrangements and processes being put in place in directorates, including the Programme Assurance Group and ensuring monitoring and support from the Corporate Management Team.

CYC has considerably strengthened the role of the Audit and Governance Committee in providing oversight of major projects with significantly improved reporting on progress of schemes and the roll-out of more robust project management arrangements. It is important that the feedback from committee Members is incorporated in reporting developments.

Our detailed recommendations below focus on the need to accelerate the pace of the implementation of the new framework including a formal training programme and the alignment of the Verto project management system to the requirements of the AAP methodology.

### 3.2 Detailed Findings and Recommendations

Detailed Findings	Areas for Improvement / Recommendations
<p><b>Project Management Framework</b></p> <p>In December 2015, and partly in response to our previous audit recommendations, the Council introduced a new framework for project and programme management called <b>All About Projects</b> (AAP), the City of York Council's guide to project management.</p> <p>The framework provides detailed guidance and good practice templates and checklists to provide a consistent approach to project management across all phases of the project lifecycle. The phases set out are:</p>	<p>R1 The Council should focus on ensuring that all new projects use the AAP approach. For existing projects, as a minimum the gateway approach should be applied for decision-making points and governance purposes.</p> <p>R2 The use of the framework should be applied proportionately to the size and complexity of a project and the guide should include reference to this and examples to follow.</p> <p>R3 We recommend that where appropriate, senior level training on business case development and evaluation is provided. As referenced later in this report, the</p>

Detailed Findings	Areas for Improvement / Recommendations
<ul style="list-style-type: none"> <li>• Discovery</li> <li>• Pre-Project</li> <li>• Initiate</li> <li>• Plan</li> <li>• Implement</li> <li>• Close.</li> </ul> <p>Specific guidance and toolkits are provided covering complex aspects of the process including business case development and procurement. The guidance provides contacts for assistance in technical areas from teams within the Council, e.g. Finance, Legal, Procurement, Engagement and Communications.</p> <p>The framework is built around a series of gateways at key decision points. These gateways consist of a brief review by an experienced member of staff who is independent of the project team to assess whether the project is on track and risks and issues are being appropriately managed. The gateway review must be undertaken before a project is allowed to progress to the next stage. Standard templates have been produced for completion at each gateway review to provide evidence of the reviews having been undertaken appropriately.</p> <p>The AAP adheres to good practice guidance in terms of:</p> <ul style="list-style-type: none"> <li>• Treasury Green Book on business case development; and</li> <li>• the Managing Successful Programmes (MSP) guidance produced by the former Department for Business Innovation and Skills and Prince 2 methodology.</li> </ul> <p>The guidance is not explicit as how the AAP approach should be tailored to projects of different sizes and complexity. It provides some generic guidance on cost tracking.</p> <p>Implementation of the new framework is underway. Officers report that for new projects, the full process is being applied. However for projects which are in progress, it has been difficult to map stages to the new gateways. Significant projects are being mapped to the approach as far as possible. This is a reasonable approach given the need to strike a balance between the resources</p>	<p>Community Stadium business case presents an example of good practice. Training should include learning from previous projects.</p> <p>R4 At the date of reporting, the key actions relating to the Internal Audit report have been implemented. The Council should ensure any remaining points of detail are addressed.</p> <p>R5 The AAP framework would benefit from further supporting tools to ensure effective tracking of project costs and savings, for example standard templates for project managers to use working with finance colleagues.</p>

Detailed Findings	Areas for Improvement / Recommendations								
<p>required against the benefits of changing the approach to a project which is in progress.</p> <p>Internal Audit has recently reviewed the Council's procedures and controls over project management as part of its audit programme for 2015/16. The Veritau report gave "limited assurance" from its findings. However, the report recognises the considerable amount of work that has been undertaken to improve arrangements since the date of the audit.</p> <p>A number of actions were identified and had already been or were in the process of being implemented when the report was finalised in May 2016. Since April 2016, a member of the corporate support team is specifically working on the issues raised by internal audit. The key recommendations and the Council's actions to address them are summarised below.</p>									
<table border="1"> <thead> <tr> <th data-bbox="147 651 602 699">Internal Audit Finding</th> <th data-bbox="602 651 1111 699">Action to Address</th> </tr> </thead> <tbody> <tr> <td data-bbox="147 699 602 895">There was a lack of clarity regarding who was responsible for the ongoing maintenance of the AAP toolkit.</td> <td data-bbox="602 699 1111 895"> <p>The corporate programme management and reporting structure have been revised.</p> <p>The Programme Assurance Group is responsible for the toolkit.</p> </td> </tr> <tr> <td data-bbox="147 895 602 1062">The risk register template did not match the Council's Risk Management Guidance (October 2015)</td> <td data-bbox="602 895 1111 1062">The risk register, AAP and Verto have been aligned and the AAP guidance updated.</td> </tr> <tr> <td data-bbox="147 1062 602 1347">There was no overarching project register.</td> <td data-bbox="602 1062 1111 1347"> <p>By the end of September 2016 Directorate Management Teams will maintain project registers and all medium and large projects will be entered on Verto.</p> <p>The newly established Programme Assurance Group will maintain the project register (see below).</p> </td> </tr> </tbody> </table>	Internal Audit Finding	Action to Address	There was a lack of clarity regarding who was responsible for the ongoing maintenance of the AAP toolkit.	<p>The corporate programme management and reporting structure have been revised.</p> <p>The Programme Assurance Group is responsible for the toolkit.</p>	The risk register template did not match the Council's Risk Management Guidance (October 2015)	The risk register, AAP and Verto have been aligned and the AAP guidance updated.	There was no overarching project register.	<p>By the end of September 2016 Directorate Management Teams will maintain project registers and all medium and large projects will be entered on Verto.</p> <p>The newly established Programme Assurance Group will maintain the project register (see below).</p>	
Internal Audit Finding	Action to Address								
There was a lack of clarity regarding who was responsible for the ongoing maintenance of the AAP toolkit.	<p>The corporate programme management and reporting structure have been revised.</p> <p>The Programme Assurance Group is responsible for the toolkit.</p>								
The risk register template did not match the Council's Risk Management Guidance (October 2015)	The risk register, AAP and Verto have been aligned and the AAP guidance updated.								
There was no overarching project register.	<p>By the end of September 2016 Directorate Management Teams will maintain project registers and all medium and large projects will be entered on Verto.</p> <p>The newly established Programme Assurance Group will maintain the project register (see below).</p>								

Detailed Findings		Areas for Improvement / Recommendations
There was no Council user guide to support the use of Verto (the Council's project management system) and no guidance on fields for mandatory completion.	The Council has developed a user guide	
<p><b>Project Management System (Verto)</b></p> <p>As reported in our Value for Money review for 2014/15, Verto offers comprehensive, good practice functionality for programme and project management. The AAP guidance recommends the use of Verto throughout the project lifecycle.</p> <p>The Council has continued to roll-out and embed the use of this electronic project management system across the organisation and the focus is on adopting Verto for large and medium sized projects. The Programme Management Office team oversee the development and implementation of the AAP framework and Verto.</p> <p>Officers report that they value the functionality of the tool but that it is difficult to "retro-fit" existing projects to its structures. Officers recognise that the reporting functionality remains under-utilised and there is a plan to develop the reporting functionality between October 2016 and December 2016.</p> <p>The Verto training programme to date has involved informal ad hoc sessions and support led by one senior individual. The plan is for 40-50 users to be fully trained (currently 20-25 staff have been trained or use Verto). Officers commented that not all staff who need to use the system are yet fully trained or confident in its use. The intended training programme has been delayed mainly due to changes in roles and responsibilities following the change in administration and changes in senior management arrangements. Some time was lost while the new arrangements were clarified. Training material is being refreshed.</p> <p>A comprehensive User Guide for Verto which is also used for training purposes was developed and issued in draft in August 2016. Costs and savings are managed through the "Benefits Identification" and "Resources and Costs" sections within the projects. The reporting will be developed as part of the review of reporting from the system between now and December 2016.</p> <p>Verto were due to release a new version of the software in July 2016. This has</p>		<p>R6 We recommend that the Council accelerates the pace of the roll-out of Verto in terms of:</p> <ul style="list-style-type: none"> <li>ensuring Verto is used for all new projects, mandatory fields are populated. Verto should be used to migrate information on existing projects if this is practicable and yields benefits in terms of resourcing and assurance;</li> <li>making greater use of the reporting functionality to make more effective use of officer time and to provide a single source of information on progress for all governance groups; and</li> <li>a formal training programme and plan to ensure key users are appropriately trained in the use of system and how it meets the requirements of the AAP framework.</li> </ul> <p>R7 Verto functionality for cost tracking and monitoring of delivery of savings should be explored to avoid the need for manual reports and to provide a prompt to ensure this aspect is routinely monitored.</p> <p>R8 We recommend that CYC investigate options with the Verto software supplier to enable cleansing of the database so that legacy and redundant projects can be archived and removed or hidden from the live system. This will allow Verto to be used as a comprehensive and up to date register of all projects in the future so that a manual database does not need to be maintained.</p>



Detailed Findings	Areas for Improvement / Recommendations
<p>been delayed. It is now anticipated for release later in the year with CYC planning to adopt the revised version early in 2017.</p> <p>Officers reported that once projects are entered on Verto they cannot subsequently be removed. Although this is appropriate for the agreed future approach to projects, there are projects in the system that were entered before the use of Verto was mandated and not all the information is complete as the projects were managed outside the system. Due to resource constraints there is no plan to retrofit all the information for projects that are complete and closed. Some of these legacy projects need to be removed from the system.</p>	
<p><b>Governance</b></p> <p>The AAP guidance specifies the governance arrangements required over major projects to Corporate Management Team (CMT) level:</p> <ul style="list-style-type: none"> <li>• a Project Sponsor who is usually a member of the CMT has overall responsibility for the project;</li> <li>• a Project Board provides direction, monitors progress, risks and issues;</li> </ul> <p>Governance arrangements will vary depending on the scale and complexity of each project and these are required to be specified in Verto.</p> <p>The gateway review process is aligned to governance arrangements by ensuring appropriate assessments are made at key stages to make recommendations for decision-making by the Project Sponsor or the Executive as applicable to delegated authority levels.</p> <p>The Council's Transformation Board has been disbanded with responsibility for projects now placed with the Project Board to Directorate Management Teams. This development supports ownership of projects by those charged with delivery and provides oversight of interdependencies with other programmes of work underway in each directorate. There are strengths with this approach providing corporate oversight is maintained in some form.</p> <p>In order to address corporate oversight and address practical challenges to project delivery, a Programme Assurance Group has recently been established with meetings planned every two months. It includes representation from each Directorate and corporate support functions. The Group reports into CMT and the DMTs. Its remit includes ensuring:</p>	<p>R9 It would be helpful to include in the AAP framework a guide on required governance arrangements from Project Board to CMT, the Executive, Audit and Governance and other relevant committees.</p> <p>R10 Recognising this will need to be assessed on a case by case basis, the guidance could provide examples of typical governance arrangements required based on examples of projects in terms of scale and complexity.</p> <p>R11 The establishment of the Programme Assurance Group is a positive step in terms of providing corporate oversight of projects. The role of the group should explicitly cover:</p> <ul style="list-style-type: none"> <li>• understanding interdependencies between projects and the critical path outside the confines of individual schemes; and</li> <li>• highlighting to CMT and DMTs any risks identified as a result of its oversight.</li> </ul> <p>R12 Governance arrangements should be documented on Verto, including making clear the role of the new Programme Assurance Group.</p> <p>R13 Once established, the full programme hierarchy should be set up in Verto to provide a single view, show interdependencies and generate standard reports. This should include a regularly updated risk register for the overall programme, with clear risk ownership to provide the feed to reporting to CMT, Executive and Audit &amp; Governance Committee. Reports for governance purposes should be held on the system for reference.</p>

Detailed Findings	Areas for Improvement / Recommendations
<ul style="list-style-type: none"> <li>• oversight of all project based activity and reviewing prioritisation (corporate programme);</li> <li>• appropriate assurance and governance arrangements are in place over projects;</li> <li>• the AAP framework is adhered to;</li> <li>• maintaining a corporate register of programmes and projects; and</li> <li>• project resourcing requirements are considered.</li> </ul> <p>The Audit and Governance Committee has taken action to provide more oversight of major projects with significantly improved reporting on progress of schemes and the roll-out of more robust project management arrangements. This is evidenced in the papers during the year to the committee.</p> <p>In December 2015 a full briefing was provided to the Audit and Governance Committee on programme management arrangements and introduced the new style of reporting which provide summary updates on each major project. Members provided helpful feedback on the approach including:</p> <ul style="list-style-type: none"> <li>• requesting hyperlinks to more detailed reports received by other committees;</li> <li>• a “traffic light” system to better identify emerging risks (subsequently implemented);</li> <li>• identification of project dependencies and interdependencies; and</li> <li>• the need to give full consideration to capacity to deliver (officers have explained that this should be highlighted by Project Managers in the report narrative. The Project Managers should also consider resourcing in the overall project rating as described in the July 2016 Audit and Governance Committee report).</li> </ul> <p>Updates on the progress of the implementation of new programme/project management arrangements was provided in May 2016, July 2016 and September 2016. These updates reflected the significant amount of work undertaken to refine the framework and reshape the highlight reporting to the satisfaction of the committee.</p>	

Detailed Findings	Areas for Improvement / Recommendations
<p><b>Project Risk Management</b></p> <p>Verto provides good practice functionality for risk management in terms of guidance on risk scoring, templates for recording of risk identification, assessment and scoring and mitigation. These matrices are directly extracted for reporting to Project Boards. A risk register template is linked to the AAP guidance.</p> <p>We note that the Verto guidance on risk is now linked to and consistent with the Council's overall risk management guidance.</p>	<p><i>We have no significant additional recommendations in this area.</i></p>
<p><b>Resources</b></p> <p>The Council acknowledges the significant project management and delivery requirements in terms of capacity and skills to deliver successful outcomes on major programmes of work and has taken steps to address this within the constraints of increasingly reducing resources.</p> <p>Led by the Director of Adult Social Care, CYC has put in place an inter-agency workforce planning group to oversee workforce issues that impact on projects, for example resourcing and training.</p> <p>The Programme Assurance Group will play a key role in monitoring capacity and skills issues across all major projects underway. Projects will go through a "re-prioritisation" process and overall resource requirements will be assessed from a corporate perspective, particularly in relation to corporate support. This group is led by an experienced senior project manager with support from project managers from Adults and Children's directorates and Customer and Business Support.</p> <p>Full implementation of training in the AAP approach and Verto is important to ensure development of skills. The Council's Workforce Development Unit supports training and access to online courses on project management which adhere to the principles of the AAP framework. Verto training is currently delivered informally with some scheduled training sessions and ad hoc support from the programme management office.</p>	<p><i>We have no significant additional recommendations in this area. Areas for improvement relating to training are referred to above.</i></p>

## 4. Community Stadium Project

### 4.1 Summary and Conclusions

The Community Stadium is one of the Council's most ambitious projects aiming to deliver a sustainable future for local football and rugby clubs whilst providing much wider economic and social benefits to the whole community through leisure, retail and health facilities on the site. The project has evolved over a significant period of time through:

- the initial concept for a new shared football and rugby stadium in 2009;
- a comprehensive business case in 2012 for the stadium combined with other sporting, health and educational facilities; and
- final plans for an extensive new stadium and leisure complex including significant retail development and a cinema.

The project has attracted considerable public interest and is highly complex in terms of the legal and contractual framework, planning requirements, procurement process, technical specification and costing as well as the management of the multiple stakeholders involved.

A key objective is to maximise private sector funding for the project with minimal Council contribution. The current plan shared with the Executive in March 2016 is for a £44.2m development with £14.4m of Council funding. In broad terms this represents £2 of private investment for every £1 of public funds. In assessing this at this level, we have treated the £11.3m commercial land deal as private investment, although we recognise that this has been achieved in return for the Council giving up its land asset.

Following our preliminary review of the Council's arrangements for the delivery of this project as part of our Value for Money work in the 2014/15 audit, the project has progressed in many areas. Greenwich Leisure Ltd were approved as the preferred bidder for the design, build, operate and maintain contract in September 2014 and following detailed planning approval in March 2015, dialogue has continued to finalise the design specification including value engineering work to contain costs where feasible.

However, the project continues to experience significant delays due to the complexities of finalising the design, planning approvals and associated legal agreements. A necessary planning amendment was approved in June 2016. The latest anticipated timescale for the stadium to be operational is early 2018. Early works have been implemented to mitigate the impact of the delays.

The timescale slippage has had a consequent impact on costs due to inflation and contractors not being in a position to fix prices until financial close when agreements can be signed. Including project costs and contingency, the total cost of the development has risen to £44.2m as reported to the Executive in March 2016 against an original budget of £37m based on the final tender price submitted in May 2014, an increase of almost 19.5%.

The reasons for the capital cost increase reported in the paper are progression of the detailed design, construction inflation, delays in the timetable and the inclusion of an increased contingency. However, as reported at March 2016, the revenue consequences of the scheme show a favourable impact over the 13 years of the scheme. The projected net revenue cost of £1.3m over 13 years compares to a budget of £5.6m over the same period, a saving of £4.3m.

The current estimated final costs of the project and the costs that have been incurred to get the scheme to its current position have been the subject of public comment. The Council has been unable to debate many of these issues in public whilst within a competitive dialogue procurement exercise and whilst involved in commercial negotiations with a range of parties to the project.

As part of our review we have had access to all information held in relation to this project, including commercially sensitive information. The view we have to form is not whether the project will succeed, but whether the Council has proper arrangements in place to manage this project and mitigate the risks of failure.

The Outline Business Case approved in March 2012 was of a high standard. The procurement process ran well with two bidders submitting detailed designs and costs plans at the pre-final tender stage. The process thereby providing a market benchmark for the final accepted tender price submitted by one of the bidders. The most recent public report to Executive on the project in March 2016 set out recommendations to proceed with the Community Stadium and Leisure Facilities Project, agree the required project budget and agree to complete all final negotiations and legal agreements for the project to reach financial close.

Until financial close can be achieved which is subject to constraints outside of the Councils' control, contractor and sub-contractor agreements and leases cannot be signed. As is common for major construction projects of this nature, this means prices are not fixed and therefore cost variations have and will continue at least to reflect the impact of inflation over time.

The project team has implemented a detailed cost tracking approach to evidence scrutiny of cost revisions for both capital and revenue. Challenge of costs is provided by independent technical experts employed as part of the project team. This has happened from the commencement of the procurement process at each formal cost restatement stage including the accepted tender price and as the design was developed, through to the latest cost estimates. The Council has therefore tested on an ongoing basis whether the project represents value for money to the public at each stage and has continued to update that assessment over the project life cycle.

The Council has reviewed and sought appropriate legal advice to assess the implications on the procurement process of changes to the scheme in terms of final design and to the Design, Build, Operate and Maintain contract. Based on this advice, the Council has determined that these were not substantial or material and therefore would not constitute a breach of procurement rules.

A further recent development is a judicial review claim lodged by Vue Cinemas against the June 2016 planning approval. The Council continues to assess the impact of this further delay.

Despite the significant complexities of this major project, we have observed good practice in many areas including disciplined governance and project management, a well-run procurement process, appropriate technical resourcing of the project team, detailed cost tracking and the use of specialist independent support when necessary.

Members of the Executive have received regular briefings on the project, and this continues to be the case. Our observations are that the public reporting to Executive could have been expanded without compromising commercial confidentiality. Officers' view is that they sought external legal advice on what to disclose and that the reports were at the limits of what it was possible to include in a public report. Our suggestions are that some limited additional narrative could have been used to provide more assurance to Members and the public, for example:

- the arrangements that had been put in place to scrutinise and challenge the costs through the cost tracking process, including the use of independent and specialist external advisors. The reports set out the costs but did not explain the controls which have been put in place by the project team to ensure value for money;
- summarising how the scope of the project had changed over time and the impact on costs. The cost increases are clear but the narrative explanation could have been expanded, setting out the key factors explaining the increases, e.g. the cost escalation due to inflation; and
- providing more information on the reasons for the delays and a revised project plan for the key work-streams.

We recommend that as the community stadium project progresses, the Council:

- ensures there is at least quarterly reporting of the project to the Executive, unless otherwise agreed with members;
- continues to assess the balance between putting information in public papers, and the clear need to exercise commercial sensitivity at times;

- provides narrative explanation of its assurance arrangements, and how it has demonstrated that value for money has been achieved;
- provides a clear re-statement of the costs and benefits of the project as well as further consideration of risks once financial close is reached and agreements are in place; and
- continues regular reporting to the Executive during the construction phase.

We conclude that the Council has proper arrangements in place for the ongoing management of the external challenges, risks and delivery of this complex scheme. The challenge now is to overcome the remaining planning obstacles, contain further cost pressures and achieve financial closure on the project so that the focus can move to the construction phase.

## 4.2 Detailed Findings and Recommendations

Detailed Findings	Areas for Improvement / Recommendations
<p><b>Business Case</b></p> <p>The Council followed a formal business case development process which adhered to best practice with an initial strategic case followed by an Outline Business Case (OBC) which was approved in March 2012.</p> <p>The procurement approach (Design, Build, Operate and Maintain (DBOM)) and scope had been approved by the Cabinet Member for Leisure, Culture &amp; Tourism and was ratified by Cabinet in January 2012.</p> <p><b><u>Approved Project Scope – March 2012</u></b></p> <ul style="list-style-type: none"> <li>- a 6,000 seat stadium with hospitality and support facilities (with potential for expansion to 12,000 seats);</li> <li>- 3G floodlit games court;</li> <li>- community sport and training pitches;</li> <li>- county standard athletic facility (at York Sports Village); and</li> <li>- a community hub providing health drop-in centre, independent living centre, training and conference centre, library services and a children’s crèche/day-care including partnerships with the NHS (York Teaching Hospital) and York St John University.</li> </ul> <p><b>The total estimated capital cost of the development described above was £19.2m. CYC’s capital contribution was £4m. This is a ratio of 3.8:1 in terms of private to public funding.</b></p>	<p>R14 The March 2012 OBC business case provides a strong good practice example for the development of robust business cases for future major projects. We recommend that this document combined with the recently developed “All About Projects” (AAP) framework is used in training across the organisation to further develop the skills of officers involved in major programmes of this type.</p> <p>R15 Whilst accepting the evolutionary nature of the project over time and through the procurement process, the business case would have benefited from a fuller evaluation of strategic options and associated cost/benefit analysis. This would have avoided the need to present the business case through a series of Cabinet papers and provide members with a firmer starting point.</p> <p>R16 The subsequent evolution of the project to include leisure and retail development may have been one of the options to consider at the outset and would have prepared the ground for the subsequent change in scope of the project. Options on phasing may have been feasible to reduce the complexity of the project.</p>

Detailed Findings	Areas for Improvement / Recommendations
<p>Investment in new leisure facilities at Waterworld and Huntingdon stadium was also approved by Cabinet at this stage but had not been subject to full financial appraisal at this point. Feasibility work indicated an estimated <b>additional investment of £3m</b>. The OBC stated <i>“this will be considered as part of the wider procurement exercise underway”</i>.</p> <p>The OBC was very comprehensive and in most respects, met the requirements of Treasury best practice guidance for the appraisal, development and planning of major projects in the public sector, demonstrating public value and with evidence to support recommendations.</p> <p>The OBC did not follow the standard structure recommended by the Five Case Model (the Green Book). However this is of minor concern as the content covered comprehensively the areas required. The business case demonstrated:</p> <ul style="list-style-type: none"> <li>• consistency with Council priorities;</li> <li>• the case for change;</li> <li>• full community impact assessment and independently validated qualitative and quantitative socio-economic impacts;</li> <li>• due consideration of market interest with a full explanation of proposed procurement approach and market testing;</li> <li>• affordability with independently validated capital and revenue costs and comprehensive scenario and sensitivity analysis of assumptions;</li> <li>• deliverability; and</li> <li>• a thorough risk assessment.</li> </ul> <p>The Cabinet paper presented in March 2012 was thorough and summarised the features and complexities of the proposal and highlighted the key risks. Financial (capital and revenue) implications were externally benchmarked.</p> <p>We noted that in terms of strategic options appraisal which is required by good practice business case guidance, there were essentially two strategic options presented – the proposed solution and the “Do Nothing” option. Although options were considered for individual aspects of the proposal, for example a comprehensive site appraisal and options for community provision, other strategic</p>	

Detailed Findings	Areas for Improvement / Recommendations
<p>options were not considered in detail. The inclusion of the leisure and retail development elements was not fully appraised at this point in terms of cost/benefit analysis.</p> <p>The OBC sets out high level timescales for delivery of the project and the planned procurement timeline. Build completion was anticipated by the end of Quarter 1 2015 at this point – a 3 year elapsed time from OBC stage.</p>	
<p><b>Project Management and Governance</b></p> <p>Given the elapsed time of the project, in order to facilitate understanding of its progression, we have provided a summary timeline in Appendix 1 to show the key milestones and decision-making points.</p> <p>This illustrates the comprehensive approach over time to the evolution of the project and the detailed work and planning undertaken. It also shows the robust governance arrangements that were in place regarding approvals at each stage.</p> <p><i>Project Management</i></p> <p>Project monitoring documentation provided to the Project Board is very thorough. It shows that comprehensive checkpoint progress reports have been maintained. Each checkpoint report shows the status of key work-streams, including a risk rating against each. These are accompanied by fully populated risk and issues registers for both the development and implementation phases of the project.</p> <p>The programme is not managed within Verto and this would not be pragmatic given the advanced stage of development of project and the multiple complexities, interdependencies and changes. However, key project information is provided through Verto for corporate reporting purposes.</p> <p><i>Governance</i></p> <p>The Project Board has been in place since 2012, meets monthly and is currently chaired by the Director of Customer and Business Support Services. It has no specific delegated powers. The latest terms of reference is dated 2016.</p> <p>Membership is appropriate and includes other senior finance, legal, procurement and Leisure directorate representation as well as internal audit (Veritau). The involvement of internal audit on this Board is good practice to provide independence. The Board reports into CMT with formal reporting to the Executive.</p>	<p>R17 The robust project monitoring documentation used by the team provides a good practice example which should be used as part of the roll-out of project management training across the Council.</p>



Detailed Findings	Areas for Improvement / Recommendations
<p>When required other Council expertise in areas such as Planning, Property and Transport attend the Board.</p> <p>The Executive has received regular and comprehensive updates throughout the duration of the project to date. A gap in reporting between November 2012 and January 2014 occurred during the procurement process and competitive dialogue which was a cause for concern for some members (see further under Communication below).</p> <p>We note that the Council's new Chief Executive Officer has received a full briefing on the status of the project, including sight of all recent documentation following commencement in office in August 2016.</p>	
<p><b>Risk Assessment and Management</b></p> <p>The OBC contained a thorough risk assessment and populated risk register with mitigations proposed where within the Council's control. At this early stage the risks of delay relating to planning, the complex legal agreements and capital cost over-run were clearly articulated.</p> <p>Throughout the duration of the project, comprehensive risk registers have been maintained, routinely updated by the project team and shared with the Corporate Management Team (CMT). Risk and issues registers are populated for both the development and implementation phases of the project.</p> <p>Risks have also been appropriately summarised in reporting to the Project Board and drawn to members' attention in papers to the Cabinet/Executive.</p>	<p>R18 The risk and issues registers maintained for the project represent good practice and should be used as part of the Council's training programme on project management.</p>
<p><b>Project Resourcing</b></p> <p>Discussion with the current CYC project lead indicated that resourcing of the project has been satisfactory throughout.</p> <p>The team has specialist technical input which has been critical to providing assurance on cost estimates (Quantity Surveyor, Architect, Civils, Mechanical &amp; Electrical expertise) as well as an experienced commercial negotiator and external legal and due diligence support at key points. All technical advisors have been on board since the start of the procurement process in 2012.</p> <p>Team skills supporting the procurement were appropriate and included an</p>	<p>R19 Future progress reporting to Project Board, CMT and the Executive should routinely refer to project resourcing (internal and external) to show that it is routinely considered and to articulate the extent of expertise which is available within the team.</p>

Detailed Findings	Areas for Improvement / Recommendations												
<p>operational expert in DBOM contracts.</p> <p>Although the Project Director left the Council's employment in early 2016, discussion indicated that this had not been problematical as the project at this point had reached a new phase. The competitive dialogue was complete and legal agreements were ready for approval. The skills required to take the project forward remained in the team. Since March 2016, the Council's internal property manager is also supporting the team.</p>													
<p><b>Financial Management</b></p> <p><i>Position at March 2012</i></p> <p>The OBC approved in March 2012 provided a robust assessment of the capital and revenue implications based on best estimates at the time, benchmarked externally and independently validated. Funding sources were clearly presented and the key financial risks and dependencies were highlighted.</p> <p>KPMG carried out due diligence on the proposal. The report concluded "<i>the key underlying financial assumptions for the project and the Stadium as set out in the Business Plan are in general reasonable and wherever possible have been substantiated by external advice</i>".</p> <p>The total capital cost of the development was £19.2m with a CYC contribution of £4m (a ratio of 3.8:1 for private to public funding). The capital costs were independently validated at this stage by Gardiner Theobald, a firm specialising in cost management for stadiums. The break-down by each element was provided in the March 2012 Cabinet Paper as follows:</p> <table border="1" data-bbox="145 1034 696 1361"> <thead> <tr> <th>Element</th> <th>Capital Cost £'000</th> </tr> </thead> <tbody> <tr> <td>Stadium (min 6,000 seats)</td> <td>£11,000</td> </tr> <tr> <td>External Works</td> <td>£1,500</td> </tr> <tr> <td>Community Floor Space</td> <td>£3,000</td> </tr> <tr> <td>Athletics Facilities</td> <td>£2,000</td> </tr> <tr> <td>3G Pitch</td> <td>£200</td> </tr> </tbody> </table>	Element	Capital Cost £'000	Stadium (min 6,000 seats)	£11,000	External Works	£1,500	Community Floor Space	£3,000	Athletics Facilities	£2,000	3G Pitch	£200	<p><i>We have no major recommendations to make in relation to arrangements over financial management.</i></p> <p><i>See related recommendations on financial aspects of reporting referred to below under the section on Communication.</i></p>
Element	Capital Cost £'000												
Stadium (min 6,000 seats)	£11,000												
External Works	£1,500												
Community Floor Space	£3,000												
Athletics Facilities	£2,000												
3G Pitch	£200												

Detailed Findings		Areas for Improvement / Recommendations															
Community Sport Facilities	£750																
Project Costs	£750																
<b>Total</b>	<b>£19,200</b>																
<p>The £19.2m excludes the capital cost of the investment in new leisure facilities. Preliminary un-validated feasibility work indicated an estimated potential additional cost of £3m for this element. The Cabinet Paper presented the risk of the current operator of leisure facilities at Huntington stadium, Greenwich Leisure Ltd (GLL) terminating its lease due to financial sustainability issues and therefore the need to consider the leisure element of the scheme. The paper proposed that this aspect would be considered as part of the wider procurement exercise as an “Invest-to-save” scheme.</p> <p>Funding sources for the £19.2m scheme were detailed as follows:</p> <table border="1"> <thead> <tr> <th>Funding Source</th> <th>£'000</th> <th>Note</th> </tr> </thead> <tbody> <tr> <td>Section 106 Contribution</td> <td>14,850</td> <td>Private sector (Oakgate Group) dependent on planning permission</td> </tr> <tr> <td>City of York Council</td> <td>4,000</td> <td>Capital programme</td> </tr> <tr> <td>York City Football Club (YCFC)</td> <td>350</td> <td>Dependent on sale of Bootham Crescent</td> </tr> <tr> <td><b>Total</b></td> <td><b>£19,200</b></td> <td></td> </tr> </tbody> </table> <p>YCFC up-front funding committed was £350k at this stage. YCFC has a commitment to pay the Council a £2m contribution towards a new stadium based on the conditions of a Football Stadium Improvement Fund loan. As reported in the Executive Paper of March 2016, the Council holds a legal charge on Bootham Crescent upon its sale thereby providing assurance on this receipt.</p> <p>Projected revenue streams were externally validated as evidenced in the Cabinet Paper and projected a small annual surplus (£83k).</p> <p><i>Tender Process and Reporting to Executive in September 2014</i></p> <p>The procurement process resulted in two bidders working up detailed design proposals and costings which provided a market benchmark for the final accepted</p>			Funding Source	£'000	Note	Section 106 Contribution	14,850	Private sector (Oakgate Group) dependent on planning permission	City of York Council	4,000	Capital programme	York City Football Club (YCFC)	350	Dependent on sale of Bootham Crescent	<b>Total</b>	<b>£19,200</b>	
Funding Source	£'000	Note															
Section 106 Contribution	14,850	Private sector (Oakgate Group) dependent on planning permission															
City of York Council	4,000	Capital programme															
York City Football Club (YCFC)	350	Dependent on sale of Bootham Crescent															
<b>Total</b>	<b>£19,200</b>																

Detailed Findings	Areas for Improvement / Recommendations																										
<p>tender price.</p> <p>The final tender was submitted in May 2014 and brought the total capital cost of the stadium and leisure scheme to <b>£37m</b> as reported in the Cabinet Paper of September 2014. The scope was significantly expanded to include:</p> <ul style="list-style-type: none"> <li>• an 8,000 seat stadium;</li> <li>• leisure and sports centre with 3 pools;</li> <li>• retail, cinema, restaurants/bars.</li> </ul> <p>The tendered capital cost was based on the preliminary detailed design which would need to gain full planning approval and be developed to the next level of design (RIBA Stage C) to construction ready.</p> <p>Officers reported that at all stages GLL were evaluated as both competitive in overall cost and quality. It should be noted that the scope of this review does not include a detailed assessment of the procurement process and evaluation. However, we have reviewed evidence of elements of the evaluation and this was comprehensive.</p> <p>A comparison showing the cost movements from March 2012 to September 2014 was provided in the Cabinet Paper in September 2014 and is summarised below. This also shows the gross value of the development including the commercial development which is externally funded and dependent on the commercial land deal referred to above and further below.</p> <table border="1" data-bbox="147 986 1111 1359"> <thead> <tr> <th>Component</th> <th>Mar 2012 £m</th> <th>Nov 2012 £m</th> <th>Sep 2014 £m</th> </tr> </thead> <tbody> <tr> <td>Stadium</td> <td>14.2</td> <td>13.8</td> <td>16</td> </tr> <tr> <td>Leisure Complex</td> <td>0</td> <td>0</td> <td>12</td> </tr> <tr> <td>External Works</td> <td>1.5</td> <td>1.45</td> <td>3</td> </tr> <tr> <td>Other facilities, project costs &amp; contingency</td> <td>3.5</td> <td>3.95</td> <td>6</td> </tr> <tr> <td><b>Stadium and Leisure Complex Sub-Total</b></td> <td><b>£19.2</b></td> <td><b>£19.2*</b></td> <td><b>£37m</b></td> </tr> </tbody> </table>	Component	Mar 2012 £m	Nov 2012 £m	Sep 2014 £m	Stadium	14.2	13.8	16	Leisure Complex	0	0	12	External Works	1.5	1.45	3	Other facilities, project costs & contingency	3.5	3.95	6	<b>Stadium and Leisure Complex Sub-Total</b>	<b>£19.2</b>	<b>£19.2*</b>	<b>£37m</b>			
Component	Mar 2012 £m	Nov 2012 £m	Sep 2014 £m																								
Stadium	14.2	13.8	16																								
Leisure Complex	0	0	12																								
External Works	1.5	1.45	3																								
Other facilities, project costs & contingency	3.5	3.95	6																								
<b>Stadium and Leisure Complex Sub-Total</b>	<b>£19.2</b>	<b>£19.2*</b>	<b>£37m</b>																								

Detailed Findings				Areas for Improvement / Recommendations	
Commercial Development (externally funded)			£10.0		
<b>Gross Cost of Development</b>	<b>£19.2</b>	<b>£19.2 *</b>	<b>£47m</b>		
<p>* Note: There was a £1m error in the table provided in the Cabinet Paper for November 2012. The table in the report showed £14.8m rather than £13.8m for the stadium cost. We have shown the correct figures above.</p> <p>The budget at September 2014 had increased for enabling works, professional fees and feasibility work due to the increased complexity of the scheme.</p> <p>Funding arrangements presented in this paper are summarised below and assumed:</p> <ul style="list-style-type: none"> <li>• an additional £4m of Council funding for the leisure centre;</li> <li>• the full proceeds of the sale of Bootham Crescent (£2m); and</li> <li>• £12m of the capital receipt from the commercial development as a contribution to the stadium and leisure complex.</li> </ul>					
<b>Funding Elements</b>		<b>Sep 2014 £m</b>			
City of York Council - stadium		4.0			
City of York Council – leisure		4.0			
Section 106 Contribution		15.0			
York City Football Club (YCFC)		2.0			
Commercial Development Land Deal		12.0			
<b>Total</b>		<b>£37.0</b>			
<p>In terms of the revenue implications of the revised scheme, the September 2014 paper highlighted that:</p> <ul style="list-style-type: none"> <li>• the tender submission for the ongoing management of the stadium and leisure facilities falls within the Council's budget of £323k/annum;</li> <li>• the expanded capital scheme provides the opportunity to generate new income</li> </ul>					

Detailed Findings	Areas for Improvement / Recommendations				
<p>streams;</p> <ul style="list-style-type: none"> <li>a financial gain of approximately £400k/annum from increased business rates. This would offset the additional prudential borrowing requirement of £360k/annum for the extra £4m investment by the Council.</li> </ul> <p><i>March 2016 Reporting to the Executive</i></p> <p>Following the approval of the preferred bidder in September 2014, costs have increased further. This information was presented in an update to the Executive in March 2016 which showed total <b>capital costs</b> had increased to <b>£44.2m</b>, an increase of £7.2m on the September 2014 position.</p> <p>The cost increases and changes to the scheme are considered in more detail in a Confidential Legal Annex to the March 2016 Executive report. The Annex was drafted taking into account the legal advice of Bond Dickinson. The cost increases were described as due to delays as a consequence of the co-dependency of the commercial development, resulting construction inflation and finalisation of the design.</p> <p>The Annex also considers the implications of the changes to the scheme for the procurement process. It considers whether the continued work on the design of the scheme constituted a substantial or material change under EU procurement rules. With external legal advice, CYC reviewed the relevant changes and determined that these were not material or substantial and therefore would not constitute a breach of procurement rules. This paper was not part of the publicly accessible papers due to the commercially confidential aspects of its content. As part of our work, we have had access to the confidential annex and supporting legal advice.</p> <p><b>Revenue</b> projections show a favourable impact over the 13 year plan. The projected net revenue cost of £1.3m over 13 years compares to a budget of £5.6m over the same period, <b>a saving of £4.3m</b> as reported in the Executive update of March 2016.</p> <p>The following table from the March 2016 paper shows how CYC plan to fund the increase in capital costs.</p> <table border="1" data-bbox="145 1257 846 1369"> <thead> <tr> <th data-bbox="145 1257 678 1326">Funding Elements</th> <th data-bbox="678 1257 846 1326">Mar 2016 £m</th> </tr> </thead> <tbody> <tr> <td data-bbox="145 1326 678 1369">CYC Prudential Borrowing</td> <td data-bbox="678 1326 846 1369">13.4</td> </tr> </tbody> </table>	Funding Elements	Mar 2016 £m	CYC Prudential Borrowing	13.4	
Funding Elements	Mar 2016 £m				
CYC Prudential Borrowing	13.4				

Detailed Findings		Areas for Improvement / Recommendations
CYC Venture Fund	1.0	
Section 106 Stadium	15.3	
Section 106 Transport & Highways	1.2	
York City Football Club (YCFC)	2.0	
Commercial Development Land Deal	11.3	
<b>Total</b>	<b>£44.2</b>	
<p>CYC's prudential borrowing requirement for the scheme has increased from £8m to £13.4m. Funding proposals were approved by the Executive in March 2016, and subsequently ratified by full Council.</p> <p>In order to fulfil its best value obligations in relation to the commercial development land deal, CYC has sought the advice and commissioned an independent valuation by Savills in March 2016. This confirmed the land valuation and that the developer's profit and investment yields were in line with market expectations. The report also confirmed that the approach to the commercial development was appropriate.</p> <p>CYC has provided a detailed analysis of the main increases in capital cost which was the basis of a briefing to the lead member in February 2016. This paper also provides detail of the significant reductions in costs negotiated through value engineering. Disclosure of this information to the Executive and/or as part of this review is not possible due to the requirement for commercial confidentiality.</p> <p>The further cost increases are ascribed to inflation over the elapsed time before financial close, further changes to the detailed design and the unwillingness of contractors and their sub-contractors to fix prices before financial close. Further delays to the project exacerbate this risk. However, the capital cost is 95% fixed with subcontractors and there remains only a small area of provisional sums on elements such a statutory services which cannot be fixed until formal contracts are in place.</p> <p>Officers have reported that the technical costing experts on the team focus on close scrutiny and challenge of capital and revenue costs and this is evidenced by the use of a detailed query log and cost tracker to monitor changes. They have achieved some cost reductions as a result of value engineering and continue to focus on cost</p>		

Detailed Findings	Areas for Improvement / Recommendations
<p>containment.</p> <p>For capital costs, the external QS support is a locally experienced expert who worked on York Sports Village, with a good reputation for sound costing advice and challenge. Revenue costs are validated by the team's external Leisure Advisor with additional support provided by the Council's operational leisure manager.</p> <p>An additional layer of assurance on the validation of GLL's costs is provided by an external professional firm, Gardiner Theobald. Although the firm works on behalf of the Consortium, the risk of a conflict of interest is minimised to some degree as it is in the contractor's interest to contain costs to keep within the Council's approvals so that the project can progress.</p> <p>Sub-contracts have been tendered by the main building contractor (ISG) and in the majority of cases, the lowest price tender was selected where these met quality standards. Sub-contract tender information has been shared with CYC.</p> <p>Specifically for this review, officers provided a useful summary of the steps taken to ensure value for money and the comments above reflect this information and associated discussions with officers.</p>	
<p><b>Communication and Consultation</b></p> <p>Cabinet and Executive papers submitted throughout the development phase were clear and in most respects provided comprehensive updates on progress to members and the public.</p> <p>Review of evidence and discussion with officers indicated that some frustration had been expressed by Members during the procurement process at the lack of information being communicated. The Council did not provide updates to the public at this time due to the need to pay due regard to commercial confidentiality and we understand that CYC takes legal advice on the appropriate approach regarding exempt information. This was managed by providing verbal updates to Members and relevant portfolio Members attending Project Board meetings.</p> <p>CYC has recently changed governance arrangements so that portfolio Members are now briefed separately to the Project Board so that Members are appropriately briefed whilst avoiding involvement in the detailed discussions at the Board.</p> <p>There has been criticism by some members of the public and in the local press on</p>	<p>R20 With regards to public reporting during the procurement process, we fully recognise the priority of legal advice in this regard. However, our view is that some limited high level progress updates should continue to be provided during these periods.</p> <p>R21 For example, a summary statement would be appropriate to advise whether the procurement process is on track or delayed with an indication of the reason for delay, e.g. continued work on design specification. This approach would be preferable to maintain a consistent line of communication and provide further assurance to members and the public.</p> <p>R22 Some additional summary narrative would be helpful to provide more assurance to members and the public in key areas of concern, for example:</p> <ul style="list-style-type: none"> <li>• to describe the robust arrangements in place to scrutinise and challenge costs, including the use of independent and specialist external advisors;</li> <li>• summarising how the scope of the project had changed over time and the impact on costs. The cost increases are clear but the narrative</li> </ul>



Detailed Findings	Areas for Improvement / Recommendations
<p>the escalating costs of the scheme, the costs incurred to date and the continuing delay to commencement of the build work. However, the complexities and scale of the project for CYC have also been recognised.</p> <p>Executive reports set out the costs but did not explain the controls which have been put in place by the project team to ensure value for money. There are some areas where communication to Members and the public could have been expanded. This is particularly the case around timescales, the progress of work-streams and the procurement and the extent of work carried out by the project team to scrutinise costs, for example:</p> <ul style="list-style-type: none"> <li>• The proposed procurement timeline was provided in the Cabinet Report in March 2012 but the overall timescale for the project was not highlighted. It would have been helpful to provide a baseline summary project timeline to allow an easier comparison of progress to plan at subsequent stages; and</li> <li>• Subsequent papers, although comprehensive in their content, did not show in a structured way progress against the original plan, the revised timeframe and reasons for delays, many of which were outside the Council's control.</li> </ul> <p>The March 2012 Cabinet paper refers to the community consultation planned and undertaken to explain and raise the profile of the community elements of the scheme. The project has a dedicated website, however, this requires update.</p> <p>The paper also references an on-going Equality Impact Assessment.</p>	<p>explanation could have been expanded, setting out the key factors explaining the increases, e.g. the cost escalation due to inflation; and</p> <ul style="list-style-type: none"> <li>• providing more information on the reasons for the delays and a revised project plan for the key work-streams.</li> </ul>

## 5. Older People's Accommodation Programme

### 5.1 Summary and Conclusions

This review has focused on following up the actions taken since our review of the Older People's Accommodation (OPA) project which was reported to the Audit and Governance Committee on 29 July 2015. This review identified a number of areas for improvement following the abandonment of the procurement process for the OPA programme early in 2015 on the grounds that the programme was not affordable. The key recommendations were that the Council puts arrangements in place to ensure:

- a disciplined business case development framework;
- robust governance and programme management to provide assurance on risks; and
- appropriate, timely communication to decision-makers and stakeholders.

CYC officers prepared a comprehensive response to the report findings with an action plan to address the recommendations. Progress against these recommendations is detailed in our key findings in section 5.2 and summarised below.

- In July 2015 the Executive approved the business case for the revised OPA programme. Although not presented as a formally structured business case, this would not have been appropriate at this stage, given the evolutionary nature of plans and the significant groundwork undertaken as part of the previous programme. The papers presented a clear and comprehensive summary of the rationale for proposals, key issues and risks.
- The planned phased development and implementation presented in the business case for the new programme provides a more prudent and measured approach and is a positive way forward in terms of risk management and providing flexibility to future changes in the operating environment.
- This programme has progressed well during 2015/16. Appropriate governance and risk management discipline has been maintained. The Council has strengthened its programme management methodologies for all major projects (see Section 3) adopting a best practice framework which is supported by the Verto project management system. The OPA programme is now managed through Verto to ensure project management and reporting discipline. Verto is now populated with programme information and holds the project plan, progress reporting and risk registers.
- Reporting to the Executive has been very comprehensive and timely at required key decision points. In July 2016, the report to the Executive recorded the tangible progress that had been made in a number of specific areas, future plans, and in particular placed this in the context of an analysis of demand, financial considerations, risk assessment, consultation and community engagement.
- We also observed a marked improvement in progress reporting to the Audit and Governance Committee, including the new arrangements for quarterly reporting on major projects.
- Arrangements for engagement and consultation with the public and other stakeholders are comprehensive and continue to be effective. This has been a strength of the programme throughout.

In our view, the work undertaken and in progress comprehensively addresses the main issues we raised in our previous review. In order to ensure a continued focus on the effectiveness of the Council's arrangements for governance, programme management and communication, we highlight the following recommendations for further improvement:

- An additional layer of narrative in formal reporting to explain interdependencies between the key stages of the phased approach and the impact on the overall programme outcomes should stages not progress would be useful to provide further understanding of associated risks.
- As the project team embeds the use of Verto and associated training, the functionality of the system should be used to full effect and fields routinely updated, for example to monitor progress against the project plan and update risks and mitigations.
- The Council should consider ways to simplify the presentation of financial information in formal reporting to the Executive. This is important so that Members and the public are able to understand the key messages without having to digest a large amount of complex technical detail.
- Programme team resourcing should be considered routinely as a standing item at Project Board meetings to ensure skills and capacity are appropriate and potential resourcing challenges are promptly addressed.
- Communication requirements to the Health and Wellbeing Board should be reconfirmed.

These are either already taken into account by CYC in action plans underway or are relatively straightforward to implement.

## 5.2 Detailed Findings and Recommendations

Detailed Findings	Areas for Improvement / Recommendations
<p><b>Business Case</b></p> <p>The review recommended adherence to a formal business case process. This recommendation has been taken on Board across the Council for all projects with the introduction of the All About Projects framework in December 2015.</p> <p>With respect to the OPA programme, following the abandonment of the previous procurement process for the programme in early 2015, a strategic case for the new programme was presented in the paper to Cabinet of March 2015. This was approved subject to a business case being presented. A business case summary for the proposed new scope of the programme was presented to Executive in July 2015 as planned.</p> <p>The new programme focused on providing care and accommodation in community settings which was more aligned with developments in terms of need, demand and national policy. In line with the outline plans presented in the strategic case, this comprised:</p> <ul style="list-style-type: none"> <li>• making best use of existing provision of Extra Care housing;</li> <li>• Extra Care for those with complex needs including dementia;</li> <li>• new Extra Care provision;</li> </ul>	<p>R23 An additional layer of narrative in Executive Papers to explain interdependencies between the key stages of the phased approach and the impact on the overall programme outcomes should stages not progress would be useful to provide further understanding of associated risks. This is also recommended with respect to interlinkages with other programmes of work, for example in Adult Social Care.</p>

Detailed Findings	Areas for Improvement / Recommendations
<ul style="list-style-type: none"> <li>• working with the independent sector to increase supply;</li> <li>• health and wellbeing campus at Burnholme site;</li> <li>• increasing the variety of accommodation for older people; and</li> <li>• a programme of home closures (the Council's existing seven homes for older people).</li> </ul> <p>The scope also referred to the interlinkages with Adult Social Care's developing operating model to support independent living.</p> <p>The paper later refers to the business case for the Burnholme development which was brought to the Executive in Autumn 2015 as planned.</p> <p>Although neither of the papers presented formally structured outline business cases, they presented clear, comprehensive and succinct rationales for proposals. Content was proportionate to requirements for assurance purposes given the extensive work on options and scrutiny undertaken previously on the programme.</p> <p>The phased development and implementation presented in the business case for the new programme provides a more prudent and measured approach in terms of risk management. However it does not expand on any interdependencies between the stages in terms of delivery of the overall programme outcomes.</p>	
<p><b>Programme Management and Governance</b></p> <p><i>Programme Management</i></p> <p>It was recommended that the programme was managed through CYC's Verto system to ensure project management and reporting discipline. The programme is now managed through Verto which is now populated with programme information and holds summary information, the project plan, progress reporting and risk registers.</p> <p>We note that some fields required update, for example financial benefits, governance arrangements, risk mitigation and progress against the project plan. The documents folder does not contain key corporate documentation such as reports to CMT and Executive. It should also be used to hold key briefings, presentations and versions of financial plans.</p> <p>The July 2015 Executive paper contained elements of the project plan in terms of</p>	<p>R24 The Verto Highlights Reports have the potential to provide an effective tool for reporting to the Project Board and CMT. We recommend that key elements are routinely updated, specifically the Project Plan and Risk Register to ensure the essential elements of the tool are used effectively. Key corporate documentation relating to the project, including papers recording approvals and decisions should be filed on the system.</p> <p>R25 The governance structure described on the Verto system should be updated to reflect current arrangements, including a full Terms of Reference for the Project Board.</p> <p>R26 CYC should consider representation by internal audit on the Project Board as is the case for the Community Stadium project to provide an additional layer of independent scrutiny.</p> <p>R27 We recommend that the Executive specifies the frequency of reporting</p>

Detailed Findings	Areas for Improvement / Recommendations
<p>description of stages and a transition plan showing movements in bed capacity. Whilst recognising the unknowns and interdependencies at this point, for example in relation to sites, home closures and procurement timetables, the paper would have been strengthened by a project plan showing the planned elapsed time for key elements of the programme. The project plan in Verto may be able to provide the mechanism for this but requires regular update to provide a useful tool to assess progress.</p> <p>The summary narrative on the Verto Highlights reports has been routinely maintained and contain comprehensive updates on the status of the project each month by the Programme Director.</p> <p><i>Governance</i></p> <p>Governance arrangements continue through a Programme Board with Corporate Management Team representation through the Director of Customer and Business Support Services and Director of Adult Social Care.</p> <p>Comprehensive updates on progress have been provided to the Executive in July 2015, October 2015, May 2016 and July 2016. Updates have been provided at key decision points for the purposes of obtaining an Executive approval. Minutes contain a record of decisions taken.</p> <p>The portfolio holder for Adult Social Care and Health is responsible for the programme and receives regular updates.</p>	<p>required to ensure regular updates so that a high level summary of progress is provided even during periods of minimal activity or when an approval by the Executive is not required.</p>
<p><b>Risk Assessment and Management</b></p> <p>The Review recommended strengthening the approach to risk management.</p> <p>The scheme now consists of a phased programme of work which was comprehensively articulated in July 2015 and is underway. This is a more prudent approach providing greater flexibility, clear stages and minimisation of risk.</p> <p>Executive papers appropriately highlight key risks with considerable detail provided in the body of the documents including a summary risk register.</p> <p>Detailed risk registers are maintained in Verto and used for reporting to the Project Board and CMT. Review of these reports showed that the risk commentary had not been updated since inception in some areas.</p>	<p>R28 The Highlight reports would benefit from a summary of new risks and significant changes to risks in the summary section rather than relying on the Verto risk reports which have not been routinely updated.</p> <p>R29 The Verto risk registers should be routinely updated to provide an effective tool for risk management.</p>
<p><b>Programme Resourcing</b></p>	<p>R30 To ensure full debate at the Project Board of resourcing requirements and</p>

Detailed Findings	Areas for Improvement / Recommendations
<p>A recommendation was made to review resourcing requirements for the programme in terms of capacity and technical skills. The July 2015 paper does not explicitly refer to a resource plan or provide a statement of reassurance that resource requirements have been assessed and will be put in place.</p> <p>Verto details the programme team resourcing and confirms that resourcing is satisfactory. However we noted that the project structure chart referred to required update to reflect officers leaving the Council's employment.</p> <p>Discussion with officers indicated dedicated resourcing in key areas, for example from social care, housing, property and communications. The Programme Director is dedicated 4 days per week to the project and the Burnholme Project Manager 3 days per week. Corporate support is provided to the project team (legal, HR, Finance, Procurement) but there is no information on the extent of this support in Verto.</p> <p>There is evidence of project resourcing considered in the Highlights reports but not as a routine item.</p>	<p>potential future pressures, we recommend that this is a routine update on the Highlights Report.</p> <p>R31 This is particularly important with respect to obtaining specialist technical support and for corporate support which cross-cuts many significant programmes of work and for whom priorities may conflict.</p>
<p><b>Financial Management</b></p> <p>Affordability was a key challenge under the previous programme. A key recommendation of the Review was to consider ways to improve and simplify the presentation of financial information at a summary level.</p> <p>The July 2015 paper presents the financial analysis for the provision of:</p> <ul style="list-style-type: none"> <li>• 90 high needs Extra Care places;</li> <li>• an independent sector built and funded care home at Burnholme (up to 55 beds for Council use);</li> <li>• purchase of 30 residential beds in the independent sector.</li> </ul> <p>This presents detailed and complex information in a paragraph format and would have benefited from greater clarity and summarisation in some areas. For example, it requires greater explanation on:</p> <ul style="list-style-type: none"> <li>• which aspects of the overall programme the costings refer to in terms of the work-streams described earlier in the paper and set out above under the section Business Case;</li> <li>• how the costs map to each of the stages of work referred to in the paper;</li> </ul>	<p>R32 The presentation of financial information to Members and the public could be improved in terms of aiding understanding by summarising key messages and making more use of tables.</p> <p>R33 This is important so that Members and the public are able to understand the key messages without having to digest a large amount of complex detail. Financial information can be lost easily in the predominantly text based format of papers. This makes it difficult for readers to draw out the key points for consideration.</p>

Detailed Findings	Areas for Improvement / Recommendations
<ul style="list-style-type: none"> <li>the full projected costs of the scheme (rather than impact on budget position (surplus/deficit) with capital and revenue implications separately; and</li> <li>sources of funding, for example, assumptions regarding the use of capital receipts anticipated.</li> </ul> <p>Where sub-options to aspects of the programme are under consideration the financial impacts are shown.</p> <p>Programme management costs are presented clearly and as at the date of our fieldwork, there was an under-spend against this budget.</p> <p>The financial risks inherent in the proposals at that stage were clearly articulated with mitigating actions. The analysis also provides sensitivity analysis on key assumptions.</p> <p>This review does not cover a specific examination of the costs involved in this programme. We understand from the latest Highlight reports that a detailed financial model has been developed, stress-tested and is being used to monitor this aspect of the programme.</p>	
<p><b>Communication and Consultation</b></p> <p>The Review recommended strengthening arrangements around communication with wider health scrutiny forums and health partners. The July 2015 Executive paper highlighted the planned engagement with relevant bodies to cover linkages with wider adult social care programmes and health, i.e. oversight by the Health and Adult Social Care Policy and Scrutiny Committee and the Health and Wellbeing Board.</p> <p>Briefings have been provided to the Health and Adult Social Care Policy and Scrutiny Committee in June and December 2015.</p> <p>We have not found evidence of any updates about the programme to the Health and Wellbeing Board in 2015/16. An update was included in the forward plan for 2016/17 for July 2016 but there is no reference to the programme in July's papers.</p> <p>A communications strategy 2015-18 and plan for 2015/16 was put in place to manage liaison with wider stakeholders and the public.</p> <p>The public consultation with residents, their families and staff in existing facilities has progressed to plan and the Council continues to apply the Moving Homes Safely</p>	<p>R34 We recommend that the Council confirms requirements for reporting on the programme to the Health and Wellbeing Board.</p>

Detailed Findings	Areas for Improvement / Recommendations
<p>protocol which has been used successfully throughout the programme. An Older Persons' Homes Wider Reference Group has been established for ongoing engagement purposes.</p> <p>The October 2015 Executive paper contains a useful assessment of the rationale for the sequence of home closures and a signed-off Equality Impact Assessment.</p>	



## 6. Better Care Fund

### 6.1 Summary and Conclusions

There is an increasing imperative nationally and locally for a more comprehensive and accelerated approach to the integration of health and social care due to its important role in assuring the long-term sustainability of these essential public services. The Care Act places statutory obligations on Councils to ensure integrated service provision. The Better Care Fund (BCF) is one of the mechanisms in place to deliver this agenda. It is a mandated national initiative which requires local authorities and Clinical Commissioning Groups (CCGs) to work together to realise the benefits of integrated care and deliver improved outcomes for people through greater community based provision.

The BCF was initiated in 2013/14 and requires Councils and Clinical Commissioning Groups (CCG) to commit on an annual basis, a defined level of resources to a pooled fund which is used to commission schemes which aim to build capacity in community based care and support services, avoid unnecessary hospital and care home admissions and prevent, delay and reduce demand for care and support.

For York, the pooled fund was £12.1m in 2015/16 with the majority of the funding provided by the Vale of York CCG. The Council has commissioned schemes to the value of approximately £8m as part of the BCF arrangements. Responsibility for oversight of the BCF lies with the Health and Wellbeing Board which approves the plan and receives regular updates on progress. A Joint Delivery Group is in place to oversee delivery of the schemes and monitor performance.

As experienced nationally, there have been significant challenges in agreeing plans, progressing the integration of health and social care services and delivering the BCF performance targets. Difficulties have arisen due to the multiple compounding system-wide factors, the deteriorating financial position of the CCG and the continued pressure on the Council's budgets. The National Audit Office carried out a review of BCF arrangements nationally and its report of November 2014 highlighted the key challenges and concerns for 2015/16 as follows:

***“..... the Fund still contains bold assumptions about the financial savings expected in 2015-16 from reductions in emergency admissions, which are based on optimism rather than evidence, and implementation faces further hurdles. The Fund has real potential to help integrate health and social care but to offer value for money the departments need to ensure: more effective support to local areas; better joint working between health and local government; and improved evidence on the effectiveness of integration schemes.”***

These issues were evident in the operation of the first year of York's Better Care Fund (BCF). The Council and the CCG identified schemes that would support the defined objectives, however, the schemes did not deliver the level of improvement anticipated in the plan for the defined performance metrics, particularly for reducing hospital admissions.

The CCG experienced financial difficulties in 2015/16 which created a risk to the funding of the BCF; a potential £3m funding gap was identified in Quarter 3 of 2015/16. The CCG implemented a financial recovery plan during the year and the BCF funding position with the Council was resolved by the year-end. CYC achieved a small underspend on the adult social care budget for the year.

The BCF Plan for 2016/17, which is a pooled budget of £12.2m, has taken significant time to be agreed, due to ongoing negotiations between the Council and the CCG. We understand that NHS England confirmed that the 2016/17 BCF Plan had been approved on 15 August 2016.

York partners have taken steps to establish arrangements to support the strategy, planning and delivery of programmes for wider whole system integration of which the BCF is one part. This includes a strategy for joint commissioning and an Integration and Transformation Board to take forward the Sustainability and Transformation Plan for the local footprint. Targets have been revised to what officers have described as “stretching but realistic” levels.

Our review concludes that the Council has made significant progress and is working hard with partners in a challenging financial environment to deliver the shared plans in place for integration. Achieving agreement on the 2016/17 plan is a positive outcome following difficult negotiations with the CCG.

The Council will need to continue pro-actively working with partners to accelerate schemes and link into wider programmes of work on integration, including the Sustainability and Transformation Programme for the local footprint. Our key recommendations to enable more effective joint working and facilitate an acceleration of pace are:

- increasing the visibility of progress made on the core BCF schemes and performance targets as well as progress on wider integration initiatives at the Health and Wellbeing Board through an appropriate performance reporting framework. The review of arrangements underway is a firm step in this direction and should be prioritised;
- providing a six-monthly update to the Executive on the BCF and wider integration plans and how these link into the Council’s other programmes of work involving health and wellbeing;
- streamlining and clarifying governance and oversight arrangements at a strategic and implementation level to remove any potential duplication or blurred responsibilities and to provide an appropriate balance between system oversight and focus on front-line delivery; and
- maintaining close liaison with NHSE to access support available nationally through its Better Care Support Team and local Better Care Managers.

## 6.2 Detailed Findings and Recommendations

Detailed Findings	Areas for Improvement / Recommendations
<p><b>BCF Overview 2015/16</b></p> <p>The Better Care Fund (BCF) is a nationally mandated programme of work. The York plan was approved by partners and a comprehensive submission made as required to NHS England (NHSE) in December 2014. The final plan was signed off through the National Assurance Process in January 2016.</p> <p>For York, the fund consisted of a pooled budget of £12.127m for 2015/16. The agreement was formalised under a Section 75 agreement between Vale of York CCG and the Council. The majority of the funding, £11.176m is through the CCG with the Council’s contribution of £0.951m.</p> <p>As is the case nationally, there is no new funding for BCF initiatives which are therefore resourced from existing CCG and Council allocations; the objective being to use existing funds to work differently to deliver integration objectives.</p>	<p><i>We have no recommendations to make with respect to the BCF plan which adhered to national requirements and was approved by NHS England.</i></p>

Detailed Findings	Areas for Improvement / Recommendations										
<p>The Council's contribution was sourced from the Disabled Facilities Grant (£544k) and Adult Social Care Capital Grant (£407k).</p> <p>Expenditure met by the fund in 2015/16 was as follows:</p> <table border="1" data-bbox="145 391 696 639"> <thead> <tr> <th>Expenditure</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Council commissioned schemes</td> <td>7.918</td> </tr> <tr> <td>CCG commissioned schemes</td> <td>2.878</td> </tr> <tr> <td>Withheld performance funds</td> <td>1.331</td> </tr> <tr> <td><b>Total</b></td> <td><b>£12.127</b></td> </tr> </tbody> </table> <p>An element of the pooled funding was dependent on the achievement of the set targets, a Payment for Performance element (see further below) which are monitored nationally. Release and use of the performance element of the fund if targets are achieved is approved by the Health and Wellbeing Board (HWB).</p> <p>There are set national conditions to be met and York partners' response to these was detailed in its submission. These have been updated by NHSE operating guidance for 2016/17 and require:</p> <ul style="list-style-type: none"> <li>• BCF plan to be signed off annually by Council and CCG;</li> <li>• maintained social care provision;</li> <li>• demonstration of progress on seven-day services provision;</li> <li>• better data sharing;</li> <li>• a joint approach to assessment and care planning;</li> <li>• agreement on impact of changes on providers;</li> <li>• agreement to invest in out-of-hospital services (new for 2016/17); and</li> <li>• agreement on a local action plan to reduce delayed transfers of care (new for 2016/17).</li> </ul>	Expenditure	£m	Council commissioned schemes	7.918	CCG commissioned schemes	2.878	Withheld performance funds	1.331	<b>Total</b>	<b>£12.127</b>	
Expenditure	£m										
Council commissioned schemes	7.918										
CCG commissioned schemes	2.878										
Withheld performance funds	1.331										
<b>Total</b>	<b>£12.127</b>										
<b>Scheme Details</b>	<i>We have no additional recommendations to make in this respect.</i>										

Detailed Findings	Areas for Improvement / Recommendations																																														
<p>An overview of the proposed new schemes was provided in the report to the HWB in July 2015. In line with the BCF objectives, these schemes aim to build capacity in community based health and social care to reduce demand for care and support and avoid unnecessary hospital admissions and attendances. The following table summarises all schemes involved and their planned expenditure value.</p>																																															
<table border="1"> <thead> <tr> <th data-bbox="145 408 719 456">Scheme</th> <th data-bbox="719 408 869 456">£k Value</th> <th data-bbox="869 408 1016 456">Lead</th> </tr> </thead> <tbody> <tr> <td data-bbox="145 456 719 504">York Integrated Care Hub</td> <td data-bbox="719 456 869 504">500</td> <td data-bbox="869 456 1016 504">CCG</td> </tr> <tr> <td data-bbox="145 504 719 552">Urgent Care Practitioners</td> <td data-bbox="719 504 869 552">564</td> <td data-bbox="869 504 1016 552">CCG</td> </tr> <tr> <td data-bbox="145 552 719 600">Hospice at Home</td> <td data-bbox="719 552 869 600">170</td> <td data-bbox="869 552 1016 600">CCG</td> </tr> <tr> <td data-bbox="145 600 719 647">Street and Triage Pathways</td> <td data-bbox="719 600 869 647">125</td> <td data-bbox="869 600 1016 647">CCG</td> </tr> <tr> <td data-bbox="145 647 719 695">Sitting and Crisis Services</td> <td data-bbox="719 647 869 695">164</td> <td data-bbox="869 647 1016 695">CYC</td> </tr> <tr> <td data-bbox="145 695 719 743">Whole System Review</td> <td data-bbox="719 695 869 743">4,313</td> <td data-bbox="869 695 1016 743">Joint</td> </tr> <tr> <td data-bbox="145 743 719 791">Community Support Packages</td> <td data-bbox="719 743 869 791">3,161</td> <td data-bbox="869 743 1016 791">CYC</td> </tr> <tr> <td data-bbox="145 791 719 839">Carers' Support</td> <td data-bbox="719 791 869 839">655</td> <td data-bbox="869 791 1016 839">CYC</td> </tr> <tr> <td data-bbox="145 839 719 887">Community Facilitators</td> <td data-bbox="719 839 869 887">40</td> <td data-bbox="869 839 1016 887">CYC</td> </tr> <tr> <td data-bbox="145 887 719 935">Data Analyst</td> <td data-bbox="719 887 869 935">40</td> <td data-bbox="869 887 1016 935">CYC</td> </tr> <tr> <td data-bbox="145 935 719 983">Carers Assessments, Advocacy (Care Act implementation)</td> <td data-bbox="719 935 869 983">444</td> <td data-bbox="869 935 1016 983">CYC</td> </tr> <tr> <td data-bbox="145 983 719 1031">Capital (IT Systems, Older People's Accommodation, Disabled Facilities Grant)</td> <td data-bbox="719 983 869 1031">951</td> <td data-bbox="869 983 1016 1031">CYC</td> </tr> <tr> <td data-bbox="145 1031 719 1078">Performance Fund Contingency</td> <td data-bbox="719 1031 869 1078">1,000</td> <td data-bbox="869 1031 1016 1078">CCG</td> </tr> <tr> <td data-bbox="145 1078 719 1217" style="text-align: right;"><b>Total</b></td> <td data-bbox="719 1078 869 1217"><b>£12.127</b></td> <td data-bbox="869 1078 1016 1217"></td> </tr> </tbody> </table>			Scheme	£k Value	Lead	York Integrated Care Hub	500	CCG	Urgent Care Practitioners	564	CCG	Hospice at Home	170	CCG	Street and Triage Pathways	125	CCG	Sitting and Crisis Services	164	CYC	Whole System Review	4,313	Joint	Community Support Packages	3,161	CYC	Carers' Support	655	CYC	Community Facilitators	40	CYC	Data Analyst	40	CYC	Carers Assessments, Advocacy (Care Act implementation)	444	CYC	Capital (IT Systems, Older People's Accommodation, Disabled Facilities Grant)	951	CYC	Performance Fund Contingency	1,000	CCG	<b>Total</b>	<b>£12.127</b>	
Scheme			£k Value	Lead																																											
York Integrated Care Hub			500	CCG																																											
Urgent Care Practitioners			564	CCG																																											
Hospice at Home			170	CCG																																											
Street and Triage Pathways			125	CCG																																											
Sitting and Crisis Services			164	CYC																																											
Whole System Review			4,313	Joint																																											
Community Support Packages			3,161	CYC																																											
Carers' Support			655	CYC																																											
Community Facilitators			40	CYC																																											
Data Analyst			40	CYC																																											
Carers Assessments, Advocacy (Care Act implementation)			444	CYC																																											
Capital (IT Systems, Older People's Accommodation, Disabled Facilities Grant)			951	CYC																																											
Performance Fund Contingency	1,000	CCG																																													
<b>Total</b>	<b>£12.127</b>																																														
<p>Expenditure includes existing schemes/services in place to maintain adult social care provision and implement the requirements of the Care Act.</p> <p>The Whole System Review element was the most significant scheme. It involved identifying duplication and/or an opportunity to improve capacity, e.g. through the</p>																																															

Detailed Findings	Areas for Improvement / Recommendations
<p>integration of re-ablement services between health and social care. This scheme did not progress.</p> <p>There is no evidence of reporting on the status of development of these schemes against plan to the HWB. Exception reports, as part of an update from the Integration and Transformation Board, is being put in place this year.</p>	
<p><b>Performance and Risk Management</b></p> <p>The performance metrics are set nationally and the targets for 2015/16 were agreed between partners locally to deliver the fund objectives and meet the mandated national requirements.</p> <p>The July 2015 HWB paper details the planned performance targets against the BCF objectives for reductions in:</p> <ul style="list-style-type: none"> <li>• non-elective (NEL) hospital admissions;</li> <li>• delayed transfers of care (DTOC);</li> <li>• permanent residential/nursing care admissions; and</li> <li>• proportion of people (&gt;65) who were still at home 91 days after discharge from hospital into reablement/rehabilitation services.</li> </ul> <p>The NEL reduction target for 2015/16 was 11.7% with actual performance demonstrating an increase of 7.8%. The whole system review scheme was planned to deliver savings of over £2m but this did not progress.</p> <p>In 2015/16, under the Payment for Performance requirement, funds relating to the underperformance against the target for the reduction of non-elective admissions were withheld of £1.1m. These funds have been retained by the CCG to offset increased expenditure related to acute hospital activity.</p> <p>The HWB receives quarterly performance reporting on the key CYC performance metrics as part of the standard performance reporting pack. However this analysis is not linked to the BCF targets. We note that the HWB is currently undertaking a review of how it carries out its oversight and performance monitoring responsibilities. The July 2016 paper comments as follows:</p> <p><i>“Formal mechanisms are also needed to monitor performance of the most immediate and urgent strategic challenges facing our local health and care</i></p>	<p>R35 As a priority, the HWB should take forward the review of performance monitoring arrangements. This is necessary to increase the visibility of progress made on the core BCF schemes and performance targets as well as progress on wider integration initiatives.</p> <p>R36 Risk reporting should form part of this reporting framework.</p> <p>R37 The HWB should have oversight of formal quarterly monitoring returns as the Board is responsible for signing off these submissions.</p>

Detailed Findings	Areas for Improvement / Recommendations
<p><i>system, such as the progress of the Better Care Fund”.</i></p> <p>There was a comprehensive risk log submitted with the BCF Plan. Reporting to HWB has not included any structured presentation of risks on individual schemes.</p> <p>National requirements specify quarterly reporting to NHSE using a formal template. These returns have not been included in papers to the HWB. The HWB is responsible for approving these submissions.</p>	
<p><b>Governance and Partnership Working</b></p> <p>The Council and CCG are the accountable bodies for their respective elements of the BCF and therefore responsible for the appropriate use of funds. The Council has discharged this obligation through its approval of the budget and budget monitoring for adult social care.</p> <p>At date of submission of the plan a risk/gain sharing arrangement was not in place between partners but there was a plan to do so by March 2015 We understand that risk management principles and a risk share agreement are in place for the 2016/17 programme, and are set out in the section 75 agreement.</p> <p>The fund objectives were fully articulated in a paper to Executive in December 2014. Throughout 2015/16 there has been no formal reporting to the Executive on the BCF.</p> <p>The delivery of the BCF objectives and the wider integration agenda is becoming an increasingly urgent priority for the health and care system as a whole. Plans need to be aligned with the Council’s Plan and its many other programmes of work which impact on the BCF/integration objectives, for example the Older People’s Accommodation programme, Health and Wellbeing hubs and public health initiatives.</p> <p>The HWB is responsible for the oversight of the BCF and has a statutory obligation to encourage integrated working between commissioners. The BCF/integration are a standing item on the HWB forward plan agendas. Updates on various aspects have been provided to each meeting in 2015/16 apart from December 2015. The update in October 2015 provided a comprehensive summary of the whole system approach to integration. Reporting has varied in terms of content and has been somewhat repetitive and has not demonstrated the progress of the plan schemes.</p>	<p>R38 We recommend that updates are provided on a six-monthly basis to the Executive on the BCF and other major health and wellbeing integration schemes with which the Council is involved. This is important due to the increasing importance of these programmes for system sustainability and their interlinkages.</p> <p><i>See reference in the next section to ensuring risk sharing arrangements are in place for 2016/17 and beyond.</i></p> <p>R39 Reporting to the HWB on the performance of the BCF and status of schemes should be standardised so that Board members are clear on what is to be expected as part of the standing agenda and progress can be monitored.</p> <p>R40 The summary provided on the overall integration programme was helpful and further routine reporting should be established to the HWB to provide regular updates on progress with respect to the wider agenda.</p> <p>R41 Recognising that partners have examined arrangements for the 2016/17 plan, we recommend a comprehensive review and streamlining of governance arrangements over the BCF and integration programmes. Multiple forums have emerged over the last few years and there is a risk that the remit and composition of these groups creates duplication. This should be undertaken as part of the HWB’s review of performance monitoring arrangements described above.</p> <p>R42 Partners should agree a joint (CYC/CCG) reporting framework which is appropriate for the various governance forums in place. This should meet the needs of each forum in terms of their terms of reference whilst minimising duplication of information.</p> <p>R43 The Council should consider the need to report on the BCF as part of the improved reporting arrangements to Audit and Governance Committee for</p>

Detailed Findings	Areas for Improvement / Recommendations
<p>In order to ensure a whole system approach and effective partnership delivery between CYC and the CCG, the partners put in place a Joint Delivery Group (JDG) to provide direction and oversight.</p> <p>This group was responsible for monitoring of progress and comprises representation from the multiple commissioning and provider agencies involved. The JDG met monthly and monitored progress against the agreed performance targets. It's membership and focus has since been refreshed. It is referred to in the 2016/17 Submission as the BCF Performance and Delivery Group</p> <p>A Collaborative Improvement Board was established in 2013 to receive reports from the JDG on the progress of BCF schemes. There was no evidence of reporting from this group to the HWB. The work of this board has now been taken on by a newly formed Integration and Transformation Board.</p> <p>A Joint Commissioning Executive has also been established to provide system leadership and a link into the wider integration agenda. A Provider Alliance Board focuses on integrated pathways and contracting for outcomes.</p> <p>CYC representatives also attend CCG Governing Body meetings where BCF is on the agenda.</p> <p>Joint working groups are in place over each scheme to oversee delivery and a new operational BCF Task Group is being established. Partners are establishing joint Programme Management Office arrangements.</p> <p>There were minimal references to the BCF in the records of 2015/16 meetings of the Health and Adult Social Care Policy and Scrutiny Committee (former Health Overview and Scrutiny Group). Scrutiny has increased by this Committee into 2016/17.</p> <p>The 2016/17 plan refers to a review of governance arrangements and an Integration and Transformation Board has been recently established as a sub-board to the HWB. The intention is for this group to act as a catalyst to accelerate progress.</p>	<p>major projects.</p>
<p><b>BCF Plans 2016/17</b></p> <p>The 2016/17 BCF pooled budget is £12.2m. In the May 2016 HWB a full breakdown of the schemes involved is provided. This totalled £14.5m, a funding</p>	<p>R44 Partners should prioritise the finalisation of formal agreements around the plan and the risk sharing arrangements.</p>

Detailed Findings	Areas for Improvement / Recommendations
<p>gap of £2.3m. It has taken a significant time for the Council and CCG to agree how to close this gap and determine performance targets given the under-performance in 2015/16. As a result the situation has been escalated to NHSE and partners have made the plan submission later than the formally required deadline with the agreement of NHSE (29 July 2016).</p> <p>We understand that NHS England has confirmed approval of the 2016/17 BCF Plan in August 2016, and that work is now being undertaken to update the Section 75 agreement between the Council and the CCG including arrangements for risk/gain share.</p> <p>NHS England has removed the Payment for Performance element of the fund for 2016/17. The national conditions are described above.</p> <p>In formulating the 2016/17 plan, partners have evaluated the impact to date of existing BCF schemes and presented a thorough assessment of the challenges experienced to date.</p>	
<p><b>Communication and Consultation</b></p> <p>A comprehensive communications and engagement plan was a requirement of the BCF plan submission.</p> <p>HWB papers refer to a full engagement programme having been undertaken throughout the BCF development process. Discussion at the HWB indicated the need to consult further with local people and stakeholders.</p>	<p>R45 Given the difficulties experienced in agreeing plans between parties, partners should ensure the communications and engagement plan is refreshed and meets stakeholder requirements given the anticipated future difficult commissioning decisions to be made.</p>



## 7. Future Shape and Size Initiative

### 7.1 Summary and Conclusions

“Future Shape and Size” (FSS) was an initiative led by the outgoing interim Chief Executive, which aimed to deliver an operating model which would realise significant financial savings whilst ensuring sustainable services into the long-term. The initiative continued some of the themes of the previous Rewiring Public Services programme which was subject to a review of programme management arrangements in 2014/15 as part of our VFM conclusion work.

In line with our recommendations and following the pause in progress due to the change in administration and then changes in senior management, the Council has taken the opportunity to clarify the direction of its transformational activity, define priorities and streamline governance arrangements. The initiative achieved its initial objectives having developed and evaluated concepts into emerging proposals for implementation and the work will now be taken forward through individual projects within the new corporate programme. The development of the new programme benefited from the significant amount of groundwork undertaken as part of the previous transformation programme of work.

Major themes and areas of focus that emerged from the initiative are:

- prevention/early intervention;
- multi-agency working;
- area based approach;
- advice, information and guidance;
- intelligence led development;
- capacity to engage with communities to develop capacity and resilience; and
- modernising and aligning culture.

Local Area Teams was a significant project taken forward as a result of the FSS initiative. It is now at the implementation phase. The project involves the place-based operating model proposed for Children and Young People’s prevention and early intervention services. We have therefore carried out more detailed review of this project to evaluate the arrangements in place over its delivery as part of the FSS initiative. We found good practice in terms of the project management and governance processes in place over this project, particularly in terms of the improved use of the Verto project management system, engagement and consultation processes and comprehensive reporting to the Executive.

Our key recommendations based on our review of the overall programme and the Local Area Teams project are:

- more disciplined use of the All About Projects methodology and Verto for individual projects to provide comprehensive and up-to-date status reports through the system;

- rigorous financial monitoring of risks to budgets, for example retraction of grant funding in the Children's Services budget and monitoring of project management resourcing costs.

Recognising the stage of transition from FSS to the new corporate programme and the roll-out of the use of Verto, we conclude that the Council's arrangements are appropriate and effective for the management of this major change programme. We recommend further review of progress in 2016/17.

Also noted is that the Local Area Teams project was initiated before improvements were made to Verto to align to the new project management framework. Consequently some of the gaps in detail in Verto reflect the constraints of working with existing documentation within the new framework and how that is reflected on Verto.

## 7.2 Detailed Findings and Recommendations

Detailed Findings	Areas for Improvement / Recommendations
<p><b>Future Shape and Size (FSS)</b></p> <p>This initiative was introduced in September 2015 and was the umbrella for CYC's projects on major structural transformation required to deliver a modernised and sustainable operating model for the future. The initiative was designed to enable delivery of the Council's priorities and to take account of the Local Government Association Peer Review feedback received during 2015/16, an extract of which is provided below and acknowledges work to date in this area:</p> <p><i>"In 2013 in light of anticipated future budgetary pressures and increasing demand for services, particularly in Adult Social Care, we urged the council to explore its future role and purpose over and above its intention to become a 'commissioning council'. Not much appears to have happened on this until fairly recently, with new ideas and form being given to how both Adults and Children's services will fit into a new operating model and reduce dependency on the council, with both only recently being discussed in more detail in the context of the council's future size, shape and role. More explanation and debate is needed about the model, including costings and workforce development planning."</i></p> <p>The initiative was designed to reconnect with staff to collaborate on new and innovative ideas to take the organisation forward. This was in the context of the need to :</p> <ul style="list-style-type: none"> <li>- explore new ways of working with communities, partners (including other local authorities) and businesses;</li> </ul>	<p><i>As the future shape and size initiative is no longer being pursued as such, and individual projects are being reflected in Verto, we do not have any specific recommendations to make.</i></p>

Detailed Findings	Areas for Improvement / Recommendations
<ul style="list-style-type: none"> <li>- respond to pressures in terms of public spending; and</li> <li>- review the senior management structures.</li> </ul> <p>Some proposals were taken forward and developed from the Rewiring Public Services programme. The objective of the initiative was to enable teams and facilitate involvement in the discovery phase stage of projects (October 2015 – December 2015), evaluate the proposals (January 2016 – March 2016) and initiate projects where appropriate during this period and beyond.</p> <p>The projects would then fit in the narrative of the Future Shape and Size, which included the future operating model for the Council.</p> <p>Work in progress under the initiative covers:</p> <ul style="list-style-type: none"> <li>• Local Area Teams (LATs) – the new operating model for prevention and early intervention services for Children and Young People;</li> <li>• Organisational Restructure; and</li> <li>• Service Delivery Models.</li> </ul> <p>CYC is in the process of consolidating all of its major projects into a single register which is known as the “corporate programme”. Many of these projects relate to new operating models being developed in corporate services, children’s services, adult social care and place based services. The Future shape and size banner is no longer in use since the departure of the previous interim Chief executive.</p> <p>Corporate Management Team provide direction and oversight operating as a steering group with proposals in each area initiated and developed by individual Directorate Management Teams.</p> <p>FSS is set up as a programme on Verto with detail appropriate to the nature of the initiative, including due consideration of resourcing. The programme has three phases: Discovery, Evaluation and Implementation. The project plan shows that the first two phases are complete.</p> <p>There is a fully populated risk register, which was used to manage overarching risks during the discovery and evaluation stages. Risks have multiple ownership rather than a single responsible officer.</p>	

Detailed Findings	Areas for Improvement / Recommendations
<p><b>Local Area Teams – Children’s and Young People’s Services</b></p> <p><i>Business Case</i></p> <p>This project involves establishing a number of multi-agency teams covering the City to deliver early intervention services to children and families. The objectives align with the Council Plan priorities and the project is a major contributor to the shared partnership objectives of the Children and Young People’s Plan 2016-20 for the City. This work follows on from the remodelling of Children’s Centres in 2014.</p> <p>The Executive paper of March 2016 is comprehensive in terms of setting out the objectives, rationale and financial implications. The business case for the project went to the Directorate Management Team in 2015 (before it was transferred to Verto). The paper does not set out any options analysis or risk assessment at this stage. However, we consider the approach appropriate due to the evolutionary nature of this project with ongoing, comprehensive community and stakeholder engagement and public consultation exercises undertaken to inform the proposed operating model.</p> <p><i>Project Management</i></p> <p>The majority of Verto fields are populated including summary information on the strategic business case, scope, approach, risk register and project plan. All progress reports to DMT and other key corporate documentation are held in the document store, including links to Executive papers. The Highlights report functionality is not used with progress reports to DMT being produced separately. This is due to the project being established before it was transferred into Verto.</p> <p>Inter-relationships with other programmes are highlighted, e.g. operating model for Adults’ Services and Healthy Child Programme. Outcomes and benefits sections are not populated.</p> <p>The project plan was developed before the All About Projects framework was adopted and as such does not evidence alignment with approval gateways. The approvals in the project were carried out through weekly discussion and decision making through DMT.</p> <p>The risk register is appropriately populated. It requires update (last update</p>	<p>R46 New projects coming into the corporate programme should adhere to the All About Projects framework and gateways. Where this would require a staged business case approach this should be applied. If a business case is not necessary and an alternative process is to be followed, this should be clearly documented in the project initiation document.</p> <p>R47 We recommend that greater use of Verto is made to manage this project to maximise the use of Verto’s functionality to make best use of project management resources. Otherwise there is a risk of Verto being used solely for form completion purposes rather than as a planning and project management tool. In particular, Verto should be used to:</p> <ul style="list-style-type: none"> <li>• auto-generate reporting to DMT through the Highlights Reports;</li> <li>• keep the project plan and risk register updated;</li> <li>• monitor delivery of savings; and</li> <li>• keep track of internal/external project costs (although we note the absence of specific functionality for this purpose at present).</li> </ul> <p>R48 Project reporting to DMT should use standard good practice agenda templates, include the latest risk register and document actions recorded to be followed up at the next meeting.</p> <p>R49 The role of the new Programme Assurance Group should be confirmed as part of governance arrangements.</p>

Detailed Findings	Areas for Improvement / Recommendations
<p>June 2016) and risk scores in Verto have not been reduced to reflect mitigating actions. The risks were managed outside the system due to the project processes already being in place before it was transferred to Verto,</p> <p>The anticipated savings from the LAT project (see below) are not detailed in Verto, but are documented within the papers presented to DMT and the Council Executive.</p> <p><i>Governance and Risk Management</i></p> <p>The Directorate Management Team for Children's Services, Education and Skills is the Project Board which meets weekly. Progress reports have been provided routinely throughout the year to this group. These are succinct reports focusing on actions. DMT reports through to Corporate Management Team, the Executive and Executive Member for Children and Young People. The CMT project sponsor is the Director of Children's Services.</p> <p>The new Programme Assurance Board is not referred to in governance arrangements.</p> <p>As indicated above, the Verto risk register requires update. This is not used methodically as a basis to inform reporting to DMT and the Executive as the risk register held outside the system is more up to date. Executive papers are very comprehensive but do not have a specific section on risks although risks are referred to throughout the papers.</p> <p><i>Resourcing</i></p> <p>Resource requirements are detailed in Verto and resource planning was discussed at DMT in September 2015. Officers reported that the project has been appropriately resourced with two members of staff seconded from Children's Services to the project and named support from corporate services.</p> <p><i>Financial Management</i></p> <p>The March and July 2016 papers to the Executive set out the financial implications of the project in terms of anticipated revenue budget savings (almost £1.5m/annum), capital and central government funding.</p> <p>The July 2016 paper made reference to a risk of potential clawback of £4.3m by central government of capital costs associated with the original</p>	

Detailed Findings	Areas for Improvement / Recommendations
<p>development of children's centres following a change of use. In addition, the Dedicated Schools Grant (DSG) contribution to the Children's Centre budget is also highlighted as at risk due to funding reforms.</p> <p>Internal project resourcing costs are not referred to in these papers. There are no external support costs indicated in Verto.</p> <p><i>Communication and Consultation</i></p> <p>CYC has carried out extensive consultation and engagement on this project with families, young people, staff and wider stakeholders, including key partners, the Children's Trust (YorOK) and community groups.</p> <p>Comprehensive Executive updates have been provided in March and July 2016 with requests for approval to proceed at each stage.</p> <p>A public consultation took place from mid-April to end May 2016 and the feedback was used directly to inform the proposed operating model. This was reported to the Executive in an update paper in July 2016.</p> <p>A comprehensive Community Impact Assessment was carried out in March 2016 with an update in July 2016. Both documents were stored on Verto.</p>	

## Action Plan

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
<b>Programme and Project Management</b>				
R1 The Council should focus on ensuring that all new projects use the AAP approach. For existing projects, as a minimum the gateway approach should be applied for decision-making points and governance purposes.	Agreed	Programme assurance group to ensure that project originators within their Directorates are using the AAP approach and report to CMT.	CMT	March 2017
R2 The use of the framework should be applied proportionately to the size and complexity of a project and the guide should include reference to this and examples to follow.	Agreed	Review AAP guidance to ensure it is clear what elements are mandated for what size of project.	Programme assurance group	March 2017
R3 We recommend that where appropriate, senior level training on business case development and evaluation is provided. As referenced later in this report, the Community Stadium business case presents an example of good practice. Training should include learning from previous projects.	Agreed	Review training on business case development and engage with the workforce development unit to ensure training packages are in place in the future.	CMT	June 2017
R4 At the date of reporting, the key actions relating to the Internal Audit report have been implemented. The Council should ensure any remaining points of detail are addressed.	Agreed	Internal audit report on project management will update A&G in December 2017. All actions are now complete.	CMT	January 2017
R5 The AAP framework would benefit from further supporting tools to ensure effective tracking of project costs and savings, for example standard templates for project managers to use working with finance colleagues.	Agreed	Programme assurance leads and finance to work together to produce standard templates for benefits and costs tracking.	Programme assurance group and Finance	March 2017

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
		This will mirror the processes in the corporate PM system Verto.		
<p>R6 We recommend that the Council accelerates the pace of the roll-out of Verto in terms of:</p> <ul style="list-style-type: none"> <li>• ensuring Verto is used for all new projects, mandatory fields are populated. Verto should be used to migrate information on existing projects if this is practicable and yields benefits in terms of resourcing and assurance;</li> <li>• making greater use of the reporting functionality to make more effective use of officer time and to provide a single source of information on progress for all governance groups; and</li> <li>• a formal training programme and plan to ensure key users are appropriately trained in the use of system and how it meets the requirements of the AAP framework.</li> </ul>	Agreed	Programme assurance group to work with CMT on future structures to support the roll out, including training.	CMT	March 2017
<p>R7 Verto functionality for cost tracking and monitoring of delivery of savings should be explored to avoid the need for manual reports and to provide a prompt to ensure this aspect is routinely monitored.</p>	Agreed	Programme assurance leads and finance to work together to produce standard templates for benefits and costs tracking. Ensure that the functionality in Verto is fully utilised.	Programme assurance group and Finance	March 2017
<p>R8 We recommend that CYC investigate options with the Verto software supplier to enable cleansing of the database so that legacy and redundant projects can be archived and removed or hidden from the live system. This will allow Verto to be used as a comprehensive and up to date register of all projects in the future so that a manual database does not need to be maintained.</p>	Agreed	The legacy projects have been identified. After a discussion with DMTs about the legacy information, TMI (Verto software supplier) will be contacted to remove redundant projects.	Project assurance lead	March 2017



Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
R9 It would be helpful to include in the AAP framework a guide on required governance arrangements from Project Board to CMT, the Executive, Audit and Governance and other relevant committees.	Agreed	Produce an overview of project governance and attach to the guidance.	Project assurance lead	March 2017
R10 Recognising this will need to be assessed on a case by case basis, the guidance could provide examples of typical governance arrangements required based on examples of projects in terms of scale and complexity.	Agreed	Produce an overview of project governance and attach to the guidance.	Project assurance lead	March 2017
<p>R11 The establishment of the Programme Assurance Group is a positive step in terms of providing corporate oversight of projects. The role of the group should explicitly cover:</p> <ul style="list-style-type: none"> <li>• understanding interdependencies between projects and the critical path outside the confines of individual schemes; and</li> <li>• highlighting to CMT and DMTs any risks identified as a result of its oversight.</li> </ul>	Agreed	This is now built into the terms of reference for the Programme Assurance Group.	Programme assurance group	January 2017
R12 Governance arrangements should be documented on Verto, including making clear the role of the new Programme Assurance Group.	Agreed	Governance is stored in Verto. PMs to ensure that the information is complete and there are references to the Programme assurance group.	Project managers	March 2017
R13 Once established, the full programme hierarchy should be set up in Verto to provide a single view, show interdependencies and generate standard reports. This should include a regularly updated risk register for the overall programme, with clear risk ownership to provide the feed to reporting to CMT, Executive and Audit & Governance Committee. Reports for governance purposes should be held on the system for reference.	Agreed	Information is in the process of being updated. Programme hierarchy is now set up. From January all key project risks in Verto will be exported and will be reportable as part of the	Project assurance lead	February 2017

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
		quarterly risk monitor. Also, highlight reports will be generated on regular basis.		
<b>Community Stadium Project</b>				
R14 The March 2012 OBC business case provides a strong good practice example for the development of robust business cases for future major projects. We recommend that this document combined with the recently developed "All About Projects" (AAP) framework is used in training across the organisation to further develop the skills of officers involved in major programmes of this type.	Agreed	The Introduction to Projects course is structured around the use of All about projects. Discussion around using Community stadium material as examples in the course will be had.	Project assurance lead	March 2017
R15 Whilst accepting the evolutionary nature of the project over time and through the procurement process, the business case would have benefited from a fuller evaluation of strategic options and associated cost/benefit analysis. This would have avoided the need to present the business case through a series of Cabinet papers and provide members with a firmer starting point.	Agreed	None	n/a	n/a
R16 The subsequent evolution of the project to include leisure and retail development may have been one of the options to consider at the outset and would have prepared the ground for the subsequent change in scope of the project. Options on phasing may have been feasible to reduce the complexity of the project.	Agreed	None	n/a	n/a
R17 The robust project monitoring documentation used by the team provides a good practice example which should be used as part of the roll-out of project management training across the Council.	Agreed	The Introduction to Projects course is structured around the use of All about projects. Discussion around using Community stadium material as examples in the	Project assurance lead	March 2017

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
		course will be had.		
R18 The risk and issues registers maintained for the project represent good practice and should be used as part of the Council's training programme on project management.	Agreed	The Introduction to Projects course is structured around the use of All about projects. Discussion around using Community stadium material as examples in the course will be had.	Project assurance lead	March 2017
R19 Future progress reporting to Project Board, CMT and the Executive should refer to project resourcing (internal and external) to show that it is routinely considered and to articulate the extent of expertise which is available within the team.	Agreed	In some ways we feel we did do this and did detail a section around our previous project manager leaving and further external expertise coming in the project within the march 2016 report. However, happy to accept the recommendation and look to be clearer on this matter moving forward.	Stadium Project Team Officers	Quarterly
R20 With regards to public reporting during the procurement process, we fully recognise the priority of legal advice in this regard. However, our view is that some limited high level progress updates should continue to be provided during these periods.	Agreed	Position noted		
R21 For example, a summary statement would be appropriate to advise whether the procurement process is on track or delayed with an indication of the reason for delay, e.g. continued work on design specification. This approach would be preferable to maintain a consistent line of communication and provide further assurance to members and the public.	Agreed	Position noted		

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
<p>R22 Some additional summary narrative would be helpful to provide more assurance to members and the public in key areas of concern, for example:</p> <ul style="list-style-type: none"> <li>• to describe the robust arrangements in place to scrutinise and challenge costs, including the use of independent and specialist external advisors;</li> <li>• summarising how the scope of the project had changed over time and the impact on costs. The cost increases are clear but the narrative explanation could have been expanded, setting out the key factors explaining the increases, e.g. the cost escalation due to inflation; and</li> <li>• providing more information on the reasons for the delays and a revised project plan for the key work-streams.</li> </ul>	Agreed	It is felt all this highlighted points are disclosed at each public report to the level of detail deemed appropriate at that point by our external legal advisors. Having said that happy to take on board the recommendation and look to constantly consider and challenge if more project information can be disclosed into the public domain.	Stadium Project Team Officers	Quarterly
<b>Older People's Accommodation Programme</b>				
<p>R23 An additional layer of narrative in Executive Papers to explain interdependencies between the key stages of the phased approach and the impact on the overall programme outcomes should stages not progress would be useful to provide further understanding of associated risks. This is also recommended with respect to interlinkages with other programmes of work, for example in Adult Social Care.</p>	Agreed	An additional layer of narrative relating to interdependencies will be added to Executive Papers from Q1 2017.	Programme Director	Q1 2017
<p>R24 The Verto Highlights Reports have the potential to provide an effective tool for reporting to the Project Board and CMT. We recommend that key elements are routinely updated, specifically the Project Plan and Risk Register to ensure the essential elements of the tool are used effectively. Key corporate documentation relating to the project, including papers recording approvals and decisions should be filed on the system.</p>	Agreed	Key areas of Verto Highlight Reports including the Project Plan and Risk Register will be routinely updated.	Programme Director	Dec 2016

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
R25 The governance structure described on the Verto system should be updated to reflect current arrangements, including a full Terms of Reference for the Project Board.	Agreed	The governance structure described on the Verto system will be updated and will include a full Terms of Reference for the Project Board.	Programme Director	Dec 2016
R26 CYC should consider representation by internal audit on the Project Board as is the case for the Community Stadium project to provide an additional layer of independent scrutiny.	Agreed	The Programme Board will be asked to consider representation by internal audit on the Project Board.	Programme Board	Dec 2016
R27 We recommend that the Executive specifies the frequency of reporting required to ensure regular updates so that a high level summary of progress is provided even during periods of minimal activity or when an approval by the Executive is not required.	Agreed	The Executive will be asked to specify the frequency of progress reporting required of the Programme.	Executive	Q1 2017
R28 The Highlight reports would benefit from a summary of new risks and significant changes to risks in the summary section rather than relying on the Verto risk reports which have not been routinely updated.	Agreed	Highlight reports will contain a summary of new risks and significant changes to risks.	Programme Director	Jan 2017
R29 The Verto risk registers should be routinely updated to provide an effective tool for risk management.	Agreed	The Verto risk registers will be routinely updated.	Programme Director	Dec 2016
R30 To ensure full debate at the Project Board of resourcing requirements and potential future pressures, we recommend that this is a routine update on the Highlights Report.	Agreed	DONE. From September 2016 the Programme Board has considered and debated resourcing requirements as part of the Highlight report.	Programme Board	DONE

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
R31 This is particularly important with respect to obtaining specialist technical support and for corporate support which cross-cuts many significant programmes of work and for whom priorities may conflict.	Agreed	DONE. From September 2016 the Programme Board has considered and debated specialist technical support and corporate support as part of the Highlight report.	Programme Director	DONE
R32 The presentation of financial information to Members and the public could be improved in terms of aiding understanding by summarising key messages and making more use of tables.	Agreed	The presentation of financial information will be improved in order to aid understanding.	Programme Director	Q1 2017
R33 This is important so that Members and the public are able to understand the key messages without having to digest a large amount of complex detail. Financial information can be lost easily in the predominantly text based format of papers. This makes it difficult for readers to draw out the key points for consideration.	Agreed	The presentation of financial information will be improved in order to aid understanding.	Programme Director	Q1 2017
R34 We recommend that the Council confirms requirements for reporting on the programme to the Health and Wellbeing Board.	Agreed	The Council will confirm requirements for reporting on the programme to the Health and Wellbeing Board.	Programme Director and Chair of Health and Wellbeing Board	Q1 2017
<b>Better Care Fund</b>				
R35 As a priority, the HWB should take forward the review of performance monitoring arrangements. This is necessary to increase the visibility of progress made on the core BCF schemes and performance targets as well as progress on wider integration initiatives.	Agreed	A BCF Performance and Delivery Group is now meeting on a monthly basis to monitor performance and it reports to the Integration and Transformation Board.	Assistant Director Commissioning	In place and will evolve as local arrangements mature

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
R36 Risk reporting should form part of this reporting framework.	Agreed	Risks are considered and now reported to ITB and HWBB as appropriate.	Assistant Director Commissioning	In place
R37 The HWB should have oversight of formal quarterly monitoring returns as the Board is responsible for signing off these submissions.	Agreed	This will be provided as an Appendix to ITB report.	Assistant Director Commissioning	In place
R38 We recommend that updates are provided on a six-monthly basis to the Executive on the BCF and other major health and wellbeing integration schemes with which the Council is involved. This is important due to the increasing importance of these programmes for system sustainability and their interlinkages.	Agreed	This will be provided as part of Corporate reporting on major projects, first to CMT then Executive.	Corporate Director, Health, Housing and Adult Social Care	Ongoing
R39 Reporting to the HWB on the performance of the BCF and status of schemes should be standardised so that Board members are clear on what is to be expected as part of the standing agenda and progress can be monitored.	Agreed	Exception reports from the Integration and Transformation Board.	Corporate Director, Health, Housing and Adult Social Care	In place
R40 The summary provided on the overall integration programme was helpful and further routine reporting should be established to the HWB to provide regular updates on progress with respect to the wider agenda.	Agreed	As part of a regular report from the Integration and Transformation Board.	Corporate Director, Health, Housing and Adult Social Care	In place
R41 Recognising that partners have examined arrangements for the 2016/17 plan, we recommend a comprehensive review and streamlining of governance arrangements over the BCF and integration programmes. Multiple forums have emerged over the last few years and there is a risk that the remit and composition of these groups creates duplication. This should be undertaken as part of the HWB's review of performance monitoring arrangements described above.	Agreed	Arrangements have been reviewed and new arrangements are in place although the HWB are still revisiting its governance arrangements which could theoretically result in further changes.	Corporate Director, Health, Housing and Adult Social Care	Ongoing

Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
R42 Partners should agree a joint (CYC/CCG) reporting framework which is appropriate for the various governance forums in place. This should meet the needs of each forum in terms of their terms of reference whilst minimising duplication of information.	Agreed	Discussions are in progress.	Assistant Director Commissioning	Ongoing
R43 The Council should consider the need to report on the BCF as part of the improved reporting arrangements to Audit and Governance Committee for major projects.	Agreed	This will need to be considered in the first instance through the Corporate Management Team.	Corporate Director, Health, Housing and Adult Social Care	31 March 2017
R44 Partners should prioritise the finalisation of formal agreements around the plan and the risk sharing arrangements.	Agreed	Signed off in October and endorsed by HWBB on 23 November 2016.	Assistant Director Commissioning	Completed
R45 Given the difficulties experienced in agreeing plans between parties, partners should ensure the communications and engagement plan is refreshed and meets stakeholder requirements given the anticipated future difficult commissioning decisions to be made.	Agreed	Discussed at the Integration and Transformation Board. Principles of engagement agreed. Production of a plan for 2017/18 needed	Assistant Director Commissioning	31 March 2017
<b>Future Shape and Size Initiative – Local Area Teams Project</b>				
R46 New projects coming into the corporate programme should adhere to the All About Projects framework and gateways. Where this would require a staged business case approach this should be applied. If a business case is not necessary and an alternative process is to be followed, this should be clearly documented in the project initiation document.	Agreed	This will be monitored by the programme assurance group.	Programme assurance group	September 2017
R47 We recommend that greater use of Verto is made to manage this project to maximise the use of Verto's functionality to make best use of project	Agreed	Where possible for the remainder of the project	Project manager	March 2017



Recommendation	Agreed / Not Agreed	Comments	Responsibility	Timescale
<p>management resources. Otherwise there is a risk of Verto being used solely for form completion purposes rather than as a planning and project management tool. In particular, Verto should be used to:</p> <ul style="list-style-type: none"> <li>• auto-generate reporting to DMT through the Highlights Reports;</li> <li>• keep the project plan and risk register updated;</li> <li>• monitor delivery of savings; and</li> <li>• keep track of internal/external project costs (although we note the absence of specific functionality for this purpose at present).</li> </ul>		improvements will be made along these lines.		
R48 Project reporting to DMT should use standard good practice agenda templates, include the latest risk register and document actions recorded to be followed up at the next meeting.	Agreed	Improvements will be made in the remaining reporting periods.	Project manager	March 2017
R49 The role of the new Programme Assurance Group should be confirmed as part of governance arrangements.	Agreed	Amendments to be made to Verto to reflect.	Project manager	January 2017

## Appendix 1 – Community Stadium – Project Timeline

Date	Key Milestones and Decision-Making Points
May 2008	Initial proposal for a York Community Stadium set out before Members.
July 2008	Council approve the principle of a community stadium for York and seek an agreement with York City FC to become part of the project.
Sep 2008	Members agree to appoint a Project Manager for the project and commit to delivering a community stadium.
Jan 2009	Project Manager appointed, project plan agreed and work begins on the Strategic Business Case.
April 2009	Project Board established and vision articulated to provide a home for York City Football Club and the York City Knights Rugby League Club and develop an athletics facility of County standard.
June 2009	Strategic Business Case presented and agreed and project moves to detailed feasibility study stage (Outline Business Case). The Council approved a £4m investment into a new Community Stadium for the city based on the outline business case for the facility.
Feb 2010	Members briefed on progress of the feasibility study and Business Case.
July 2010	Monks Cross is proposed as location for the development of a new stadium on the existing Huntington Stadium site. The development of an athletics track at York University as part of the York Sports Village is agreed.
Oct 2010	Community Stadium Advisory Group established and the Community Benefits of the stadium project are outlined and developed.
Dec 2010	Audit and Governance Committee debate the risks and issues and discuss possible impacts of planning delays or funding issues.
April 2011	Audit and Governance Committee review risks and issues in preparation of a submission for outline planning permission.
Dec 2011	Funding is agreed to enable work to complete the Outline Business Case in preparation for Outline Planning permission.
Jan 2012	Cabinet Report following Decision Session - Cabinet Member for Leisure, Culture & Social Inclusion seeking authority to initiate procurement process for the DBOM contract for the Community Stadium and to include Council's leisure facilities, stadium with potential expansion to 12,000 seats. Scrutiny Management Committee (Calling In) on 30 January 2012.
Feb 2012	Outline Business Case submitted for approval by CMT and Cabinet
March 2012	Report to Cabinet and approval of Business Case
July 2012	Outline planning consent granted for the Vangarde Retail Park at Monks Cross, providing for a minimum 6,000 all seat community stadium on the grounds of the existing Huntington Stadium.
Sep 2012	Competitive dialogue procurement exercise commenced to procure a partner to design and build a New Stadium (up to 12,000 capacity) and Leisure Complex (NSLC) and operate the NSLC together with the wider leisure facilities, Energise and Yearsley Swimming Pool under a 13 year contract.

Nov 2012	Cabinet Paper providing update on planned procurement as a Design, Build and Operate contract. Scrutiny Management Committee (Calling In) on 19 November 2012.
Jan 2014	Cabinet Paper – Community Stadium Update ( <i>Please note that this paper is dated as Jan 2013 in error</i> ).
Sep 2014	Cabinet Paper presented and approved Greenwich Leisure Ltd (GLL) as the preferred bidder from the procurement exercise. Presents final scope of project, total cost of £37m and requests approval to proceed to planning permission stage and approval for additional £4m CYC funding and appropriation of land.
March 2015	Detailed planning approval granted for the proposed scheme.
March 2016	Executive Paper presented and approved entering into the contract with GLL. Provides full details of scheme, costs and funding.
June 2016	Planning amendment application approved.
Aug 2016	Briefing Paper to members on the Judicial Review challenge by Vue Cinemas notified to the Council on 1 August 2016.
To Date	Work continues to finalise the contract with GLL including value engineering to contain costs so that the project can reach financial close. Outcome of Judicial Review awaited.

## Appendix 2 – Information Sources

Key documentation reviewed for each work-stream is detailed below.

<b>1. Programme and Project Management</b>	
All About Projects, City of York Council	Project Management, Internal Audit Report 2015/16, Veritau, May 2016
Verto Project Management System and User Guide v1.0	Corporate Programme Assurance Group, Draft Terms of Reference, v0.1, June 2016
Audit & Governance Committee, Public Reports Pack, July 2015	Guidelines for Managing Programmes, Dept for Business, Innovation and Skills, Nov 2010
Audit & Governance Committee, Public Reports Pack, May 2016	Project Management, Internal Audit Report 2015/16, Veritau, May 2016
Review of Programme Management Arrangements for the Transformation Programme, Mazars LLP, November 2015	
<b>2. Community Stadium Project</b>	
Community Stadium, Business Case, February 2012	Project Board, Minutes, Highlights Reports, Risks and Issues Logs, Dec14-May 15, Oct 15 - Sep 16
Stadium Mazars Audit Overview Document, July 2016	Governance Arrangements Community Stadium, Paper to Project Board, 2016
Community Impact Statement, Drivers Jonas Deloitte, March 2012	YCSP Procurement Risks Summary to Project Board, 19 January 2016
Cabinet/Executive Public Reports Pack, March 2012, November 2012, January 2014, September 2014, August 2015, March 2016	YCS Cost Plan Version 23 February 2016
Executive, Confidential Annex B, March 2016	Base Case Financial Model, GLL, 19 February 2016
Budget and Funding Allocation, 3 March 2016	YCS – ISG Trade Pack Reconciliation, 26 February 2016
Cost Report, G&T, October 2015	CYC Queries on GLL Cost Tracker 21.06.16
York Community Stadium, Savills Report, March 2016	YCS – Excel Cost Tracker 21.06.16
Stadium Final Executive Model, March 2016	Member Briefing Note 30.08.16
Press articles, Aug 2015 – Sep 16	Emails from Members and the public, Oct 2014 – Sep 16
<b>3. Older People's Accommodation Programme</b>	
Audit & Governance Committee, Public Reports Pack, July 15, Sep 15, Dec 15, Feb 16	Cabinet/Executive, Public Reports Pack, March 15, July, 15, Oct 15, Nov 15, Feb 16, May 16, July 16

Review of the Housing for Older People's Accommodation Project, Mazars LLP, July 2015	Verto System and Highlights Reports, April 2015 – Sep 2016
<b>4. Better Care Fund</b>	
Executive, Public Reports Pack, Dec 14, Nov 15, Dec 15, Feb 16, May 16, July 16	NHS England, Guidance for the Operationalisation of the BCF in 2015/16, undated
Health and Wellbeing Board, Public Reports Pack, Dec 14 (includes signed 2015/16 plan submission), July 15, Oct 15, Dec 15, Jan 16, Mar 16, April 16, May 16, July 16,	NHS England, The Better Care Fund, Operating Guidance for 2016/17
Health Overview and Scrutiny Committee, Better Care Fund Briefing Paper, May 2014	Better Care Fund Plan 2016/17, Narrative, 28 July 2016, CYC and Vale of York CCG
<b>5. Future Size and Shape Programme/Children's Prevention and Early Intervention Services Project</b>	
Future CYC Operating Model, slidepack, November 2015	Corporate Project Register, Draft Sep 2016
Future Shape and Size, slidepack, February 2016	CANS and CES Joint Management Team Minutes, 10 Sep 2015
Audit and Governance, Public Reports Pack, May 2016	Executive, Public Reports Pack, March 16, July 16
Verto System and uploaded project documentation	

This page is intentionally left blank



---

**Audit and Governance Committee**

20 December 2016

Report of the Deputy Chief Executive/Director of Customer & Corporate Services

**Audit & Governance Committee Forward Plan to September 2017****Summary**

1. This paper presents the future plan of reports expected to be presented to the Committee during the forthcoming year to September 2017.

**Background**

2. There are to be six fixed meetings of the Committee in a municipal year. To assist members in their work, attached as an Annex is the indicative rolling Forward Plan for meetings to September 2017. This may be subject to change depending on key internal control and governance developments at the time. A rolling Forward Plan of the Committee will be reported at every meeting reflecting any known changes.
3. A number of minor amendments have been made to the forward plan since the last version was presented to the Committee on 7<sup>th</sup> December in response to Members' comments.
4. At the request of Members an additional meeting is being scheduled in March with the date yet to be confirmed.
5. An update report on progress of implementing actions arising from the internal audit report on health and safety has been added to the agenda for July 2017.

**Consultation**

6. The Forward Plan is subject to discussion by members at each meeting, has been discussed with the Chair of the Committee and key corporate officers.

### **Options**

7. Not relevant for the purpose of the report.

### **Analysis**

8. Not relevant for the purpose of the report.

### **Council Plan**

9. This report contributes to the overall effectiveness of the council's governance and assurance arrangements contributing to an 'Effective Organisation'.

### **Implications**

10.
  - (a) **Financial** - There are no implications
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** - There are no implications
  - (d) **Legal** - There are no implications
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications
  - (g) **Property** - There are no implications

### **Risk Management**

11. By not complying with the requirements of this report, the council will fail to have in place adequate scrutiny of its internal control environment and governance arrangements, and it will also fail to properly comply with legislative and best practice requirements.

### **Recommendations**

12.
  - (a) The Committee's Forward Plan for the period up to September 2017 be noted.



Reason

*To ensure the Committee receives regular reports in accordance with the functions of an effective audit committee.*

- (b) Members identify any further items they wish to add to the Forward Plan.

Reason

*To ensure the Committee can seek assurances on any aspect of the council's internal control environment in accordance with its roles and responsibilities.*

**Contact Details**

**Author:**

Emma Audrain  
Technical Accountant  
Corporate Services  
Telephone: 01904 551170

**Chief Officer Responsible for the report:**

Ian Floyd  
Deputy Chief Executive/Director of  
Customer & Corporate Services  
Telephone: 01904 551100

**Report  
Approved**



**Date** 20/12/2016

**Specialist Implications Officers**

Head of Civic, Democratic & Legal Services

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

**Background Papers:**

None

**Annex**

Audit & Governance Committee Forward Plan to September 2017

This page is intentionally left blank

## **Audit & Governance Committee Draft Forward Plan to September 2017**

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

- **Committee 20<sup>th</sup> December 2017 (Additional Meeting)**

Project Management update report

Internal Audit & Fraud Progress Report

Mazars Annual Audit Report

Mazars Audit Progress Report

Mazars Value for Money Review 2015/16

Mazars Procurement Issues Report

- **Committee 8<sup>th</sup> February 2017**

Mazars Audit Progress Report

Scrutiny of the Treasury Management strategy statement and Prudential indicators **(Statutory)**

Counter Fraud: Risk Assessment and review of policies

*Changes to the Constitution (if any)*

- **Committee March – additional Meeting – date to be confirmed**

*Key Corporate Risk Monitor (including project risks)*

*Audit & Counter Fraud Plan & Consultation*

*Internal Audit Follow up of Audit Recommendations Report*

- **Committee 5<sup>th</sup> April 2017**

Approval of Internal Audit Plan (Statutory)

Internal Audit & Fraud Plan Progress Report

Mazars Audit Progress Report

Mazars Audit Strategy Report (Statutory)

*Changes to the Constitution (if any)*

- **Committee June 2017**

Draft Annual Governance Statement

Annual Report of the Audit & Governance Committee (Statutory)

Mazars Audit progress report

Annual Report of the Head of Internal Audit (Statutory)

Key corporate Risk Monitor (including project risks)

*Changes to the Constitution (if any)*

- **Committee July 2017**

Draft Statement of Accounts (Statutory)

Mazars Audit Progress Report

Information Governance Update Report

Quarterly Project Management update report

Health & Safety update report

*Changes to the Constitution (if any)*

- **Committee September 2017**

Mazars Audit Completion Report (Statutory)

Final Statement of Accounts (Statutory)

Follow up of Internal & External Audit Recommendations

Internal Audit & Fraud plan progress report

Key Corporate Risks Monitor (including project risks)

This page is intentionally left blank