

Mazars Review of Housing for Older People Project

Summary

1. The purpose of this paper is to provide Members with –
 - Audit review of the Elderly Person’s Home Project, carried out by Mazars;
 - An action plan developed in response to the key findings in the report;
 - Recommendation that further updates are provided on progress to implement the action plan.

Background

2. In February 2015, the Chief Executive commissioned an external audit of the Council’s Elderly Person’s Home (EPH) Project following a decision to end the project following an unsuccessful procurement process. It was agreed at Health Overview and Scrutiny Committee in March 2015 that the audit report would be presented to Audit & Governance Committee before the end of the summer.
3. The EPH project was formally initiated in June 2013 when Cabinet approved plans to fund the building of care homes at Burnholme and Lowfield. Cabinet agreed to enter into a single procurement process for both sites to secure an external provider to design, build, operate and maintain the Burnholme Care Home and Lowfield Community village for Older People. Estimated project costs of up to £500,000 were approved towards the procurement process.
4. The Cabinet paper considered in June 2013 was explicit about the risks involved with this project.

At Para 27, the paper said,

'Only once the council has been through a full procurement will the actual costs be known and then allow for proper consideration as to affordability from the existing budget'.

At Para 29

'In order to stay within the existing revenue budget, and be able to finance the capital costs, it is estimated that the tender price will need to be towards the lower end of the estimated £25m-£30m. The procurement process will seek to develop a solution that can be met from the council's existing budget provision. It is not expected that the project will deliver further savings, with the likely need to use the entire budget to fund the capital/revenue operating costs of the new service.'

Para 31

'Until the full procurement has been completed, there clearly remains a risk that the project may not be able to be delivered within the existing budgetary provision'.

Para 32

'There is the risk that, if the care home developments do not happen for any reason (eg a failed procurement exercise), the project costs would need to be written off'.

Para 54

'The proposals outlined in this report have significant, long term financial implications for the council and there is clearly an inherent risk attached to any project of this size and nature. The financial estimates have been verified as far as possible however, there is a risk that the tenders could come back at a higher cost than estimated, resulting in an ongoing budget pressure for the council. There is also a risk that the existing sites may not realise the anticipated level of capital receipts included in the financial model and this will need to be carefully monitored'.

5. Although the proposals were ambitious, given the significant interest from organisations wanting to develop and run the homes it was reasonable for the council to believe that the market thought

that the plans were realistic and achievable. Various procurement routes were considered by the project and it was agreed (following legal and procurement advice) that the most appropriate method was the Competitive Dialogue route. This approach provided the council with greater flexibility to work with bidders through the dialogue process to refine the requirements in line with budgetary constraints.

6. Three consortia submitted bids and there was an expectation that an agreement could be reached. Despite a lengthy dialogue phase, it was established in January 15 that the market could not deliver the specification that the council had set within the budget that was available. From an initial allocation of £500k for project costs, £350k has been spent. Had the project been implemented, estimated costs would have been several millions in the early years and the decision to stop was taken before significant financial commitments were made.
7. In March 2015 Executive agreed to terminate the procurement on the grounds of affordability.

Mazars Audit Report (Annex 1 & 2)

8. Mazars have carried out a detailed review of the EPH Project including;
 - Programme initiation, option appraisal and business case development;
 - Programme governance and decision making processes;
 - Programme management activity and resourcing;
 - Use of external organisations to support the process;
 - Specification development and selection of procurement approach;
 - Management of competitive dialogue process;
 - Evidence supporting the decision to terminate the procurement; and,
 - Steps being taken in exploring an alternative approach.
9. Mazar's findings are attached at Annex 1 (A&G Presentation) and Annex 2 (Report). To enable them to carry out their work, Mazars were given access to all project documents and emails.

Action Plan (Annex 3)

10. Although a number of recommendations have already been addressed to ensure that a new project can be initiated to deliver older people's accommodation, an action plan has been developed in response to this audit.
11. In particular, further work will be undertaken on risk management to ensure that robust systems are in place across all project areas. However it should be noted that it will never be possible to mitigate all risk, particularly with projects as complex as the provision of older people's accommodation.
12. It is proposed that an update be brought to Audit & Governance Committee on a six monthly basis to provide an update on the action plan at Annex 3.

Recommendations

13. Audit & Governance Committee are asked to:
 - Note the contents of the Mazars Audit Report.
 - Endorse the action plan at Annex 3.
 - Agree to receive six monthly update reports.

Background Documents: Executive Paper June 2013 & March 2015

Contact Details

Author:	Chief Officer responsible for the report:						
Stewart Halliday Assistant Director Transformation & Change Tel: 01904 553402 Email: stewart.halliday@york.gov.uk	Kersten England Chief Executive		Report Approved	<input checked="" type="checkbox"/>	Date	20 July 2015	
Wards Affected: <i>List wards or tick box to indicate all</i>						All	<input checked="" type="checkbox"/>
For further information please contact the author of the report							