

Executive
18 March 2019
Pathway for Care Ltd
Key Lines of Enquiry (KLOE)

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
Initiation	Strategic objectives (why bother?)	Were these set out fully and properly from the outset (before committing costs)?	Reports to Executive 14 July 2016 authorised the creation of a local authority wellbeing and integrated support services company. The report noted that Pathway for Care vision and aim was to improve patient experience, whilst at the same time generating profit.	The strategic objectives were identified at the outset but at a high level with relatively limited detail.
	Are clear strategic objectives driving the project?	Did/Does the project fit with the Council's vision?	The report signposts the 5 year plan objective of being financially self-sufficient.	The objective of generating a profit fits with the Council's corporate vision of being financially self –sufficient and improving patient experience fits within its health and well being remit.
		Was/Is there sufficient member buy-in?	The report identifies consultation with the Leader, Deputy Leader, Exec members for health, finance, property and regeneration and leisure and wellbeing.	Member workshops at the outset of the project helped gain wide engagement. Members bought into the initial proposal but the subsequent lack of detail meant that some members felt

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
				inadequately briefed.
		Was/Is it worth investing time and resources? What were/are the costs/ benefits? Can losses be absorbed?	The report includes a section on risk – it states that the business was to be set up to ensure that viability could be tested quickly and within 6 months. A financial summary set out a projected 3 year balance sheet including annual projected income and projected cash flow. 'Conservative' projections: In the first year of trading in 16/17 forecast revenue of £177800 with losses of £258841 – projected revenues end 18/19 in excess of £2m with gross profits of £900k. Projected cash flow ' the business will not be profitable in its early stages and will require working capital from the Council in the form of upto £350k draw down facility.'	The set up reports identified the projected loss before profit generation. Controls were not however placed at the outset on the borrowing limits beyond the initially agreed ceiling nor the timescale for profit generation which if not met would trigger a review.
		Was/Is the Council's role in commercial decision making clear?	The report set out governance arrangements including Board and Shareholder functions. Council's role as Shareholder outlined.	The reports set out governance arrangements and make clear the Council's role as shareholder.
		How were / are the objectives agreed and formally signed off - if so by who?	The report authorised the Health & Well Being Executive Sub Committee to finalise specified arrangement (including Directors Service Agreements, Loan& Draw Down agreement) and recommended delegated authority to the Chief Executive in consultation with the head of Legal Service and Head of Health & Wellbeing to finalise necessary arrangements for the company to	Executive exercised powers of sign off and delegated specific arrangements to a sub committee.

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
			begin trading on 1 August 2016. Executive noted financial projections and the business plan at its meeting on 15 September 2016. It noted allocation of funding from the Corporate Plan Delivery Fund	
Planning	Thorough planning & due diligence			Overall the Group found that the planning and due diligence covered appropriate areas but that it lacked detail and analysis. The Group felt that the business case would not have persuaded a bank to lend funds.
	Have all options been considered?	Have alternative delivery vehicles been assessed to establish most appropriate vehicle for project?	The report states that as the company operates for purely commercial purposes and may operate outside borough boundaries the relevant power to set up controlled company is s 1 Localism Act 2011. No assessment of alternative vehicles.	Members were presented with a single option as the vehicle to achieve the objectives. They were not presented with any analysis of alternative vehicles.
		Did/Does the assessment cover relevant criteria including costs, cash flow, complexity, risks (including reputational risks), return on investment, dividends/profit	The report includes a risk assessment and a financial assessment but not against different delivery models.	n/a as no options analysis

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
		distribution?		
	Was/Is there a robust business case?	Did/Does the business case adequately cover	The report states that 'it is imperative that an appropriate governance structure is in place'	
		Optimal governance arrangement including: Role of Board chair Composition of Board NEDS? Stakeholder committee Role of Council in commercial activity Procurement and fraud controls Effectiveness of Board evaluation Reporting to Council – content and mechanism Employee/Directors – managing conflict of interest Availability and distribution of information	No specific reference in the report to the role of the Chair. Report states Shareholders might wish to appoint NED once operational. Report sets out role of stakeholder committee and recommended role taken by a sub-Committee, separation of functions between officers on Board and those advising sub Committee noted. Initial report references potential conflicts of interest. Para 30 initial report ' the council must provide information about the affairs of the company to any member of the local authority as they reasonably require for the proper discharge of the member's responsibilities'.	The importance of the role of NEDs was recognised from set up but the Council did not specify this as a requirement to be delivered within a specific timetable. This meant that implementation was able to slip with no clear plan for delivery. The business plan did not specify clearly how the effectiveness of the Board would be evaluated or the reporting mechanisms/content for doing so.
		Financial plans and controls including authorisation of expenditure	Financial projections and updates to sub Committee. Delegation of finalisation of documents to named officers – eg 6 Nov Sub Committee S151 officer be authorised to	Authorisation of increased loan ceilings was clear but the analysis prior to authorisation was not detailed enough. The

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
			increase the loan ceiling to Pathway for Care	evaluation of risk and achievability of future projections was not robustly tested -for example the report contained little data on likely conversion rate of pipeline negotiations. There was a general lack of objective challenge to test projections and assumptions about future growth before authorising significant increases in borrowing.
		People management/leadership and commercial skillsets	General references to skills eg 'as the company progresses its business the sub Committee will want to ensure that the Board of Directors contains all the necessary skill sets required to give Pathway strategic direction in line with the latest industry projections/thinking'	Whilst there was a recognition of the need for appropriate skills there was no analysis of the skills/track record of individuals against required skills.
		Transfer of assets and support costs	Exec sub Committee authorised to finalise business plan and resourcing agreement for company to use council staff and facilities	There was clarity about the agreement for the company to use council staff and facilities
		Business activity and operational plans based on market research	Business plan includes section on target market and research relied upon.	Whilst the business plan includes a section on target market and research relied upon the content was not detailed.
		Success/outcome measures	The initial summary business plan identified 3 targets for first 6 months: 1. Support a further 300 older people	The business case which underpinned the project would have benefited from clearer

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
			<p>with assessments and /or direct care and support hours;</p> <ol style="list-style-type: none"> 2. Extend reach to working age adults needing direct support either at home or in supported living tenancies; 3. Attract 1100 further digital monitoring subscribers. <p>2 KPIS in revised business plan (evidence Pathway helping people and financial projections on track to being profitable by 2018/19).O&S recommended cash flow and pathway capital KPIS.</p>	quantifiable targets and milestones and specific triggers for reporting against these milestones, particularly in relation to financial return and conversion of prospective leads to agreed sales. There was no agreed reporting process whereby any deviation from the business plan would be reported to the Exec Sub Committee which meant that progress was not well tracked and an optimistic projections turned to requests for additional funding.
		Reporting mechanisms	Para 27 initial report ‘ the shareholder will set out the performance levels required for the company and the tolerances within which the company may operate’. Shareholder agreement (draft) refers back to business plan.	The content and timing of updates from the Company was at the discretion of the Company rather than against the delivery of success measures set by the Council. This meant that requests for significant additional funding came as a surprise after earlier positive growth assumptions.
		Risk management and mitigation	All reports include a section on risk.	Reports included a narrative on risk but these were not detailed or quantified.
		Liabilities and taxation	Report identified liability to corporation tax on	The report adequately identified

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
			profits and need to charge VAT	taxation liabilities
		Business, tax, legal and finance sign off before final decision	Initial report has paragraphs on tax (para 43 'the company will be liable to corporation tax in the normal manner on profits and will need to charge VAT'; legal (para 49) and an exempt financial assessment.	
		Exit strategy	No express reference to an exit strategy in initial report but para 52 'if the model does not look viable after 6 months then further investment can be reviewed and if necessary curtailed'.	The call-in demonstrated that the Council's constitutional arrangement for holding the executive to account were in place and capable of implementation. The outcome of 'no further action' in relation to the increase in loan facilities endorsed the Executive's decision meaning there was the opportunity for wide member input. However, the need for this review suggests that the scrutiny function did not resolve issues effectively.
Execution	Implementati on			
	Was/Is the delivery of the project being tracked and monitored			Overall the Group found that the absence of performance indicators/ milestones for delivery and agreed mechanisms for feedback on performance prevented effective monitoring of

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
	and early action being taken to address risks?			performance and early intervention action to address risks.
		Was/Is performance, resource and financial information being adequately tracked?	Update reports as per schedule.	Performance indicators in the business plan were not comprehensive and performance reporting was not to an agreed process and timeline.
		What business management reporting processes were /are in place & were they carried out appropriately		As above
		What processes were / are in place to manage income (sales) & to confirm compliance with the agreed business case?		As above
		How were /are financial forecasting reviewed and managed to ensure adequate funding & cash flow was available to confirm compliance with the business case?	Executive determined requests for additional draw down - 9 Nov 2017 authorised s151 officer to increase loan ceiling to £1.1m (decision the subject of call in).	To be covered in financial discussion with s151 officer
		What financial controls		To be covered in financial

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
		were/ are in place to ensure expenditure complied with the agreed business case ?		discussion with s151 officer
		What were / are the processes for agreeing changes to the business case (services delivered / sold / finances & resources required) ?	The business plan was updated during the project and O&S recommended changes. No detail on process for change	There was a lack of agreed process for change control.
		Was / Is risk being actively monitored and how was this achieved?	All executive and sub Committee reports include a section on risk. 'The quality of risk management taking place in the company is at least as good as that within the Council' (O&S 26 April response to question).	Reports included a narrative on risk but these were not detailed or quantified. There was no analysis of likelihood/impact nor any description of mitigation measures in place.
		Was/Is there assurance that no project creep occurring? What change control processes were / are in place?	Update reports included descriptions of service delivery and contract pipeline	As above
Closure	Project closure			
		Was/Is the exit strategy being followed?	Call – in by O&S led to pre-scrutiny of recommendations to change business model	
		Was/Is there a review of project?	Member Task Group	
		Were/Are lessons learnt being captured and	ToR of Member Task Group includes identifying lessons learnt.	

Appendix Bi
Pathway for Care: KLOE

Stage	KLOE	Questions to probe Looking forward (is this covered?) and backwards (did this happen?)	Pathway for Care Ltd Evidence from Council minutes	Task Group initial findings
		implemented?		