

# Report to Audit and Risk Assurance Committee

**11 January 2022**

<b>Subject:</b>	Strategic Risks Deep Dive: <ul style="list-style-type: none"> <li>• Risk 056- Towns Fund Programme</li> <li>• Risk 061- Partnerships and Contractors Service Delivery</li> </ul>
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## 1 Recommendations

- 1.1 That the Committee reviews and comments upon the two strategic risks detailed in the report.

## 2 Reasons for Recommendations

- 2.1 One of the roles of the Committee is to assure itself that risks to the delivery of the Council's corporate plan and objectives are being managed.
- 2.2 The Strategic Risk Register was last presented to Audit and Risk Assurance Committee (ARAC) on 18 November 2021. At this meeting members called in two of the risks included in the strategic risk register



for further review by the Committee, being - risk 056- the Towns Fund Programme risk and risk 061 – Partnerships and Contractors Service Delivery.

### 3 How does this deliver objectives of the Corporate Plan?


	Best start in life for children and young people The Council's arrangements include key programmes and partnerships, including for example Sandwell Children's Trust, that aim to deliver benefits and positive outcomes for children and young people.
	People live well and age well The management of key partnerships such as Sandwell Leisure Trust aim to ensure that people live and age well.
	<b>Strong resilient communities</b> The successful attainment of Towns Fund investment will support the regeneration of our communities.
	<b>Quality homes in thriving neighbourhoods</b> The successful attainment of Towns Fund investment will support the development of new homes. Partnerships including Serco and Riverside for example and other key contracts will help deliver thriving neighbourhoods.
	<b>A strong and inclusive economy</b> The successful attainment of Towns Fund investment will support an inclusive economy through job creation and training and skills opportunities.
	<b>A connected and accessible Sandwell</b> The successful attainment of Towns Fund investment will support improved infrastructure through walking and cycling routes.

### 4 Context and Key Issues

#### Towns Fund Programme

- 4.1 This report provides detail on the measures in place to manage strategic risk 056 – Towns Fund Programme. A summary of the risk as it was previously reported to ARAC and the current position is provided below.



Risk title and description	Previous score (Nov 2021)	Direction of travel	Current score (Dec 21)	Target score and date
<b>Towns Fund Programme</b> If the Council fails to deliver the towns fund programme by identifying suitable projects, preparing robust full business cases and ensuring effective delivery then this will result in the inability to regenerate our town centres, create sustainable economic growth and create long term economic prosperity, and also reputational harm to the Council.  Risk area- Regeneration and Growth Risk owner – Director of Regeneration and Growth <b>Objectives impacted – 2, 3, 4, 5 and 6</b>	12  <b>Red</b>		8  <b>Amber</b>	6  <b>Green</b>  March 2022

- 4.2 At the time of the previous meeting of the committee in November, the risk assessment had increased to red due to delays in the preparation of business cases which need to be submitted by March 2022. It is for this reason that the risk was called in by the Committee. Given the measures now in place (as noted below), the risk has been further assessed and has reduced to amber with a target date of green by March 2022 which reflects the key milestone for the programme at this time. It is envisaged that given the mitigations in place that the target score and date are achievable. Thereafter, the risk will continue to be reviewed as the programme moves into the delivery phase and the risk description and assessment will be amended to reflect this.

## Background

- 4.3 On 6th September 2019 it was announced that a number of Towns had been selected by Government to benefit from the Towns Fund. In Sandwell, West Bromwich, Smethwick, and Rowley Regis were identified.
- 4.4 The objective of the fund is to drive regeneration in Towns to deliver long term economic and productive growth through:
- Urban regeneration, planning and land use;
  - Skills and enterprise infrastructure;



- Connectivity.

4.5 In October 2020, Sandwell submitted three Town Investment Plans (TIPs), one each for Rowley Regis, Smethwick and West Bromwich to the Government Towns Fund Programme. Each TIP contained six projects, and an ask of £25m investment per town. On 3rd March 2021, Government confirmed the TIPs had been accepted and Heads of Terms offered, totalling £67.5m, £25m for West Bromwich, £19m for Rowley Regis, and £23.5m for Smethwick. A full schedule of the projects is provided in Appendix (Appendix A). Please note at the time of writing this report a partner led project notified the council they would be withdrawing their project from the Towns Fund programme. Appendix A reflects the withdrawal of the project and as such shows a total figure of £66.3m. Discussions are underway with Government Advisors as to the options available to the council to retain the full £67.5m allocation.

## Governance Arrangements

- 4.6 Cabinet approved Towns Fund Governance in June 2021 taking Government Guidance into account. The Governance established an overarching Town Deal Board to co-ordinate the three Towns Deals in Sandwell, underpinned by three Town-level Local Boards as working groups.
- 4.7 The role of the Town Deal Board is to provide strategic direction across all of the Town Deal Areas, ensure alignment to national and regional strategic priorities, ensure compliance with Heads of Terms Agreements, agree Full Business Cases and recommend them for appraisal and approval and act as a critical friend throughout the programme.
- 4.8 The role of the three Local Boards (Rowley Regis, Smethwick and West Bromwich) is to influence the Towns Fund Programme and to form part of the assurance mechanisms to ensure that project delivery remains in keeping with the Vision and objectives outlined in the Town Investment Plans.
- 4.9 The Towns Fund Governance is aligned with the Council's governance standards and policies. As such, the Terms of Reference document and Governance Procedure Rules approved by Cabinet included a Code of Conduct, requirements for members of the Town Deal Board and Local Boards to declare of pecuniary and non-pecuniary interests, the maintenance of a register of gifts and hospitality, and arrangements for



the publication of Town Deal Board papers and minutes. Governance arrangements are appended to this report (Appendix A). Note, whilst representatives may have changed, the processes and principles of the Governance have not.

- 4.10 The Heads of Terms offer is subject to the appraisal and approval of a Full Business Case (FBC) for each project and the submission of a Summary Document to Government (one per project) by 24 March 2022. If approved, the agreed funding allocation for the projects is released to the Council. As Accountable Body, the Council will then passport the funds to the delivery partners, where a project is being externally led. Partnership Agreements will be in place between the Council and the delivery partner to ensure the terms and conditions of the Towns Fund grant and associated risks, are transferred to the delivery partner.
- 4.11 Since March 2021, project leads have been developing the FBCs for the projects, with support from external consultants where appropriate and necessary. The 16 projects which make up the Towns Fund Programme were divided into 3 tranches for Government submission. Tranche 1 saw the West Bromwich Digital Den project appraised and approved by Cabinet in September 2021 and submitted to Government in October 2021. Tranche 2 includes the West Bromwich Urban Greening project and the West Bromwich Sandwell Civil & Mechanical Engineering Centre, which were appraised and approved by Cabinet on 24 November 2021 and will be submitted to Government on 14 January 2022.
- 4.12 Tranche 3 comprises the remaining 13 projects which will be submitted to Government by 24 March 2022. On 24 November 2021 Cabinet resolved to give delegated authority to the Director of Regeneration & Growth and the Director of Finance, in consultation with the Cabinet Member for Regeneration & Growth to submit the Project Summary documents to Government, subject to a satisfactory appraisal by the Assurance Panel.

## Assurance

- 4.13 The role and purpose of the Assurance Panel is where the Financial, Economic and Commercial Cases have been prepared with the support of an independent third party, the Assurance Panel will provide assurance that the projects are a strategic fit, support a compelling case for change, maximise public value, are commercially viable, are



affordable and funding and can be achieved successfully by the organisation and its partners. A consultancy firm with the relevant expertise to provide the independent third-party input to the FBCs has been appointed by the Council.

- 4.14 The panel comprises the Director of Regeneration & Growth, the Director of Finance, the Cabinet Member for Regeneration & Growth, officers from the Council's Strategic Investment Unit, and the Chair of the Town Deal Board. Upon approval of the Assurance Panel, Project Summary documents will then be submitted to Government.
- 4.15 The three projects approved by Cabinet to date have all been considered at Scrutiny. Provision has been made within the tranche 3 programme for a summary of the remaining FBCs to also be taken through the Economy, Skills, Transport and Environment Scrutiny Board.
- 4.16 In addition to appraisal of the Full Business Cases, each project has undergone a subsidy control review, to ensure each project is compliant with the UK Governments Subsidy Control regime Bill 2021, which enables public authorities, including devolved administrations and local authorities, to deliver subsidies that are tailored and bespoke for local needs to deliver government priorities such as levelling up and achieving net zero carbon, as well as supporting the economy's recovery from COVID-19.
- 4.17 Where projects are being led by external partners, Partnership Agreements will be in place to ensure the interests of each party are protected and that roles and responsibilities are clearly defined. The Partnership Agreements also transfer obligations to project delivery partners from the Towns Fund Terms and Conditions and sets out the obligations of the local authority as Accountable Body.
- 4.18 A schedule of the projects within the programme is appended to this report (Appendix B).

## Key Milestones

- 4.19 All projects within the programme must submit Project Summary documents by 24 March 2022. All projects must be complete and Towns Fund money spent by 31 March 2026. Each project within the programme has its own governance structure, project plan and risk





register which feed into the Programme Level documentation through Accountable Officer meetings. The Programme Risk Register is maintained by the Programme Management Office. Programme Management reports are presented at the Town Deal Board and all three Local Boards, with detailed individual project updates.


## Programme Management Office Arrangements

4.20 The Programme Management Office comprises a Programme Manager and a Programme Support Officer. Both roles are currently being undertaken by existing Council employees until the recruitment to these posts is complete. The appointment to the Programme Manager post has now been completed, and the new employee will commence this role on 31 January 2022. The recruitment for the Programme Support Officer will commence in January 2022. These appointments will secure the Programme Management resources for the duration of the Towns Fund Programme.

4.21 Consideration is to be given to other resources that will be required for the Council to fulfil its obligation as Accountable Body for the Towns Fund Programme. This is likely to require Financial, Monitoring & Evaluation Officers, to manage the passport of funds to delivery partners, approve grant claim submissions, manage programme cashflow, and ensure compliance.

## Partnership and Key Contractor Service Delivery

4.22 A summary of the risk as it was previously reported to ARAC and the current position is provided below.

Risk title and description	Previous score (Nov 2021)	Direction of travel	Current score (Dec 21)	Target score and date
<b>Partner Organisations / Contractors Service Delivery</b>  The Council works closely with partners and contractors to provide its services to its residents and businesses.  In the event Partner organisations or contractors do not provide the required level of service to the public this may result in:	12  <b>Red</b>		12  <b>Red</b>	8  <b>Amber</b>



<ul style="list-style-type: none"> <li>• Efficient / good value for money / high quality services not being delivered</li> <li>• Enforcement action</li> <li>• Significant financial loss and</li> <li>• Reputational damage</li> </ul>				
Risk Area – Corporate Services				
Risk Owner – Leadership Team				
<b>Objectives impacted: All</b>				

4.23 As reported to the Committee at its meeting in November, risk 061 was identified as a new strategic risk. The risk considers the arrangements in place to ensure effective contract/partnership management arrangements are in place, in particular within the Council's key contracts/partners, to ensure compliance with the contract/partnership terms and clarity over this, good quality service delivery and to provide assurance on value for money.

4.24 Given the above, the Council's Leadership Team is currently exploring the risk and developing an action plan to manage the associated risks. This is likely to include matters such as:

- Identification of the Council's key partners and contractors including Serco, Sandwell Leisure Trust, Sandwell Children's Trust.
- Assigning senior management responsibility to each of these contracts.
- Review of the contract terms, duration, governance arrangements and review processes currently in place and any further actions that need to be taken in this respect.
- The extent to which the partnerships/contracts contribute to the corporate plan and the arrangements in place to measure performance and sustainability.
- The resilience of the supply chain and the arrangements in place to regularly review and assess this.
- Consideration of where partnership/contractor reviews will be reported and the frequency of these.

4.25 The Committee will already be familiar with some aspects of the measures in place to manage specific partnership/contract risks. For example, the strategic risk relating to children's social care was called in for review by the Committee in September 2021. This provided details around the contract terms, governance arrangements and





assurances in place around the monitoring of the contract between the Council and the Trust.

4.26 In addition to the above, the recent Grant Thornton Value for Money Governance Review included individual Key Lines of Enquiry, and has made recommendations and reported back on:

- Sandwell Children's Trust
- Sandwell Leisure Trust
- Waste Service (including the arrangement with Serco)
- Implementation of the new ERP System (Oracle)

Timely implementation of the recommendations made regarding these arrangements will play a key role in helping to manage this risk.

4.27 Given the above, the risk continues to be assessed as red until such time that the above measures are implemented. At that time, the risk will be reassessed to consider whether any additional actions need to be taken and whether any of the contracts/partnerships need to be included as separate risks with specific risk action plans being developed to manage the service delivery risks associated with the contract. These will be reported to the Committee via the risk review processes already in place.

## 5 Implications

5.1 Whilst this report does not require a decision and therefore, alternative options do not need to be considered, when measures are being considered for the mitigation of each of the strategic risks, alternative options are considered.

<b>Resources:</b>	The identification and management of risks is used to inform the allocation of limited resources (financial and staffing) in order that risks are managed effectively and to an acceptable level.
<b>Legal and Governance:</b>	There are numerous standards applicable to the management of risk within the local authority sector. Included amongst these is guidance from CIPFA/Solace, the British Standards Institute (BSI) and a set of joint standards published by the Institute of Risk Management (IRM), Alarm (The public sector



	risk management association) and AIRMIC (Association of Risk Managers in Industry and Commerce). Evidence that robust management of the authority's strategic risks is being undertaken demonstrates compliance with these standards.
<b>Risk:</b>	The report itself is an update on how the risks are being managed by the Council. As noted above, the projects within the Towns Fund Programme will have risk registers that are being developed to identify the associated risks and put in place suitable mitigations. In terms of the key partnerships of the Council, there will be shared risks that are identified to ensure the successful delivery of shared objectives of the partnership.
<b>Equality:</b>	As a decision is not being sought in this report, it is not necessary to undertake an Equality Impact Assessment.
<b>Health and Wellbeing:</b>	As noted above, the objective of the Towns Fund Programme is to drive regeneration in Towns to deliver long term economic and productive growth, which in turn impacts the health and wellbeing of the borough's residents.
<b>Social Value</b>	The actions and decisions that are being considered for the mitigation of the risks, where appropriate, will take into account the meeting of the Council's social value commitments.

## 6 Appendices

Project Schedule  
Towns Fund Governance

## 7. Background Papers

Strategic Risk Register

