

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Relevant Officer:</b>	Alan Cavill, Director of Communications and Regeneration John Blackledge, Director of Community and Environmental Steve Thompson, Director of Resources Neil Jack, Chief Executive
<b>Meeting</b>	24 November 2022

## STRATEGIC RISK REGISTER DEEP DIVE– COMMERCIAL

- 1.0 Purpose of the report:**
  - 1.1 To consider a progress report on individual risks identified in the Council’s Strategic Risk Register.
- 2.0 Recommendation(s):**
  - 2.1 To consider the controls being implemented to manage the strategic risk relating to Commercial.
- 3.0 Reasons for recommendation(s):**
  - 3.1 To enable the Audit Committee to consider an update and progress report in relation to an individual risk identified on the Strategic Risk Register.
  - 3.2 Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No
  - 3.3 Is the recommendation in accordance with the Council’s approved budget? Yes
- 4.0 Other alternative options to be considered:**
  - 4.1 N/a
- 5.0 Council priority:**
  - 5.1 The risk impacts on all the Council’s priorities.
- 6.0 Background information**
  - 6.1 At its meeting in March 2022, the Audit Committee agreed to continue to invite Strategic Risk Owners to attend future meetings to provide updates and progress reports in relation to the individual risks identified on the Strategic Risk Register.
  - 6.2 Does the information submitted include any exempt information? No

**7.0 List of Appendices:**

7.1 Appendix 5(a) - Strategic Risk Register Deep Dive – Commercial

**8.0 Financial considerations:**

8.1 The controls being implemented will be done so within current budget constraints.

**9.0 Legal considerations:**

9.1 Risks need to be effectively managed in order to comply with relevant legislation.

**10.0 Risk management considerations:**

10.1 To enable the Audit Committee to gain assurance that strategic risks are being effectively managed.

**11.0 Equalities considerations:**

11.1 Equality analysis should have been undertaken, where necessary, when decisions were made in relation to the identification of the actions identified in this document. As this report presents monitoring against pre-agreed actions no further equality analysis has been undertaken as part of this report.

**12.0 Sustainability, climate change and environmental considerations:**

12.1 Sustainability, climate change and environmental matters should have been considered, where necessary, when decisions were made in relation to the identification of the actions identified in this document. As this report presents monitoring against pre-agreed actions no further analysis has been undertaken as part of this report.

**13.0 Internal/external consultation undertaken:**

13.1 The progress report has been prepared in conjunction with risk owners.

**14.0 Background papers:**

14.1 N/a

<b>Risk Category: Commercial</b>
----------------------------------

<b>Risk: a) Local economy fails to recover.</b>
---

<b>Risk Owner: Director of Communications &amp; Regeneration</b>
--

<b>Gross Risk Score</b>	<b>20</b>	Impact - 4	Likelihood – 5
-------------------------	-----------	------------	----------------

<b>What impact does this have?</b>
------------------------------------

- Increased deprivation due to a lack of employment opportunities.

<b>What opportunities does this create?</b>
---

- Thriving and diverse local economy.

<b>What controls do we already have in place?</b>
---

- Introduction of Joseph Rowntree living wage for Council staff, Council wholly owned companies, and promoting this with contractors.
- Social value is an integral part of the Council's procurement process and includes opportunities such as job creation for local people.
- Commitment to use local suppliers where possible.

<b>Net Risk Score</b>	<b>16</b>	Impact - 4	Likelihood – 4
-----------------------	-----------	------------	----------------

<b>What are we doing to further manage the risk?</b>
--

**Implement the annual targets from the Blackpool Enterprise Zone Delivery Plan 2030, facilitating the growth of energy, aviation and other sectors.**

Progress continues on delivery of the Enterprise Zone. The last annual update of progress was reported to the Executive in February 2022 and the next update report is due to the Executive in December 2022. A number of actions have been progressed in this period including the completion of the changing facilities and work progressing with the 3G pitch both which form part of the Sports Village. Further enabling work continues to progress with neighbouring local authorities' undertaking necessary highways work to improve accessibility of the zone.

A Managing Director has been appointed to the airport which is helping plan to secure and develop the future of the aviation sector in the area.

It is estimated that 2,187 new employment opportunities have been created to date, including construction jobs. The overall target is to create 5,000 new jobs. Around 133 businesses have been attracted to the EZ; many are smaller businesses and a small number have failed or left and several businesses have moved to larger premises within the EZ. To date there have been around 300 enquires from businesses interested in the EZ, and the service is tracking around 20 good interests at the moment. Plans are in place to start to market the Common Edge / Eastern Gateway soon.

**Get hundreds of people back into work via job schemes for the most vulnerable, young people, disadvantaged and those who have lost their job due to the pandemic through various employment schemes delivered via HealthWorks and outreach provision.**

A number of employment schemes are run and the results of these this year are as follows:

Positive Steps into Work – all programmes April-September 2022

- 544 unemployed residents received employment support.
- 209 unemployed residents moved into employment.
- 33 unemployed residents supported to access a 4 week unpaid work placement to help them prepare for work.

The Platform (Youth Hub i.e. youth employment centre) January – September 2022

Blackpool Council secured £443k of Community Renewal Funding to set up a new Youth Hub to assist young people aged 16-24 experiencing unemployment. The new service opened to the public in January 2022.

During this period, the service achieved the following:

- 393 young people aged 16-24 registered for employment support
- 127 young people supported to access training or education.
- 98 young people moved into paid employment

From 1st October 2022 to March 2024, The Platform is funded by the Town Deal, and aims to support a further 400 young NEETs. The project is hoping to receive further funding from Blackpool's Shared Prosperity Fund to extend its support until March 2025.

Blackpool Learning Rooms (19+ adult learning; academic year to July 2022):

568 unemployed learners accessed employability and/or IT courses, of which:

- 209 learners progressed onto further learning;
- 76 unemployed learners completed English or Maths courses (73 undertook both).
- 85% of 201 Health and Well-being learners were unemployed. A range of confidence and resilience courses were provided to inspire further learning and to improve employability.

**Support the formation and growth of local businesses through effective advice and signposting to available business support and finance; and provision of affordable serviced business space.**

A number of business support programmes are in place and these include:

Blackpoolunlimited.com, the Council's business advice portal, has returned to normal user levels following its COVID support peak. The number of users (1 April – 30 September 2022) = 7,158 (2021 = 17,506).

Business start-ups supported (1 April – 30 September): 2022 = 25 (2021 = 18). New start businesses

formed with Council advice back to pre-pandemic levels.

Managed workspace occupancy rates remain healthy (as at 30 September 2022) = 89% (2021 = 87%).

Recent targeted business events include:

- Blackpool Digital Tech Talk on the 18th May, presentation by partner (Lancashire Digital) – 20 attendees;
- Funding Your Business held on the 23rd August - a drop in event with 30 attendees from 25 businesses. Held following a survey identifying funding as number one issue for Blackpool businesses.

**What will these additional actions achieve?**

It is hoped that all of these actions will increase employment rates across the Town through upskilling residents and also by creating new job opportunities.

**What barriers do we face?**

The cost of delivering such schemes can be a barrier although steps are taken to pursue all relevant funding opportunities.

**Do these actions contribute to the sustainability of the Council?**

Having high employment rates across the town can increase community resilience and reduce demand on some Council services. This therefore enables the Council to focus its limited resources on those residents with the greatest needs. Research shows that there is a direct link between people being in employment, having a better standard of housing, and improved health, which in turn can reduce demand on Council services.

**Do these actions impact on the Council's finances?**

An increase in successful businesses across the town helps ensure the collection of business rates by the Council which contribute to the General Fund.

**How does this contribute to the Council Plan?**

These actions contribute to the economy and community objectives.

**Any additional changes to this strategic risk?**

There are a number of additional challenges which are impacting on mitigating this risk. These include the recruitment difficulties across a number of Blackpool businesses, and high inflation which is impacting on the capital costs for project delivery. The cost of living crisis is also having an impact on businesses from a commercial point of view as they suffer from increased costs such as fuel prices, which in turn can reduce their profitability and ability to recruit new staff.

Whilst unemployment rates have fallen across the town, which is a positive, the economic activity rates has also fallen which means that there are less active residents across the town able to take up employment.

---

**Risk: b) Tourism economy fails to recover.**

**Risk Owner: Director of Communications & Regeneration**

<b>Gross Risk Score</b>	<b>20</b>	Impact - 4	Likelihood – 5
-------------------------	-----------	------------	----------------

**What impact does this have?**

- Local economy impacted due to reduced jobs in the tourism sector.
- Inability to underwrite tourism initiatives due to reduced resources.
- Reputational damage associated with Blackpool which impacts on visitor numbers.

**What opportunities does this create?**

- Growth in the visitor economy market.

**What controls do we already have in place?**

- Identification of potential external funding streams to assist with the tourism offer for Blackpool.
- Successful events programme including the Illuminations.
- Advertising campaigns possible through strong links with partners across Blackpool.
- Media / filming requests handled by an in-house resource.
- Investment in events and marketing throughout the pandemic to attract visitors to Blackpool outside of periods of lockdowns.
- Tourism Business Improvement District is now in place.

<b>Net Risk Score</b>	<b>12</b>	Impact - 4	Likelihood – 3
-----------------------	-----------	------------	----------------

**What are we doing to further manage the risk?**

**Promote the offer of a 'staycation' in Blackpool in order to assist the tourism economy to recover post pandemic.**

Visitor numbers for 2021 demonstrate that these were higher than pre-pandemic in 2019. This is very encouraging in terms of pandemic recovery but will possibly be unachievable in 2022 now that a number of restrictions (such as travelling abroad / going to music festivals) have been lifted. However, the evidence suggests that tourism activity in 2022 is now back to the pre-pandemic levels of 2019.

A key factor in the high number of visitors was the extension of the illuminations period and the Christmas offer in 2021. Work continues on this in 2022 where the illuminations season has been extended again and a full events programme has been delivered.

There has been significant investment, with the Council's key partners, for television advertising to continue to attract visitors to Blackpool.

The Tourism Recovery Group continues to meet on a weekly basis with the key focus of the group being able to sustain visitor numbers at pre-pandemic levels.

**Deliver the modernisation of the illuminations by delivering the actions identified as part of the Town Fund to help ensure onward sustainability.**

For this season the illuminations, which stretch along the Golden Mile, have been reinvented with a focus on an art deco display in neon lighting which has been well received. The illuminations season has yet again been extended through to January in order to continue to attract visitors in what would usually be the quieter winter months.

Plans are already in place for new features in 2023, maximising the use of the Town Deal funding received by the service to further enhance the illuminations offer.

The Council secured funding for this year's successful LightPool festival which ran over the October half term. An application has been made for National Portfolio Organisation status for the LightPool festival with the aim of securing additional funding from the Arts Council to run the festival in subsequent years, and this has recently been awarded.

**Effectively promote the new Conference Centre to increase business tourism figures across the town.**

In conjunction with Blackpool Entertainment Company a service called 'Meet Blackpool' has been created which adopts a convention bureau approach serving as a one-stop shop for conferencing needs. A Management Steering Committee has been established, chaired by the Head of Tourism and Communications, which includes representation from the accommodation sector, transport and venues across the town. The aim is to sell the benefits of Blackpool as a whole to the business tourism economy.

**Deliver the Blackpool Museum (Showtown) to share heritage and Blackpool's history.**

Conlons, the appointed base-build contractor, is making good progress on site, and Showtown is starting to take shape. However, there are some delays with the construction phase which are outside of the Council's control. The Council is taking action to mitigate against these, but they are affecting the overall project timescale. It is hoped that Showtown will be open as soon as possible for the main tourist season in 2023. The Council remains completely committed, as are major funders and partners. A Chief Executive has been appointed who will head up the charitable company which will operate Showtown when it opens its doors.

The Activity Plan associated with the project is being delivered, with examples of some of the events including Open Mic sessions with Head Start, a get dancing programme with Left Coast and Showstoppers with Better Start. A number of learning packages have been delivered and these are being piloted with schools.

**What will these additional actions achieve?**

It is hoped that the actions being taken will as a minimum sustain the number of visitors to pre-pandemic levels. This helps ensure that businesses in the sector don't just survive, but prosper, which in turn results in additional investment in the town.

**What barriers do we face?**

One of the key challenges faced is maintaining visitor numbers given there is a cost of living crisis. This is starting to have an impact not only on the tourism sector in Blackpool, but across the UK as a whole.

Some businesses in the tourism industry continue to have difficulty recruiting, particularly into hospitality posts post-pandemic, which has an impact on the offer across the town.

**Do these actions contribute to the sustainability of the Council?**

Having an active tourism economy helps support the Council through the generation of significant parking income, and also through the payment of business rates.

**Do these actions impact on the Council's finances?**

Reduction in tourism activity can impact negatively on the Council's finances due to business rates becoming more difficult to collect.

**How does this contribute to the Council Plan?**

Tourism activity is a key contributor to the Council's economic priority.

**Any additional changes to this strategic risk?**

The cost of living crisis will have a significant impact on the sector. Not only do consumers have less disposable income to spend on holidays / day trips, businesses in the sector are seeing significant increases in running costs such as fuel, staffing, food and drink supplies etc...

The Council is working closely with the Department for Levelling up, with pilot schemes covering two themes which including the economy and tourism. Part of the work on tourism is lobbying the Department for Culture, Media and Support to establish domestic tourism as a sector, which is good for business for the UK and Blackpool in particular.

**Risk: c) Supply chain failure (goods and services).**

**Risk Owner: Director of Community & Environmental Services, Director of Resources, Director of Strategy (Assistant Chief Executive)**

<b>Gross Risk Score</b>	<b>20</b>	Impact - 4	Likelihood – 5
-------------------------	-----------	------------	----------------

**What impact does this have?**

- Failure of critical commissioned service.
- Inability to procure goods due to the impacts of the EU exit and pandemic.

**What opportunities does this create?**

- Innovative and inclusive procurement policy and procedures.
- Development of local businesses to tender for Council awards.



#### What controls do we already have in place?

- Robust procurement procedures in place to help ensure appropriate due diligence of potential contractors, including confirmation of business continuity arrangements.
- Corporate procurement team in place to support the procurement process and tender evaluation.
- Access to Cabinet Office Contract Management Capability Programme. Four members of the Procurement Team have undertaken/undertaking the foundation level training and 2 members of the team are currently undertaking the full practitioner training.
- Contract management guide in place to advise responsible officers how to undertake contract management.
- Intelligent clients who have oversight of the market, high level contingency planning, and staff experienced in dealing with service failure.
- Commissioning Team in place to work with the marketplace to ensure access to appropriate services.
- The domestic waste service has been brought back under the umbrella of the Council's wholly owned company's portfolio.

Net Risk Score

16

Impact - 4

Likelihood – 4

#### What are we doing to further manage the risk?

**Implement the new Lancashire and Blackpool Waste Strategy that the Lancashire Waste Partnership are currently producing. Key elements relate to a non-landfill solution for residual waste, disposal, markets sustainability, and food waste collection.**

The current strategy is out of date and is no longer fit for purpose. Whilst efforts have been made to address this via the Lancashire Waste Partnership, progress has paused due to a number of external factors. There is considerable uncertainty around future central government waste strategy, associated funding, and what will be expected going forward as action is required to move away from traditional landfill sites (current contract expires in 2025) to other solutions for processing residual waste.

As an interim measure, the Lancashire Waste Partnership has developed an Outline Waste Processing Strategy. This is an informal operational document which does not require formal approval. The purpose of this document is to set out how the existing waste facilities will continue to be optimised for the processing of waste, and also identifies potential commissioning challenges going forward. This document is focused on kerbside collection and does not cover wider waste management matters which would be expected in the Municipal Waste Strategy.

**Continue to strengthen contract management across the Council.**

Four members of the Corporate Procurement Team have now completed the Government Commercial Colleges' Contract Management Foundation level training with two members of the team currently completing the full qualification. Once the Procurement Team has obtained the relevant qualifications they will use this learning and course material to build a corporate framework for effective contract management which will be rolled out across all services and reflect best practice.

It will likely be later in 2023 before this guidance is developed and rolled out. The next challenge will then be to embed this across all Council services to ensure consistency of approach.

**Revise procurement procedures in line with any changes to legislation advised by central government as a result of the EU Exit.**

It is likely that the new legislation will not be implemented until later 2023 and there will be a 6 month transition period for the Council to revise its policies and procedures and embed these across the Council. To date the Cabinet Office has shared its training programme for public sector procurement and there are four tiers to this dependent on the level of knowledge required. A report will be prepared for consideration at Corporate Leadership Team to determine how to cascade the training and share the expected changes to the legislation, and internal policies and procedures will be reviewed.

**Continue work with neighbouring authorities (Lancashire, Blackburn with Darwen, and South Cumbria) to develop greater commissioning partnerships across the children's residential, and fostering markets to grow opportunities in areas where there is a need for more placement choice.**

This work continues, across Fostering, Residential and now Semi Independent accommodation. Opportunities to develop the market in areas of shared of need, including great, skilled family homes for children with additional needs, larger sibling groups and older children and therapeutic support, is being explored across our local authority partners and jointly with Health.

**Undertake a tendering exercise for provision of children's care provision.**

After detailed work with Children's Social Care Additional Needs Service, a recommendation has been accepted that in order to develop a market which can meet a wide range, but in terms of volume, relatively low number of individuals, needs and achieve good outcomes, we should establish a flexible framework of support providers for Children and Young People that can be used to conduct placement searches and award packages of care under agreed terms and conditions, and fee rates, via Individual Placement Agreements (IPAs).

The framework scope will cover a range of services that are required to provide support for eligible children and young people in Blackpool. It will offer a simplified and flexible route to make support placements, provide transparency, improve operational processes, and set agreed quality standards and outcomes for individuals.

The framework will be established through a compliant tender process, and will set out the overarching principles, terms and standards that the providers will work to. The IPA and care plan will provide the detail as to how the individual child or young person will be supported, based on their needs.

The criteria to join the framework will include an assessment of the service, including key criteria such as:

- Ofsted/CQC/ other appropriate registration (as required).
- Staffing – skill level, training & capacity.
- Consideration of levels/type of support they can provide – i.e. care at home, socialisation, befriending, complex, group support, sessional support, specialisms e.g. Autism.
- Acceptance of Council's terms and conditions.

The details of this decision have been discussed with Procurement, Quality Monitoring and with the Complex Needs Team and all are in agreement that this is the right way forward. The team is working with procurement to get the service specification and other tender documents ready, so that they can

then be reviewed by the Complex Needs Team before going out to tender for the framework in the next few weeks.

**What will these additional actions achieve?**

Effective commissioning, procurement and contract management help ensure:

- Value for money.
- Compliance with procurement legislation.
- Transparency.
- Improved governance.

**What barriers do we face?**

There will be resource implications for the Corporate Procurement Team to develop and roll-out the new frameworks and associated training across the Council. One of the key challenges is that activity, particularly in relation to contract management, is devolved to services, and therefore ensuring consistent compliance can be difficult. Contract management, procurement and commissioning compliance are areas regularly reviewed by Internal Audit which helps identify good practice and also areas of non-compliance.

**Do these actions contribute to the sustainability of the Council?**

The use of legally compliant processes helps ensure value for money for the Council. However, with the current economic climate it is a challenge to achieve saving targets due to market forces, high inflation and scarcity of supply, all of which are outside of the Council control. Therefore, the focus is currently on managing increased costs as opposed to driving significant savings.

**Do these actions impact on the Council's finances?**

The Council spends a considerable proportion of its budget on external procured goods and services and therefore continuing to achieve value for money, against the backdrop of a difficult economic environment, contributes to the Council's budget performance.

**How does this contribute to the Council Plan?**

Commissioning, procurement and contract management activity contributes to all of the Council's priorities.

Where possible the Council encourages the use of local suppliers to help the local economy, with around 44% of spend carried out locally. Considerable work is also being done on implementing a measuring tool for social value to further embed this and to help ensure that the companies the Council contracts with are making a positive contribution to the local community.

**Any additional changes to this strategic risk?**

Economic uncertainty makes this area particularly challenging due to inflation and scarcity of supply for some products. This can be difficult to mitigate with one example being the energy market where costs are increasing significantly. Whilst the Council can't control the overall costs it needs to look at alternative ways to manage this such as rationing and consumption.

Other significant challenges remain with the spiralling costs of planned capital schemes due to the inflationary impact on supply's and labour. This may result in some schemes not being delivered, or

scaled back, as alternative sources of funding cannot be identified to bridge the gaps.

It is worth noting that the net risk score has increased from 12 (in the initially approved Strategic Risk Register) to 16 (in this deep dive review) given the ongoing uncertainty of the financial markets and other challenges.