

AUDIT AND RISK ASSURANCE COMMITTEE

19 September 2019

Subject:	Interserve Plc Update
Director:	<p>Director - Education, Skills and Employment Chris Ward</p> <p>Director – Regeneration and Growth Amy Harhoff</p> <p>Executive Director- Resources Darren Carter</p>
Contribution towards Vision 2030:	
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DECISION RECOMMENDATIONS

That Audit and Risk Assurance Committee:

Notes and comments upon the update.

1. PURPOSE OF THE REPORT

To update the Committee on the risks arising from any arrangements the Council has with Interserve PLC (Interserve) and how any identified risks are being managed.

2. IMPLICATIONS FOR SANDWELL'S VISION 2030

Effective risk management is a key element of good corporate governance and is essential to the overall performance of the council in meeting the Sandwell Vision 2030. Good risk management will ensure that resources are used efficiently and effectively in the delivery of the Sandwell vision and that assets and resources are protected against risk in the most efficient way.

3. BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 At its meeting on 10th January 2019 (Minute No. 6/19 refers) the Committee received a report setting out any risks arising from the arrangements that the Council had with Interserve Plc.
- 3.2 The Committee was advised that the Council did not contract directly with Interserve Plc, but with the Local Education Partnership (the 'LEP'), Sandwell Futures Limited.
- 3.3 Interserve had been commissioned by Sandwell Futures and was involved in the provision of facilities management services to the five Sandwell schools under the Building Schools for the Future (BSF) programme and a number of Private Finance Initiative (PFI) schools, as well as the delivery of a number of major schools capital projects.
- 3.3 The Council's contractual relationship was therefore with Sandwell Futures and not with Interserve and there were no concerns about the ability to deliver the contracts it was involved in. Sandwell Futures had performance bonds in place that provided financial protection against the delivery of the new build capital projects. Therefore, financial liability for contractor failure would not pass to the Council.

4 CURRENT POSITION

- 4.1 The current position in relation to the schools capital projects is set out in the table below:-

Project	Description of works	Programmed Completion Date	Progress as August 2019
Works on site:			
Shireland Collegiate Academy	New build extension	July 2019	New teaching block handed over on time

Phase 1, Kelvin Way, West Bromwich (West Bromwich Collegiate Academy)	New school	August 2019	Phase 1 building handover on time. Phase 1 external works completed
George Salter Academy	New build extension	September 2019	New teaching block scheduled for handover 2 nd October 2019

Scheme in Development:			
Shireland Technology Primary Free School	Detailed design stage	July 2020	LEP has appointed Speller Metcalfe Ltd to complete detailed design and construction of the new school. Work commenced July 2019. School scheduled for completion August 2020.

Defects claim:			
Perryfields High School	Jubilee Block – Condition Defects with existing block	TBC	The LEP continues to seek a resolution with Interserve with a number of remedial actions already agreed.

4.2 As at 10th January 2019 the major risk to the Council, if Interserve as a company folded, concerned delays that would arise in the timely delivery of the above time critical capital projects to deliver new school places by the required dates, while the LEP arranged to procure new contractors to deliver the schools. This risk has now fallen away, with two of the three projects completed, and the project at George Salter Academy is on schedule for completion early October.

4.3 Although the immediate threat in respect of Interserve's financial stability has passed Sandwell Futures Ltd has reviewed its contingency measures to ensure that it can step in and operate the FM services at the BSF schools on an interim basis until a replacement FM provider can be sourced.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

The schools that would have been impacted, should there have been a change in the Interserve position, have been kept updated on the progress.

6 ALTERNATIVE OPTIONS

This report is not seeking a decision so there are no alternative options to detail.

7 STRATEGIC RESOURCE IMPLICATIONS

There are none.

6. LEGAL AND GOVERNANCE CONSIDERATIONS

The contractual documentation between the Council and Sandwell Futures was negotiated and completed in 2009.

8 EQUALITY IMPACT ASSESSMENT

As this report does not require a decision an equality impact assessment is not required.

9 DATA PROTECTION IMPACT ASSESSMENT

ILO UNCLASSIFIED

A data protection impact assessment is not required as no decision is being sought.

10 CRIME AND DISORDER AND RISK ASSESSMENT

There are no crime and disorder risks arising from this report.

11 SUSTAINABILITY OF PROPOSALS

There are no direct sustainability issues arising from this report.

12 HEALTH AND WELLBEING IMPLICATIONS

There are no direct health and wellbeing implications from this report.

13 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

Delivery of the projects detailed delivers assets fit for purpose forming part of the Council's managed asset base moving forward.

14 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

The purpose of the report is to update the Audit and Risk Assurance Committee and there are no decision recommendations.

15 BACKGROUND PAPERS

There are none.

Chris Ward

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Darren Carter

Executive Director of Resources

Amy Harhoff

Director – Regeneration and Growth