

Crawley Borough Council

Report to the Audit Committee

28th September 2016

Internal Audit Progress Report as at 31st August 2016 Incorporating Risk Management Update as at 31st August 2016

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Report of the Audit and Risk Manager – FIN 394

1. Purpose

- 1.1 The Committee has a responsibility to review the Internal Audit Progress report to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

2. Recommendations

- 2.1 The Committee is requested to receive this report and note progress to date.

3. Reasons for the Recommendations

- 3.1 The Committee has a responsibility to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

4. Background

Work Completed

- 4.1 Since the last report, as at 30th June 2016, the following reviews have been completed:

Audit Title	Audit Opinion
Publication Scheme	Limited
Car Parking Income	Limited
Community Centres	Satisfactory
Eastbourne BC Peer Review	N/A
Crawley Deposit Scheme Review	Substantial

Work in Progress

4.2 The reviews in progress and other work that we have undertaken in the period are shown at Appendix A.

4.3 High priority findings in this period

Publication Scheme

A Publication Scheme, which is a requirement of Section 19 of the Freedom of Information (FOI) Act 2000, is a directory of information that a local authority makes available, or intends to make available, to the public. It also states the manner in which the information will be published (leaflet, website etc) and whether the information is available free of charge or on payment.

At the time of the review, we found that although the headings that the Model Scheme requires are included in the Council's Publication Scheme, much of the information that should be published was absent and where present, not always current.

It is anticipated that bringing the Publication Scheme in to line with the Information Commissioner's Model Scheme will increase transparency and over time, reduce the number of FOI requests received.

The Publication Scheme was discussed at CMT on 13th September 2016 and action to bring it in line with the FOI Act agreed. Work has already begun and this is outlined below under each heading.

Progress towards implementation of agreed actions will be reported at the meeting of this Committee in November 2016.

Links on Website

As mentioned above, the layout and structure of the Council's Publication Scheme comply with the ICO's Model Scheme, however information available on the links shown lead the viewer mostly to a message which asks them to email the FOI team. This is being actively reviewed and updated so that the information itself is contained on the link. We have reviewed a sample and can confirm that progress is being made in this area.

How information is available

The ICO states that the method by which information published under the Scheme should be notified to the public and that the preferred method is via a Website. However, if it is not practicable to produce this on the Website, or the requestor does not wish to access the information in this way, the Council should indicate how it can be obtained by other means. Currently, this is not being done and it was agreed by CMT that this will be published on the website.

Publication of Freedom of Information Requests responded to

It is permissible to publish all Freedom of Information requests that have been responded to and this is done by a number of local authorities. It enhances transparency and may reduce the number of request received by the Council. This was discussed by CMT and this will be further considered once the Scheme is up to date.

Car Parking Income

Insurance

The car parking machines in the multi storey car parks and their contents are not covered by the Council's insurance policies. A quote has now been received and operational management are liaising with the Head of Crawley Homes and Finance to consider this.

Reconciliation between income collected and income banked

A reconciliation was not being undertaken between income collected from car parking machines and income banked. This is now being done and was implemented at the time of the audit. In addition, Car Parking staff are now liaising with Finance to confirm all amounts due had been received.

Community Centres

The system used for recording bookings of community centres and related income is called Artifax. This does not interface with FMS which means that an independent reconciliation cannot be undertaken to confirm that all monies due have been received. Discussions will take place with the provider of Artifax to ascertain how the interface with FMS will be progressed and I will advise on the status of this at the Committee's meeting in November.

4.4 Follow up Audits

We have undertaken these follow ups since the last Audit Committee.

Disposal of Deceased Persons' Property

When a person dies within the Crawley Borough Council boundary and there is no one prepared or available to take responsibility for the funeral, under Section 46 of the Public Health (Control of Disease) Act 1984 the Council will arrange for the funeral to be held. Under this act, the funeral expenses are the first call on any monies of the deceased person's estate. The Council is empowered under the Act to collect any and all sums of money due or belonging to the deceased and to sell any belongings of the deceased in order to help offset the costs.

We have reviewed the status of the agreed actions and in all cases they have been implemented or appropriate action is being taken. I will confirm that outstanding actions have been satisfactorily implemented at the meeting in November 2016.

Procurement Audit Including Transparency Code 2015/2016

Single Source Supplier

As previously reported, the Council's policy for the use of a single source supplier is for the user department to complete an Exemption; we found that there were five such purchases made, none of which were subject to an Exemption Form being completed. Management have responded that the Procurement pages of the intranet have been updated with a new Exemption Form to be completed. As part of the procurement training sessions officers were reminded of the exemption process. We have reviewed purchases during the last six months, and a verbal update on the progress made will be provided to the committee.

4.5 Freedom of Information (FOI) Requests

Between 1st July and 31st August 2016, we have processed 116 requests and of these, 1 response was sent to the requester outside of the 20 working day deadline. This was due to annual leave and the complexity of the requests. We wrote to the requester in all cases to apologise for the delay and provided the information as quickly as possible.

5 **Strategic Risks Update**

The following have been identified as strategic risks for the Council:

1. **Failure to deliver key infrastructure projects as planned, on time and within budget, such as:**

- **LEP Infrastructure**

A series of business cases will be put together in order to present proposals to Cabinet for the allocation of the remaining £15 million from the LEP funded Crawley Transport Area package. This funding will need to be fully spent by March 2021. The drafting of these business cases will be co-ordinated by West Sussex County Council – the accountable body for the LEP funding.

- **Three Bridges Railway Station**

On 11th February 2015 [SHAP/43](#), Cabinet approved the allocation of £430,000 of S106 funding towards the delivery of improvement works to the Station Forecourt and this will be spent by March 2017.

Member approval has been granted to reallocate £1.5 million of Borough Council capital programme funding, originally earmarked for the Queens Square regeneration scheme, to the Three Bridges station improvements programme. This can then be combined with £500,000 of S106 resources already secured for the station. Borough Council officers are engaging with Network Rail and County Council colleagues to commence work on a new Development Brief for the Three Bridges station site, which will provide a joint way forward on the regeneration of the site with Network Rail.

The Council is able to reallocate the above amount to Three Bridges station because it has successfully bid to the Coast to Capital Local Enterprise Partnership (LEP) for £1.5 million of Local Growth Fund to invest in the Queens Square regeneration scheme, supported by the County Council. This will be combined with £1.7 million of resources already committed to Queens Square by the County Council.

The original intention was for the Three Bridges station improvement project to receive LEP funding via the Crawley Transport Area Package. However the County Council was unable to obtain confirmation of support from Network Rail in time. The intention is now to progress the scheme using the above combination of resources, working closely with Network Rail on producing the Development Brief in order to define in more detail how the resources will be spent and what the outcomes will be.

- **Town Centre**

Cabinet approved the final design concept for the Queens Square Environmental Improvement Scheme on 18th March 2015 [PES/169](#), whilst delegating authority to the Head of Economic and Environmental Services to spend up to the allocated

budget of £3 million for the Scheme (of which £1.5m is contributed by West Sussex CC).

Blakedown Landscapes, the principal works contractor, commenced the Queens Square programme of works during the week 5th September and they are due to be completed in summer next year. The delivery of the works will be will be closely monitored by the Council's Built Environment and Economic Development & Regeneration teams, in conjunction with the Finance Team as regards the programme expenditure

- **Cemetery**

Planning permission to create new cemetery at Little Trees was obtained in November 2015. Phase 1 of construction is due for completion during 2017 which is within the deadline, after which some sections at Snell Hatch Cemetery reach full capacity. Some infrastructure has been delayed to Phase 2 in order to deliver Phase 1 of the project within current budget.

- **Town Hall**

Feasibility work to remodel the existing town hall is largely complete. Alongside this the Council are in discussions with Westrock regarding a potential mixed use development which would see the provision of a new town hall, commercial office space and residential units on the town hall and adjacent car park site. A recommendation on the preferred option will be presented to Cabinet early in 2017.

2. Delivering the affordable housing programme

The Administration has pledged to deliver 1,000 new affordable homes over a four year period and to look to add a further 250 new affordable homes to this programme in year five. Meeting this objective requires a twin track approach through both the Council's enabling role and its own-build programme. Progress is closely monitored on a monthly basis through the corporate Strategic Housing Board and is overseen by CMT. The programme is currently on-track to meet these delivery targets.

Mitigating actions have been taken to address the impact of the four year 1% rent reduction on the HRA to ensure the delivery programme can be maintained. These included setting affordable rather than social rents for new development, discounted sale as an alternative tenure option, a reduced capital programme for existing stock and re-profiling the delivery programme. Further impacts arising from the Housing and Planning Act provisions relating to the sale of high value stock cannot as yet be quantified as further secondary legislation is still awaited.

3. A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable.

The Budget Strategy 2017/18 – 2021/22 [Fin/386](#) was approved by Cabinet on 29th June 2016. The budget report to Cabinet on 10 February 2016 [FIN 380](#) shows a transfer to reserves in 2016/17 of £431,634, however the projected budgeted gap in 2017/18 will be greater than the previously reported £0.5m. This may result in a transfer from reserves to help smooth out the approach to meeting future gaps. The impact of the reaction to the Brexit vote has had a negative impact on interest income and projected inflation. This could impact upon the income received by the council such as car parking, development control and building control.

The buoyancy of the local private rented market has heavily impacted on affordability, with rent levels, which are rarely at the Local Housing Allowance levels. Therefore the use of the private rented sector for prevention and the discharge of the homelessness duty has become increasingly difficult for the Council to achieve. This, coupled with a reduction in the turnover of social rented housing, has resulted in a reduction of other forms of available temporary accommodation driving increased usage of more expensive nightly paid temporary accommodation. Levels of homelessness are unlikely to fall given the impact of welfare reform. The government are considering proposals through the Homelessness Reduction Bill which, if implemented, would widen the Council's existing prevention and accommodation duties.

Mitigating action has been taken through the implementation of minor amendments to the Council's allocation policy to improve temporary accommodation throughput and actions to increase the supply of temporary accommodation through direct acquisition and the Council's enabling role.

CMT will review 'hotspots' on a monthly basis and report to Members through the quarterly monitoring process. The main items identified have been included in the Quarterly monitoring report to Cabinet, these include reduced investment income and the increased costs of homelessness.

4. Recruitment and retention

Recruitment and retention of key specialist and professional roles is challenging. The impact of a period of pay restraint in the public sector combined with an increase in salary levels generally in the South East has led to problems with recruitment and retention in roles such as Economic Regeneration, IT, Project Management, Legal and some Housing roles. HR officers are working with managers to ensure we promote these roles effectively. The Council promotes the use of apprenticeships and trainee roles to grow our own skills. There is a recruitment and retention scheme which will allow time limited salary uplifts on appointment but this is only a temporary incentive and it does cause pay inequality within teams. We are exploring other ways of mitigating this risk.

Summary of Current Strategic Risks

- Failure to deliver key infrastructure projects as planned, on time and within budget,
- Delivering the affordable housing programme;
- A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable;
- Recruitment and retention.

6 Background Papers

- 6.1 Risk Management Strategy [FIN/364](#) Audit Committee 24th June 2015.
Risk Management Strategy – update 24th September 2015 [FIN/371](#)
Internal Audit Plan 2015/2016 and Internal Audit Plan 2016/2017

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ENDS

Internal Audit Plans 2015/2016 and 2016/2017

Progress Report as at 31st August 2016

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Publication Scheme	2016/17	Limited	3	
Car Parking Income	2016/17	Limited	2	
Community Centres	2016/17	Satisfactory	1	
Eastbourne BC Peer Review	2016/17	N/A		
Crawley Deposit Scheme Review	2016/17	Substantial		
B. Work In Progress				
Museum	2015/16			
Little Trees Cemetery	2015/16			
FOI Requests – day to day work	2016/17			
Leasehold Services	2016/17			
Tendering Procedures	2016/17			
Cyclical Repairs	2016/17			
Facilities Management	2016/17			
Parks and Open Spaces	2016/17			
Other Work				
Mid Sussex District Council	2016/17			Work is ongoing.