

Crawley Borough Council

Report to the Audit Committee

7th March 2017

Internal Audit Progress Report as at 10th February 2017 Incorporating Risk Management Update as at 10th February 2017

Report of the Audit and Risk Manager – FIN/407

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 15th November 2016, the following review has been completed.

Audit Title	Audit Opinion
Facilities Management	Limited Assurance
NNDR	Substantial Assurance
Council Tax	Substantial Assurance
Waste and Recycling	Substantial Assurance

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

Facilities Management

As part of the Internal Audit plan for 2016-2017, an internal audit of the Council's Facilities Management has been undertaken. This covers more than one discipline across two Heads of Service which were:

- Community Services: The audit covered the maintenance, cleaning and security of the Council's Pavilions, Community Centres, Town Hall, Civic Hall and all other Council owned buildings (except housing) and the Children's Family Centre (which is owned by WSCC);
- Partnership Services: The audit covered the Planned and Unplanned Maintenance of the Town Hall and a review of energy and utilities.

During the course of this review, a number of high priority findings were identified and action has been agreed to improve the control environment. I will provide a verbal update to Members on progress in this area, at the meeting.

4.4 Follow up Audits

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

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.

Since the last meeting, further work has been undertaken to bring the Scheme up to date and this will be fully up to date by 31st May 2017. We now publish reports in respect of NNDR (Business Rates) on the Publication Scheme and it is anticipated that this will reduce the number of requests received, with the interested parties accessing the information via the Crawley Borough Council website.

Community Centres

The system used for recording bookings of community centres and related income is called Artifax. This does not interface with the Financial Management System (FMS) which means that an independent reconciliation cannot be undertaken to confirm that all monies due have been received. Discussions are continuing with the provider of Artifax and two Local Authorities have been contacted by the Facilities Supervisor and progress is being made towards the provision of a suitable interface.

4.5 Freedom of Information (FOI) Requests

Between 16th November 2016 and 10th February 2017, we have processed 207 requests and of these, 10 responses were 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:

- **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 was presented to Cabinet early in 2017 and Full Council on 22nd February 2017.

- **LEP Infrastructure**

A series of business cases will be put together in order to present proposals to Cabinet for the allocation of the remaining £14.6 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 is being progressed jointly by Crawley Borough Council, Manor Royal BID and 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. Network Rail have now formally agreed with the Council a Deed of Variation related to the above S106 funds, which extends the spend deadline from end March 2017 to end March 2021.

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 be combined with the total of £500,000 of S106 resources (including £70,000 via Forge Wood) already secured for the station improvements. Borough Council officers are leading a fresh engagement with Network Rail, supported by County Council colleagues to progress the Project Delivery 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 was able to reallocate the above amount to Three Bridges station because it has successfully secured from the Coast to Capital Local Enterprise Partnership (LEP) £1.5 million of Local Growth Fund (LGF) to invest in the Queens Square regeneration scheme, supported by the County Council. These LGF funds are being 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 the Project 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.

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

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 stalling of three phases of the Forge Wood development together with two market led schemes significantly impacts the delivery programme. This impact would be mitigated by the approval of the town hall development site proposals, achieving additionality at Telford Place and, subject to funding being available, enabling windfall schemes. Options are currently being actively explored.

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 and Council Tax 2017/18 [FIN/401](#) report to Cabinet on 8th February 2017 showed that we achieved a balanced budget despite a 41.64% reduction in revenue support grant and a cut in the New Homes Bonus.

Officers identified additional income, efficiencies and savings of £1.951m, including additional rental income from the purchase of investment properties of £507,000.

There is a budgeted gap in 2018/19 of £670,000. 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 vote to leave the EU 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 Corporate Management Team continue to work with staff and contractors to identify and implement improved ways of working and to focus on the aim of dealing with matters first time. The transformation programme of service improvements and efficiencies achieved through systems thinking and other types of review continue with the aim of continual streamlining of internal processes to reduced waste and duplication, and also to focus on the defined purpose of each service. The transformation programme includes an increased focus on achieving new sources of income

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. The Job Evaluation Scheme has been amended to create a further grade at the top of the scale to assist with the recruitment and retention of third tier managers.

5. Disaster recovery and business continuity.

A report to Cabinet on 9th September 2015 recommended a more resilient hosting of data by providing a resilient, energy efficient, cost effective and available hosting environment for the IT systems to support our services. A partnership contract has been agreed with Surrey County Council for them to host the data centre. Migration is underway with a planned completion date of March 2017.

The Bewbush Centre has been designated as the Council's main alternative site should there be no or limited access to the Town Hall building. Once the Data Centre is relocated there will be resilient links to this centre so that systems will remain operational and it will be possible for staff to get into the CBC network via these links. Access will also be possible from other Council sites. Wi fi will allow access for up to

50 users at the Bewbush Centre using laptops and a small number of desktop network points.

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;
- Disaster recovery and business continuity.

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 2016/2017

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Internal Audit Plans 2016/2017

Progress Report as at 10th February 2017

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Facilities Management	2016/17	Limited	7	
NNDR	2016/17	Substantial		
Council Tax	2016/17	Substantial		
Waste and Recycling	2016/17	Substantial		
B. Work In Progress				
FOI Requests – day to day work	2016/17			
Parks and Open Spaces	2016/17			
Grants	2016/17			
Little Trees Cemetery	2016/17			
Museum	2016/17			
Queen's Square Regeneration	2016/17			
Creditors	2016/17			
Sundry Debtors	2016/17			
Cash and Bank	2017/18			
Other Work				
Mid Sussex District Council	2016/17			Work is ongoing.