

Crawley Borough Council



Report to the Audit Committee

26th July 2017

Internal Audit Progress Report as at 30th June 2017 Incorporating Risk Management Update as at 30th June 2017

Report of the Audit and Risk Manager – FIN/413

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 10th February 2017, the following review has been completed.

Audit Title	Audit Opinion
Parks and Open Spaces	Substantial Assurance
Creditors	Substantial Assurance
Sundry Debtors	Substantial Assurance
Cash and Bank	Satisfactory Assurance
Treasury Management	Substantial Assurance
Budgetary Control	Substantial Assurance
Payroll	Substantial Assurance
DWP CIS Compliance	Substantial Assurance
NNDR Light Touch	Substantial Assurance
Queen's Square Regeneration	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

We did not identify any high priority findings in this period.

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 I can confirm that this has substantially been completed, and is very much improved. This is largely due to the efforts of the Head of Finance, Revenues and Benefits who has worked with other Heads of Service to achieve this.

From 1st July 2017, I will be the officer responsible for ensuring that the Publication Scheme is kept up to date.

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, who have advised that they will no longer support the Council's version in the next year and will move to a cloud based system. This option is being reviewed to ascertain if it will provide the functionality required, which the Facilities Supervisor believes it will.

Disposal of Deceased Persons Belongings

We have confirmed that all outstanding actions have been implemented.

Facilities Management

We have confirmed that all outstanding actions have been implemented.

4.5 Freedom of Information (FOI) Requests

Between 11th February 2017 and 30th June 2017, we have processed 238 requests, and of these, 28 responses were sent to the requester outside of the 20 working day deadline or are now overdue.

Out of the 28 responses that were late or have not yet been answered, 19 relate to the IT section. There are also two requests that were received in early February and which were passed to that section. As at 30th June 2017, they were both 84 days overdue.

There are several reasons why the IT section requests are late, being the large number received in a short space of time, the complexity of some of the requests and the resources available to respond to these. In addition, there have been a number of occasions where, after the initial response has been provided, the requestor has asked for further information or clarification. This has added to their workload.

I will provide a verbal update on progress made towards clearing the outstanding FOIs at the meeting.

5 Strategic Risks Update

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

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

- **Town Hall and District Heat Network**

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 was approved at full Council on 22nd February 2017. This proposal will require a partial demolition of the current building to allow for the development of a new Town Hall within the site. Plans are underway to decant affected staff and relocate some services and facilities by March 2018 to allow this to take place

- **LEP Infrastructure**

A business case application seeking £14.6 million of Local Growth Fund from the Coast to Capital LEP is currently being drawn up to unlock resources to invest in sustainable transport and public realm infrastructure in the town centre and Manor Royal. This funding will come from the ring-fenced Crawley Area Transport Package. The principle purpose of this investment will be to help bring forward regeneration sites to achieve new homes, jobs and commercial space. The drafting of this business case is being progressed jointly by Crawley Borough Council, Manor Royal BID and West Sussex County Council – the accountable body for the LEP funding. It also involves dialogue with stakeholders such as Metrobus, Gatwick Airport Ltd and Network Rail and site developers.

- **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 have agreed with Network Rail and West Sussex CC to progress detailed designs for the station forecourt improvement scheme later this year and engagement is currently taking place with GTR Southern prior to a delivery schedule.

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**

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 during the summer. The delivery of the works is being 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.

Design proposals for a second phase of public realm improvements to extend the Queens Square regeneration work along the Queensway, the Pavement and Kingsgate were approved by Cabinet in March this year. This £2.2 million scheme is expected to be the subject of a planning application submission this summer.

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.

The decision to leave the EU may impact upon the costs of housing schemes as future restrictions may increase labour costs, this will be monitored over the coming years.

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 September 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. There is a link to this centre so that systems will remain operational in the event of the Town Hall being out of operation but the network still running and it is possible for staff to get into the CBC network via this link. Once the move to the SCC data centre is complete then staff will be able to access the CBC network in the event of a network failure in the Town Hall. Wi fi will allow access for up to 70 users at the Bewbush Centre using laptops and a small number of desktop network points.

Terrorist Attacks

In the wake of recent attacks, in May 2017 the UK terror threat level was raised to its highest level of "critical", amid fears that more attacks may be imminent, however this has now been reduced back to "severe". There are no specific threats to Crawley or West Sussex, and CBC is in regular contact with community stakeholders and the police, monitoring for any community tension and providing support where we can.

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.

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.

The impact of the decision to leave the EU may have a detrimental impact on the Council's objectives and finances, this will be reviewed as part of the budget strategy.

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.

Removed as a strategic risk

Cemetery

Planning permission to create new cemetery at Little Trees was obtained in November 2015. Phase 1 of construction is almost complete, with official and operational opening later in the year, which is within the deadline. Some infrastructure has been delayed to Phase 2 in order to deliver Phase 1 of the project within current budget.

Summary of Current Strategic Risks

- Failure to deliver key infrastructure projects as planned, on time and within budget;
- Delivering the affordable housing programme;
- Disaster recovery and business continuity;
- Terrorist attacks;
- 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 Plans 2016/2017 and 2017/2018

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ENDS

Internal Audit Plans 2016/2017 and 2017/2018

Progress Report as at 30th June 2017

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Parks and Open Spaces	2016/17	Substantial		
Creditors	2016/17	Substantial		
Sundry Debtors	2016/17	Substantial		
Cash and Bank	2016/17	Satisfactory		
Treasury Management	2016/17	Substantial		
Budgetary Control	2016/17	Substantial		
Payroll	2016/17	Substantial		
DWP CIS Compliance	2016/17	Substantial		
NNDR Light Touch	2016/17	Substantial		
Queen's Square Regeneration	2017/18	Substantial		
B. Work In Progress				
Housing Rents	2017/18			
Housing Repairs – Responsive Repairs	2017/18			
NNDR Revaluation	2017/18			
HR	2017/18			
FOI Requests – day to day work				
Other Work				
Mid Sussex District Council	2017/18			Work is ongoing.