

# Crawley Borough Council

## Report to the Audit Committee

19<sup>th</sup> March 2019

### Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/469

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#### 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, as at 28<sup>th</sup> February 2019.

#### 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 2<sup>nd</sup> October 2018, the following review has been completed.

Audit Title	Audit Opinion
Taxi and Private Hire Vehicles Licensing	Substantial Assurance
NNDR	Substantial Assurance
K2 Tender – review of contract award	Substantial Assurance
Treasury Management	Substantial Assurance
Commercial Properties including Rents	Substantial Assurance
Cash and Bank	Satisfactory Assurance
Gas Servicing – review of contract award	Substantial Assurance
Creditors	Substantial Assurance

#### 4.2 Work in Progress

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

There are no high priority findings to report.

#### 4.4 Follow up Audits

##### **Data Centre Post Project Review**

It was agreed by management that an independent review would be commissioned at the end of the project (targeted for the end of February 2019), which is now complete barring one final piece of work to move a Vodafone line across to the new data centre. Unfortunately, the Council has been let down badly by the supplier and despite constant chasing over the course of nearly a year since the order was placed, and the subsequent lodging of a formal complaint to Vodafone, this remains outstanding at the end of February. For overall context though, the project has delivered 100% of Server and 98.4% of Application migrations as per the schedule.

This one remaining migration does not however, preclude the commissioning of the post implementation review. Therefore, ICT will procure and commission the independent review work during March 2019. We expect the work to take some time to complete (from procurement, review and interview process, to submission of the final report), so expect to be able to submit to OSC for their review in May 2019.

##### **Community Grants**

We reported at the last meeting that whilst we were satisfied that there was sufficient documentation to confirm eligibility for the grants awarded, we were unable to see evidence to confirm the process followed when making the grant award, in verifying that all documentation and evidence had been received from the organisation, and that they met the eligibility criteria.

##### **Status of agreed action – in progress.**

An initial checklist has been produced for both the small grants and large grants and we have reviewed copies of these. We have discussed these with the Community Services Manager who has confirmed that there is further work to be done to ensure that the items being checked are definitely meaningful.

##### **Status of agreed action – work in progress.**

We will consider this action again in the near future and report the outcome to the next meeting of this Committee.

In addition, we identified that adequate segregation of duties are not in place, with one officer making the decision to award the grant, but with no secondary check, even on a sample basis, to confirm eligibility.

## **Status of agreed action – implemented.**

The Community Services Manager currently reviews all grants.

### **4.5 Freedom of Information (FOI) Requests**

Between 10<sup>th</sup> November 2018 and 28<sup>th</sup> February 2019 we have processed 227 requests, and of these, 2 responses were sent to the requester outside of the 20 working day deadline. This was largely due to the complexity of the requests.

## **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**

The Council are working with Westrock in delivering 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 22<sup>nd</sup> 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. Planning permission for the New Town Hall was granted in June 2018, and for the District Heat Network in November 2018. Project Agreements with Westrock were signed in October 2018; A2 Dominion have agreed in principle to take on the Babcock's Car Park Site in December 2018; and the business case for the District Heat Network was also signed off in December 2018. The majority of staff have now been decanted from the proposed demolition area. A risk register for the scheme, attached at Appendix B, is updated by the project team on a fortnightly basis and will be shared with the Audit Committee.

- **LEP Infrastructure – Crawley Growth Programme**

CBC, together with WSCC (the lead body) was successful in securing £14.6 million of Local Growth Fund from the Coast to Capital LEP in autumn 2017, as part of the Crawley Growth Programme – a £60m package of public and private sector funding. These resources are being invested in sustainable transport, highway and public realm infrastructure in the town centre and Manor Royal. The Worth Park Avenue cycle path, the Crawley town centre signage scheme and the Real Time Passenger Information upgrades at bus shelters across Crawley have already been completed. Some additional town centre signage will be installed before the end of 2018-19.

The principal purpose of the Crawley Growth Programme investment will be to help bring forward regeneration sites to achieve new homes, jobs, and commercial space.

The Programme is being delivered over the period 2017 to 2021, founded on dialogue and active partnership working with stakeholders such as Metrobus, the Manor Royal BID, Gatwick Airport Ltd, Network Rail and site developers. It is being overseen by the Crawley Growth Board, chaired by CBC's Chief Executive and CBC key decisions on schemes going forward will be subject to Cabinet approval and associated due process.

Part of the Crawley Growth Programme, includes the Queensway and The Pavement public realm improvement scheme (the next phase of town centre regeneration after Queens Square). The contractor, Blakedown, has been appointed to undertake the works for this scheme and has commenced on site in January 2019 through to October 2019. Design work has begun on several other Crawley Growth programme schemes, including Station Gateway, Eastern Gateway, and Manor Royal Gatwick Road sustainable transport improvements. An update on the programme was reported to Cabinet in June 2018 [PES/298](#).

The Queensway works commenced on 14<sup>th</sup> January 2019 and is on track to be completed by October 2019.

- **Three Bridges Railway Station**

On 11<sup>th</sup> 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 formally agreed to extend the S106 funding spend deadline 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. These funds are being combined with the above S106 resources along with over £1 million of Community Infrastructure Levy (approved by Cabinet on 7<sup>th</sup> February 2018).

The Three Bridges station scheme Programme Manager has been working closely with GTR Southern and Network Rail in order to progress delivery of the scheme to detailed design stage with the aim of submitting a planning application next year. GTR Southern and Network Rail have both joined the Three Bridges Project Steering Group alongside Crawley Borough Council and West Sussex County Council. On 21<sup>st</sup> March 2018 Cabinet approval was secured to commence work on the detailed design stage and to undertake comprehensive traffic modelling to determine the impact on traffic flows of the scheme, taking account of the recently upgraded traffic lights infrastructure outside Three Bridges station on Haslett Avenue East. The modelling / detailed designs are due to complete in spring 2019.

A comprehensive risk register is overseen by the Project Board of the Crawley Growth programme.

- **Delivering the affordable housing programme**

The Administration has pledged to build as much affordable housing for local people as possible. Delivery is being programmed through the Strategic Housing Board and scrutinised at CMT and through the Corporate Projects Assurance Board. Current projections for the next 4 year delivery period (2018-2021) indicate that delivery can be maintained at a similar level to the previous 4 year monitoring period at just over 1,000 new affordable homes. Approximately 2/3rds of this delivery will be by the Council and the remainder by other Registered Providers of affordable housing.

The officer Strategic Housing board meet on a regular basis and review the use of 1-4-1 receipts; any future risks will be highlighted through the Quarterly Monitoring Reports to Cabinet and in the Councillor Information Bulletin. Spend is currently on track.

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. HRA and 1.4.1 receipt funding is currently fully committed, however, the HRA debt cap has been abolished providing the opportunity for additional Prudential borrowing. This will enable The Council to proceed with a number of sites to maintain its own build programme. Additional borrowing to provide more affordable housing on Telford Place was requested at Full Council on 27<sup>th</sup> February 2019.

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.

Perhaps the greatest risk to the delivery of affordable housing lies beyond the medium term, once the current programme has been delivered. This reflects the fact that the majority of larger sites within the Council boundary that can easily be brought will have been developed. This will leave smaller sites that are more challenging in nature, or finding other opportunities. Work is commencing that will seek to identify these future sites and opportunities.

- **Future Income Streams and Transformation Agenda**

In preparation for the New Town Hall the Council has agreed a wider transformation programme to prepare the organisation for a new era and to help us meet future demand, needs and financial pressures. The pillars (in addition to the New Town Hall) within the plan are Digital Transformation, New Ways of Working, Values and Behaviours, Redesigning Services, Commercial Approach (a separate risk is being created for this) and Blitz on Bureaucracy. At a programme level the key risks are:

- The interdependencies between the areas of work are not managed putting at risks key elements of the plan

- The capacity required by the transformation programme takes resources away from core delivery impacting negatively on performance, finance and reputation
- Services are not prepared for the move to the new town hall putting performance at risk, impacting negatively on service provision and/or creating non-planned for additional costs (or reduced income)
- Staff are not prepared for the move to the new town hall impacting on motivation recruitment and retention
- Technology does not support the desired ways of working impact on performance, finance and morale

To manage these risks, a Transformation Board at CMT level has been create. It brings together and oversees a high level plan to ensure coherence, manage interdependencies and change, allocate resources and ensure delivery. . A full revised risk analysis is to be undertaken once current negotiations on the New Town Hall are completed as outcomes will affect analysis.

A further senior management group – Corporate Project Assurance Group - has also been created (September 2018). Its role is to ensure appropriate governance of projects and assure that key projects beyond the transformation programme are not adversely impacted from the constraint of capacity and resources. In fulfilling this role the group has reviewed a wide range of current projects following an initial risk analysis. In doing so it has made changes to strengthen the governance structures for projects, for example the IT Boards Terms of Reference and membership has been changed, and a new Major Procurement Board has been created. As set out in the Capital Strategy agreed at Council on 27 February 2019, this group will now shift to a more forward facing stance in overseeing delivery of the Capital Strategy whilst maintaining it focus on governance.

- **Disaster Recovery and Business Continuity.**

A report to Cabinet on 9<sup>th</sup> 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 at the data centre. Since June 2017 100% of Virtual servers and 98.4% of has applications have been migrated to the Surrey Data Centre.

A 2<sup>nd</sup> Phase of work is now being planned to move additional Physical infrastructure to the Surrey Data Centre, including additional storage to support EIM and backups.

The Bewbush Centre has been designated as the Council's main alternative 'warm' site should there be no or limited access to the Town Hall building. There is a link from this building to the Surrey Data Centre so that most IT systems will remain operational in the event of the Town Hall being out of operation and it will be possible for staff to access the CBC network via this link. There is corporate Wi-Fi installed at Bewbush which will allow access for up to 70 users at the Bewbush Centre using laptops or tablets together with a small number of desktop network points.

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. Departments have recently been refreshing service business continuity plans to ensure arrangements are in place for service continuity in the unlikely event of significant disruption.

- **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 2019/20 [FIN/462](#) report to Cabinet on 6<sup>th</sup> February 2019 showed that we achieved a balanced budget despite a 89.72% reduction in revenue support grant, efficiencies were identified and the Budget Advisory Group scrutinised growth bids which were accepted including investment town wide in shrub bed removal. The budget Strategy report was approved by [Cabinet on 31st October 2018](#), in addition projections are being constantly updated. The Fair Funding Review from 2020/21 makes it very difficult for all Local Authorities to project forward as the outcome will not be known until December 2019, the consultation closed on this on 21<sup>st</sup> February 2019. As a result there is a high possibility of the need to transfer either to or from reserves in 2020/21.

Projections will be updated when the outcome of Town Hall tendering is finalised. 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. In addition the Chief Executive together with the Head of Corporate Finance have undertaken a 'Budgets Challenge' exercise with all Heads of Service – this has resulted in savings and efficiencies which will assist in meeting future budget gaps. This process will be repeated in the coming financial year.

The refreshed 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 future budget strategy reports and the annual budget report.

- **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 Finance, IT, and some Housing roles. HR staff are working with managers to ensure we promote these roles effectively, HR have supported on a number of interview assessments to ensure the best possible outcome.

With the introduction of the apprenticeship levy, the Council are in direct competition with organisations who can offer greater levels of remuneration

in the way of benefits and incentives. To mitigate the risk of low recruitment levels the HR team have worked with recruiting managers to design tailored apprenticeships and have expanded the range of professions for which apprenticeships are available. HR have undertaken a comprehensive rewrite and redesign of apprenticeship promotional materials, the website, vacancy adverts and job descriptions. HR have increased the activity promoting apprenticeships by visits to schools and attendance at career fairs. The apprenticeship levy will require continuous resourcing and ongoing promotion and will be an area of continued challenge for the Council in attracting apprentices.

There is a recruitment and retention scheme which will allow time limited salary uplifts on appointment but this is only a temporary incentive and temporarily can cause pay inequality within teams. There are a number of benefits available to employees and by raising the profile to prospective employees and raising the profile to existing staff of incentives including different ways of working can support with recruitment incentive and retention.

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.

#### **Possible 'no deal' Brexit**

On 31 January 2019 the Secretary for State for Housing Communities and Local Government wrote to all Leaders and Chief Executives of English Local Authorities setting out a local authority preparedness checklist. This stated that councils will want to assure themselves that they have undertaken necessary EU Exit Impact Assessments, relevant planning and the preparation of appropriate mitigation plans in the scenario of a no-deal Brexit. The areas listed were:

1. All statutory services for which the council is responsible for
2. All regulatory services for which the council is responsible
3. The impact (direct or indirect) of any border areas [this would include Gatwick as an airport]
4. The impact on supply chains (in the delivery of statutory services)
5. Data handling (impact of data held in the EU)
6. Local partnership working (for instance ensuring plans are in place to support vulnerable or managing increased community tensions)
7. Communications (to provide community assurance and provision of timely information)

A separate draft working document has been prepared over recent weeks and months looking at the implications of a no-deal Brexit to the council. This is a substantive assessment that includes all the areas listed above, but one that by the very nature of Brexit is constantly changing and being updated.

## Summary of Current Strategic Risks

- Failure to deliver key infrastructure projects as planned, on time and within budget;
- Delivering the affordable housing programme;
- Future Income Streams and Transformation Agenda;
- Disaster recovery and business continuity;
- A balanced budget is not achieved in the medium term resulting in an increased use of reserves, which is not sustainable;
- Recruitment and retention.
- Possible 'no deal' Brexit.

## **6 Background Papers**

- 6.1 Risk Management Strategy [FIN/364](#) Audit Committee 24<sup>th</sup> June 2015.  
Risk Management Strategy – update 24<sup>th</sup> September 2015 [FIN/371](#)  
Internal Audit Plan 2018/2019 [FIN/438](#)  
Internal Audit Reports 2017/2018 and 2018/2019

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