

Crawley Borough Council

Report to the Audit Committee

23rd July 2019

Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/475

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 30th June 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

4.1 Work Completed

Since the last report, the following review has been completed.

Audit Title	Audit Opinion
Budgetary Control	Substantial Assurance
Council Tax	Substantial Assurance
Financial Management System (FMS)	Substantial Assurance
DWP CIS Compliance	Substantial Assurance
Sundry Debtors	Substantial Assurance
Community Centres	Substantial Assurance
Corporate Health and Safety	Satisfactory 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 were no high priority findings identified in this period.

4.4 Follow up Audits

Data Centre Migration Project – Post Implementation Review

Following the work undertaken by Internal Audit on the Data Centre Migration Project, it was agreed by management that an independent post implementation review would be undertaken. This is now complete and the outcome of the work undertaken by Actica Consulting has concluded the following:

Change in Scope

A change in scope, to include the Crawley Town Hall Network and the Communications Room was vital in that the Data Centre project could not be delivered without them. The state of the infrastructure was acting as blocker to future IT initiatives, beyond just that of the Data Centre migration. However, the additional cost and effort was 'shoe-horned' into the same project due to the Data Centre's dependency on them. A further change in scope arose when the switch from Virgin to BT Unicorn was recognised. The switch was caused by a problem with the initial design for the wide area network. It was this issue which caused the greatest delay in delivery and the increase in cost.

This eventual scope delivered would be better viewed as a CBC infrastructure modernisation programme, rather than simply a Data Centre migration project. The infrastructure was at end-of-life and needed replacing. The Data Centre project was the catalyst that brought this to the fore.

Delivery Timescales

Virgin Media consistently misinterpreted the design and misconfigured the installation, which delayed identifying that the design was not fit for purpose.

The design fault in the specification of the communications link led to a false expectation being set for the timescales to deliver the link. The lead times for leased lines, which are required and were requested from BT Unicorn, added a further delay which was considerably longer than the original estimates given for using Internet connections.

BT Unicorn's installation timescales exacerbated the delay.

When taken individually, the other project initiatives were delivered in a timely manner. The delay with the RDC to Crawley Town Hall link inevitably pushed back the delivery of the project as a whole, due to the critical path dependency on the link. It is very difficult to negotiate with large suppliers of this nature, so there was little to no scope for reducing the lead times.

Project Governance

The initial selection of Virgin Media as the network supplier was made in compliance with the inherent CBC policy of choosing the least cost option, unless there are mitigating circumstances. However, in order to ensure that all 'mitigating' circumstances are understood, a greater level of due diligence is needed, so that issues such as the difference between traversing the Internet and direct connections are identified.

With regard to the Crawley Town Hall network, it is common for public sector bodies to 'sweat their assets' for as long as possible and so become unaware that they are reaching end of life. It is recommended that CBC should instigate an asset management system

which flags up any component that is coming to end of life with sufficient time to cost, receive approval and install a replacement.

The design documents have all been at a high level. There is an absence of low-level design documents. These are essential to ensure that the design:

- configurations are explicit;
- is complete;
- can be reviewed;
- can be audited; and
- is available when configuration changes are required.

The lack of low-level designs led to an incomplete understanding of the individual parcels of work that needed to be identified, understood and managed. This should have been picked up by the project managers.

Value for Money

The work undertaken by CBC would be better described as two projects, the Data Centre migration and an infrastructure modernisation project. Both the Data Centre and Crawley Town Hall are operational.

The scope of work which was finally delivered demonstrates value for money. The benefits that are gained for CBC, not only include immediate improvements in resilience, but also lay foundations for investment in numerous improvements which were not feasible on the previous infrastructure (e.g. proper Disaster Recovery, meaningful Business Continuity, flexibility of estates to renovate / move offices without real impact to IT). The investment made in this infrastructure will pay dividends for the future.

The report concluded that value for money had been achieved in the following areas:

- Redhill Data Centre – costs at industry standard levels with proportionate costs;

- Crawley Town Hall Network including Communications Room – the communications room and internal network was specified, costed, designed and built to an appropriate specification. The Crawley Town Hall network and Communications Room has delivered value for money. It is a key infrastructure component that can be adapted and expanded to cater for CBC's future requirements;

It concluded that it did not achieve value for money in respect of:

- Time and money were expended on trying to manage Virgin Media to provide and configure a service that was not fit for purpose. BT took an inordinate amount of time, even by their standards, to install the leased lines. The leased lines are now installed, work to the correct specification and provide value for money.

Project Management

Broadly speaking, the governance undertaken by CBC followed good practice, but they were let down by their suppliers, notably Virgin Media, the initial project manager and Company85. Company85 did not provide value for money, especially where the project management of further third parties was concerned. Company85 appear to have misrepresented their costs as fixed, but billed time and materials, leading to an overinflated bill. We believe that the amount spent on Company85 was excessive, accounting for one third of the capital expenditure.

Actica consulting have made several recommendations in respect of project governance arrangements, low level designs, non-functional requirements, back-ups and business continuity and contract scrutiny, **all of which are either being implemented or are already in place.**

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.

We reported at the last meeting of this Committee that changes had been made to improve the internal controls in place, including the use of a checklist and checks being made by the then Community Services Manager.

A new Community Services Manager has recently been appointed, and after meeting with her recently, I am satisfied that there are measures being introduced that will address the weaknesses that we identified.

We will therefore undertake some follow up audit work once the new measures are in place and report the outcome to this Committee later in the year.

4.6 Freedom of Information (FOI) Requests

Between 1st March 2019 and 30th June 2019 we have processed 221 requests, and of these, 12 responses were sent to the requester outside of the 20 working day deadline. This was largely due to the complexity of the requests.

5. **Corporate Risks**

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 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. 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 (Social Housing provider) agreed to take on the Babcock's Car Park Site in December 2018 (works have now commenced); 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, and these moves are currently being finalised. Tender prices for the DHN and the New Town Hall are due back in June and July respectively. Subject to these, work on decommissioning is scheduled to commence in late July or early August with demolition to begin by the end of the year. A risk register for the scheme is updated by the project team on a fortnightly basis and will be shared with the Audit Committee. Should the tenders suggest we are proceeding with the scheme the risk register will undergo a fundamental review reflecting the new stage of the project.

- **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.

The principal purpose of the Crawley Growth Programme investment is to help bring forward regeneration sites to achieve new homes, jobs, and commercial space. The above 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 has been installed and new signage for Queensway and Memorial Gardens will be installed once the Queensway public realm scheme is complete.

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.

The Queensway – Pavement scheme, the latest town centre phase of the Crawley Growth Programme, is currently being implemented and the contractor Blakedown is due to complete the works on schedule and on budget by October 2019. Design work continues on several other Crawley Growth programme schemes, including Station Gateway, Eastern Gateway, and Manor Royal sustainable transport improvements.

- **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 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 7th 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 21st 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 work is currently being assessed by the Highways Authority. Subject to the outcome of that assessment, further detailed design work will be undertaken later in the year.

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 Councillors' 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, and some re-profiling of 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 agreed by Full Council on 27th 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 built 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 Reducing Bureaucracy. At a programme level, the key risks are:

- The interdependencies between the areas of work not being recognised. The capacity required by the transformation programme could take resources away from core delivery which could impact 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 created. 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 its focus on governance.

- **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 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 2nd Phase of work is now being planned to move additional Physical infrastructure to the Surrey Data Centre, including additional storage to support Electronic Information Management (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 6th 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. Decisions made by West Sussex County Council that impact on Districts and Boroughs such as the amount of recycling credits paid will be a further demand on future budgets, the removal of the current sum paid would result in an increase of Council tax of £11.36 per Band D property. The proposed 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 21st February 2019. As a result there is a high possibility of the need to transfer either to or from reserves in 2020/21. Because of financial constraints, any growth items will have to be funded from savings, efficiencies or increased income, therefore there are increasing challenges over the medium term to incorporate future growth.

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 together with a review of vacant posts.

The refreshed transformation programme of service improvements and efficiencies achieved through service reviews will 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 by applying a commercial lens where possible.

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, Retention and Succession Planning.**

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 Corporate Management team will be discussion succession planning and putting processes in place to plan for the future.

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 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.