

Crawley Borough Council

Report to the Audit Committee

30th September 2019

Progress Report and Risk Management

Report of the Audit and Risk Manager – FIN/481

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. Recommendation

- 2.1 The Committee is requested to receive this report and note progress to date, as at 6th September 2019.

3. Reasons for the Recommendation

- 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. Internal Audits

4.1 Work Completed

Since the last report, as at 30th June 2019, the following reviews have been completed.

Audit Title	Audit Opinion
Section 106 and Community Infrastructure Levy (CI)	Substantial
Commercial Properties	Substantial
Publication Scheme Review	N/A

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

We have not undertaken any follow up reviews in this period.

4.5 Freedom of Information (FOI) Requests

Between 1st July and 6th September 2019 we have processed 163 requests, and of these, 3 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**

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

(a) **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 were received in June and July respectively. Tender evaluation is complete and next design stages are to commence in September under Letters of Intent commissions. Subject to final evaluation, it would be the intention to enter into contract during the autumn of 2019. A risk register for the scheme is updated by the project team on a fortnightly basis and will be shared with the Audit Committee.

(b) **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 Queensway scheme (£2.2m) is due to be completed by the end of October on time and on budget.

The County Council led Eastern Gateway scheme – the next phase of the Town Centre Regeneration Programme - is due to complete its detailed design phase by the end of this year with the works scheduled to commence next spring. The Eastern Gateway scheme is a programme of traffic calming, pedestrian crossing upgrades, cycle route development and public realm enhancement on The Boulevard, College Road and Southgate Avenue. The overall aim is to improve the living environment and pedestrian / cyclist connectivity to key opportunity sites (the new Town Hall scheme, County Buildings, Telford Place etc)..

The Crawley Growth Programme commenced in autumn 2017 and its delivery period has been successfully extended up to end March 2025, It is 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. Key decisions on CBC led schemes going forward will be subject to Cabinet approval and associated due process.

Design work continues on several other Crawley Growth programme schemes, including the Station Gateway public realm scheme, Manor Royal – London Road highway junction improvements and Manor Royal sustainable transport improvements.

(c) **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. This funding remains on track to be spent by the deadline.

Councillor approval was granted in June 2016 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 by the end of this 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. Comprehensive traffic modelling work began in autumn 2018 and this has been informing the development of the detailed designs for the scheme. Proposals are almost complete and a public consultation phase is intended to commence on 7th October through to 30th October. Subject to that consultation and to the subsequent planning application process, the current aim is for the scheme works to commence by autumn 2020.

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

(d) 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.

(e) 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.

(f) 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.

(g) 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. 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 has now been delayed for a year and the future of Local Government financial settlements are unknown. As a result it is very difficult to plan for the future and as a result there is a high possibility of the need to transfer either to or from reserves in 2021/22. However it is likely that there will be a significant budget gap from 2021/22 when resources are moved around the public sector with more resources being put into schools, social care and policing.

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.

(h) 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.

(i) **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
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.