

Crawley Borough Council

Report to the Audit Committee

28th November 2017

Internal Audit Progress Report as at 31st October 2017 Incorporating Risk Management Update as at 31st October 2017

Report of the Audit and Risk Manager – FIN/428

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 31st August 2017, the following review has been completed.

Audit Title	Audit Opinion
Cemetery	Substantial Assurance
Queen's Square	Substantial Assurance
Grounds Maintenance	Satisfactory Assurance
Procurement	Satisfactory 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.

4.5 Follow up Audits

We have not undertaken any follow ups since the last Audit Committee in August 2017.

4.6 Follow ups from last meeting were:

- Internal Audit Progress report as at 31.08.17 incorporating Risk Management Update as at 12.09.17 (FIN/419) (paragraph 4.6 stated “The Risk Management Awareness and Training audit is currently being planned, with the Terms or Reference to be agreed by the Chief Executive at the beginning of September. **The start date for this review is mid-September and I will report the findings of our work at the Audit Committee meeting on 28th November.**”)

The Audit and Risk Manager will provide a verbal update the meeting as this audit has not yet been concluded.

- Internal Audit Progress report as at 31.08.17 incorporating Risk Management Update as at 12.09.17 (FIN/419) (paragraph 4.6 – non-staffing the ground floor of the Town Hall at night) – **The Chair agreed to write to the Leader to express the Committee’s concern and ask him to look in to the matter.**

4.7 Freedom of Information (FOI) Requests

Between 31st August 2017 and 31st October 2017, we have processed 175 requests, and of these, 19 responses were sent to the requester outside of the 20 working day deadline. This was largely due to the availability of staff during the summer period.

5 Strategic Risks Update

The following have been identified as strategic risks for the Council at 7th November 2017.

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. 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**

CBC, together with WSCC (the lead body) has been successful in securing £14.6 million of Local Growth Fund from the Coast to Capital LEP. These resources will be invested in sustainable transport, highway and public realm infrastructure in the town centre and Manor Royal. The principle purpose of this investment will be to help bring forward regeneration sites to achieve new homes, jobs and commercial space. The Coast to Capital Local Enterprise Partnership Board received a presentation from CBC's Chief Executive and the West Sussex CC Executive Director for Economy, Infrastructure and Environment and the LEP Board subsequently confirmed the funding allocation. The Crawley Growth programme will be delivered over a four year period 2017-21 and the total funding investment will amount to over £60 million, including private sector contributions and match funding contributions from CBC and WSCC. The programme delivery will be 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 will be 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.

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. A Programme Manager for Three Bridges station has been appointed and started on 11th September in order to engage closely with GTR Southern and Network Rail and to co-ordinate progress delivery of the station forecourt improvement scheme to detailed design stage and the submission of a planning application next spring. Intensive discussions are taking place with GTR Southern and Network Rail to agree the proposed delivery schedule. Both organisations have joined the Programme Steering Group.

- **Town Centre**

Blakedown Landscapes, the principal works contractor, completed the Queens' Square regeneration scheme at the end of September, overseen by CBC's Built Environment Team and Economic Development & Regeneration Team. The scheme was delivered under budget – final amount to be confirmed through the quarterly budget monitoring report process.

A planning application to extend the Queens Square regeneration work along the Queensway, the Pavement and Kingsgate was submitted in October. This follows approval by Cabinet in March this year of a budget allocation to this second phase scheme of £2.2 million. Subject to planning approval, the improvement works will commence next September, following a tender process to appoint a construction contractor.

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 at the data centre. Migration is underway with 45% of systems now live and being backed up at the SCC Data Centre. The main file servers are due for migration in early November 2017 and the remainder of the physical and virtual servers are due to be completed by the end of 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 budget Strategy report was approved by [Cabinet on 8th September 2017](#), projections are being constantly updated

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 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 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 Finance, 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.

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 Plan 2017/2018

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ENDS

Internal Audit Plan 2017/2018

Progress Report as at 30th October 2017

Audit	Audit Plan Year	Audit Opinion-Assurance	Number of High Priority Findings	Comments
A. Work Completed in the Current Period				
Cemetery	2017/18	Substantial		
Queen's Square	2017/18	Substantial		
Grounds Maintenance	2017/18	Satisfactory		
Procurement	2017/18	Satisfactory		
B. Work In Progress				
Risk Management Awareness and Training	2017/18			
Grants	2017/18			
Museum	2017/18			
New Town Hall	2017/18			
Housing Benefits	2017/18			
GDPR Implementation	2017/18			
FOI Requests – day to day work				
Other Work				
Mid Sussex District Council	2017/18			Work is ongoing.

Appendix B

TOWN HALL PROJECT RISK REGISTER

File Ref: Town Hall Project	Created by: Mike Pidgeon
Name of Doc: Risk Register	Date Created: 02/03/2017
Version No: V8	Monitored by: Project Board
File path: T:\Town Hall Project\townhallprojectriskregister .doc	Date Printed: 13/11/2017
	No of Pages 1 of 1

Likelihood	Impact
5 = Very High	5 = Catastrophic
4 = High	4 = Critical
3 = Significant	3 = Moderate
2 = Low	2 = Marginal
1 = Very Low	1 = Negligible
Risk Score = Likelihood x Impact	
All risks with a score of 10 or more are considered serious	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
1.	Listing of existing Town Hall building	2 5 10	1 5 5	2 5 10	<ul style="list-style-type: none"> Fast Track application has been made which is due to report February 2018 External consultants have been engaged to support the Certificate of Immunity (COI) application for CBC which will be valid for 5 years. Working with Historic England and 20th Century Society to facilitate their assessment and consultation process as quickly as possible. 	All risks are considered at Fortnightly Officer Board meeting
2a	Errors in detailed design specification or contract documentation	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> Consultant Architects appointed to oversee design brief Internal/External procurement and legal 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
					advice taken on all aspects of the contractual arrangements	
2b	Delays in CBC making key decisions prevents scheme proceeding	2 4 8	1 4 4	2 4 8	<ul style="list-style-type: none"> • Clear decision making leads identified at member and officer level • Robust project management structure established • Delegated authorisation procedure agreed by Cabinet 	
2c	Final detailed negotiations failed	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> • Regular contact at senior level within both organisations with a clear understanding of both parties' main objectives. 	
3a	Project exceeds budget	2 4 8	1 4 4	3 4 12	<ul style="list-style-type: none"> • Budget agreed and clearly communicated in Final design brief • Regular Project Board and Steering Group meetings to review and keep cost projections up to date • Identify robust contingencies sums • Identify value engineering opportunities • Minimise delays/ad-hoc changes 	<ul style="list-style-type: none"> • Inflation & Historic England have caused delays in tendering process
3b	Cost of Project borrowing Project affected by interest rate fluctuations	2 4 8	1 4 4	1 4 4	<ul style="list-style-type: none"> • Projections are currently estimating interest rates higher than the current market 	
4a	Loss of support for project (Members)	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> • Robust communication and stakeholder consultation plan • Maintain involvement throughout and set out clear responses/justification to 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
					<p>consultation responses in order to manage expectations</p> <ul style="list-style-type: none"> Keep project to timetable and budget and stakeholders up to date with progress Regular consultation with Members to ensure scheme as finally proposed has cross-party support. 	
4b	Loss of support for project (Staff)	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> As above (4a) but tailored approach Consider some small scale additional benefits for staff during decant period 	
4c	Loss of support for project (public)	2 2 4	1 2 2	2 2 4	<ul style="list-style-type: none"> As above (4a) but tailored approach Regular press releases 	
5.	CBC lacking the necessary experience and/or skills to complete the development	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Consultant Architect and other consultants appointed to supplement in-house resources and expertise. 	
6a	Planning permission: application requires amending which impacts on financial viability of the scheme.	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> Pre app meetings held between Westrock and planning officers 	
6b	Impact on scheme re: changes in planning regulations in respect of starter homes	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular review of potential changes 	
7.	Westrock unable to obtain development funding for project Phase 2 (market housing)	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> Project agreement will stipulate time period, with CBC having the option to develop. 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
8a	Members facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular consultation with Members and Member Working Group Member sign-off to this element of the final design brief of these elements 	
8b	Staff facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Regular consultation with staff via a number of formats Close liaison with staff groups during detailed design stage 	
8c	Customer facilities do not meet their requirements	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> Crawley Homes Tenants Panel have been consulted. Will undertake a consultation with customers 	
9.	District Heat Network not being progressed impacts detrimentally on overall scheme	2 2 4	1 2 2	3 3 9	<ul style="list-style-type: none"> Subject to business case funding obtained for initial phase of network Initial network only extended outside of current scheme after commitment obtained from future partners Initial network to be constructed as part of phase 1 of the scheme Sufficient resources/project management allocated to project. Project Manager appointment 	
10a	Commercial office space specification/design not attractive to potential occupiers	2 4 8	1 2 2	2 3 6	<ul style="list-style-type: none"> Design set at required level to attract commercial occupiers 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
10b	Business Rates for new Town Hall higher than estimated (cannot guarantee the valuation)	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> • Current projections based on business rates at existing rates and smaller Town Hall. • Will work with valuation office when building works progress. • Will minimise liability of vacant offices by delaying completion statements 	
11.	Values of offices/housing change significantly before the agreement is signed	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> • Recent valuations obtained 	
12a	Affordable housing element of scheme not deliverable or RSL not interested in scheme	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> • CBC to fund top up payment • Rental/shared ownership mix to reflect most attractive option 	
13	Phase 1 decant works delay construction programme	3 5 15	1 2 2	3 4 8	<ul style="list-style-type: none"> • Detailed decant programme agreed and signed off by Project Board/CMT • Works/moves programme to allow sufficient contingency should programme slip • RBLI to be approached by the property team to ensure that they have alternative accommodation • Progress ahead of construction programme 	
14.	Data centre relocation works delay construction programme	3 5 15	1 2 2	1 4 4	<ul style="list-style-type: none"> • Detailed works/moves programme agreed and signed off by Project Board/CMT • Works/moves programmed to allow sufficient contingency should programme slip 	

Risk ID	Risk Description	Original Risk	Target Risk	Current Risk	Mitigating Actions	Review Date/Comments
15.	Opposition from the public prior to construction	3 4 12	2 2 4	2 4 8	<ul style="list-style-type: none"> • Effective communication and publicity campaign • Advantages of scheme clearly set out in the business case 	
16.	Opposition from the public during construction	3 2 6	2 2 4	3 2 6	<ul style="list-style-type: none"> • Establish clear communications plan for the construction period • Ensure clear signage and access/egress provision to existing building for public 	
17.	Building as completed not to required quality/specification	2 4 8	1 2 2	2 4 8	<ul style="list-style-type: none"> • Establish robust project management structure • Maintain regular contact between CBC/developers to monitor construction against design specification • Regular design team meetings held • Appoint Clerk of Works to oversee construction 	
18.	Health & Safety – ensure compliance during and after the construction period and for the future.	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> • Robust project management from construction contractor(s) • Consultation programme to include all relevant authorities with regard to health & safety matters 	
19.	Facilities specification including car park is not attractive to potential tenants	2 3 6	1 2 2	2 3 6	<ul style="list-style-type: none"> • Maintain regular dialogue with Westrock to ensure specification meets both their and CBC's requirements 	

