

Crawley Borough Council

Report to the Audit Committee

6th March 2018

Progress Report: Internal Audit and Risk Management

Report of the Audit and Risk Manager – FIN/437

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 31st January 2018.

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 October 2018, the following reviews have been completed.

Audit Title	Audit Opinion
Housing Benefits	Substantial Assurance
Council Tax	Substantial Assurance
Budgetary Control	Substantial Assurance
NNDR	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 Work Still to Complete by 31st March 2018

- Creditors
- Payroll
- Sundry Debtors
- FMS
- Treasury Management

All audits have been allocated and I am confident that work currently outstanding will be substantially complete by 31st March 2018.

4.4 High priority findings in this period

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

4.5 Follow up Audits

Procurement

During the audit of Procurement in October 2017, we identified two findings, of a medium priority. We have confirmed the status of the agreed actions, as at 19th February 2018.

Maintenance of the Contracts Register

Responsibility for ensuring the Contracts Register had not been formally assigned to any officer.

Status of Agreed Action: Not currently implemented.

An officer was assigned the responsibility for maintaining the Contracts Register as at 31st October 2017, however, this officer left the Council on 19th February 2018. The Procurement Manager has confirmed that responsibility for this will be reassigned once the Procurement Team is fully resourced.

Relevant Purchases not Recorded on Contracts Register

Currently, all Local Authorities must publish details of all purchases that exceed £5,000. We tested a sample of twenty relevant purchases to confirm that they had been recorded on the Contracts Register and found that twelve had not. The Head of Partnership Services agreed to remind staff of their responsibilities in completing the E-form to update the Contracts Register.

Status of Agreed Action: Implemented. The Head of Partnership Services raised this with CMT as part of the Procurement report that was considered on 5th December 2017.

4.6 Freedom of Information (FOI) Requests

Between 1st November 2017 and 31st January 2018, we have processed 209 requests, and of these, 18 responses were sent to the requester outside of the 20 working day deadline. This was largely due to the availability of staff during the Christmas period.

5. **Strategic Risks Update**

The following have been identified as strategic risks for the Council at 19th February 2018.

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 – Crawley Growth Programme**

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 is being delivered over the period 2017 to 2021 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 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 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). Detailed designs have been drawn up and a planning application is due to be considered by Planning Committee on 29th January this year. Design work has begun on several other Crawley Growth programme schemes, including Station Gateway and Manor Royal Gatwick Road 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 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 and over £1 million of Community Infrastructure Levy (subject to Cabinet approval on 7th February 2018). 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 Three Bridges Project Steering Group alongside Crawley Borough Council and West Sussex County Council. Revised designs for the Three

Bridges Station improvement scheme – including the forecourt and an eastern access for pedestrians alongside a vehicle drop off – have been drawn up and are due to be presented at public information sessions and meetings during February, ahead of a report to Cabinet, which will seek approval for the fully costed scheme on 21st March.

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 two phases of the Forge Wood development together with two market led schemes continues to impact the housing delivery programme. This impact has been mitigated through proactively bringing forward other schemes and currently the programme remains on track to achieve the pledge.

The [2017/2018 Budget Monitoring – Quarter 2 FIN/427](#) report to Cabinet on 29 November 2017 identified in section 9 that over £7.7m of 1-4-1 receipts had been used to partially fund purchase of properties. However there had been delays on some housing schemes that had resulted in £1.4m being repaid back to Government. The [9 January 2018 Councillors Information Bulletin](#) provided more detail on these delays. 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 on the Councillor Information Bulletin.

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. Since June 2017 80% of Virtual servers and 70% of data has been migrated to the Surrey Data Centre. At the end of February 2018 all existing virtual services and systems will have completed their migration.

A 2nd Phase of work is now being planned to move additional Physical infrastructure to the Surry Data Centre, including additional storage to support EIM and backups. This 2nd phase will also include infrastructure upgrades at remote sites, further deployment of WiFi services and remote data backups at the Town Hall, utilising the space, capacity and resilience of the new ground floor comms room.

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 2018/19 [FIN/434](#) report to Cabinet on 7th February 2018 showed that we achieved a balanced budget despite a 44.54% 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 8th September 2017](#), projections are being constantly updated. Projections will be refined when the outcome of Town Hall listing / tendering is known.

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.

Town Centre (removed as included in the LEP Infrastructure – Crawley Growth Programme)

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