

Agenda Item No: 4
Report To: Audit Committee
Date of Meeting: 5th April 2022
Report Title: Section 106 Income
Report Author & Job Title: Alison Blake: Interim Deputy Head of Audit Partnership

Summary: On 6th December 2021 Mid Kent Audit published the final report on work examining controls which govern the collection and spending of Section 106 (S106) income.

While noting that the Service faces significant pressures from several vacancies and the impact of the Pandemic, the report gave a “weak” assurance rating. An adverse conclusion holding that most controls do not work consistently to keep risks to an acceptable level.

The Planning Service has agreed a series of remedial actions to address the findings. In line with settled practice, this report brings the findings to Members’ attention to allow an understanding of the issues raised and to support and track improvements.

Key Decision: No

Significantly Affected Wards: N/A

Recommendations: **The Committee is recommended to:**

- I. **Note** the findings raised in Mid Kent Audit’s report on S106 Income, and
- II. **Consider** whether receipt of a future report from the Head of Planning on progress towards completing agreed remedial actions is needed.

Policy Overview: N/A
Financial Implications: While no significant misstatement was identified in relation to the Councils finances, we identified weaknesses in the controls related to the collection and spending of S106 income.

Legal Implications No specific implications.

Equalities Impact Assessment Not required.

Other Material Implications: N/A

Exempt from Publication: **NO**

Background Papers: The Final audit report - attached.

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Report Title: Section 106 Income Internal Audit Report

Introduction and Background

Planning and Reporting the Audit Engagement

1. Each year, working in conformance with Public Sector Internal Audit Standards, Mid Kent Audit draws up a risk-based audit plan for approval by Members. The Council's planning service appeared on the 2021/22 Audit Plan agreed by this Committee in March 2021. In discussions with officers we agreed to schedule the work in the late summer, early autumn of 2021. Also, recognising that we lack expertise to comment on the process for agreeing S106 agreements, we agreed to focus our work only on the processes for monitoring agreed S106 agreements.
2. We began the work as scheduled on 12th July 2021 working to a brief agreed with the Service. We finished fieldwork on 27th August 2021, slightly later than planned owing to leave and network access issues. We published a draft report to the service on 5th October 2021 and, after discussion to decide the most effective remedial actions, published the final report on 6th December.

Audit Engagement Findings

3. We include the full published report as an appendix. In summary, while recognising the resource pressures on the service, due to several vacancies and the Pandemic, our work found that all 14 examined controls were not working effectively. Based on those findings we identified three risks operating beyond the Council's agreed risk appetite:
 - [the risk that] trigger points on agreements are missed.
 - [the risk that] money is not released and spent timeously.
 - [the risk that] money is not spent on intended purposes.
4. Driving these conclusions were fifteen separately listed audit findings. Six stand out as 'high priority', labelling them as having the deepest impact in reducing control effectiveness.
5. Following our standard practice in audit, we discussed and agreed remedial actions for each finding with the service. These actions fall due for completion between December 2021 and December 2022. We will follow up progress in line with our usual approach and, first, report to Management Team.
6. We in audit thank officers from the Planning Service for their help throughout the engagement, recognising that the Audit took place at a time of pressures in the Service, and also when staff were working at home in a wide variety of situations, instead of together as a team in the usual way. In particular the

Service's positive engagement with our findings has resulted in a broad set of agreed actions which we believe will lead to real improvements.

Planning Service Response (this section completed by the Head of Planning)

9. I would like to thank the audit team for their work with the Planning & Development Service and for highlighting and identifying a range of areas where the Section 106 process needs to be improved. This will be particularly helpful in acting as a catalyst for change in our administration and monitoring of Section 106 Agreements and ensuring there is robustness and efficiency in decision-making on spending sums arising from those Agreements. It is timely in that it complements the outcomes from the Overview & Scrutiny Task Group which examined other related aspects of the S106 process last year.
10. Consequently, I have assembled a team of officers across different parts of my Service to work together to ensure the recommended actions set out in the Report are undertaken and to see where we may be able to go further, for example in utilising the new planning software system, due to be implemented this summer, to assist in areas of monitoring and communications. I will be overseeing this team to ensure that actions are implemented in a timely manner.
11. Much time and hard work goes into negotiating S106 Agreements for the benefit of local residents and service providers and I am confident that this Audit report will help us towards delivering a system that secures the delivery of those benefits in a more robust and transparent way.

Proposal

12. We recommend the Committee note the attached final audit report. We further recommend the Committee consider amending its work programme to schedule a future update (or updates) on progress towards fulfilling agreed actions if needed.

Implications and Risk Assessment

13. The audit report sets out the possible risks arising from the findings, but these are accompanied by short-term remedial actions which have been agreed by the Service's management for implementation.

Next Steps in Process

14. Mid Kent Audit will continue to monitor progress and this will form part of interim and annual reporting to Members as part of overall summaries.