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**REPORT TO THE GOVERNANCE & AUDIT COMMITTEE  
MEETING ON: 27 JULY 2016**

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**Status:** For Information  
**Title:** Implementation of Audit recommendations:  
S106 Planning Obligations  
**Originator:** Strategic Planning Manager  
**Where from:** Audit Report 2015/6  
**Where to next:** Implementation

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1 Outcome Sought from Committee

- 1.1 To note the outcome of a project to implement the recommendations of an Internal Audit Report in to the management of S106 Planning Obligations at Harborough District Council.

2 Recommendation

- 2.1 **To consider and note that all the recommendations contained in the Internal Audit report have been actioned and improvements made where required.**

3 Background

- 3.1 At the last meeting of the Committee, a report was received on the Internal Audit Update containing an Appendix which included the Internal Audit report on S106 Agreements 2015/16 which assessed the processes and procedures for monitoring and managing S106 planning obligations.

- 3.2 Section 106 (s106) Planning Obligations are legal agreements formed between the Council and developers as part of the planning application process. They ensure that a proposed development contributes to the creation of sustainable communities, particularly through contributions towards (essential infrastructure needed to ensure development permitted is acceptable in planning terms) community buildings and facilities such as affordable housing.

- 3.3 The Audit reviewed three areas:

- the policy framework and negotiation process;
- monitoring the collection and use of funds; and

- procedures to minimise the risk of claw back of monies.
- 3.4 Policy framework and negotiation processes were found to be adequate. Experienced staff were found to be involved in policy setting and provision of advice to developers, and in ensuring appropriate arrangements are in place to ensure developers are clear about likely S106 requirements at the pre-planning stage.
- 3.5 The Audit however found a lack of clarity over monitoring processes and responsibilities. In addition, a number of databased records were in use resulting in duplication of effort and ineffective use of resources. Procedures to identify the commencement of developments were informal and some records were found that had not been updated on a timely basis and contained a number of errors and inconsistencies.
- 3.6 Arrangements to minimise the risk of claw-back were found to be generally sound. Financial records provided an audit trail of income and expenditure and were regularly reconciled. The Audit found that the Council works with Parish Councils to support spending which is timely and consistent with conditions. However it advised that further work could be undertaken to review historic cases which may be subject to requests by developers for information on the spending of their financial contribution
- 3.7 In the Auditor's opinion, the overall design and operation of controls provided limited assurance.
- 3.8 The Audit Report Action Plan provided a number of recommendations to address the findings identified by the Audit. Following discussion with management, the key issues identified in relation to monitoring arrangements and responsibilities were agreed to be addressed using the Council's Corporate management project methodology.
- 3.9 A project has been led by the Strategic Planning Manager to comprehensively address the recommendations in the Audit report to implement the actions, involving relevant staff and regular reports to members of the Corporate Management Team (CMT). The project began formally in January 2016 and was overseen by a Corporate Project Group containing relevant service managers and officers together with the Head of Internal Audit. The Project reported its initial actions and conclusions to CMT on 11 May and a final report was submitted to the Council's Programme Board on 30 June and CMT on 6 July 2016.
- 3.10 In order for the Governance and Audit Committee to see that immediate and effective action has been taken in response to the Audit, the Strategic Planning Manager has prepared this report. It is understood that the Internal Audit service will be carrying out a light touch review of the management of S106 processes in quarter 4 of 2016/17 to provide the independent assurance that the actions implemented have made the required improvement.

3.11 For the information of the Committee, Appendix A contains the recommendations and management comments set out in the original Audit Report Action Plan and a short bullet pointed summary of the actions implemented through the project.

#### 4. Immediate Benefits

4.1 The Project has resulted in the following immediate benefits and improvements:

- Updated terms of reference for the Corporate S106 Group have been approved and there is a clear relationship between the Group and the Corporate Management Team if actions need to be elevated;
- Roles, responsibilities and accountabilities of officers across the Council have been defined and clarified; A system of assurance is being put in place to confirm accountabilities and obtain quarterly sign off from Managers to ensure the responsibilities are fully embedded and accepted
- The S106 database maintained by Strategic Planning is regarded as the sole source of corporate information on S106 matters;
- Summary information is now attached to S106 agreements to aid the accurate capture of monitoring information;
- Building Control records are linked to the database to accurately monitor commencement of development;
- A systematic process for updating the database has been established
- A systematic approach to reporting to Parish Councils and Ward Councillors on S106 funds held by HDC has been put in place to aid prompt allocation and spending of financial contributions
- Specific training on planning obligations has been held for Councillors;
- Renewed reporting arrangements put in place concerning the project and the outcomes of monitoring S106 obligations. Scrutiny Commission have scheduled a report to the Scrutiny Panel (Performance) in September to agree a future timetable for reporting S106 monitoring matters to a Scrutiny Panel. A report will be made at least annually to Executive regarding S106 monitoring and management

#### 5. Conclusions and Next Steps

5.1 The project has successfully addressed the issues raised and implemented necessary actions as summarised in Appendix A. The project benefited from the direct involvement of those officers and managers involved on a day to day basis with monitoring and managing S106 Agreements. Officers and managers were concerned with the findings of the Audit report and

determined to implement changes as quickly as possible to respond to the recommendations.

- 5.2 The Project Group will hold further meetings during 2016 to monitor the implementation of actions and ensure they have been fully embedded in monitoring work. At least an annual report will be made to Executive concerning the monitoring process and the outcomes of monitoring work - and the Scrutiny Panel (Performance) will receive a report on the project and discuss arrangements for reporting at its meeting on 15 September
- 5.3 It is understood Internal Audit will also be carrying out a short review of the S106 monitoring processes later in 2016/7 in the light of this improvement project.

## 6. Further benefits

- 6.1 The project has also realised other benefits which were not identified or recommended in the original Audit report. These involve improved monitoring of the implementation of infrastructure projects funded by S106 obligations and the ability to report these in the annual Authorities Monitoring Reports LAMRs prepared by the strategic planning service. This action became apparent to complete the full “end to end” monitoring process and provide assurance to the community that community infrastructure projects to meet needs arising from new development and funded by S106 obligations are being implemented.

## 7 Equality Impact Assessment

- 7.1 S106 obligations are necessary to make development acceptable in planning terms. This results in sustainable development which provides for social, economic and environmental well being. S106 obligations often provide for community facilities which benefit the following groups – the vulnerable senior citizens, children, those caring for others and people with disabilities.

## 8. Conclusions

- 8.1 The Committee is asked to note the comprehensive and detailed response to the Audit and that officers have implemented necessary improvements identified in a timely manner.

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**Previous report(s): N/A**

**Information Issued Under Sensitive Issue Procedure: N**

**Ward Members Notified: N**

**Appendices:**

**A. S106 Action Plan and Summary of Implementation.**