



Audit Committee Report

Report of: Executive Director Place

Date: 1st August 2012

Subject: Section 106 Planning Income

Author of Report: Paul Schofield

Summary: The report is an update report to the last meeting (June 2012).

Recommendations: To note the contents of the report

Background Papers:

Category of Report: OPEN

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
YES/NO Cleared by: Paul Schofield
Legal Implications
YES/NO Cleared by:
Equality of Opportunity Implications
YES/NO Cleared by:
Tackling Health Inequalities Implications
YES/NO
Human rights Implications
YES /NO:
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Relevant Cabinet Portfolio Leader
Cllr Isobel Bowler
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
YES /NO
Press release
YES /NO

REPORT TITLE

1.0 INTRODUCTION

1.1 In August 2010 an internal audit report identified a significant number of risks associated with the financial administration of monies collected under Section 106 of the Town and Country Planning Act (1990). The report together with series of recommendations, were presented to the Audit Committee in January 2011. Twelve months later the Committee received an update report on a number of 'high opinion' areas. Members expressed concern over the progress made in addressing the issues raised by the original audit of the Section 106 administration, and requested the following report

2.0 SUMMARY

2.1 This report is an update to the Committee on the current position on the reconciliation of the different databases and the Finance Ledger.

3.0 MAIN BODY OF THE REPORT

3.1 Over 900 projects representing 93% of the £23m value of the s.106 agreements have been reviewed. There are a further 97 agreements worth £1.5m in total where further investigatory effort required to understand the application of the s.106 is likely to exceed the benefit of the findings and it is proposed to leave the balances on these projects as they lie and roll up them up into the overall adjustment to be made.

3.2 The audit report has identified the weaknesses in the administration procedures. Two recurring themes have arisen which have caused the need for the adjustments, for example:

- A net £0.25m where the same funds have been allocated to two or more schemes; and
- £0.2m of cost overruns where the cost of the works has exceeded the original value of the agreement.

It is likely that further losses will be identified where schemes developers have gone into administration before paying over the s.106 contribution and the scheme funded by the s. 106 has commenced spending.

3.3 Previously, the capital programme has been balanced at a portfolio level so duplicate uses of the s.106 funding have gone undetected. The changes introduced in 2010 now have a greater level of scrutiny and transparency. Other control changes implemented include a restriction

that capital schemes cannot commence until the cash funding the construction has been received.

3.4 Work is now commencing on reviewing and reconciling the management of maintenance monies received from s.106 agreements.

3.5 Planning Service and Finance staff have met the Chairs of the Community Assemblies and briefed them on the current position. S.106 is recognised as being a key component of local area improvement schemes.

Financial Implications

3.6 The indications from the work so far are that the Capital Programme and revenue support from s. 106 is likely to be below that which the Council previously understood. This will have to be addressed through prioritisation of the remaining funds.

Equal Opportunities Implications

3.7 There are no direct equal opportunities implications arising from the report.

Legal Implications

3.8 There are no direct legal implications arising out of this report.

Property Implications

3.9 There are no direct property implications arising out of this report.

4.0 RECOMMENDATIONS

4.1 The committee notes the content of the report.