

# Public Document Pack

## JOHN WARD

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A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 1 - EPH on **Tuesday 19 January 2016 at 9.30 am**

MEMBERS: Mrs P Tull (Chairman), Mr G Hicks (Vice-Chairman), Mr G Barrett, Mr I Curbishley, Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr F Hobbs, Mr P Jarvis and Mr S Morley

## AGENDA

- 1 **Chairman's Announcements**  
Any apologies for absence that have been received will be noted at this point.
- 2 **Approval of Minutes** (Pages 1 - 9)  
The committee is requested to approve the minutes of its ordinary meeting on 24 November 2015.
- 3 **Urgent items**  
The chairman will announce any urgent items that due to special circumstances are to be dealt with under the Late Items agenda item.
- 4 **Declarations of Interest**  
These are to be made by members of the Corporate Governance and Audit Committee or other Chichester District Council members present in respect of matters on the agenda for this meeting.
- 5 **Public Question Time**  
The procedure for submitting public questions in writing by no later than 12:00 on Monday 18 January 2016 is available upon request to Member Services (the contact details for which appear on the front page of this agenda).
- 6 **New Value for Money Conclusion Guidance for 2015-16** (Pages 10 - 16)  
Members will receive a presentation on the requirements of the Value for Money Code of Audit Practice 2015.
- 7 **Audit Progress Report** (Pages 17 - 26)  
The committee is requested to consider and note this report.
- 8 **Implementation of CIL including Revised S106 and CIL Protocol** (Pages 27 - 42)  
The committee is requested to endorse the Section 106 and CIL Protocol and to note the planned actions to ensure the successful implementation of CIL on 1 February 2016 following its adoption by Council.
- 9 **Budget Task and Finish Group feedback**  
Mrs P Tull, a member of the Budget Task and Finish Group, will provide an oral report on the outcomes of this review.

- 10     **Internal Audit - Audit Plan Progress** (Pages 43 - 72)  
The committee is requested to consider and note the Audit Reports and Audit Plan progress report.
- 11     **Exclusion of the Press and Public**  
There are no restricted items for consideration.
- 12     **Late items**  
The committee will consider any late items as follows:  
    (a)   Items added to the agenda papers and made available for public inspection  
    (b)   Items that the chairman has agreed should be taken as a matter of urgency by reason of special circumstances to be reported at the meeting

### NOTES

1. The press and public may be excluded from the meeting during any item of business wherever it is likely that there would be disclosure of “exempt information” as defined in section 100A of and Schedule 12A to the Local Government Act 1972.
2. The press and public may view report appendices which are not included with their copy of the agenda on the Council’s website unless these contain exempt information.
3. Restrictions have been introduced on the distribution of paper copies of longer appendices to reports where those appendices are circulated separately from the agenda as follows:
  - a) Members of the Corporate Governance & Audit Committee, the Cabinet and Senior Officers – receive paper copies including the appendices
  - b) Other Members of the Council – Appendices may be viewed on the Council’s website.
4. Subject to the provisions allowing the exclusion of the press and public, the photographing, filming or recording of this meeting from the public seating area is permitted. To assist with the management of the meeting, anyone wishing to do this is asked to inform the chairman of the meeting of their intentions before the meeting starts. The use of mobile devices for access to social media is permitted, but these should be switched to silent for the duration of the meeting. Those undertaking such activities must do so discreetly and not disrupt the meeting, for example by oral commentary, excessive noise, distracting movement or flash photography. Filming of children, vulnerable adults or members of the audience who object should be avoided. (Standing Order 11.3)



Minutes of the meeting of the **Corporate Governance & Audit Committee** held in Committee Room 1 - EPH on Tuesday 24 November 2015 at 9.30 am

**Members Present:** Mrs P Tull (Chairman), Mr G Hicks (Vice-Chairman), Mr G Barrett, Mr I Curbishley, Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr P Jarvis and Mr S Morley

**Members not present:** Mr F Hobbs

**In attendance by invitation:** Mr P King (Ernst & Young LLP), Mr S Mathers (Ernst & Young LLP) and Mr M Young (Ernst & Young LLP)

**Officers present:** Mr J Ward (Head of Finance and Governance Services), Mrs H Belenger (Accountancy Services Manager), Mr D Hyland (Community and Partnerships Support Manager), Mr T Jackson (Acting Group Accountant (Technical & Exchequer)), Mr S James (Principal Auditor), Mrs B Jones (Principal Scrutiny Officer), Mr P Legood (Valuation and Estates Manager), Miss L Le Vay (Design and Implementation Manager), Miss K Parsons (ICT Operations Manager), Mr T Radcliffe (Human Resources Manager), Mrs J Ryan (ICT Manager) and Mr W Townsend (Health and Safety Manager)

## 27 **Chairman's Announcements**

The Chairman welcomed all to the meeting. Apologies had been received from Mr F Hobbs.

## 28 **Approval of Minutes**

The minutes of the meeting held on 29 September 2015 were agreed as a correct record.

## 29 **Urgent items**

There were no urgent items. The committee agreed to the Chairman's request to move item 15 to follow item 8 on the agenda for this meeting.

## 30 **Declarations of Interest**

There were no declarations of interest.

31 **Public Question Time**

No public questions had been received.

32 **Annual Audit Letter 2014/15 - Ernst & Young LLP**

Mr P King and Mr S Mathers from Ernst & Young LLP presented the report. Mr King advised that this letter repeated the findings from the Audit Results Report which came to the committee at its last meeting and confirmed that he had signed the unqualified audit report the same day.

He made the committee aware of a couple of issues for future; the need to include highways assets in the 2016/17 accounts and the requirement to prepare earlier draft accounts from the 2017/18 financial year (i.e. 31 May 2018).

Mr Ward advised that the footbridge to the Avenue de Chartres car park was covered under these highways assets and that work with estates colleagues was taking place to understand any further assets which needed to be declared. The Council was considering areas it could tighten up to allow the earlier close down of the accounts.

**RESOLVED**

That the Annual Audit Letter 2014/15 be noted.

33 **Audit Plan 2015/16 Progress Report - Ernst & Young**

Mr King provided an oral update of progress on the 2015/16 Audit Plan advising that planning would begin in the next few weeks. One area of work was certifying the Council's claims and return. The essential housing benefits and council tax benefit claims were certified on 17 November, and a qualification letter sent to the Department for Works & Pensions (DWP). A response was now awaited from the DWP and the findings would be reported to the next meeting.

Ernst & Young LLP's audit framework agreement with the Council comes to an end in 2016/17. The Department of Communities & Local Government (DCLG) had announced that contracts would be extended for one year to 2017/18 at which point authorities would be required to appoint their own auditors which may be procured individually or collectively. There was talk of a sector body being set up.

**RESOLVED**

That the oral report on the 2015/16 Audit Plan progress be noted.

34 **Financial Strategy and Plan 2016/17**

The Committee considered a report by the Head of Finance & Governance (copy attached to the official minutes). A revised Appendix 1 was tabled (copy attached to the official minutes).

Mr Ward advised members that the purpose of this report was to allow the committee to assess the financial strategy in terms of risk. The Government's spending review announcement was due the following day so the timing was unfortunate. Officers' assumptions were included regarding pay, pension and a council tax freeze over the next five years as well as anticipated savings. A surplus position was predicted over the next four years but not in the fifth year. Some of the risks to the Council include the achievement of EU set recycling targets, the localisation of business rates and phasing out the New Homes Bonus. An analysis was included of figures with a council tax freeze and without. There were a number of uncertainties – pay increases, welfare reforms and cultural grants with no further provision beyond 2018.

Mrs Hardwick asked for clarification of the operation of the business rate pool. Mr Ward advised that since April 2013 the business rate collection in the district was shared 50% with Government, 40% retained and 10% passed to WSCC (which receives 10% from each of its districts/boroughs). The Government decided that a 40% share (approximately £17m) was too high in comparison with our funding need so a levy was imposed removing all but £2m. In terms of growth the government also assessed 40% retention to be too high and so a levy is applied so we only retain 20% of the growth. The other 20% i.e. the levy that would have gone to Government is retained by the business rate pool and that money is spent on projects that would have an economic impact, either individually by Council or collectively. Finance officers assess the business case for projects and the West Sussex Leaders determine how the money is spent. The advantage of pooling for the Councils in the pool is worth an estimated £2m in 2015/16 that would otherwise have gone to the Government.

The types of projects coming forward include a bid for a West Sussex coastal tourism project and a request for a European Union (EU) Funding Officer based in WSCC to provide support to local authorities.

Mr Barrett asked whether we had a model in order to compete with wages in the private sector. Mr Ward responded that we undertake a review of salaries through South East Employers and had recently introduced some supplements for Chichester Contract Services (CCS) drivers and for Planning Officers. The cost of this, and a further similar amount has been built into the projections, however at this stage we were not sure where cost pressures may come from.

A number of services, but particularly Careline, had in the past suffered the effects of inflation in setting their fees as they are dealing with vulnerable customers often on limited income and were also struggling to expand the business. The Council has a Fees & Charges Policy and all services are required to break even unless there is a policy decision to subsidise the service. Careline was in a much stronger position going into next year's budget.

Mr Ward advised that the minimum level of reserves had been set at £5m since 2010 representing 7% of the Council's gross spend. He considered that £5m was a healthy and prudent level to maintain.

Mrs Hardwick questioned whether we had drawn against the Revenue Budget Support Grant of £1.3m. Mr Ward confirmed that there had been no need to draw

against it; there had been discussion about whether or not to retain this in the budget this year, however once we had our detailed settlement it may be reconsidered by Cabinet.

Mrs Hardwick requested that in order to be able to review this model at Appendix 1 appropriately it would be useful to have some historic figures to set the context. Mr Ward agreed that this could be done and circulated to members separately.

## **RECOMMEND TO CABINET**

1. In the short to medium term the Council maintains a minimum level of reserves of £5m for general purposes.
2. To maintain the current provision of £1.3m of revenue support to smooth the impact of funding reductions and volatility associated with the comprehensive spending review and full localisation of Business Rates.
3. The Council should continue to aim to set balanced budgets without the use of reserves, although some use of reserves in the short term may be necessary.
4. That in order to achieve a balanced budget over the medium term, officers should work up options for consideration by Cabinet to implement a new deficit reduction programme.

### **35 Internal Audit - Audit Plan Progress**

The committee considered a report from the Principal Auditor (copy attached to the official minutes).

Mrs K Parsons and Mrs J Ryan were in attendance for the IT Security of Assets audit. Mrs Parsons explained that the service was undergoing a period of change and that inventories, which were previously held in separate places, were now being drawn together into an asset database which allowed purchase details, serial numbers, costs etc. to be held together. Mrs Hardwick was concerned that the scope and title of this audit went further than solely hardware assets. Mr James explained that the IT audit was large and therefore it was being done in chunks, with hardware being handled at this stage. All actions were due for completion by March 2016 and he would be following up the audit at this time.

Mr James confirmed that the audit plan was progressing well with five reports currently in draft and due to come to the committee in January 2016.

## **RESOLVED**

1. That the Audit Plan 2015/16 progress report be noted.
2. That the audit reports on IT Security of Assets and Use of Consultants be noted.

### **36 Treasury Management Strategy 2016/17**

The committee considered a report from the Accountancy Services Manager (copy attached to the official minutes).

Mr Curbishley was concerned about penalties which may be incurred for moving investments to better deals. Mrs Belenger replied that the Council manages its investments and cash flow in a controlled manner. When fixing funds we are not looking to take them out prior to maturity. Decisions on proposed investments over 364 days need to be signed off by senior officers. These are Mr Ward (S151 Officer) and Mrs Belenger (Deputy S151 Officer). Mr Jackson is the temporary Group Accountant with a new member of staff starting in January and four members of staff on the day to day arrangements.

Mrs Hardwick questioned the extract from the current Financial Strategy under paragraph 10 Borrowing Strategy. Mrs Belenger advised it was a matter of timing but that the principles and wording from the Financial Strategy would be updated in this document if the Financial Strategy was approved by Council.

Mr Jarvis asked whether the payment period of invest to save projects under this section was ever longer than the life of the asset. Mr Ward advised that it ties in with the Financial Strategy principle with 'any project requiring funding being subject to a business plan, however he agreed that an amendment to the sentence 'the payback period for invest to save projects ~~should~~ must be shorter than the life of the project'.

Mr Jarvis had received a letter from his bank regarding bail in arrangements advising that the sum had been reduced from £85,000 to £75,000. Mrs Belenger informed him that this was due to the euro exchange rate against the pound, due to the strength of the pound, and as this compensation scheme was Europe wide it had been reduced accordingly. She advised that the Council was not part of this scheme. Arlingclose Ltd, in their training session, had been through the implications of the bail in arrangements. Table 4 in the strategy shows the limits recommended for secured and unsecured investments. All current investments in banks and building societies by the council are unsecured; and are limited to a maximum under the 2015/16 strategy and this limit will continue in the 2016-17 strategy. The Council is looking to use covered bonds with a lower rate of return but with increased security. A raft of information on counterparties is considered on a day to day basis helping the team make informed decisions.

Mrs Graves wanted to know the ratio of other local authority investments to others. Mrs Belenger advised that this had been covered at the training session and would let Mrs Graves have the relevant slide. Mrs Belenger later confirmed during the meeting that 66% of the investments were placed with other local authorities on the data supplied to Arlingclose for the training presentation.

Mrs Hardwick was concerned that the £10m cash limit for pooled funds was perhaps too high for this new type of investment as the Council was at risk of investment managers making the right decisions. Mrs Belenger confirmed that property funds were included under the pooled arrangement and advised that if members were minded to change this limit it would need to be amended under Table 4 as well. Property funds were new and therefore any investments go through a rigorous approval process. Any new instrument put forward in the Strategy is proceeded with caution. Mr Ward said pooled property funds are investments in property which are asset backed and therefore there is a degree of protection. Mrs Hardwick was concerned that with the six months' notice period we could end up

with a capital loss. £10m was quite high at a third of the estimated £35m being invested at any one time. Mr Ward advised that if members were concerned, then he was quite happy to reduce the limit to £5m and consider it again in a year's time once we have had 12 months experience.

Mr Hicks reminded the committee of possible US interest rates increase rise in December which may have an impact on mortgage rates and property values in the UK. He thought it prudent to go for £5m limit and consider again next year.

Mr Jarvis was concerned that this new way of operating was a risk. Mr Ward advised that we collect monies in advance and pay it out to precepting bodies throughout the year and in full by February/March each year. Property funds are still liquid funds which you can withdraw if required; there is a relatively low risk provided you don't put yourself in a position with a need to withdraw it during a downturn in the property market. Mrs Belenger gave some figures on the Local Authority property fund – the fund figure had grown to £500m, there were 125 investors with the minimum investment being £25,000 and the largest £30m. Mrs Hardwick was reassured at the size of the fund and the good returns received and therefore suggested it should be left at £10m and monitored for 12 months.

The Chairman advised that the type of investment we would make would be in commercial property so not as volatile as residential property. She was inclined to leave the limit at £10m and allow Cabinet to make the decision. The healthy debate on this subject at this committee would be reported as a concern of the risk involved.

## **RECOMMEND TO CABINET AND COUNCIL**

That the Treasury management Policy Statement, the Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the Investment Strategy for 2016/17 be approved.

### **37 Strategic and Organisational Risk Registers 2015 update**

The committee received a report from the Accountancy Services Manager (copy attached to the official minutes). Mrs Belenger undertook to send Mr Jarvis the Council's Risk Management Policy and Strategy which held a description of the red/amber/green risk categories.

Mr Barrett wished to raise staffing issues which were again highlighted as a risk on the Commercial Board risk register.

## **RESOLVED**

1. That the current strategic risk register and the internal controls in place, plus any associated action plans to manage those risks, be noted.
2. That the current high scoring organisational risks and the mitigation plans in place be noted.



## 38 **Protocol on Investment Opportunities Reserve**

The Chairman welcomed Mr Tony Jackson (Acting Group Accountant (Technical & Exchequer)) and Mr Legood (Valuation and Estates Manager) to the meeting. Mr Jackson presented the report (copy attached to the official minutes). He pointed out that the key to the protocol was a balance between financial and non-financial considerations. These were likely to be properties which included something like community benefits as part of the purchase.

Mrs Hardwick wanted to know how return on investments was quantified in terms of alternative benefits and whether this should be quantified over the lifetime of the project or a short term goal. Mr Legood advised that a good return was paramount with other benefits being a bonus. We currently assess rental against capital outlay; however Mr Jackson advised that in a real life situation we would assess the longer term return - financial and non-financial. One way was to try and determine the turnover or benefits that local businesses might achieve if a particular key shop was introduced into the area. Mrs Hardwick was concerned that the protocol was silent on projected capital value or volatility. Mr Jackson advised that once we are looking at a specific real project we would build in assumptions at the given time in the proposal. He confirmed that members were able to suggest any investment in their parishes as long as it was income generating and didn't involve community right to buy issues.

### **RESOLVED**

That a Task and Finish Group (TFG) be set up to consider the Investment Strategy described in this report (including the Land & Property Sub-Strategy at Appendix 1) and report back to the committee as soon as possible.

That Mrs P Tull, Mr P Jarvis and Mr F Hobbs are confirmed as members of this TFG alongside Cabinet members Mrs P Hardwick, Mr B Finch and Mrs G Keegan.

## 39 **S106 exceptions report and update on the implementation of the Community Infrastructure Levy (CIL)**

Mrs Le Vay and Mrs Bayliss presented this report (copy attached to the official minutes).

Mrs Le Vay confirmed that the CIL inspector's report had been received the previous day approving the draft charging schedule which would now be reported to Cabinet in January for approval. It was proposed that CIL would be adopted on 1 February 2016. She also confirmed that outstanding contributions in respect of the Land north of Chaucer Drive development in West Wittering had been received. With respect to the Public Art contribution from Osbourne House, Stockbridge Road additional funds had now been received and Purchase Order Raised and this money should be spent by Christmas.

With the Chairman's agreement Mr Oakley addressed the committee, expressing his concern regarding the return of £25,000 to a developer in respect of the provision of a bus shelter at Farr's Field, ongoing since 2008 but not finalised. He questioned the sense of accountability between the three tiers of Government, with

WSCC sitting on large sums of money which the Council, as planning authority, had authorised the spend. Miss Le Vay confirmed that CIL has governance structures and an Infrastructure Liaison Group where WSCC and ourselves would be working together. The S106 process in respect of bus shelters will no longer arise as the system is no longer in place and this is very much a one off occurrence. With regard to this returned sum, Mrs Peyman had written to the developer to ask whether we could use the monies for maintenance of bus shelters in the district but the developer had declined.

Mr Oakley also raised the Boxgrove contributions at Halnaker which expired in August 2016 saying that the Parish Council were currently looking to utilise these funds on their play area but no further information had been forthcoming with respect to progress. Miss Le Vay advised that this spend was tied with Windmill Park agreement. Mrs Tull suggested that we write to Boxgrove Parish Council to get an update on this.

Mr Barrett was concerned regarding a recent receipt in West Wittering and how it was to be allocated. Mr Hyland confirmed that he had previously met with representatives of the Catholic Church and West Wittering PC to discuss potential improvements for the church owned Hall nearest the development. It is the nature of these types of opportunities that groups and organisations need to make decisions between limiting their improvements to the sums available, or make more significant improvements using their own resources and other funding. Inevitably, this does mean that monies are quickly "allocated" to projects but often not spent for several years, as projects progress.

## **RESOLVED**

That the contents of this report concerning S106 agreements nearing their expenditure date (as set out in Appendix 1) be noted.

## **40 Corporate Health & Safety and Business Continuity Management**

The Chairman agreed to take this agenda item 14 before agenda item 13. The committee received a report from the Health & Safety Manager (copy attached to the official minutes).

Mr Jarvis asked whether all the business continuity plans were held on the Council's drives. Mr Townsend confirmed that a copy was held on one of the Council's IT drives and another copy was held by all lead officers on their own laptop desktop and they were required to remove their laptop from the Council's buildings overnight. In the event of an incident, email continuity would be initiated and officers would have access to their desktop business continuity files.

Mrs Hardwick pointed out at paragraph 10.2 that the reputational risk had only been suggested to be relating to instances where legal action is taken against the Council. She stated that there is additional corporate risk of reputational damage even if legal action isn't taken against the Council in the event of a serious health and safety accident or incident.

## **RESOLVED**

That this report be noted.

### **41 Public Interest Disclosures (Whistleblowing) Policy**

The committee received a report from the Human Resources Manager (copy attached to the official minutes).

There had been no incidents in the last 12 months and only one or two over the last few years. Mrs Hardwick made some suggestions to the format of the report:

- Employees (including members) – deal with these together
- Members of the public (and contractors) - deal with these together
- In the scope, first bullet point ‘for employees, members of the public and contractors to follow....’
- Monitoring heading has one sub-heading, with Contract Workers again a main heading
- Stage 1 - add a final bullet point ‘keep a record of the disclosure’

Mr Radcliffe agreed to make these alterations to the format prior to presentation of this report to Cabinet. He advised that if the Council received a Freedom of Information (FOI) request on a whistleblowing issue, the Data Protection Act would override FOI and names and personal details would not be disclosed. Where a post title equated to an individual, it would also be justifiable to withhold this information.

## **RECOMMEND TO CABINET**

That the Public Interest Disclosures (Whistleblowing) Policy be approved.

### **42 Budget Review Task and Finish Group**

The committee considered the Terms of Reference for this review (copy attached to the official minutes).

## **RESOLVED**

1. That the Terms of Reference for this review be agreed.
2. That Mrs P Tull, Mr I Curbishley and Mr Jarvis be confirmed as the committee’s representatives on this task and finish group.

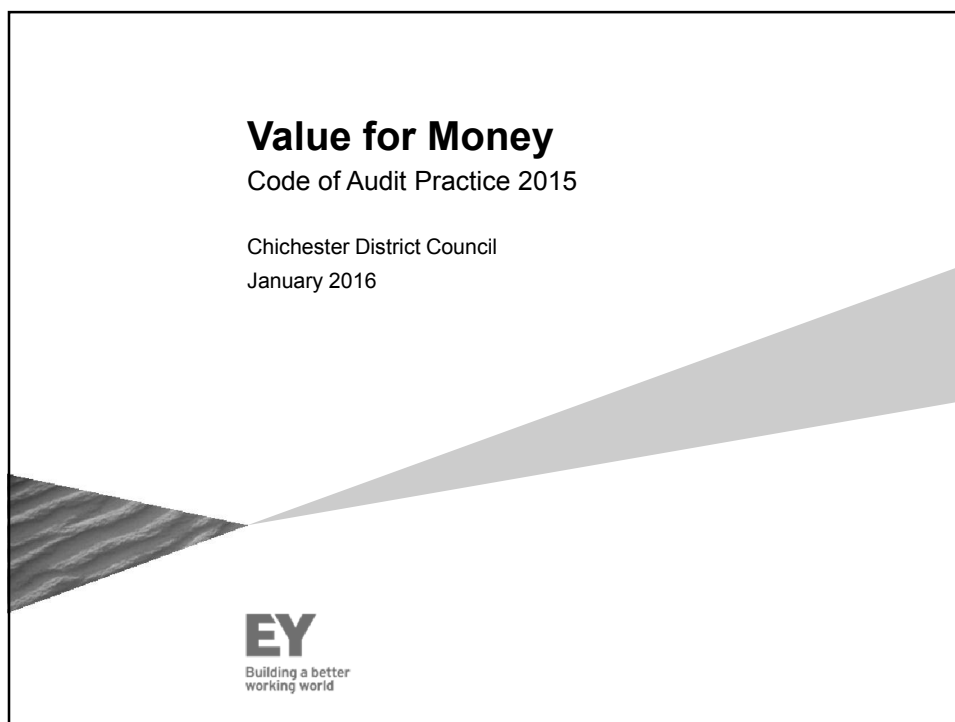
The meeting ended at 12.55 pm

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CHAIRMAN

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Date:



## Background

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- ▶ Requirement of Local Audit & Accountability Act 2014 Section 21(1)
- ▶ NAO Code of Audit Practice 2015 implies 'reasonable assurance'
  - ▶ Need to plan and conduct risk assessment
  - ▶ Undertake sufficient work against any identified 'significant' risks

## Overall criterion

***In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people***

Replaces previous two criteria for audited bodies:

1. securing financial resilience; and
2. challenging how they secure economy, efficiency and effectiveness

## Sub-criteria and proper arrangements

Sub-Criteria	Proper Arrangements
<b>Informed decision making</b>	Acting in the public interest, through demonstrating and applying the principles and values of sound governance
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
	Reliable and timely financial reporting that supports the delivery of strategic priorities
	Managing risks effectively and maintaining a sound system of internal control
<b>Sustainable resource deployment</b>	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
	Managing and utilising assets effectively to support the delivery of strategic priorities
	Planning, organising and developing the workforce effectively to deliver strategic priorities
<b>Working with partners and other third parties</b>	Working with third parties effectively to deliver strategic priorities
	Commissioning services effectively to support the delivery of strategic priorities
	Procuring supplies and services effectively to support the delivery of strategic priorities

## Auditor's risk assessment

- ▶ Risk that the auditor will reach an incorrect conclusion on the arrangements (*as opposed to the risk that arrangements are inadequate*)
- ▶ Performed to determine nature and extent of any further work
- ▶ Undertaken only on significant risks
  - ▶ *A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects*

## Auditor's risk assessment (2)

- ▶ Documented from sources such as:
  - ▶ Cumulative knowledge of the client (brought forward)
  - ▶ Findings from other areas of the audit
  - ▶ Findings of other inspectorates/regulatory bodies
  - ▶ IA reports
  - ▶ AGS / Annual Report
  - ▶ Risk registers
  - ▶ Board/Committee minutes
  - ▶ Key financial information and reports
  - ▶ Wider knowledge of the sector and developments.
  - ▶ NAO illustrative risks

## Potential significant risk - examples

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► **Organisational change and transformation:**

- reorganisation/merger; major outsourcing; significant capital projects; debt restructuring

► **Significant funding gaps in financial planning:**

- significance of budget gaps will depend both on the size of the funding gap, and at what point it emerges in the body's medium-term financial plans. Where the body has a significant budget gap in terms of funding, and especially where a significant level of as yet unidentified savings are required to deliver a balanced budget, the auditor should consider the issue as a significant risk.

## Potential significant risk - examples

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► **Legislative/policy changes:**

- taking on a significant new function as a result of changes in legislation or national policy decisions

► **Repeated financial difficulties, or persistently poor performance:**

- a history of financial difficulty, or persistently poor performance in one or more key service areas with little sign of securing any improvements,

► **Other sources:**

- an independent inspectorate or other review agency identifies significant concerns about the quality of services provided.

## Audit work to be undertaken

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- ▶ Proportionate
- ▶ To a level sufficient to be clear on the conclusion, and reduce the initial audit risk

## Reporting

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- ▶ Audit Plan – risk assessment
- ▶ ISA260 – completion of fieldwork, results of work and proposed conclusion
- ▶ Auditor's report – conclusion (by exception)
- ▶ Annual Audit Letter –key findings and conclusion
- ▶ Also may need to consider wider reporting arrangements



## Qualified Conclusions

### Adverse

- ▶ Weakness in arrangements:
  - ▶ So significant in impact; or
  - ▶ So numerous in aspects of proper arrangements affected

### Except for

- ▶ Weaknesses:
  - ▶ Sufficiently significant to report
  - ▶ Limited to specific issue or area

**Reporting:** Concise summary of the information leading to that conclusion

## NAO supplementary information

General briefing for all sub-sectors

Contains:

- ▶ General background
- ▶ Sector financial positions
- ▶ National changes (developments)
- ▶ (annual) Governance Reporting framework, mapped to the relevant VFM sub-criteria
- ▶ Other resources

## Information Sources

Item	Location
Local Audit & Accountability Act 2014	<a href="http://www.legislation.gov.uk/">http://www.legislation.gov.uk/</a>
NAO	<a href="http://www.nao.org.uk/">http://www.nao.org.uk/</a>
Code of Audit Practice	<a href="http://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf">http://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf</a>
Guidance and information for auditors	<a href="https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/">https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/</a>

# Chichester District Council

## Corporate Governance & Audit Committee Progress Report

January 2016





The Members  
Corporate Governance & Audit Committee  
Chichester District Council  
East Pallant House  
1 East Pallant  
Chichester  
West Sussex  
PO19 1YT

12 January 2016

Dear members,

## **Audit Progress Report**

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Corporate Governance & Audit Committee in November 2015. The purpose of this report is to provide the Committee with an overview of our plans for the 2015/16 audit, to ensure they are aligned with your service expectations.

Our audits are undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Paul King  
Director  
For and on behalf of Ernst & Young LLP  
Enc.



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<b>Work completed .....</b>	<b>2</b>
<b>Appendix 1 – Timetable for the 2015/16 audit .....</b>	<b>4</b>

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website](http://www.psaa.co.uk) (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## Work completed

### 2015/16 audit

#### Financial statements audit

We issued our audit fee letter in April 2015 after discussion with officers.

We have started our audit planning and risk assessment with the aim of issuing our Audit Plan to the meeting of the Committee scheduled for March 2016.

We adopt a risk based approach to the audit and, as part of our ongoing planning, and we will continue to liaise with officers to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity. Where possible we seek to rely on the controls within the Council's financial systems.

We have been liaising with Internal Audit with a view to placing reliance on the testing of controls which they perform in the normal course of their annual plan.

We have set out an outline timetable for the audit in Appendix 1.

#### Planning visit

We carried out some initial work in December 2015 to update our understanding and carry out walkthroughs on key financial systems. Our work to review controls will take place in March and April 2016.

#### Post Statements audit

We have discussed the timing of our post statements audit with officers and agreed a timetable for the receipt of the draft financial statements and working papers. We are planning to carry out our post-statements work in July and August 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

#### Value for money assessment

The NAO has consulted on a draft Auditor Guidance Note (AGN) in respect of auditors' work on value for money (VFM) arrangements. The guidance has now been issued and sets out the proposed overall approach to work on VFM arrangements which apply to audits from 2015/16 onwards.

A copy of the final AGN, and the supporting information for clinical commissioning groups, can be viewed on the NAO website: <http://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

The overall criterion for 2015/16 is:

- ▶ In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

And the sub criteria are:

- ▶ informed decision making;



- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

Reporting requirements:

We are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out in paragraphs above. However, in a change from last year, rather than issuing a conclusion by reference to the above criterion, we will report by exception only. If we do report by exception, it will be done by reference to the same criterion and sub-criteria.

**2014/15 Grant Certification Work**

We completed the initial testing of your 2014/15 housing benefit subsidy claim in June 2015 and the final testing in October and November 2015. We certified the subsidy claim by the deadline of 30 November 2015, submitting our qualification letter to the DWP dated 26 November 2015. A small number of low value amendments were also made to the audited claim as a result of our work. Although there had been some improvement in arrangements to prepare the claim, and the value of extrapolated errors reported in our qualification letter was significantly lower than in the previous period, there remains scope for the Council to further improve its arrangements in this area. In particular the Council needs to continue to ensure that income is consistently assessed correctly in the determination of benefit entitlement and that the assessment made is supported by sufficient and appropriate evidence.

Further details will be presented in our certification report which will be presented to the next meeting of the Committee.

**Local appointment of auditors**

The Department for Communities and Local Government has recently announced that it has decided to extend the existing arrangements for awarding external audit contracts by one year, to the end of 2017/18. From 2018/19 onwards, larger local government bodies, including fire and rescue authorities, police bodies and other local government bodies will be responsible for appointing their own auditors, and directly managing the resulting contract. It is not clear yet whether there will be a sector-led body to carry out procurements and appointments of auditors on behalf of local government bodies, CIPFA has been asked by DCLG to prepare guidance for local government bodies on developing local auditor panels.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 financial years.

## Appendix 1 – Timetable for the 2015/16 audit

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Corporate Governance & Audit Committee cycle. We will provide formal reports to the Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Corporate Governance & Status Audit Committee	
High level planning	<b>Ongoing</b>	Audit Fee Letter	June 2015	Completed
Risk assessment and setting of scope of audit	<b>December 2015 – January 2016</b>	Audit Plan	March 2016	Not yet started
Testing of routine processes and controls	<b>March - April 2016</b>	Audit Plan	March 2016	Not yet started
Year-end audit	<b>July - August 2016</b>	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2016	Not yet started
Annual Reporting	<b>October 2016</b>	Annual Audit Letter	November 2016	Not yet started

Audit phase	EY Timetable	Deliverable	Corporate Governance & Status Audit Committee	
Grant Claims 2015/15	<b>June 2016 and September – November 2016</b>	Annual certification report	March 2017	Not yet started

In addition to the above formal reporting and deliverables we provide a progress update to each meeting and practical business insights and updates on regulatory matters through our Sector Briefings.

EY | Assurance | Tax | Transactions | Advisory

## Ernst & Young LLP

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**Chichester District Council**

**CORPORATE GOVERNANCE & AUDIT COMMITTEE 19 January 2016**

**Implementation of CIL including Revised Section 106 and CIL Protocol**

**1. Contacts**

**Report Author:**

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**2. Recommendation**

- 2.1 That the committee endorses the Section 106 and CIL Protocol and notes the planned actions to ensure the successful implementation of CIL on 1 February 2016 following its adoption by the Council.**

**3. Background**

- 3.1. The Council has prepared a CIL Charging Schedule relating to that part of the district covered by the adopted Local Plan. The Charging Schedule has been subject to an independent examination following public consultation and the examiner has recommended that it be approved. Formal approval by the Council will enable CIL to be collected to fund the infrastructure needed to support the growth of the area. It is anticipated that Council will be asked to adopt the CIL at its meeting on 26 January 2016, for implementation on 1 February 2016.
- 3.2. The Council currently operates a Section 106 Protocol to ensure a consistent approach is taken to the negotiation and implementation of Section 106 planning obligations. This needs to be amended and updated because of the impending introduction of the Community Infrastructure Levy (CIL).

**4. Outcomes to be achieved**

- 4.1 Provision of an up to date S106 and CIL joint protocol setting out the procedures for monitoring and implementing both S106 and CIL.
- 4.2 To ensure the timely and effective implementation of the CIL on 1 February 2016.

**5. Proposal**

- 5.1 It is proposed to adopt a revised protocol to enable a consistent and coordinated approach to be taken to the negotiation of Section 106 (S106) agreements and implementation of both S106 and CIL (which is non-negotiable) to ensure the effective use of financial contributions and to demonstrate transparency and accountability by robust monitoring. The updated protocol is attached as an Appendix to this report.

- 5.2 In order to ensure the timely implementation of the CIL, a number of actions are being taken in relation to securing an appropriate IT solution to oversee the collection and governance of CIL and S106 funds; operational and transitional arrangements in respect of planning applications, publicity in relation to CIL implementation and training.

#### IT System (Exacom)

- 5.3 The Council's current system for managing the Development Management process is the Idox Uniform System. The CIL module has a very basic interface for the recording of CIL liability and would require a separate system for managing the process of collection and spending of CIL receipts. The CIL collection structure is process driven and is heavily dependent on the timely issue of notification and liability correspondence and results in a complex system of financial apportionment between projects and also to Parish Councils.
- 5.4 In response to the complexities of the CIL process, the Council has purchased a tailored software solution, Exacom. It is a unique product developed in partnership with Idox, the providers of the Council's Uniform database system. The key benefits of this system are:
- A significant reduction in the risk of missed payments or collection.
  - Ensures that the process is kept up-to-date with current legislation and assures that the Council adheres to legal requirements.
  - Provision of dedicated and integrated software for the ongoing governance of the CIL receipts and Section 106 obligations.
- 5.5 As of 21 December 2015, a test system has been secured and all necessary letter templates have been setup. Officers are currently testing the system in order to ensure a 'live' system will be available for use prior to 1 February 2016.

#### Operational arrangements

- 5.6 Much of this work has been undertaken leading up to and during the CIL examination process. Upon adoption, the Council will have in place a CIL Charging Schedule, a Payment by Instalments Policy and a Planning Obligations and Affordable Housing Supplementary Planning Document. These documents will provide the basis on which the Council will seek to collect CIL and any additional Section 106 obligations as necessary. Since the CIL examination it has become apparent that the proposed instalments policy will need to be amended in order to work with the purchased software and provide certainty over delivery of funds for proposed projects. The instalments policy has been amended to reflect these requirements, notice of which must be published for 28 days prior to its introduction.
- 5.7 A dedicated Planning Officer role has been created to assist in the collection and administration of CIL. This post was filled in October 2015 and will be funded through a proportion of CIL receipts, allowable under the CIL regulations. To ensure that CIL is implemented effectively and to ensure continuity of CIL processes in the absence of the lead officers, a procedure manual is in the process of being drafted.

## Publicity

- 5.8 It is important that all relevant parties are aware of the Council's intention to adopt CIL on 1 February 2016. To that end, the Council's website has been updated to reflect the anticipated date of adoption. Officers have notified the Planning Inspectorate in relation to relevant outstanding appeals and notification has been sent to all developers, applicants and agents that have recently used the Council's Planning Services and those for which planning applications are currently pending.
- 5.9 A factsheet has also been prepared for publication on the Council's website on 1 February 2016, upon the adoption of CIL.

## Training

- 5.10 Implementation will involve training of the CIL Planning Officer in the use of the Exacom software and also other Development Management and Admin officers in the wider operation of the levy. It is expected that Exacom training will be completed by 25 January and more general training on the operation of CIL by the end of January 2016.
- 5.11 Briefing for members and Parish Councils in relation to CIL and how it will operate was undertaken earlier in 2015.

## **6. Alternatives that have been considered**

- 6.1 To prepare separate protocols for S106 and CIL, rather than the combined protocol presented with this report. This may however lead to a lack of co-ordination and inconsistency in the approach to the collection and spending of funds.

## **7. Resource and legal implications**

- 7.1 As indicated in para 5.7 above, a new planning officer post has been created to support the operational management, collection and monitoring of CIL.
- 7.2 The Exacom IT software has been purchased and future maintenance costs can be met from existing budgets.

## **8. Consultation**

- 8.1 Consultation has been undertaken with the Head of Finance and Governance Services.

## **9. Community impact and corporate risks**

- 9.1 This protocol provides a transparent process for managing and spending S106 and CIL receipts in order to support the delivery of infrastructure within local communities.

## 10. Other Implications

Are there any implications for the following?		
	Yes	No
<b>Crime &amp; Disorder:</b>		✓
<b>Climate Change:</b>		✓
<b>Human Rights and Equality Impact:</b>		✓
<b>Safeguarding:</b>		✓
<b>Other (Please specify):</b>		✓

## 11. Appendix

11.1. Section 106 and CIL Protocol

## 12. Background Papers

13.1 None



**Chichester District Council****Section 106 and CIL Protocol**

This protocol does not apply to the South Downs National Park. From 1 April 2011 the South Downs National Park Authority (SDNPA) became the planning authority for the designated area which falls within Chichester District Council. The role of the National Park as a planning authority and how it interacts with the council is described in the SDNPA Section 106 Protocol. This document applies to historic S106 agreements that have been previously agreed and are currently being monitored and new S106 agreements that will come into effect when the Council adopts CIL.

Please note that the SDNPA is introducing its own CIL & that the Chichester CIL and spending plan is for the area covered by the Chichester Local Plan, which does not cover the part of the district that is within the South Downs National Park.

**Aim**

The aim of this protocol is to ensure a consistent and co-ordinated approach to the negotiation of Section 106 (S106) agreements and implementation of both S106 and CIL (which is non-negotiable) to ensure the effective use of financial contributions and to demonstrate transparency and accountability by robust monitoring.

This protocol is based on the following principles (please note that the first bullet point below does not apply to the CIL as it is a non-negotiable tariff):

- Negotiating S106 agreements that meet requirements for infrastructure
- Ensuring all parties are fully informed and consulted throughout the implementation and monitoring process
- There are clear procedures for allocating sums and receiving formal approval
- There are clear procedures and responsibilities for discharging agreements
- There is regular monitoring and reporting on progress
- There is clear and publicly accessible information on outcomes
- The council's members are kept updated with progress and developments in their wards.

**Community Infrastructure Levy (CIL)**

The Community Infrastructure Levy (CIL) regulations allow local planning authorities to raise funds from developers to help provide infrastructure to support the cumulative growth of the area such as new school places, medical centres, local road, pedestrian and cycle improvements; as well as libraries, parks and leisure centres based on a set 'charging schedule'. The funds raised will be used by Chichester District Council, in conjunction with service and key infrastructure commissioners to deliver infrastructure improvements across the Local Plan area.

CIL will eventually replace the many existing planning obligation arrangements. Section 106 agreements will be used less frequently once CIL becomes operational. Regulation

123 of the Community Infrastructure Regulations 2010 (as amended) restricts the use of planning obligations for infrastructure that will be funded by CIL. Infrastructure types or projects listed in this document will not be secured through planning obligations.

### **Negotiating S106 agreements**

1. Under section 106 of the Town and Country Planning Act 1990, any person interested in land in the area of a local planning authority may, by agreement or unilaterally, enter into an obligation (commonly known as a S106 planning obligation):
  - (a) restricting the development or use of land in any specified way
  - (b) requiring specified operations or activities to be carried out on the land
  - (c) requiring the land to be used in any specific way
  - (d) requiring a sum or sums to be paid to the local planning authority for an agreed purpose.
2. Planning permissions can therefore be subject to planning conditions and planning obligations enabling proposals to go ahead which might otherwise be refused. The Chichester Community Infrastructure levy (CIL) Charging Schedule will take effect from 1 February 2016. This will replace the majority of S106 Obligations. However, agreements entered into prior to this date, as well as any subsequent agreements will continue to be monitored in accordance with this Protocol, please see paragraphs 33-35 below for more information on CIL.
3. Since planning obligations may involve developers making financial and/or non-financial contributions to the council, it is essential that such arrangements are operated in a way which is seen to be fair, open and reasonable in order to retain public confidence in the fundamental principle that planning permission cannot be bought or sold.
4. Government policy, as set out in the National Planning Policy Framework (NPPF), requires planning obligations to meet five tests. They must be:
  - necessary
  - relevant to planning
  - directly related to the proposed development
  - fairly and reasonably related in scale and kind to the proposed development
  - reasonable in all other respects
5. A vital test of planning obligations is therefore that they must be necessary to make a proposal acceptable in land-use planning terms. They should not be sought where a connection does not exist between the development and the obligation or is too remote.
6. If a planning obligation is considered essential to render a proposed development acceptable in planning terms and an applicant is unwilling to enter into that obligation then the planning application is likely to be recommended for refusal.
7. Planning obligations should not duplicate planning conditions. If a planning authority has a choice between overcoming a potential reason for refusing planning permission by entering into a planning obligation with an applicant or imposing conditions, then conditions are preferred.

8. Planning obligations may relate to any matter, provided they satisfy the government's five tests, as described above. In some cases the developer signing the obligation agrees directly to provide certain facilities or to refrain from certain activities.
9. The Community Infrastructure Levy (CIL) Regulation 123 list; and the Planning Obligations and Affordable Housing SPD will provide guidance about what will continue to be sought from S106 obligations.
10. It is important that the negotiation of planning obligations does not unnecessarily delay the planning process, thereby holding up development. It is therefore essential that all parties proceed as quickly as possible towards the resolution of obligations in parallel to planning applications (including through pre-application discussions where appropriate) and in a spirit of early warning and co-operation, with deadlines and working practices agreed in advance as far as possible.
11. The Council will advise applicants as early as possible if a planning obligation is required in connection with their development proposal as well as the reasons for this. In addition, applicants for planning permission will be informed as soon as possible if it is likely that there is a potential reason for refusal, which could be overcome through a planning obligation.
12. Where it is clearly an expectation in a development plan policy, identified in pre-application discussion, by reference to this protocol, or through a proposed Planning Performance Agreement, applicants for relevant proposals will be expected to provide a draft S106 agreement or as a minimum heads of terms of the S106 agreement as part of the planning application. For example in respect of most major open market housing developments developers will be aware that there will be an expectation that a percentage of the housing should be affordable and that this will be provided, controlled and managed through a S106 planning obligation.
13. In all cases, the scale of a necessary obligation or financial payment will be directly related to the level of mitigation required to reduce the impact of the development to an acceptable degree. The agreement will normally entail payment of a contribution subject to appropriate trigger points.
14. The need for and calculation of financial contributions will be applied consistently in accordance with the Council's adopted Planning Obligations and Affordable Housing Supplementary Planning Document (SPD) Where any variance is sought by an applicant, this would normally only be justifiable in cases where there are substantial exceptional costs involved in the development, such as remediation of heavily contaminated sites. In such cases the developer will be asked to provide independently verifiable financial evidence that the required financial contributions will make the scheme unviable if he is looking to challenge the proposed level of contribution particularly where that level is set out in policy.
15. Where an application has been approved subject to a planning obligation being signed, the planning permission will be issued once all parties have signed the agreement.

16. The Head of Planning Services has powers to make reasonable formal amendments or variations to completed S106 obligations where circumstances have changed in the intervening period and/or where required by a subsequent decision of the Council in respect of a new planning application for the site.
17. The South Downs National Park Authority (SDNPA) is the planning authority for the designated area which falls within Chichester District. The role of the National Park as a Planning Authority and how it interacts with the council is described in the SDNPA S106 Protocol.

### **Implementation and monitoring**

18. Once planning obligations and CIL spending priorities (as set out in the Infrastructure Business Plan (IBP) have been agreed it is important that they are implemented, monitored and, where necessary, enforced in an efficient and transparent way. This is to ensure that financial contributions are spent on their intended purpose or that non-financial obligations have been met, and that the associated development contributes to the sustainability of the area. This requires joint working across different parts of the council, and with key infrastructure commissioners as financial contributions may need to be spent by separate departments, infrastructure commissioners, or may need to be implemented or enforced by particular officers or teams.
19. Two dedicated posts are responsible for the monitoring and implementation of Section 106 obligations and CIL. The Planning Obligations Monitoring & Implementation Officer (POM&IO) monitors S106 agreements to ensure that the enforcement and monitoring of planning obligations is carried out efficiently and effectively for the benefit of communities affected by the development. The role of the Planning Officer (CIL and Infrastructure) is to check that the correct amount of CIL has been collected; to ensure that the correct monies are passed to the City, Town and Parish Councils and to monitor that the CIL is allocated to the infrastructure projects, and delivered in accordance with the IBP CIL Spending Plan.
20. The POM&IO maintains a central database for all S106 agreements across the council. This database is linked to the planning department's Idox system in order to retrieve and access supporting planning documents. When CIL is introduced, the Council will use a web hosted system to monitor both CIL and S106 obligations.
21. Beneficiary departments, and key infrastructure commissioners are expected to submit regular updates on the current situation with regard to spend against each S106 agreement/CIL spending project. These updates will be used to inform the regular reports to the council's Corporate Governance & Audit Committee and to Members. Updates on non-financial obligations will be included in these reports.
22. Any S106 monies, and CIL receipts that have been received and have not been spent are invested in interest bearing accounts with the rest of the council's investment portfolio in accordance with the Treasury Management Strategy until funds are required.
23. Following the finalisation of a planning obligation there are a range of different activities that need to be undertaken by the S106 Planning Obligations Monitoring

& Implementation Officer to different timescales, sometimes extending over a number of years. These tasks include:

- ensuring receipt of financial contributions by developers at appropriate trigger points
  - ensuring receipt of non-financial contributions by developers at appropriate trigger points
  - initiating action for non-receipt payments by developers
  - processing receipts of payments and notifying services that are progressing the agreed projects and spend
  - ensuring that all further trigger dates are followed up and action monitored
  - preparing exception and annual reports and Ward Member reports detailing the progress of S106 spend at required intervals
24. A corporate S106 Monitoring and Liaison Group meets quarterly to discuss current developments and progress and agree the content of the regular reports to Corporate Governance and Audit Committee and Ward Members. This group is made up of officers from the services responsible for ensuring the implementation of the terms of the agreement, delivering the projects and ensuring the monies are spent appropriately.
25. Following a CIL liable planning application, the Planning Officer (CIL & Infrastructure) will undertake a number of actions including:
- checking the floor plans to ensure that the correct amount of CIL liability has been calculated;
  - checking that the CIL receipts have been collected in accordance with the CIL Payment by Instalments Policy
  - initiating action for non-receipt or incorrect CIL payments
  - processing receipts of CIL payments
26. Each year the IBP and CIL spending plan will be rolled forward, and the draft five year programme reported to the Infrastructure Business Plan Joint Member Liaison Group, then considered by the DPIIP, before being reported to the Cabinet and Council for approval.

#### **How long does the council have to spend the financial contributions?**

27. For S106, the Council will include a standard term of 10 years within its planning obligations agreements for the expenditure of financial contributions. After the expiry of this period the developer may request the payback of unspent monies if these have not been committed within the 10 year time period. Where the target date for expenditure is not written into an agreement the Council will use a notional 5 year target, for monitoring purposes, based on the ability of Developers to seek to vary an agreement after 5 years.

For CIL, there is no timescale for the spending of CIL receipts, and the money does not have to be paid back to developers. The CIL should be spent on items of infrastructure identified in the IBP CIL spending plan once sufficient CIL monies have been collected.

## **CIL administrative costs**

28. Up to 5% of CIL receipts will be used within Planning Services to fund the costs associated with monitoring, managing and collection of CIL required by the CIL regulations.

## **Duty to pass CIL funds to City, Town and Parish Councils**

29. The District Council as CIL Charging Authority is required to pass 15% of CIL funds directly to the relevant City, Town or Parish Councils raised from developments in their areas (capped at £100 per Council tax dwelling per annum). This rises to 25% (uncapped) in areas which have an adopted Neighbourhood Plan. The funds collected in each parish will be passed to the City, Town and Parish Council twice a year, on 28 April, and 28 October.
30. The City, Town and Parish Councils are required to spend their CIL within five years of its receipt, or the District Council can request that the funds be returned, and these can be spent on any infrastructure projects within the Local Plan area.
31. The CIL Regulations state that this proportion of funds must be used '*to support the development of the local area by funding:*  
(a) *the provision, improvement, replacement, operation or maintenance of infrastructure; or*  
(b) *anything else that is concerned with addressing the demands that development places on an area.*'
32. This is a wider definition of how the funds may be used compared to how the District Council can use CIL funds (being restricted to funding infrastructure to support the development of the area).
33. The District Council may consider contributing funds to projects with the City, Town or Parish Councils where there are shared priorities.
34. In areas where there is not a parish council (Apuldram), the District Council will spend any CIL monies collected in this area in liaison with the Ward Member and Parish Meeting.

## **Summary of Process and Timetable for CIL Strategic Fund allocation**

35. The annual process is commenced with an update of the Infrastructure Business Plan (IBP) and a review of the projections of the amount of CIL likely to be available for infrastructure projects.
36. Whilst the key infrastructure is identified in the Infrastructure Delivery Plan (IDP), the various Service and Infrastructure Delivery Commissioners are invited in April each year to put forward bids and programmes for the use of available CIL funds, the City, Town and Parish Councils are invited to comment on these, and to also share their CIL spending plans to ensure that projects are not duplicated, and to present a complete picture.

37. The Infrastructure Joint Officers Group meets in late April to prioritise the infrastructure projects. A draft IBP is circulated to the joint officers group to consider in May/June.
38. The draft IBP is considered by CMT, the joint Member Liaison Group, and DPIP and Cabinet and Council in September, for approval that the IBP be subject to 6 weeks consultation in October/November with neighbouring Local Authorities, key infrastructure commissioners, and the City, Town and Parish Councils.
39. The draft IBP is, if necessary then modified, and a revised IBP reported to the Infrastructure Joint Member Liaison Group for consideration in December, before being considered by DPIP in January, and for approval by Cabinet in February, and Council in March each year.

### **Governance arrangements**

40. The relevant Head of Service, in consultation with the Cabinet Member will agree spend of S106 and CIL monies under £50,000. In the case of locally specific monies such as community facilities the nominated Ward Member will also be consulted.
41. The Cabinet, will agree spend of S106 and CIL monies of £50,000 and £100,000, following consultation with the ward member in the case of locally specific monies such as community facilities. Amounts over £100,000 will need to be approved at full Council.
42. All project lead bodies are required to submit quarterly progress reports to the CIL Officer, in start of January, April, July and October. This enables compliance with the Regulations by monitoring of expenditure and delivery of anticipated outcomes in delivering the infrastructure spending priorities as set out in the Infrastructure Business Plan (IBP) CIL Spending Plan. This information will underpin the Authority's Monitoring Report that informs others about expenditure as required.
43. CIL funds can be used as part of the costs of project procurement including professional fees, usually 10-15% of the value of any project. Funds for these works should be specified as part of project submissions.
44. In commissioning works the infrastructure providers shall be expected to apply their own financial regulations to ensure value for money and provide such evidence as may be required by the Head of Planning Services.
45. Before release of identified CIL funds to external public bodies (infrastructure commissioners) the District Council would normally require a Legal Development Agreement/Service Level Agreement once sufficient CIL money has been collected to cover the total costs of the projects to be funded in any financial year. To ensure that the money is spent on the agreed project and to the indicated timetable agreed with the District Council as Charging Authority. CIL funds will be released in arrears either on completion of projects or in staged payments as agreed by the Head of Planning Services .
46. The Council's Corporate Governance & Audit Committee will ensure that this protocol is effective and that any risks are being managed in ensuring that monies are spent in accordance with the legal agreement (in the case of S106), and Legal

Development Agreement/Service Level Agreement (in the case of CIL) and within the required timescales.

47. The S106 Annual Report (incorporating reference to CIL projects as appropriate) will be prepared in June each year detailing new agreements, income and spend for the previous financial year. The report gives a full update of S106 income received and monies spent over the last year, including an update against non-financial obligations. This will also include an exception report showing those S106 monies due to expire within two years and those past their spending deadline. In addition the reports includes an update on the spends and money remaining relating to WSCC and SDNP agreements.
48. The committee will also receive an exception report detailing all S106 contributions due to be spent within a two-year deadline in November/December each year.
49. Ward members will be provided with information electronically detailing new S106 agreements, income and receipts, actual and anticipated spend dates, use of monies and non-financial obligations. Reports will be provided to all members on a six monthly basis (in March and September each year) and detailed by ward, with the non-locality specific amounts e.g. affordable housing provided on a district wide basis.
50. Details of receipts and spending of S106 and CIL monies will be reported in the Council's annual Authority's Monitoring Report (AMR), which is published in December each year.
51. Until the Council implements the CIL charging schedule the council will negotiate all contributions through S106 Agreements.

### **Contacts**

Head of Planning Services – Andrew Frost 01243- 534892)

Planning Obligations Monitoring & Implementation Officer – tbc

Planning Officer (CIL and Infrastructure) Beverley Bayliss (01243-534758)

### **Appendix 1 – Service Procedure Guide**

#### **Background documents**

- 1 - User Guide to Planning Obligations
- 2 - S106 Procedural Protocol
- 3 - South Downs National Park S106 Protocol
- 4 – Planning Obligations and Affordable Housing Supplementary Planning Document
- 5 – CIL Charging Schedule
- 6 – CIL Regulation 123 list
- 7 – Infrastructure Business Plan



## S106 Service Procedure Guide

At the pre-application discussion stage or on receipt of an application for a new residential or commercial development, the following Service Coordinators should be consulted to establish the requirements for each of the District and County services.

### Responsibilities

#### District Council Services

<b>S106 obligations</b>	<b>Responsible Officer</b>	<b>Responsible Director/Head of Service</b>
Affordable/Social Housing	Linda Grange Pam Pritchard	Steve Carvell Louise Rudziak
Community Buildings/ Facilities	Dave Hyland Shona Turner	Paul Over Steve Hansford
Leisure Facilities	Sarah Peyman	Paul Over Steve Hansford
Play Facilities	Sarah Peyman	Steve Carvell Steve Hansford
Public open space	Andy Howard	Steve Carvell Rod Darton
Public Art	Lone Le Vay	Steve Carvell Andrew Frost
Park and Ride	Tania Murphy	Paul Over Jane Hotchkiss
CCTV	Tania Murphy	Paul Over Jane Hotchkiss
Measures to safeguard the environment	Alison Stevens	Steve Carvell Louise Rudziak
Coastal path and access for coast protection and sea defence works	Alison Stevens	Steve Carvell Louise Rudziak

The Environment Director will be the responsible Director for all S106 agreements. However when S106 monies are received then the Directors of those services or beneficiary departments will become responsible for ensuring spend occurs within the appropriate timescales. Any matter which is not satisfactorily resolved by the Responsible Officer will be escalated to the Responsible Director for action where necessary.

#### County Council Services

Highways and transport	Elaine Munns - Team Manager: Strategic Planning Division, Residents and Environmental Services
Education, Library Services, Fire & Rescue and Civic Amenity Services	Elaine Munns - Team Manager: Strategic Planning Division, Residents and Environmental Services

## Service Procedure Guide

Procedure	Responsibilities
New S106 Agreement completed	Legal to send agreement to beneficiary departments, notifying of relevant provisions, allocations and spending requirements. S106 Officer to notify District Councillors, Parish Councils and South Downs National Park (SDNP) if appropriate. S106 Officer to enter details from agreement onto S106 database with trigger dates.
Monitoring trigger dates to secure receipts	S106 Officer to follow diary trigger dates and monitor progress on reaching trigger points when payment due. Enter and update information on S106 database. Once trigger achieved, write to developer with invoice for contribution due, having confirmed figures with Finance.
Chase contribution if overdue	If payment not received, S106 Officer to remind developer of obligation. If payment still not received, pass matter to Planning Enforcement to initiate enforcement action for non-compliance/ breach.
Receipt of monies	S106 Officer to monitor receipt of payments through the BACS system or to pay cheque in and update the S106 database with receipt. S106 Officer to notify beneficiary departments and District Councillors. S106 Officer to ensure contribution made to SDNP in relation to national park application.
Responsibility for expenditure	Beneficiary departments to identify appropriate projects on consultation with parishes/community groups if not previously agreed; to follow agreed scheme of delegation for agreement of spend; to notify relevant Parish Council and/or community group once contribution received; to notify SDNP of intended works; and to notify S106 Officer of progress and ultimate completion of the works.
Control of service infrastructure reserves	Service accountants to advise service provider of balance on each 'earmarked' reserve.

## Service Procedure Guide for CIL

<b>Stage 1</b>	<p>When submitting a planning application for new residential or retail development the <b>CIL Additional Information Requirement Form</b> should also be included. This will enable the council to determine whether the proposal is liable to pay CIL and calculate the CIL liability. When planning permission is granted the decision notice will indicate if the development is liable to pay CIL.</p> <p>Submit <b>Form 1 - Assumption of Liability Notice</b> if the person or organisation that will pay the CIL liability is known at the point the planning application is to be submitted.</p>
<b>Stage 2</b>	<p>A <b>Liability Notice</b> will be issued by the council as soon as is practicable after planning permission is granted</p>
<b>Stage 3</b>	<p>Before the commencement of the CIL liable development, the following forms need to be submitted to the council:</p> <ul style="list-style-type: none"> <li>• The person or organisation who intends to pay the CIL liability will need to submit <b>Form 1 – Assumption of Liability Notice</b> (if not already done when the original application was submitted as advised in Stage 1)</li> <li>• If the development is eligible for relief or exemption from CIL, the applicant will need to complete <b>Form 2 – Claiming Exemption or Relief and potentially form 7/8/9</b></li> <li>• Following submission of Form 1, the applicant is then required to submit <b>Form 6 – Commencement Notice</b>. Form 6 will notify the council when the chargeable development is to be commenced to allow the collection of the CIL payment. Form 6 must be submitted before the chargeable development commences and in addition to any notice regarding Building Regulations.</li> </ul>
<b>Stage 4</b>	<p>Following receipt of a valid <b>Form 6 Commencement Notice</b>, the council will then issue a <b>Demand Notice</b> to the person who has assumed liability to pay CIL. The Demand Notice will set out the precise details of the amount of CIL payable and payment options (including where CIL can be paid in instalments in accordance with the council's Instalment Policy).</p>
	<p>It is also the responsibility of the applicant to notify the council if there is a change in the party liable to pay CIL which can be done through submitting <b>Form</b></p>

	<b>3 – Withdrawal of Assumption of Liability or Form</b> <b>4 – Transfer of Liability</b> as applicable
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**Chichester District Council**

**CORPORATE GOVERNANCE & AUDIT COMMITTEE**

**19 January 2016**

**Progress Report – Audit Plan**

**1. Contacts**

**Report Author:**

Stephen James – Principal Auditor

Tel: 01243 534736

E-mail: [sjames@chichester.gov.uk](mailto:sjames@chichester.gov.uk)

**2. Recommendation**

**The committee is requested to consider and note the Audit Reports and progress against the Internal Audit Plan.**

**3. Main Report**

**3.1. Project Management**

This review looked at the processes and procedures as laid down in the CDC Project Management Guide were being followed. Internal Audit found that the controls appeared to be working satisfactorily in relation to project management at CDC. However, there is a need for a more coordinated approach to the identification of all projects running across the Council and to a uniform approach in the electronic storage of documents.

Internal Audit has made 3 recommendations 1 Important and 2 Minor which have been agreed by management.

**3.2. Building Control**

This audit carried out testing on the controls in place to ensure that the Building Control Fees are collected, and that revenue is being monitored. The audit found that the raising of Building Control Fees had been maintained and operating as per the procedures in place. However, it was found that there are a few areas where improvements are required around the review of fees and charges and monitoring of the breakeven point.

Internal Audit has made 3 recommendations all classified as important which have been agreed by management.

**3.3. Housing Register**

The scope of this audit was to test the controls in place relating to applicants being placed on the housing register, also to follow up on previous audit report recommendations.

Internal Audit found that the application, registration and bidding process is comprehensive and being followed by the Council. The system used (Locata) has been in place for a number of years and enhancements are costly. The

Council together with other members of the Sussex region are looking to go out to tender for a new system.

Internal Audit has made 3 recommendations 2 Important and 1 Minor which have been agreed with management.

#### **4. Background**

4.1. Not Applicable

#### **5. Outcomes to be achieved**

5.1. Not Applicable

#### **6. Resource and legal implications**

6.1. Not Applicable

#### **7. Consultation**

7.1. Not Applicable

#### **8. Community impact and corporate risks**

8.1. Not Applicable

#### **9. Other Implications**

<b>Are there any implications for the following?</b>		
	<b>Yes</b>	<b>No</b>
<b>Crime &amp; Disorder:</b>		√
<b>Climate Change:</b>		√
<b>Human Rights and Equality Impact:</b>		√
<b>Safeguarding:</b>		√
<b>Other (Please specify):</b>		√

#### **10. Appendices**

- 10.1. Progress Report – Audit Plan
- 10.2. Project Management Audit
- 10.3. Building Control Audit
- 10.4. Housing Register Audit

#### **11. Background Papers**

11.1 None

# Progress Report – Audit Plan



As at 31 December 2015

Appendix 1

Audits	Auditor	No of Days	Days Remaining	Position with Audit
Key Financial Systems - See below for details	Sue Shipway / Julie Ball / Sarah Hornsby/Philippa Watts	40	0	On-going
Members Services	Julie Ball	10	6.5	Planning
PSN	Julie Ball / Sarah Hornsby	15	14.5	Planning
Food Safety	Sarah Hornsby	15	13	Planning
Other Audit Activities	Auditor	No of Days	Days Remaining	Position with Audit
Audit Reviews	Stephen James/Sue Shipway	15	0	On-going
Corporate Advice	Stephen James / Sue Shipway/ Julie Ball	20	18.5	On-going
Contingency (Seperate analysis available)	Stephen James / Sue Shipway /Philippa Watts/ Julie Ball	120	80	On-going
PSIAS	Stephen James/Sue Shipway	20	13	On-going
AGS + supporting evidence	Stephen James	30	17	On-going
NFI	Sue Shipway	20	15	On-going
Follow Ups	Stephen James / Sue Shipway/ Julie Ball	20	15	On-going

Completed Audits				
Safety Inspections - Zurich	Sarah Hornsby	10	0	Agreed Report
Car Parks	Julie Ball	18	0	Follow up only - Covalant updated
Development Management	Philippa Watts	15	0	Agreed Report
Fraud Review and IAS240	Sue Shipway	15	0	Agreed Report
IT Security of Assets	Julie Ball	10	0	Final Report
Housing Register	Sue Shipway	5	0	Draft Report
Project Managment	Philippa Watts	10	0	Draft Report
Personnel and Recruitment pre-checking (Carried Forward from 2014-15)	Sue Shipway / Philippa Watts	25	0	Testing
Building Control	Julie Ball	10	0	On-going
Housing Benefits	Sue Shipway/Sarah Hornsby	20	0	Testing
Consultants Review	Sue Shipway	5	0	On-going
Carried Forward	Sarah Hornsby & Julie Ball	15	15	
Inclusion in Key Financial Systems				
Creditors	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby	40 See Above		
Debtors	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Payroll	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			Planning
NNDR	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			Testing
Council Tax	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Bank Reconciliation	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			
Budgetary Control	Sue Shipway / Philippa Watts / Julie Ball / Sarah Hornsby			





**Internal Audit Report**  
**Project Management Audit**

**Philippa Watts**  
**Auditor**  
**December 2015**

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# 1 Introduction

The Chichester District Council (CDC) Project Management Guide was approved by Cabinet in 2013 and subsequently reviewed and updated in November 2014. This document sets out how project management should take place at CDC and has been based on the PRINCE2 methodology. The guidance sets out the general processes that need to be followed and the documentation that should be incorporated and used in a project.

## 2 Scope

2.1 The scope for this audit review was agreed to ensure that:

- The processes for project management were identified and documented following discussions with staff.
- Testing was undertaken of a sample of projects to identify if the key processes and procedures as per the CDC Project Management Guide are being followed. An examination of project documentation was made to establish that:
  - a) there is a project plan and where applicable an initial project proposal document (IPPD) and a project initiation document (PID), which is mandatory for medium and large projects,
  - b) projects have received approval at the appropriate level and adequate documentation is available to evidence this approval,
  - c) projects have a project manager/leader and a senior responsible officer,
  - d) risks have been documented,
  - e) an options appraisal has been carried out where applicable,
  - f) there is evidence of monitoring of projects and that Covalent reports are available to support this,
  - g) there is evidence of issues being reported and
  - h) post project evaluation has been carried out where applicable.

### 3 Findings

3.1 A sample of 4 projects was examined which included; older, newer and different size projects. The following projects were examined:

- Avenue De Chartres (ADC) car park pay on foot system
- Westhampnett depot refurbishment
- Think Family project
- ADC refurbishment project.

It should be noted that some of the projects examined commenced prior to the Project Management Guidance approved by Cabinet in July 2013. Consequently not all of the documentation required at that time was consistent with that expected under the current guidance, for instance IPPDs and PIDs are now mandatory for all medium and large projects.

3.2 All the projects examined were found to have a project plan and a PID or an IPPD where required, had identified risks and had carried out options appraisals where needed. In discussions with the Corporate Improvement Manager it was established that there is an acceptance that the Project Management Guide sets out best practice and does not need to be followed prescriptively in every case. However the key steps and documentation are always expected to be followed. Therefore during this audit, checks were made for the projects examined to establish that the key documentation had been produced. The PID and the IPPD cover some of the same areas so a check was made for the projects examined that both or either of these documents had been produced. Most importantly evidence was found for all the projects examined that the appropriate approval had been obtained by Cabinet.

3.3 Evidence was found of issues being reported and of monitoring project progress including update monitoring reports being produced on Covalent. Project exception reports are considered by the Senior Leadership Team (SLT) and evidence was found to support this. ICT projects were previously monitored by the Information Technology Advisory Group, which was disbanded this year, ICT projects will now follow the same processes as other projects and are monitored by SLT.

3.4 Evidence was found of post project evaluation for those projects that are complete.

3.5 During the audit there was some difficulty in identifying all the projects that are currently running across the Council. It was found that there is no complete list available of all projects, the corporate role of the Corporate Improvement Team was only established when the guidance was rewritten in November 2014. The Corporate Improvement team are currently in the



process of compiling a register of all projects (including those pre 2014) in operation across CDC. This is being achieved by searching through minutes for what has been approved by Cabinet and is an extensive process. A search had to be made for some documents as part of this audit, which proved difficult as services file project documentation in various locations on the S:/drive. A central register of all projects would enable better, corporate monitoring of projects and sharing of best practice.


- 3.6 Some services expressed difficulty in amending targets on Covalent for instance when they no longer achievable. SLT approve any changes to milestones that have a significant financial effect. The Corporate Improvement Manager stated that discussions are currently taking place with regard to the approval of amendments to milestones on Covalent.

## 4 Conclusion

- 4.1 Overall, controls appear to be working satisfactorily in relation to project management at CDC. There is a need, however, for a more coordinated approach to the identification of all projects running across the Council and to a uniform approach in the electronic storage of documents relating to projects. Therefore, Internal Audit has made recommendations to improve this. (See Action Table at Appendix 1).
- 4.2 In order to prioritise the issues raised, the following traffic light indicator has been used:
- 4.3 Red – Significant issues to be addressed
- 4.4 Amber – Important issues to be addressed
- Green – Minor or no issues to be addressed

## 5 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.5	Services should notify the Corporate Improvement Team of details of all ongoing and recently completed projects and provide them with key project documentation, so that a central corporate register can be maintained.	Joe Mildred, Corporate Improvement Manager	 Important (Amber)	Yes	Existing record of documentation to be sent to all Heads of Service for completion and relevant documents sent to Corporate Improvement Team.	31/3/2016
3.5	All project documentation is held in a central location.	Joe Mildred, Corporate Improvement Manager	 Minor (Green)	Yes	P drive file to be set up for all non-sensitive project documentation.	31/3/2016

<b>3.6</b>	The Project Management Guide is reviewed and updated on a regular basis, especially, if there is a change to the approval process for the amendment of milestones on Covalent.	<b>Joe Mildred, Corporate Improvement Manager</b>	 Minor (Green)	Yes	Agreed	<b>Ongoing</b>
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## **Internal Audit Report 2015-2016**

### **Building Control**

**Julie Ball  
Auditor  
November 2015**

### **Contents**

**Audit:** Building Control  
**Auditor:** Julie Ball

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# 1 Introduction

- 1.1 The Building Control Service provides advice, support, plan checking and site inspections in compliance with Building Regulations for the construction industry, residents, other professionals and internal customers. Responsibilities also include the processing and approval of building control applications.

# 2 Scope

- 2.1 The audit of the service and the scope was carried out in accordance with the annual audit plan and as agreed by the Service Manager. The previous audit was carried out during 2011/12.
- 2.2 The audit carried out testing on the controls within the following operations:
- Ensure fees are collected
  - Revenue is being monitored

# 3 Findings

- 3.1 The service has procedures in place for the administration of building control applications. These were last reviewed in December 2011. Internal Audit found that they were being reviewed at the time of the audit to reflect changes, including a process for the use of Civica. It is important to have up to date processes and procedures in place for the continuity of the service.
- 3.2 To ensure that procedures remain current and demonstrate best practice the service would need to date all procedures indicating, when they were reviewed and when the next review is due to take place.
- 3.3 An authorised list of Building Regulation fee charges is available to staff in hardcopy. These were approved and effective from 1st April 2010, in line with the Building (Local Authority Charges) Regulations 2010.
- 3.4 There are two categories of building control applications that can be submitted, they are a 'Building Notice' where only a planning fee is paid with the application or a 'Full Plan' where a planning fee is paid with the application and invoiced for the inspection element. A sample of 25 building control applications were reviewed and found to be correctly completed i.e. the planning element fees had been paid with the application or where required, an invoice had been raised for inspections.

- 3.5 Where an applicant requests a Completion Certificate, all fees must be paid before issue. To ensure certificates are not issued prior to payment the Admin Assistant runs exception reports from the Uniform system, this is to verify that invoices have been raised. Checks are also carried out to ensure payment has been received. Testing from a sample of 25, found that all fees had been paid in advance of the completion certificates being issued.
- 3.6 The service employs one full time and two part time Admin Assistants. One of the part time admin assistants completes the Building Control income reconciliations on a monthly basis. This reconciles between the Service's Uniform system and the council's financial system - Civica. The service should consider training other members of the admin team to ensure the continuity of the service in the event of absences.
- 3.7 The income reconciliation has a front sheet which is signed off by the service manager. This shows the balances from the Uniform and Civica reports and any differences explained. However, audit testing found that the front sheet balances did not reflect the report balances, only the amended figures. The reconciliation needs to show the original opening balances taken straight from the reports and the differences supported by documentation, so that this can be checked before being signed off as correct.
- 3.8 Financial Services provide the Service with monthly income position statements, in order for them to regularly monitor income. Since October 2010, under Building Control Cipfa Guidelines, the service are required to break even over, ideally, a three year period. To achieve this, the service needs to review their fees and charges on a regular basis. The service informed internal audit that this is carried out; however, no evidence could be provided to demonstrate this was the case.
- 3.9 Under Cipfa regulations the service is required to break even and to publish their annual financial statement each year. Internal Audit was informed by the Building Control Manager that they had been published, but there was no evidence to support this. The service needs to keep a copy of this publication in order to provide an audit trail and confirm compliance with the Building Control Cipfa Regulations 2010.
- 3.10 Out of 6 management performance indicators only one was not achieved, this is due to staff shortages; "Plans checked within 14 days of officer received date" has a target of 75%, 58.2% was achieved. This is monitored by the Building Control Service Manager and Head of Planning Services.

## **4 Conclusion**

- 4.1 Generally, the raising and collection of Building control fees is maintained and operating as per the procedures in place. However, there are a few areas where improvements are required, mainly around the review of the fees and charges and monitoring of the breakeven position.

## 5 Recommendations



- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:

Red – Significant issues to be addressed


Amber – Important issues to be addressed

Green – Minor or no issues to be addressed

## 6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.7	The front page of the income reconciliation shows original balances with supporting documentation for both balances and any differences.	Head of Planning Services	 Important (Amber)	Yes	IA will review when completed.	With immediate effect.
3.8	The service keeps documentary evidence to show that their fees and charges have been reviewed and agreed on an annual basis, even when no changes are required.	Head of Planning Services	 Important (Amber)	Yes	A statement commenting on the need to amend fees will be prepared each year when the financial statement for BC is produced.	March 2016

Chichester District Council  
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3.9	Evidence needs to be retained of when and where the service publish their financial statement, in line with the Building Control Cipfa Guidelines 2010.	Head of Planning Services	 Important (Amber)	Yes	The financial statement will be published and retained on the website	End of financial year
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## **Internal Audit Report 2015-2016**

### **Housing Register (Homemove)**

**Sue Shipway  
Senior Auditor  
November 2015**

## **Contents**

**Audit:** Housing Register  
**Auditor:** Sue Shipway

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# 1 Introduction

- 1.1 This audit has been completed as part of the 2015-16 Audit Plan. The council is responsible for carrying out a series of checks on each applicant prior to them being placed on Homemove, the housing register. The Homemove Team will also assess and determine the band rating and undertake reviews (informal and formal) where requested by the applicant.
- 1.2 Homemove is the choice based lettings scheme operated throughout the region and Locata is the system that records all applications and evidence to support them. It also generates the shortlist once the bidding process has closed. The council do not nominate applicants, it is the responsibility of the registered providers to determine allocation of property to the successful bidder.

# 2 Scope

- 2.1 The scope of this audit was as follows:
- To identify and document the processes in place in order for applicants to be placed on the housing register
  - To confirm controls are in place via walkthrough and testing of the procedure
  - Follow up on previous audit report recommendations

# 3 Findings

- 3.1 Although there are no internal procedure documents, the council follows an Allocation Scheme which is a legal requirement and sets out priorities and procedures for the letting of all forms of affordable (social) housing. It is based upon the following key principles:
- Provide a clear and transparent system to prioritise eligible households for social housing.
  - To provide clear information to allow applicants to make informed choices about their housing options.
  - To enable applicants to express choice in seeking their accommodation wherever possible. It should be noted that perpetrators and victims of domestic or other violence may have their choice of area restricted in order to ensure the health and safety of the applicant, their family, if any, and their potential neighbours.

- To meet the requirements of Part 6 of the Housing Act 1996 as amended by the Homelessness Act 2002 and the Localism Act 2011.
  - To have regard to the Codes of Guidance issued by the Government and to best practice.
  - To make the best use of social housing in the district ensuring that vacant homes are let quickly and efficiently.
  - To create sustainable communities by giving additional priority to applicants in housing need living in rural parishes and by the use of local lettings plans.
  - To review the Allocation Scheme from time to time to reflect any changes in the law or Government Guidance and to ensure continued improvement.
- 3.2 The Allocation scheme is comprehensive and designed to ensure equality to the applicants. It also highlights those who are not eligible to go on to the housing register.
- 3.3 Application forms can be completed online through the council's website or manually if preferred. In order to be more user friendly, not all fields have to be completed, thus making the verification process more time consuming.
- 3.4 Furthermore, there is no requirement for applicants to provide supporting evidence of income or savings. If this was provided during the application process, it would most certainly save time being spent on requesting such information.
- 3.5 Internal Audit have been informed that because the Locata system is a live, web based system, the shortlists are manually run and printed out, as soon after the the bidding closes. These cannot be re-produced once they are generated. It was agreed that an automated system for producing the shortlist would save an awful lot of time and effort. It was also highlighted that the system was due to go out to tender shortly, and this together with a review of the application forms will be considered then.
- 3.6 Internal processes dicatate that a manual file is opened for all successful applicants, in addition to the electronic copies held on the system. This is so that any sensitive documentation can be held on it and not shared with the Registered providers. Only one of the 25 cases sampled did not have a manual file. This process appears to be a duplication of effort when a simple review of access levels could achieve the same result, by locking down cerain personal details.
- 3.7 One of the application verification checks is against the homelessness database, which is currently held seperatley on Access, this will hopefully be amalgamated into the one system when the Locata contract expires.

- 3.8 If an applicant has not made a bid for a property after a six month period, they are sent a letter asking if they no longer wish to remain on the list. Of the 25 cases sampled only one had not been sent this letter. Internal Audit were informed that a report is run every 6-9 months, however, this person did not appear on the latest report. A member of the housing team will investigate this and undertake appropriate action as necessary.
- 3.9 There are robust review processes in place and a person can request an informal and formal review on any decisions made.

## **4 Conclusion**


- 4.1 In general the application, registration, assessment and bidding process is comprehensive and followed by the council. The system (Locata) has been in place for some years and any enhancements are costly. Therefore the council, together with other members of the Sussex region are looking at going out to tender for a new system. This would give all partners the opportunity to review and make any changes to the application forms/process and the way the electronic data is stored, together with including the homelessness data.

## **5 Recommendations**

- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:
- Red – Significant issues to be addressed
- Amber – Important issues to be addressed
- Green – Minor or no issues to be addressed
- 5.2 Previous recommendations previously made in the 2009-10 report were followed up during this audit and the outcome/responses have been recorded on the Action Table at Appendix 2.

## 6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.3 & 3.4	A review of the application process, including the forms, should be carried out to consider; questions to be completed and the level of evidence required.	Housing Operations Manager	● Important (Amber)	Yes	Agreed that this would be completed and fed into the tendering process currently being undertaken by Brighton and Hove's partnership board project team.	By April, 2017
3.5	The shortlists are currently generated, printed out and held on a manual file. Consideration should be given as to whether this process could be automated.	Housing Operations Manager	● Important (Amber)	Yes	Any changes in Locata are currently outside of the contract and therefore costly. However, it was agreed that this would be a consideration for any future system.	By April, 2017

<b>3.6</b>	The Housing team should review the need to keep duplicate, manual records. Instead access levels should be set up, so that any sensitive or personal details are locked down.	Housing Operations Manager	 Minor (Green)		As above, any changes in Locata are currently outside of the contract and therefore costly. However, it was agreed that this would be a consideration for any future system.	By April, 2017
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## 7 Action Plan (Follow up on Recommendations made in 2009-10)

### Appendix 2

Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date and Follow up comments
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Recommendation		Officer	Priority	Agreed?	Comments	Implementation Date and Follow up comments
3.5.	That the Homemove – Choice Based Lettings service should introduce a customer satisfaction survey in order to monitor service delivery, and make improvements where highlighted.	Housing Options Manager	Medium	Yes	This work has been planned for, although the loss of the Homemove Officer may make this timescale now difficult to achieve.	By March 2011  <i>Follow up 2015-16. They tried this but had either no response or just complaints from those not eligible to go on the register. Therefore they now rely on the 'right to review' policy, whereby the applicant can request a review on any decision made this starts with an informal one then formal and finally the ombudsman.</i>  Conclusion- accept as satisfactory
3.8.	That staff in the Homemove section sign	Housing Options				<i>Follow up 2015-16. This has now</i>

Recommendation		Officer	Priority	Agreed?	Comments	Implementation Date and Follow up comments
	the revised security policy, which was issued in February 2010.	Manager	High	Yes		<i>been actioned.</i> Conclusion: evidence seen, accept as satisfactory
3.9.	That operational procedures are produced which would aid staff in the event of them being unclear, or when key staff are absent from the office.	Housing Options Manager	Low	Yes		By March 2011  <i>The Allocation Scheme is now used as the operational procedure document and is keep current.</i> Conclusion: accept as satisfactory
3.10	That consideration is given to reviewing the workload of the Homemove team to allow for an increase in the number of home visits.	Housing Options Manager	High	Yes	Home visits are crucial in helping to reduce fraud, but they are time consuming in the light of reductions in staff.	<i>With immediate effect. Home visits are carried out on all A and B bandings with the exception of Multi and Health based</i>

Recommendation		Officer	Priority	Agreed?	Comments	Implementation Date and Follow up comments
						<i>banding decisions which are determined by Carla Geary or Rob Dumnall. Conclusion: accept as satisfactory</i>
3.10.	That consideration is given to PACE training for the Housing Options Team.	Housing Options Manager	Medium	Yes		By March 2011  <i>Staff have a general awareness of PACE but any investigations work which may lead to potential fraud is passed on to the HB Fraud Team. Conclusion: accept as satisfactory</i>
3.11.	That the Housing Options team adopts a risk assessment checklist in order to highlight areas of potential fraud.	Housing Options Manager	Medium	Yes		By March 2011 <i>The Allocation Scheme and the closed register, mitigates the need for a separate risk</i>



Recommendation		Officer	Priority	Agreed?	Comments	Implementation Date and Follow up comments
						<p><i>assessment by process of elimination ie. No local connection, immigration status etc. However, the current app form does allow for questions to be skipped, this will hopefully be addressed in the new system. In addition there is currently no requirement for any financial details to be supplied, ie. bank statements etc this evidence could be requested when the new system is in place.</i></p> <p>Conclusion: a few additional checks/evidence</p>

Recommendation		Officer	Priority	Agreed?	Comments	Implementation Date and Follow up comments
						accept as satisfactory