

PLANNING OBLIGATIONS

QUARTERLY FINANCIAL MONITORING REPORT

Cabinet Member	Councillor Keith Burrows
Cabinet Portfolio	Planning, Transportation and Recycling
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Papers with report	Appendix 1 - attached <u>A3 size copies will be available in Group Offices to view</u>

1. HEADLINE INFORMATION

Summary	This report provides financial information on s106 and s278 agreements up to 31st March 2016 against respective portfolio areas.
Putting our Residents First	<p>This report supports the following Council objectives of: <i>Our Built Environment; Our Heritage and Civic Pride; Financial Management</i></p> <p>Planning obligations are an established delivery mechanism for mitigating the effect of development, making it acceptable in planning terms and achieving the aims of the Community Strategy and other strategic documents that make up the Local Development Framework.</p>
Financial Cost	As at 31 March 2016 the Council holds £12,680k relating to s106 and s278 agreements. Of this £3,524k is allocated / earmarked for projects and £4,034k relates to funds that the Council holds but is currently unable to spend directly, leaving a residual balance of funds that the Council holds of £5,082k that is currently spendable and not yet allocated/earmarked towards specific projects. In Quarter 4, the Council has received additional income of £1,626k and spent £6,172k.
Relevant Policy Overview Committee	Residents' and Environmental Services
Ward(s) affected	All

2. RECOMMENDATION

That the Cabinet notes the updated financial information attached at Appendix 1

Reasons for recommendation

Planning best practice guidance encourages local planning authorities to consider how they can inform members and the public of progress in the allocation, provision and implementation of obligations whether they are provided by the developer in kind or through a financial contribution. This report details the financial planning obligations held by the Council and what progress has and is being made in allocating and spending those funds.

Alternative options considered / risk management

The alternative is to not report to Cabinet. However, it is an obvious example of good practice to monitor income and expenditure against specific planning agreements and ensure that expenditure takes place in accordance with the parameters of those agreements.

Policy Overview Committee comments

None at this stage.

3. INFORMATION

Supporting Information

1. Appendix 1 provides a schedule of all agreements on which the Council holds funds. The agreements are listed under Cabinet portfolio headings. The appendix shows the movement of income and expenditure taking place during the financial year; including information at 31 December 2015 (which was the subject of the report in March 2016) as well as up to 31 March 2016. Text that is highlighted in bold indicates key changes since the Cabinet report of 17 March 2016. Figures indicated in bold under the column headed 'Total income as at 31/03/16' indicate new income received and shaded cells indicate where funds are held in an interest bearing account). The table shows expenditure between 1 January and 31 March 2016 of £6,172k (compared to £271k during the previous quarter) and income of £1,626k (compared to £3,323k during the previous quarter) within the same period.
2. The balance of s278/106 funds that the Council held at 31 March 2016 is £12,680k. It should be noted that the 'balance of funds' listed, i.e. the difference between income received and expenditure, is not a surplus. Included in the balance at 31 March 2016 are those s278/106 funds that the Council holds but is unable to spend for a number of reasons, such as cases where the funds are held as a returnable security deposit for works to be undertaken by the developer and those where the expenditure is dependant on other bodies such as transport operators. The column labelled "balance spendable not allocated" shows the residual balance of funds after taking into account funds that the Council is unable to spend and those that it has allocated to projects. The 'balance of funds' at 31 March 2016 also includes funds that relate to projects that are already underway or programmed, but where costs have not been drawn down against the relevant s106 (or s.278) cost centre.
3. In summary, of the 'total balance of funds' that the Council held at 31 March 2016 (£12,680k) £4,034k relates to funds that the Council is unable to spend and £3,524k is allocated/earmarked for projects, leaving a residual balance of funds that the Council

holds of £5,082k that is currently spendable and not yet earmarked/allocated towards specific projects and £40K that relates to interest on the interest bearing schemes.

Financial Implications

As at 31st March 2016 the s106/278 balance is £12,680k. This is inclusive of £4,034k which the Council holds on behalf of its partners who are responsible for project delivery e.g. NHS Property Services (formerly PCT) and TFL. A further £3,524k has been earmarked to specific projects. The residual balance of £5,082k represents amounts yet to be allocated for any specific use although projects are being put in place to utilise this balance and £40k relates to interest on the interest bearing schemes. As and when a specific interest bearing Section 106 balance is required to be returned to a developer the amount of cumulative interest since the balance was received is transferred to the scheme from the total balance of accumulated interest on interest bearing schemes and then repaid to the developer.

4. Table 1 provides additional detail of the s106/278 contributions in accordance to service area. In quarter 4 additional income received in s106/278 monies was £1,626k whilst expenditure totalling £6,172k was financed by the contributions. Annual interest earned on the interest bearing schemes was £4k with interest paid of £1k in the year.

Table 1 – S106/278 contributions by service area

Service Area	Balance b/f (01/01/16)	Income Received	Total	Spend	Balance c/f (31/03/16)	Earmarked Balances	Balance Spendable not allocated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
S278							
Planning, Transportation & Recycling	1,447	982	2,429	(101)	2,328	2,328	0
S106							
Planning, Transportation & Recycling	3,336	212	3,548	(233)	3,315	1,544	1,771
Central Services, Culture & Heritage (CSL)	362	0	362	(165)	197	56	141
Community, Commerce & Regeneration (PPR)	1,929	301	2,230	(65)	2,165	1,095	1,070
Education & Children Services	6,883	31	6,914	(5,416)	1,498	1,214	284
Environment	1,042	100	1,142	(154)	988	210	778
Social Services, Housing, Health & Wellbeing	2,187	0	2,187	(38)	2,149	1,111	1,038
Interest on interest bearing schemes	37	4	41	1	40	40	0

Sub-Total (S278/106)	17,223	1,630	18,853	(6,171)	12,680	7,598	5,082
Less: Sums held on behalf of partners	3,256	945	4,201	(167)	4,034	4,034	0
Total LBH Balances	13,967	685	14,652	(6,004)	8,646	3,564	5,082

The unallocated balance of £5,082k represents amounts yet to be allocated for specific projects, however, proposals are in various stages of development to utilise these balances. The unallocated balances are generally required to be spent towards the following areas and within the specific terms identified in the individual agreements:

Table 2 - S106 unallocated balances breakdown

Category	£'000
Affordable Housing	1,038
Air Quality	403
Carbon Reduction	175
Community Facilities	314
Economic Development	149
Libraries	96
Nature Conservation	40
Public Realm / Town Centres	894
Schools	284
TFL/Highways	1,029
Training schemes	600
Travel Plans	60
Total	5,082

It is expected that the majority of the remaining unallocated Education & Children's Services balances of £284k will be utilised to support the Primary and Secondary School Expansions programme. Officers will continue to review the applicability of unallocated balances within existing and proposed capital and revenue budgets in order to minimise the impact on the council's internal resources.

Contributions which are not spent within the designated time frame may need to be returned to the developer. As at end of March 2016 it has been identified that £257k needs to be spent within twelve months, i.e. 31st March 2017, to prevent the risk of repayment. From this amount £180k has been identified for use towards existing or new schemes.

In addition, there are balances totalling £218k which were not able to be spent within the terms of the existing agreements and may therefore need to be returned. Negotiations with relevant developers to secure alternative schemes for these contributions are currently on-going.

Table 3 -The outturn for the year is summarised below:-

S278 / S106	£'000
Balance b/fwd as at 01/04/2015	12,115
Total Income for the year (01/04/2015 to 31/03/2016)	7,590
Total Expenditure for the year (01/04/2015 to 31/03/2016)	7,065
Balance c/fwd (excluding interest) as at 31/03/2016	12,640

Total expenditure for the year in the above table includes £5,336k applied to finance capital expenditure and £1,729k revenue expenditure.

5. CORPORATE IMPLICATIONS

Corporate Finance

Corporate Finance has reviewed this report and notes that substantial Section 106 / Section 278 balances remain available to support investment in local infrastructure, with £7,598k of the £12,680k available for Council-managed schemes earmarked against specific projects. A further £5,082k remains uncommitted at this time. Within these available balances, £257k will become repayable to developers if not utilised before 31 March 2017.

Legal

There are no specific legal implications arising from the recommendation which asks the Cabinet to note the current status on the receipt and expenditure of S106 monies. The monies referred to in this report are held by the Council for the purposes specified in each of the relevant legal agreements. Such monies should only be spent in accordance with the terms of those agreements. Where monies are not spent within the time limits prescribed in those agreements, such monies should be returned to the payee. Where officers are unsure whether monies held pursuant to particular agreements can be used for particular purposes, Legal Services should be consulted for advice on a case by case basis.

Corporate Property and Construction

There are no Corporate Property and Construction implications arising from the recommendation in the report.

6. BACKGROUND PAPERS

District Auditor's "The Management of Planning Obligations" Action Plan May 1999
Monitoring Officers Report January 2001

Planning Obligations Supplementary Planning Document Adopted July 2008 and revised 2014
Cabinet Report March 2016