

# PLANNING OBLIGATIONS

## QUARTERLY FINANCIAL MONITORING REPORT

<b>Cabinet Member</b>	Councillor Keith Burrows
<b>Cabinet Portfolio</b>	Planning, Transportation and Recycling
<b>Officer Contact</b>	Nicola Wyatt Residents Services
<b>Papers with report</b>	Appendix 1 - attached

### 1. HEADLINE INFORMATION

<b>Summary</b>	This report provides financial information on s106 and s278 agreements up to 31st December 2016 against respective portfolio areas.
<b>Putting our Residents First</b>	<p>This report supports the following Council objective 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>
<b>Financial Cost</b>	As at 31 December 2016 the Council holds £13,461k relating to s106 and s278 agreements. Of this £4,058k is allocated / earmarked for projects and £3,586k 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 £5,777k that is currently spendable and not yet allocated/earmarked towards specific projects and £40k interest on interest bearing schemes. In Quarter 3, the Council has received additional income of £430k and spent £1,044k.
<b>Relevant Policy Overview Committee</b>	Residents' and Environmental Services
<b>Ward(s) affected</b>	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 30 September 2016 (which was the subject of the report in December 2016) as well as up to 31 December 2016. Text that is highlighted in bold indicates key changes since the Cabinet report of 15 December 2016. Figures indicated in bold under the column headed 'Total income as at 31/12/16' indicate new income received and shaded cells indicate where funds are held in an interest bearing account). The table shows expenditure between 1 October and 31 December 2016 of £1,044k (compared to £232k during the previous quarter) and income of £430k (compared to £1,220k during the previous quarter) within the same period. To note, expenditure this quarter includes the return of a highway security deposit sum of £601,441, formerly held at PT/278/09.

2. The balance of s278/106 funds that the Council held at 31 December 2016 is £13,461k. 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 December 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 December 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 December 2016 (£13,461k) £3,586k relates to funds that the Council is unable to spend and £4,058k is allocated/earmarked for projects, leaving a residual balance of funds that the Council holds of

£5,777k 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 December 2016 the s106/278 balance is £13,461k. This is inclusive of £3,586k 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 £4,058k has been earmarked to specific projects. The residual balance of £5,777k 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 3 additional income received in s106/278 monies was £430k whilst expenditure totalling £1,044k was financed by the contributions.

**Table 1 – S106/278 contributions by service area**

Service Area	Balance b/f (01/10/16)	Income Received	Total	Spend	Balance c/f (31/12/16)	Earmarked Balances	Balance Spendable not allocated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>S278</b>							
Planning & Transportation	2,370	22	2,392	(644)	1,748	1,748	0
<b>S106</b>							
Planning & Transportation	3,738	139	3,877	(247)	3,630	1,486	2,144
Central Services, Culture & Heritage (CSL)	200	0	200	(1)	199	55	144
Community, Commerce & Regeneration (PPR)	2,388	121	2,509	(115)	2,394	1,131	1,263
Education & Children Services	1,895	17	1,912	(0)	1,912	1,724	188
Environment	1,066	131	1,197	(37)	1,160	330	830
Housing, Social Services & Health	2,378	0	2,378	(0)	2,378	1,170	1,208
Interest on interest bearing schemes	40	0	40	(0)	40	40	0
<b>Sub-Total (S278/106)</b>	<b>14,075</b>	<b>430</b>	<b>14,505</b>	<b>(1,044)</b>	<b>13,461</b>	<b>7,684</b>	<b>5,777</b>
Less: Sums held on behalf of partners	4,382	41	4,423	(837)	3,586	3,586	0

<b>Total LBH Balances</b>	<b>9,693</b>	<b>389</b>	<b>10,082</b>	<b>(207)</b>	<b>9,875</b>	<b>4,098</b>	<b>5,777</b>
---------------------------	--------------	------------	---------------	--------------	--------------	--------------	--------------

The unallocated balance of £5,777k 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**

<b>Category</b>	<b>£'000</b>
Affordable Housing	1,208
Air Quality	395
Carbon Reduction	282
Community Facilities	314
Economic Development	209
Libraries	98
Nature Conservation	94
Public Realm / Town Centres	1,201
Schools	188
TFL/Highways	931
Training schemes	798
Travel Plans	60
<b>Total</b>	<b>5,777</b>

It is expected that unallocated balances of £188k S106 monies in respect of Education balances will be utilised to support the existing Primary and Secondary School Expansions programme.

Unallocated balances relating to affordable housing of £1,208k have been identified in the revised capital programme submitted to February Cabinet as potentially supporting the housing development of the former Belmore Allotments site.

The unallocated balances of £98k in respect of Libraries are forecast to be utilised towards supporting Book Fund expenditure within the Libraries service.

From the unallocated balances relating to TFL/Highways and Town Centres, amounts totalling £770k have been identified towards specific schemes within the 2017-2020 Transport for London and Hayes Town Centre Improvements programmes.

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 December 2016 there are no contributions that need to be spent within twelve months, i.e. 31st December 2017.

In addition, there are balances totalling £48k 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.

## **5. CORPORATE IMPLICATIONS**

### **Corporate Finance**

Corporate Finance has reviewed this report and concurs with the financial implications set out above, noting that substantial Section 106 / Section 278 balances remain available to support investment in local infrastructure, with £9,875k monies held at 31 December 2016. This sum includes £48k which has become due for repayment to the developer as schemes are not yet in progress to invest these monies. Negotiations are on-going to vary relevant agreements to enable these resources to be invested in alternative schemes.

### **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

Planning Obligations Quarterly Financial Monitoring Report to Cabinet December 2016