

PLANNING OBLIGATIONS

QUARTERLY FINANCIAL MONITORING REPORT

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

HEADLINES

Summary	This report provides financial information on s106 and s278 agreements up to 31st March 2019 against respective portfolio areas.
Putting our Residents First	<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>
Financial Cost	As at 31 March 2019 the Council holds £14,805k relating to s106 and s278 agreements. Of this £4,220k is allocated/earmarked for projects and £3,780k 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 £6,730k that is currently spendable and not yet allocated towards specific projects and £75k interest on interest bearing schemes. In Quarter 4, the Council has received additional income of £3,182k and spent £2,814k.
Relevant Policy Overview Committee	Residents, Education and Environmental Services
Ward(s) affected	All

RECOMMENDATIONS

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.

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 2018 (which was the subject of the report in March 2019) as well as up to 31 March 2019. Text that is highlighted in bold indicates key changes since the Cabinet report of 14 March 2019. Figures indicated in bold under the column headed 'Total income as at 31/03/19' 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 2019 of £2,814k (compared to £449k during the previous quarter) and income of £3,182k (compared to £422k during the previous quarter) within the same period.
2. The balance of s278/106 funds that the Council held at 31 March 2019 is £14,805k. 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 2019 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 2019 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 2019 (£14,805k) £3,780k relates to funds that the Council is unable to spend and £4,220k is allocated/earmarked for projects, leaving a residual balance of funds that the Council holds of £6,730k that is currently spendable and not yet earmarked/allocated towards specific projects and £75k that relates to interest on the interest bearing schemes.

Financial Implications

4. As at 31st March 2019 the s106/278 balance is £14,805k. This is inclusive of £3,780k 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 £4,220k has been earmarked to specific projects. The residual balance of £6,730k represents amounts yet to be allocated for any specific use although projects are being put in place to utilise this balance and £75k 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.

Table 1 – S106/278 contributions by service area

Service Area	Balance b/f (01/01/19)	Income Received	Total	Spend	Balance c/f (31/03/19)	Earmarked Balances	Balance Spensible not allocated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
S278							
Planning & Transportation	1,730	275	2,005	(60)	1,945	1,945	0
S106							
Planning & Transportation	4,363	374	4,737	(328)	4,409	2,990	1,419
Central Services, Culture & Heritage	130	25	155	(0)	155	88	67
Community, Commerce & Regeneration	2,707	176	2,883	(328)	2,555	1,179	1,376
Education & Children Services	494	1,581	2,075	(1,895)	180	0	180
Environment	2,059	466	2,525	(147)	2,378	553	1,825
Housing, Social Services & Health	2,908	256	3,164	(56)	3,108	1,245	1,863
Interest on interest bearing schemes	46	29	75	(0)	75	75	0
Sub-Total (S278/106)	14,437	3,182	17,619	(2,814)	14,805	8,075	6,730
Less: Sums held on behalf of partners	3,616	179	3,795	(15)	3,780	3,780	0
Total LBH Balances	10,821	3,003	13,824	(2,799)	11,025	4,295	6,730

5. 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 £3,128k, whilst expenditure totalling £2,814k was financed by the contributions.

6. The unallocated balance of £6,730k represents amounts yet to be formally allocated for specific projects, and this has increased by £1,234k from the previous quarter due to recent contributions received that have not been allocated to specific schemes. Proposals are in various stages of development to utilise the unallocated balances. These 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	1,863
Air Quality	585
Carbon Reduction	297
Community Facility	631
Economic Development	290
Libraries	21
Nature Conservation	550
Public Realm / Town Centres	574
Schools	180
TFL / Highways	670
Training Schemes	1,069
Total	6,730

7. From the above formally unallocated balances, those relating to affordable housing can potentially be utilised towards the planned residential development at the former Belmore Allotments site and other housing developments. Other balances are expected to be used towards the TFL LIP programme and town centre initiatives.

8. 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.

9. Contributions which are not spent within the designated time frame may need to be returned to the developer. As at end of March 2019 it has been identified, that £20k needs to be spent within twelve months, i.e. 31st March 2020.

10. There is a balance totalling £6k for which the time limit has expired and was not able to be spent within the terms of the existing agreement. This may therefore need to be returned.

11. **Table 3 -The outturn for the year 2018/19 is summarised below:**

S278 / S106	£'000
Balance b/fwd as at 01/04/2018	13,844
Total Income for the year (01/04/2018 to 31/03/2019)	4,501
Total Expenditure for the year (01/04/2018 to 31/03/2019)	3,540
Balance c/fwd as at 31/03/2019	14,805

Total expenditure for the year in the above table includes £1,269k applied to finance capital expenditure and £1,869k revenue expenditure.

CORPORATE CONSIDERATIONS

Corporate Finance

Corporate Finance has reviewed this report, noting that schemes have not yet been identified to utilise £6,730k Section 106 / 278 Contributions received from developers to support investment in local infrastructure. As outlined in the financial implications above, proposals are in various stages of development to utilise these balances and officers will continue to review the applicability of these unallocated balances to ensure that where appropriate these are deployed to support existing or planned expenditure.

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 and interest accrued 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.

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 March 2019