

## PLANNING OBLIGATIONS - QUARTERLY FINANCIAL MONITORING

<b>Cabinet Member(s)</b>	Councillor Eddie Lavery
<b>Cabinet Portfolio(s)</b>	Environment, Housing and Regeneration
<b>Officer Contact(s)</b>	Nicola Wyatt / Julia Johnson, Planning, Environment, Education & Community Services
<b>Papers with report</b>	None

### HEADLINES

<b>Summary</b>	<p>This report provides a stocktake of current S106 balances held by the Council together with recent income, allocation and spend.</p>
<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.</p>
<b>Financial Cost</b>	<p>As at 31 March 2021 the Council holds £12,548k of income from S106 legal agreements, of which £1,946k is held on behalf of partners. Of the remaining £10,602k held by the Council for its own projects, an amount of £3,023k is earmarked to specific projects, £7,470k is currently spendable and not yet allocated towards specific projects and £109k is interest on interest bearing schemes. In Quarter 4, the Council has received additional income of £380k and spent £1,532k.</p>
<b>Relevant Select Committee</b>	Housing, Environment & Regeneration
<b>Relevant Ward(s)</b>	All

## RECOMMENDATIONS

### That Cabinet:

1. **Notes the Council's current financial position regarding its S106 balances.**
2. **Notes that a review of S106 processes and procedures is being progressed, the outcome of which will be reported to a future Cabinet meeting.**

### 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 the 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.

### Select Committee comments

None at this stage.

## SUPPORTING INFORMATION

### INTRODUCTION

1. This report provides an update on the monitoring of Section 106 agreements (S106) and progress on Section 106 matters during the period 1 January 2021 to 31 March 2021 (quarter 4). It provides an overview of:
  - Quarter 4 S106 movements;
  - S106 income and spend during the 2020/21 financial year; and
  - A proposed review of existing S106 processes and procedures.
2. This report is provided for information only and Cabinet Members will be provided with detailed schedules of current S106 contributions within their respective portfolios.

### QUARTER 4 S106 MONITORING OVERVIEW

3. A summary of the current S106 balances in each Cabinet portfolio is provided in Table 1. As at 31st March 2021, the S106 balance is £12,548k. This is inclusive of £1,946k which the Council holds on behalf of its partners who are responsible for project delivery e.g. NHS Property Services (formerly PCT) and Transport for London (TfL). A further £3,023k has been earmarked to specific projects plus £109k interest on the interest-bearing schemes. The residual balance of £7,470k represents amounts yet to be allocated for any specific use

although projects are being put in place to utilise this balance. 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. During Quarter 4 £380k of new S106 income was received, whilst expenditure totalling £1,532k was financed by S106.

**Table 1 – Summary of S106 contributions by Cabinet Portfolio**

Service Area	Bal b/f 01/01/21 £000	Income £000	Total £000	Spend £000	Bal c/f 31/03/21 £000	Earmarked Balances £000	Balance Spendable not allocated £000
Public Safety & Transport	5,487	212	5,699	(734)	4,965	1,971	2,994
Families, Education & Wellbeing	2,540	51	2,591	(640)	1,951	978	973
Environment, Housing & Regeneration	2,101	115	2,216	(158)	2,058	799	1,259
Health & Social Care	1,221	0	1,221	(0)	1,221	1,221	0
Property & Infrastructure	2,244	0	2,244	(0)	2,244	0	2,244
Interest on interest bearing schemes	107	2	109	(0)	109	109	0
<b>Sub-Total</b>	<b>13,700</b>	<b>380</b>	<b>14,080</b>	<b>(1,532)</b>	<b>12,548</b>	<b>5,078</b>	<b>7,470</b>
Less: Sums held on behalf of partners	2,204	36	2,240	(294)	1,946	1,946	0
<b>Total LBH S106 Balances</b>	<b>11,496</b>	<b>344</b>	<b>11,840</b>	<b>(1,238)</b>	<b>10,602</b>	<b>3,132</b>	<b>7,470</b>

5. The unallocated balance of £7,470k represents amounts yet to be formally allocated for specific projects, and this has decreased by £423k from the previous quarter due to further contributions received that have been allocated to specific schemes. Further allocations to the value of approximately £700k have also been progressed in Q1, to date. These are summarised in Table 2 below.

**Table 2 – Q1 2021/22 S106 Allocations**

<b>Allocation</b>	<b>Amount Allocated (£)</b>
Economic Development & Regeneration Team delivery of the LBH Apprenticeship Scheme	173,850.00
Secondary School Capital Programme - School expansions (Ruislip High School) & improvements to Blyth Road subway, Hayes	43,658.00
Maintenance of Hales Field Park & Stockley land parcels	285,600.00
Venue door security & compliance training for hospitality - Uxbridge College	53,800.00
Lake Farm Country Park footpath improvements & management of Frays Island LNR	106,000.00
Environmental Initiatives Hillingdon House Farm wetland creation	30,000.00
<b>TOTALS</b>	<b>692,908.00</b>

6. Further allocations relating to the delivery of air quality and carbon mitigation measures are being progressed for allocation in Q2 and will include extending tree planting.
7. Contributions which are not spent within the designated time frame may need to be returned to the developer. As at the end of March 2021 it has been identified that £117k needs to be spent within twelve months, i.e. 31st March 2022.

### **SUMMARY OF S106 INCOME AND EXPENDITURE 2020/21**

8. The outturn of S106 funding (excluding S278 agreements) for 2020/21 is set out in Table 3.

**Table 3 – S106 Outturn 2020/21**

<b>Status</b>	<b>Total Amount £000</b>
Opening Balance	£13,440
Total Income 20/21	£1,251
Total Spent 20/21	£2,143
Closing Balance at 31 March 2021	£12,548

9. Key projects funded by S106 in the last financial year include:
  - Three-year sponsored route agreement with Transport for London for the extended 278 bus service.
  - Towpath improvements in Uxbridge, Yiewsley and Hayes.
  - Eastcote town centre scheme.
  - Ruislip High School expansion.

- Hayes town centre complementary measures scheme.
- Construction training coordinator service and LBH Construction Apprenticeship Scheme.
- Ecological improvements to the Culvert and Colne Valley Trail.
- Footpath works at Uxbridge Moor.
- Schools Green Screening Project.
- Expansion of clinical space at Harefield Health Centre.

10. A number of allocations to new projects programmed for delivery in 2021/22 were also made. These include:

- Enhancements to Thorney Mill Nature Reserve
- A wetland creation project at Hillingdon House Farm.
- The extension of the Santander Bike Scheme in Yiewsley.

11. Finally, it is important to note S106 monies received within a particular financial year will not generally be spent within the same financial year. This is because their expenditure can be reliant on a development reaching a particular stage, or because monies are pooled from multiple developments to deliver a larger piece of infrastructure. Furthermore, some monies received are held as bonds to be paid back many years after the completion of the development. Consequently, the reporting of the cumulative balance of S106 does not demonstrate the year on year movement of monies received and spent. A summary of the S106 and S278 monies received and spent in the last five financial years shown in Table 4 below demonstrates that the Council has broadly spent the equivalent of the monies it has received during this period.

**Table 4: S106/S278\* Income and Expenditure – FY16/17 to FY20/21**

Financial year	Received £000	Spent £000
16/17	2,593	4,768
17/18	6,474	3,139
18/19	4,501	3,540
19/20	3,908	3,360
20/21	1,384	2,241
<b>TOTALS</b>	<b>18,860</b>	<b>17,048</b>

\*S278 monies relate to highways works and have been historically reported as part of S106 funding. This approach will be updated to reflect the Council's new S106 processes in future monitoring reports.

## S106 PROCEDURES

12. The Council is currently in the process of procuring a new monitoring system for S106 obligations and Community Infrastructure Levy liabilities. This system will improve the Council's ability to monitor the securing of new obligation and liabilities and ensure that they are collected and spent in line with the relevant legislation and agreements. It is anticipated that the new monitoring system will be operational in quarter 3 of the 2021/22 financial year.

13. The Council's processes for allocating and spending S106 and CIL funding are also being reviewed alongside the implementation of the new monitoring system. The intention of the review is to increase strategic oversight on the expenditure of planning obligations to ensure

that the benefit to the residents of local infrastructure improvements can be maximised. An update on new procedures will be reported to Cabinet later in the year.

## **Financial Implications**

14. This report details the financial position of S106 funds under each of the existing Cabinet Portfolios and provides a summary of the S106 outturn at the end of the 2020/21 financial year. It should be noted that the allocation of S106 funds and their release as capital funds is subject to a Cabinet Member approval process, and that the receipt of income is entirely dependent on developers progressing their schemes.

## **CORPORATE CONSIDERATIONS**

### **Corporate Finance**

Corporate Finance has reviewed this report, noting that schemes have not yet been identified to utilise £7,470k Section 106 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.

### **Infrastructure / Asset Management**

There are no property implications arising from the recommendations 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 2021)