

**TITLE OF REPORT : SECTION 106 AND UNILATERAL UNDERTAKINGS**

REPORT OF THE HEAD OF PLANNING AND BUILDING CONTROL

**1. SUMMARY**

- 1.1 This report and appendix provides Members of the Area Committees with the annual update on the details of the current Section 106 agreements and Unilateral Undertakings within the wards/parishes in the area as at the 27<sup>th</sup> August 2013 for this Council.
- 1.2 As with previous years, this does not include the Hertfordshire County Council contributions over which this Council does not have any control in their expenditure.
- 1.3 The report shows the contributions received and where monies have been committed to specific projects e.g. the Council's capital projects and the associated timescales where possible. Comments have also been included, where appropriate, as to the justification for the receipt of certain contributions.
- 1.4 Where Section 106 obligations are negotiated for a site, contributions tend to be for a specific purpose whereas the unilateral undertakings, entered into and agreed use the formula set out in the Supplementary Planning Document:- Planning Obligations adopted in November 2006

**2. RECOMMENDATIONS**

- 2.1 That the contents of the report be noted.
- 2.2 That a report continues to be presented on an annual basis to each of the Area Committees.
- 2.3 That, other than where a contribution has been negotiated for a specific purpose or project, Ward Members of the area where Section 106 or Unilateral Undertaking funding is generated be consulted prior to allocation of funds to any project.
- 2.4 That, other than where a contribution has been negotiated for a specific purpose or project, Ward Members of the area where Section 106 or Unilateral Undertaking funding is generated and the Area Committee be consulted prior to funding being allocated away from that area or from a village location to a town.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure that there is a robust system for negotiating and managing Section 106 and Unilateral Undertakings.

- 3.2 To ensure that this is kept under constant review and that the risk associated with this activity is managed in an appropriate manner.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 It is not considered that an alternative viable option is available for the Council to manage and maintain records of Section 106 and Unilateral Undertakings.

#### **5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 This report is being presented to each Area Committee so that all Ward Members are fully aware of the progress made and updated in relation to this matter. No external organisations have been consulted.

#### **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

#### **7. BACKGROUND**

- 7.1 The Council introduced a Planning Obligations supplementary planning document (SPD) in 2006 giving a formula for developers to calculate as to what their section 106 costs might be. This has led to the majority of sites within the District since 2006 contributing towards the cost of infrastructure. Unilateral Undertakings are a particular type of obligation under section 106 that are only signed by the developer, instead of bilaterally by both the Council and the developer.

- 7.2 The main objective of the SPD continues to be to ensure that the additional demands upon infrastructure, services and facilities from new development are provided for and are put in place at the right time and contribute to the three Council's priorities and capital programme.

- 7.3 It has been agreed previously that annual reports on the status of the agreements be presented to the Area Committees so that Members are fully aware of the infrastructure projects the contributions are used towards in their particular area.

#### **8. ISSUES**

##### **Current legislation/collection of contributions**

- 8.1 In April 2010 the Community Infrastructure Levy (CIL) regulations came into force. These regulations set out three tests which must be satisfied in order for planning obligations to be required. These tests are also set out within The National Planning Policy Framework (NPPF) which came into force on 28 March 2012. The NPPF also supersedes previous government guidance on the implementation of S106 Obligations (Circular 05/2005). The three statutory tests are as follows:

- **Necessary to make the proposed development acceptable in planning terms;**
- **Directly related to the proposed development; and**
- **Fair and reasonably related in scale and kind to the proposed development**

8.2 These revised statutory restrictions are more specific than previous tests and have meant that the Council has been less successful over recent years at collecting the full contributions that the 2006 SPD would seek. Whilst officers always seek to maximise contributions this can unfortunately result in a delay in determining the application. The new test criteria has resulted in some appeal Inspectors being critical of some contributions that the Council has sought and have often dismissed them as not being in compliance with the tests.

8.3 Members will be aware that the standard charges contained within the SPD are based upon contributions to be paid to this Council towards the following categories:-

- community centre/halls,
- leisure facilities,
- play space,
- pitch sport,
- informal open space,
- sustainable transport and
- waste collection facilities and recycling.

There is also provision for contributions towards public realm from non-residential development

8.4 Negotiations to seek contributions in accordance with the legislation and the adopted SPD continue but, as reported in previous years, in these times of continuing financial difficulty there have been more challenges by developers citing amongst other matters the viability of a scheme and the specific need for the contributions. Service Managers and Community Development Officers are involved at the time of the applications. They are advised that any infrastructure projects and proposals put forward to be considered necessary to mitigate the effect of the development must be able to satisfy the statutory tests and details and background documentation are requested to support the response. Given the direction from some appeal Inspectors, without proven justification a decision is made to determine applications either without or with a reduced level of contribution. This is reflected in the notes contained in the appendix.

8.5 At the July 2013 meeting of Cabinet it was agreed that the introduction of the Community Infrastructure Levy for this authority be not pursued for the time being; Members were advised that it could generate less than even the curtailed section 106 system, reduce the amount of affordable housing delivered and discourage smaller sites coming forward, but would remain subject to periodic review . Officers have been tasked with preparing a revised Planning Obligations Supplementary Planning Document before April 2015 to take into account the operation of the pooling restrictions on Section 106 obligations.

8.6 As mentioned in the report last year the CIL regulations seek to curtail the ability of local authorities to continue to use section 106 obligations in the same way after April 2014 through the pooling of contributions -although the Government has indicated this may be delayed until a change over date in 2015.

- 8.7 The pooling limit applies to any obligation which was completed after 6 April 2010. From 6 April 2014 (or possibly 2015 as indicated by the Government) when determining a planning application after this date the LPA is not allowed to request S106 funding for an infrastructure project if more than 5 obligations since 6 April 2010 have already been committed to that project.
- 8.8 This has been interpreted, at present, that the restriction relates to the determination of applications after 6 April 2014 but it does not prevent the pooling of more than 5 obligations which have been completed since 6 April 2010 but before 6 April 2014 to be spent on any one project. This means that already collected S106 money even from obligations after 6 April 2010 can still be pooled more than 5 times and spent after 6 April 2014. The pooling limit is a limitation on determining planning applications after 6 April 2014 not collecting and pooling contributions after 6 April 2010 but before 6 April 2014.

### **Use of existing funds**

- 8.9 The three tests set out in paragraph 8.1 equally apply when allocating the monies received for the defined purpose. The applicant who has entered into a section 106 agreement or a unilateral undertaking has a right to seek a refund if these monies are not used for the appropriate purposes identified in either the specific agreement or the adopted SPD.

The important issue in this respect is that the spending of the contributions must be to **mitigate the effect of the development** i.e. that is the only reason for seeking contributions in the first instance.

An example of this would be an increased use and pressure on any play space within the vicinity of the site which may require additional equipment. There are no restrictions at this time for drawing down contributions (changes in legislation to be implemented from April 2104 or 2015 as set out above) from both Section 106 and UUs for a specific project.

- 8.10 To summarise, the overall strategy for the spend of this money is principally by way of the Council's adopted capital projects and strategies e.g. Greenspace Management Strategy, which provides the background and justification for projects. In Royston and the rural parishes where a commitment is shown and there is a need to improve the infrastructure and a project plan has been produced together with an order or receipt, contributions may be payable. Finally other projects have been identified and come forward through local Councillors or the Community Development Officers.

8.11 The financial position for the Section 106 monies for this Council from 2001/02 are set out in the table below:-

Year	Receipts in year £	Allocated in year £	Total interest received on all S106 balances in year to General Fund £
2001/2	17,729	2,000	192
2002/3	224,542	181,341	1,166
2003/4	5,000	0	3,076
2004/5	364,461	49,166	13,107
2005/6	76,900	53,919	20,957
2006/7	199,278	13,000	26,921
2007/8	164,884	22,650	42,253
2008/9	313,397	78,824	46,753
2009/10	264,798	103,544	29,839
2010/11	404,717	267,976	23,039
2011/12	477,000	59,936	32,888
2012/13	449,650	363,942	42,303
2013/14	8,821	See below	
<b>Total</b>	<b>£2,971,177</b>	<b>£1,196,298</b>	<b>£282,494</b>

8.12 The projects that have benefited from the funding during the last financial year include:-

- **BMX track Royston** 36,000.00  
Improvement to facilities
- **Royston Town Hall- cinema** 21,767.00  
Introduction of additional facilities
- **Priory Memorial Gardens Royston** 19,083.00  
Lighting to MUGA
- **Great Ashby Community Centre\*** 268,467.00  
Extension

\*A contribution to the authority not directly by section 106 but held under these funds

- Village projects:-
  - Great Wymondley Village Hall** 2000.00  
DDA compliance issues
  - Clothall Village Hall** 3388.00  
Towards provision of hall
  - Graveley Parish Council** 5539.00  
Bus shelter and boards, Children's playspace, information boards
  - Ickleford Parish Council** 3784.00  
Equipment for open space, allotment provision, information boards
  - Preston Parish Council** 2083.00  
Provision of multi-use storage facility on recreation ground
  - Wymondley Parish Council** 1821.00  
Improvements to pitched sports provision

8.13 It will be noted that for this current financial year £8821.80 of contributions have been received up until the end of June. At the time of writing this report it is anticipated expenditure (approximate) on contributions for this financial year towards capital projects will include the following:-

• Affordable Housing -Dark Lane Sandon (over next three years)	£326,100
• Hitchin Swimming Pool Changing Village ( commence Sept)	£ 77,831.
• Howard Park Gardens – New woodland garden (complete)	£ 8,660
• Community garden HPG (commence Autumn)	£ 5,353
• Roadway and parking area to allotments Letchworth (Autumn)	£ 3,000
• Walsworth Common Play Area Hitchin*	£ 29,100
• Ransoms Recreation Ground Play Area Hitchin**	£ 29,100
• Avenue Park Baldock ongoing capital improvements (Autumn)	£ 27,343.
• Town Hall Hitchin***	£ 48,624
• Contribution to waste and recycling****	£ 10,000
<b>Total</b>	<b>£565,111</b>

\* Final figure not agreed at time of writing report.

\*\* Specific contribution to Ransoms Recreation Ground Play Area

\*\*\* Minimum contribution – negotiations underway to secure further contributions

\*\*\*\* Minimum contribution-calculated at the end of financial year dependent on commencement of developments.

In addition to which contributions have been allocated for capital projects which will commence in the forthcoming financial years including Bancroft Park and the pavilion on Baldock Road, Letchworth and amount to some £ 200,00 in total at the present time.

This summary does not include any projects which will come through from the Town Council, Community Council and Parishes which would be able to draw down available funding if considered appropriate.

## **Member involvement**

8.14 At the meeting of the Southern Rural Committee last year, when the report was discussed, some Members raised concerns that they may not be aware of the distribution of contributions for the infrastructure projects both within their wards and if identified for the nearby towns and resolved that the Members concerned should be advised of the situation before the funding was agreed. This particularly applies to contributions received from Unilateral Undertakings where no specific project may have been identified at the time. This resolution has been implemented across the District during this year. The recommendations in paragraphs 2.3 and 2.4 reflect this situation and it is suggested that it be formally adopted.

## **9. LEGAL IMPLICATIONS**

9.1 The Council requires Section 106 Agreements and Unilateral Undertakings where appropriate under the Town and Country Planning Acts where development involves matters which cannot be controlled by planning conditions. There are strict rules which govern the negotiation and implementation of matters covered by Section 106 Agreements and in essence, these need to relate to the development proposed both in scale and kind. The Section 106 SPD has been formulated with those principles in mind and the implementation of the SPD is being undertaken in a satisfactory manner.

## 10. FINANCIAL IMPLICATIONS

- 10.1 Interest accruing on S106 receipts is pooled corporately and included in the total income arising from investments. This is the case with all of the Council's 'reserves' and investment interest is then used to contribute towards General Fund revenue expenditure. Risk arising from interest rate fluctuations is considered in the Corporate Business Planning process and is a consideration when setting the level of balances. There may be occasions where the S106 agreement requires a refund with interest in the event that prescribed works are not acted upon.
- 10.2 The financial implications of a planning permission may be agreed but if the planning permission is not implemented the monies will not be received.
- 10.3 When negotiating monies for capital schemes there may be a delay in implementing those schemes which may result in a change of cost.

## 11. RISK IMPLICATIONS

- 11.1 The work associated with the implementation of the Section 106 SPD is currently contained within the existing work plans and resources. A review of the document has been incorporated within the work programme for the Local Plan following the resolution of Cabinet in July 2103 not to pursue a Community Infrastructure Levy for this Council for the time being.
- 11.2 Officers seek to negotiate the maximum contribution from developers for the benefit of residents of North Herts. However, given the current financial climate these negotiations can take a significant amount of time which delays the issuing of a decision notice. Whilst it is considered necessary to continue these negotiations it should be recognised that they will have an impact upon performance indicators, most notably 157b which records the amount of decisions taken within the statutory time period for the smaller developments where perhaps developer profit margins are tighter.

## 12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 There are not considered to be any direct equality issues arising from this report, but individual projects receive individual consideration at the time of allocation, i.e. to ensure DDA compliance.

### **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12.

### **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no new human resource implications arising from the contents of this report as the monitoring of Section 106 and Unilateral Undertakings is currently undertaken using existing staff resources.

### **15. APPENDICES**

- 15.1 Monitoring report on Section 106 and Unilateral Undertakings

### **16. CONTACT OFFICERS**

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### **17. BACKGROUND PAPERS**

- 17.1 Section 106 Supplementary Planning Document adopted November 2006 and monitoring reports