

**LETCHWORTH COMMITTEE
16 OCTOBER 2019**

PUBLIC DOCUMENT

TITLE OF REPORT: ANNUAL UPDATE ON S106 OBLIGATIONS FOR LETCHWORTH COMMITTEE

REPORT OF: THE DEVELOPMENT AND CONSERVATION MANAGER

EXECUTIVE MEMBER: PLANNING AND TRANSPORT

COUNCIL PRIORITY: ATTRACTIVE AND THRIVING

1. EXECUTIVE SUMMARY

- 1.1 This report provides Members of the Letchworth Committee with the annual update on the details of progress made on all Section 106 Obligations within the Letchworth Committee area during the financial year 2018/19.
- 1.2 Unlike previous reports the format of the information presented has been changed to more accurately reflect the diminishing role of discretionary Section 106 funds, that unilateral undertakings are very rarely received and changing restrictions around the collection and distribution of funds.
- 1.3 The information provided in the associated tables reflects this change of emphasis. For the financial year 2018/19 and up to the time of writing there have been no new 106 agreements completed. There have also been no new payments received from developers during the same period relating to the Letchworth Area Committee area. Table 1 sets out details of funds allocated during the previous financial year received from earlier agreements (i.e. pre 31.03.18). Table 2 details remaining funds that have yet to be allocated for Letchworth (see appendix 1).
- 1.4 The report also sets out the current position with respect to changing legislation, how future planning policy may reflect this and outlines progress of a revised strategy to seek wider community and ward Member involvement in identifying relevant projects at the earliest possible stage in the planning process.

2. RECOMMENDATIONS

- 2.1 That Members note the content of this report.
- 2.2 That Members agree that a report shall continue to be presented on an annual basis to the Area Committee, which sets out full records of all Section 106 activity for the preceding financial year and which reflects changes in legislation and practice.
- 2.3 That, other than where a contribution has been negotiated for a specific purpose or project, Ward Members of the area where the Section 106 Obligation or Unilateral Undertaking funding is generated and the Area Committee be consulted prior to funding being allocated away from that area. Members must note that the discretionary funds are rapidly diminishing and will not be replaced under current legislation and practice, for reasons that are set out in this report.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that there is a robust system for negotiating and managing Section 106 Obligations and Unilateral Undertakings, that records activity for each financial year and is placed in the public domain.
- 3.2 To ensure that the process is kept under constant review and Member scrutiny 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 agreements and Unilateral Undertakings.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 This report is being presented to each Area Committee so that all Ward Members are fully aware of the progress and updated in relation 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 what their Section 106 costs might be. Its introduction 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 was 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 Council's priorities and capital programme.
- 7.3 The Community Infrastructure levy (CIL) regulations came into force in April 2010. It is unlikely that the Council will adopt a Community Infrastructure Charging Schedule for the foreseeable future and certainly not for strategic sites and sites which have specific local infrastructure demands. A decision whether to adopt a CIL charging schedule will also depend on regulations at that time, bearing in mind that the government has revised CIL regulations every year since their inception in 2010 giving no consistency to how a local planning authority can plan its implementation.
- 7.4 The implementation of the changes to the Community Infrastructure Levy Regulations introduced in April 2015 with regard to the pooling limits has meant that the 'tariff' system used to calculate contributions as set out in the SPD is now principally used only as a negotiating tool associated with a specific infrastructure project, otherwise it has little or no relevance. Members will note that this pooling restriction has been lifted as of 1 September 2019.
- 7.5 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. RELEVANT CONSIDERATIONS

8.1 Current legislation

- 8.1.1 The Community Infrastructure Levy (CIL) regulations set out three statutory 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 and repeated in the latest version of the NPPF (February 2019). 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**

8.1.2 The pooling limit introduced in April 2015 applied to any obligation which was completed after 6 April 2010. From 6 April 2015, in the determination of a planning application after this date the local planning authority was not allowed to request S106 funding for an 'infrastructure project' or 'types of infrastructure' if more than **5** obligations since 6 April 2010 have already been committed to that project.

A 'type of infrastructure' relates to the categories set out in the Council's SPD and is as follows:-

- 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.

8.1.3 The Housing White Paper (February 2017) indicated that CIL was to be reviewed in Autumn 2017 in preparation for the Budget which was to include reform of S106 Obligations. This review was completed in September 2018 and one of its key recommendations was to abolish the 'pooling' restriction as it has the effect of preventing local planning authorities from considering the cumulative effect of developments on key services and infrastructure. The government had indicated that it would introduce legislation to remove the pooling restrictions which would represent a positive reform by providing more scope for Section 106 Obligations but also less incentive to adopt a CIL tariff as a result. The limitation was finally lifted by revisions to relevant regulations on 1 September 2019. The implication for this loosening of restrictions are being considered by officers and will be reflected in the forthcoming new Supplementary Planning Document relating to Planning Obligations. It is anticipated that draft document will be presented to Cabinet in December 2019 before being submitted for wider consultation.

8.2. Implications for the collecting of infrastructure contributions

8.2.1 The pooling restrictions related to the determination of planning applications after 6 April 2015 but it did not prevent:-

- i) the pooling of the contributions from more than 5 obligations which have been completed since 6 April 2010. This means that already collected S106 money from obligations after 6 April 2010 can still be pooled more than 5 times and spent after 6 April 2015. I would also confirm that this does not affect any funds that remain from prior to 2010 which to date have either not been allocated to a specific project or the implementation and spend is beyond 2015.
- ii) payments being collected after 6th April 2015 provided the obligations were before this date and they can be allocated as at present.

8.2.2 I would confirm that since 6 April 2010 more than 5 obligations have already been agreed breaching the pooling limit on each of the categories in the SPD and from April 2015 no further obligations have been agreed using the 'tariff system' within the SPD.

8.2.3 As the agreement to contributions now relate to specific infrastructure projects it is necessary for the Local Planning Authority to be a party to any agreement so the present and future use of Unilateral Undertakings will be limited and only used in exceptional circumstances.

8.2.4 Negotiations to seek contributions in accordance with the legislation and in particular the tests continue but, as reported in previous years, there have been more challenges by developers citing amongst other matters the viability of a scheme and the specific need for the contributions. Given the direction from some appeal Inspectors, without a proven justification a decision is made to determine applications either with or without a reduced level of contribution.

8.2.5 Over the last few years, since the changes to the regulations Officers have progressed a limited number of agreements for major developments with the emphasis being the justification in order that the authority are not open to challenge. The agreed heads of terms for any application are set out in reports to the Planning Control Committee or delegated file notes associated with each planning application.

8.2.6 Some Members may recall that in 2017 I advised at the Area Committee meeting that the government had updated and modified the Planning Practice Guidance as of the 28th November 2014 and it stated that no contributions should be sought from developments of 10 or less units and in certain designated rural areas the Council may apply a lower threshold of 5 units or less where no affordable housing or tariffs should be sought. This restriction remains in place.

8.3 Use of existing funds

- 8.3.1 The three tests set out in paragraph 8.1.1 equally apply when allocating the monies received for the defined purpose. The applicant who has entered into a Section 106 Obligation 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. Moreover, most Section 106 Obligations contain a 10 year pay back clause which the Council must meet if it has been unable to spend / allocate the funds to the identified project.
- 8.3.2 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.
- 8.3.3 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 is no restriction for drawing down contributions from both Section 106 and UUs for a specific project subject to the recent changes in legislation.
- 8.3.4 To summarise the overall strategy for the spending of this money is principally by way of the Council's adopted capital projects and strategies e.g. the Greenspace Management Strategy which provides the background and justification for projects.
- 8.3.5 For infrastructure projects in Hitchin, outside of the control of this Council, where a commitment is shown and there is a justifiable need to improve the infrastructure, a project plan is required together with an order or receipt, before the contributions would be payable. Finally other projects have been identified and come forward through local Councillors or the Community Development Officers.

8.4 SECTION 106 ACTIVITY FOR LETCHWORTH 2018/19

8.4.1 **Table 1:** Funds allocated during financial year 2018/19 and up to now:

Town	Planning ref.	Planning permission	Date of agreement	Amount allocated	Purpose
Letchworth	05/00307/1	Erection of 77 dwellings at former Bridger Packing Works site, Birds Hill, Letchworth	09.01.2006	£19,850	Play space Baldock Road recreation ground. Floodlight provision
Letchworth	06/00832/1	250 no. dwellings at former Skills Centre, Dunhams Lane, Letchworth	01.12.2007	£76,718	Play space Baldock Road recreation ground. Floodlight provision
Letchworth	06/02029/1	Erection of 14 no. dwellings at former Norton School site, Norton Road, Letchworth	29.01.2009	£17,574.80	Play space Baldock Road recreation ground. Floodlight provision
Letchworth	05/00511/1 and 09/00114/1	Erection of 115 no. dwellings at former Neosid site, Icknield Way, Letchworth	28.09.2007	£28,407.78	Improvements to Norton Common Recreation Ground
Letchworth	14/01080/1	Leys Square, retail and residential development of 47 no. flats	23.02.2015	£19,595.81	Improvements to Norton Common footpaths

8.4.2 **Table 2:** Funds remaining for each category as discretionary spend for Letchworth area (see appendix 1). For ease of reference a summary is provided below:

Letchworth:

Affordable Housing (can be spent anywhere in the District): £206,855

Community Centres: £28,426.26

Health Care (for CCG and NHS): £120,587.59

Informal Open Space: £15,163.65

Sustainable Transport: £113,861.18

8.4.3 As can be seen from these tables, as a result of CIL regulation restrictions, there have been no new S106 Obligations entered into in the last financial year or any new payments received. Also the discretionary pot and available funds where some discretion is allowed as to what projects can be funded is diminishing rapidly and will not be replaced without a significant loosening of the CIL regulations. As a result of these realities and without an adopted CIL tariff the Council must look at other strategies to maximise the return of S106 funding for the benefit of our communities.

8.4.4 NEXT STEPS

8.4.5 To maximise future returns from S106 Obligations focus must turn to identifying relevant projects before the grant of planning permission and it is this area where work is on-going to improve the level of Member and community involvement

8.4.6 Officers are working with relevant Portfolio Holders to establish a more effective ward councillor consultation process for each qualifying planning application in their areas. A balance will need to be struck between enabling Councillors to remain neutral on the outcome of the planning application (importantly not fettering their discretion if they sit on the Planning Control Committee) whilst at the same time assisting officers in identifying local projects which may benefit from S106 funds.

8.4.7 For Parished areas and areas with Town Council representation this new process will also involve greater involvement with the Parish and Town Councils, again striking a balance between allowing Parish and Town Council's to express their opinion on the merits of an planning application proposal but also seeking their input both as identifiers of potential projects and the deliverers of those projects in many instances.

8.4.8 For the remaining but ever diminishing discretionary funds Community Development Officers will continue to work with the Development and Conservation Manager and S106 Monitoring and Compliance Officer to distribute these funds to relevant organisations who are able to deliver key infrastructure for the benefit of the wider community.

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 requirements of the Community Infrastructure Levy Regulations and 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 2018 not to pursue a Community Infrastructure Levy for this Council for the time being.

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1st October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5th 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.

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 **Appendix 1 - Table 2:** Remaining discretionary funds for Letchworth.

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17. BACKGROUND PAPERS

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