

CABINET – 15 JULY 2008

DEVELOPER CONTRIBUTIONS TO SERVICE INFRASTRUCTURE

Report by Head of Sustainable Development

Introduction

1. This report presents a summary of the developer contributions secured through the planning process for 2007/08 (1 April 2007 to 31 March 2008), identifying the financial contributions negotiated, received and spent throughout the year.
2. The following annexes accompany this report:

Annex 1: Number of planning obligations and contributions secured in 2007/08 and 2006/07 – shown countywide and split by district area.

Annex 2: Contributions received & those spent in 2007/08 (by Cluster & Use)

Annex 3: List of the County electoral divisions and "Contribution Clusters"

Annex 4: How the contributions were spent in 2007/08 (countywide)

Annex 5: Government proposals for a Community Infrastructure Levy

What are Developer Contributions?

3. Developer contributions are financial payments made to a local authority, such as the county council, as part of planning obligations. Planning obligations are private agreements or undertakings negotiated, usually in the context of planning applications, between local planning authorities and persons with an interest in a parcel of land. They are intended to make acceptable a development proposal that would otherwise be deemed unacceptable in planning terms. Contributions may also be made 'in kind' (e.g. the provision of improved road junctions); however, contributions 'in kind' are not addressed in detail in this report.
4. Contributions help ensure that appropriate development can be accommodated without unacceptable burdens upon existing communities and the environment. The process of developer contributions operates within the overall principle that where existing community facilities and infrastructure are inadequate to deal with the extra demands arising from future development, developers are expected to ensure that the necessary additional provision of such infrastructure is made at no extra public cost. The use of planning obligations is subject to Government guidance (Circular 05/05 – Planning Obligations) and the fundamental principle that planning permission may not be bought or sold.

Contributions in 2007/08

5. An overview of the year can be summarized as follows:
- Number of new planning obligations: 101
 - Contributions secured in those obligations: £12.212M
 - Contributions actually received: £ 7.437M
 - Contributions spent: £ 4.926M
6. A summary of the number of planning obligations and amounts secured in 2007/08 (and 2006/07) across the county as a whole is set out at **Annex 1**. The data in **Annex 1** includes the final information for 2006/07 top line figures, including five agreements for which the registering took place too late to be included in last year's report.
7. During 2007/08 none of the very large "strategic site" legal agreements expected (e.g. South West Bicester & Didcot West) was actually completed. That largely explains why when the number of obligations secured in 2007/08 compared with 2006/07 increased by 11% the corresponding contributions secured fell by 39% (£7.7M).
8. In addition to the negotiation/completion of the 101 obligations a considerable amount of resources throughout the year have been devoted to progressing assessment and negotiations over the very large strategic sites, such as those proposed west of Didcot (3,300 dwellings) and South West Bicester (1,585 dwellings). Those obligations are now expected to be completed within the current financial year. With most obligations there is a time lag between completion of the legal documents and commencement of the actual development triggering the payments. Consequently the bulk of the contributions secured in 2007/08 will not be received by the county council until later years, once the respective developments actually start. Because some development proposals may not be implemented (and the potential payments would not therefore be triggered) the amount of developer contributions secured, as opposed to received, needs to be viewed with caution.
9. The developer contributions received and spent in 2007/08 is shown in **Annex 2** classified by "Contribution Cluster", where each cluster is based upon one or more county council electoral divisions. A list of electoral divisions and their corresponding clusters is provided in **Annex 3**. The clusters are used to present information on those obligations within a key settlement and its environs, where the developments' impacts are likely to be felt and therefore where mitigation measures are to be provided. Outside the growth areas the clusters are used to group together other Divisions where there is a geographic link. For Oxford, because of the number of planning obligations (over 250), each cluster equates to a county council division.
10. The information within each cluster is split into the various uses to which the contributions are related, e.g. education, transport, libraries etc. The contributions received and spent during 2007/08 primarily relate to obligations

agreed in earlier years. The data in **Annex 1 & Annex 2** do not include items such as land secured for the provision of new schools. The interest accrual on the developer contributions helps to protect the real value of the amounts received until such time as they are able to be used to provide the various infrastructure.

11. At the end of the table in **Annex 2** the “miscellaneous” section shows payments to the county council such as those made in relation to works on the public highway carried out by developers. This has been reconfigured since last year’s report and, where applicable, contributions are now shown within their relevant clusters in the main body of the annex. The reconfiguration accounts for the changes in opening balances compared with last year’s closing balances. Further work on the remaining miscellaneous sums will be carried out this year to refine the data.

Allocation and Expenditure of the Developer Contributions

12. The specific allocation of developer contributions to individual projects is carried out through the periodic review and updating of the Capital Programme. The current allocations of S106 contributions are part of the "Grants and Contributions" element of the finance for the Capital Programme 2007/08 – 2010/11.
13. The profile (virtually all related to transport and education services) of expenditure of developer contributions in 2007/08 reflected the main focus in earlier years, when contributions were largely secured to those types of infrastructure. A summary of the expenditure is set out at **Annex 4**. While the predominance of spend on transport and education is likely to continue there is likely in future years to be a trend towards an increased proportion spent on the other service areas.

Trends and Changes

14. The residential development sector is witnessing a downturn in new house builds in the current economic climate. This will add difficulties to projecting when new housing will lead to increased needs (e.g. schools) and when the contributions will be available to address those needs. However, detailed assessments will continue to be carried out to help plan for the appropriate provision across the county and deliver the improvements effectively.
15. The Government’s proposal to replace a large part of developer funding via legal obligations, by the introduction of a Planning-gain Supplement (PGS), referred to in the corresponding report to the Cabinet last year, has been dropped. It has been replaced by a proposal to introduce a Community Infrastructure Levy (CIL). A summary of the CIL proposals is included in **Annex 5**.
16. The Cabinet meeting on 18 September 2007 (item CA21) considered the Environment & Economy Scrutiny Committee’s review of planning obligations (developer contributions) in Oxfordshire and agreed an action plan. A report

on the progress of implementing the action plan will be prepared for the Cabinet later this year.

Conclusion

17. The past financial year has witnessed a substantial increase in the number of planning obligations secured. There has been continued growth in the number of contributions to specific service areas within those obligations. The funding secured, together with any associated provisions “in-kind” such as highway works, should help the county council continue to improve local infrastructure to mitigate the impacts of future development.

RECOMMENDATIONS

18. **The Cabinet is RECOMMENDED to note the information reported on the developer contributions negotiated and received through the planning process in 2007/08.**

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Background papers: Nil.

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