

## CABINET – 20 JULY 2010

### DEVELOPER CONTRIBUTIONS TO SERVICE INFRASTRUCTURE

#### Report by Head of Sustainable Development

#### Introduction

1. This report presents a summary of the developer contributions secured<sup>1</sup> through the planning process for 2009/10 (1 April 2009 to 31 March 2010) in relation to county council infrastructure and service provision. The report sets out the financial contributions negotiated, received and spent during the year.
2. The following annexes accompanying this report provide:
  - Annex 1** Explanation of planning obligations
  - Annex 2i** S106s completed & money secured (by district) (2009/10)
  - Annex 2ii** 106s completed & money secured (by district) (2008/09)
  - Annex 3i** List of the localities and County Council electoral divisions
  - Annex 3ii** Map of localities
  - Annex 4** S106s completed & amounts secured (by locality) - Chart
  - Annex 5** S106s completed & amounts secured (by locality) - Map
  - Annex 6** Contributions received, spent & held (by locality/use) -Table
  - Annex 7** Summary amounts received, spent & held (by use) -Table
  - Annex 8** Amounts received, spent & held (by locality) - Chart
  - Annex 9** Amounts received, spent & held (by locality) – Map
  - Annex 10** Expenditure overview

#### What are Developer Contributions?

3. Developer contributions are financial payments made to local planning authorities (including the county council) as part of planning obligations (**Annex 1** provides a brief explanation of planning obligations). Contributions help ensure that appropriate development can be accommodated without unacceptable burdens upon existing communities and the environment. They can help provide various items of infrastructure (see **Annexes 6, 7 & 10**) which help to support all of the Council's four priorities and indeed are crucial to achieving healthy and thriving communities. Contributions may also be made 'in kind' (e.g. the provision of improved road junctions); however, contributions 'in kind' are not addressed in this report.

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<sup>1</sup> Secured by means of planning obligations also referred to as S106s or Section 106 agreements.

## Contributions in 2009/10

4. An overview of the year can be summarized as follows:
- Number of planning obligations secured: 82
  - Contributions secured in those obligations: £28.385M
  - Contributions received throughout the year: £ 7.242M
  - Contributions spent during the year: £ 5.341M
5. A summary of the number of planning obligations and amounts secured by the County Council in 2009/10 across Oxfordshire (split into the relevant district areas) is set out at **Annex 2i** (**Annex 2ii** provides the corresponding 2008/09 data). During 2009/10 a planning obligation for one “strategic site”<sup>2</sup> (Land south east of Bankside; at Bodicote/Banbury) was completed<sup>3</sup> which largely accounts for the higher amount of contributions secured in the area of Cherwell District Council compared with the other districts. Within Oxford the pattern of a comparatively high number of relatively low value contributions echoes the number of small development proposals coming forward.
6. When comparing the countywide overview of 2009/10 with that of the previous year there is also a substantial difference in the amount of contributions secured. This is mainly because in 2008/09 planning obligations for three strategic sites were completed as opposed to the one in 2009/10. The total amount of contributions secured in 2009/10 is the second highest annual amount we have secured in any one year.
7. With most obligations there is a time lag between the completion of the legal deeds, the issuing of planning permissions and the start of the built development which then leads on to the triggering the payment of contributions. Consequently, the bulk of the contributions secured in 2009/10 will not be received by the County Council for several years from the date of the relevant agreement. Occasionally some development proposals may never be implemented (potential payments would not therefore be triggered) and so the amount of developer contributions secured, as opposed to received, needs to be viewed with caution.
8. Of the three strategic site negotiations concluded in 2008/09; both Didcot West (Great Western Park) and South West Bicester (Kingsmere) commenced development in June 2010. The third site, Heyford Park, is currently in its master-planning stage of the redevelopment; notwithstanding that a substantial commercial and residential development exists. The receipts of a substantial proportion of the contributions associated with these sites are probably at least two years away, depending on speed of housing delivery at the sites.

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<sup>2</sup> Strategic Sites are those residential development sites where one would usually expect the development to trigger the need for a new primary school, for example sites over 700 dwellings (other smaller residential and commercial sites may also qualify as Strategic Sites)

<sup>3</sup> i.e. signed, dated and sealed by the relevant parties.

9. The developer contributions received and spent during 2009/10 are shown by reference to the 14 localities<sup>4</sup> across the county. A list of the localities and corresponding divisions is provided given in **Annex 3i** together with a map in **Annex 3ii**. The number of planning obligations and the values of contributions secured within each locality is shown in **Annexes 4 & 5**. The comparatively large amounts secured in the Banbury and Kidlington & Yarnton localities are as a result of particular education infrastructure requirements.
10. The details of the amounts received and spent during the year and the end of year balance within each locality is provided in **Annex 6**. The information is split into the various types of infrastructure to which the contributions are related, e.g. education, transport, libraries etc. The contributions received and spent during 2009/10 primarily relate to obligations agreed in previous years. The data in the various annexes do not include items such as land secured for the provision of new schools or works on the public highway undertaken by developers. 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.

### **Allocation, income and Expenditure of the Contributions**

11. Developer contributions are predominantly used to fund the Capital Programme. The specific allocation of developer contributions to individual projects is carried out through the periodic review and updating of the Capital Programme. The current allocation of S106 contributions to capital projects totals £25.9m and is included in the "Grants and Contributions" element of the finance for the Capital Programme 2009/10 – 2014/15 approved by Council in February 2010.
12. The income and expenditure for 2009/10 shown by Locality in **Annexes 6, 7, 8 & 9** largely arise from obligations secured several years ago; hence the reason why the income within the Oxford<sup>5</sup> locality accounts for about 34% of the overall £7.242M received, while the locality accounts for less than 2% (see **Annex 4**) of the contributions secured within the year. The expenditure of developer contributions during the year was predominantly focused on the Witney and Oxford localities (Numbers 12 & 14 respectively).
13. **Annexes 6, 8 & 9** show the amount of developer contributions actually held at the end of the year 2009/10 by Locality. The four Localities focused on Bicester, Didcot, Witney and Oxford account for over three quarters (77%) of the total (£42.89M) held at the end of the year.
14. A summary of the expenditure for the year is set out in **Annex 10**. The predominance of spend is on transport (54.4%) and education (42.5%). The type of infrastructure to which expenditure of developer contributions in

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<sup>4</sup> Localities are based around market towns and their hinterlands and the city of Oxford. These areas are based on County Council divisions and reflect district boundaries, except around Didcot, which includes the town and all surrounding parishes.

<sup>5</sup> The Oxford locality differs from the other localities in that it covers the whole of the City of Oxford whereas the other district council areas are split into 3 or 4 localities.

2009/10 was directed again reflects the planning obligations completed in previous years; when contributions were almost exclusively secured towards highway and education infrastructure. About 3.1% of the developer contributions spent in 2009/10 was spent on non-transport/education infrastructure, such as library and strategic waste service areas. While a relatively small proportion of the overall contributions spent, that expenditure is significant in delivering infrastructure and service improvements to meet the needs arising from new development in order to help secure healthy and thriving communities.

## **Trends and Changes**

15. It is difficult to project as and when the development sector picks up after the recession how quickly new housing will be built and when this will lead to increased needs (e.g. schools) and particularly when the contributions so far secured will be received 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 infrastructure in a timely and effective manner.
16. The recent change in Government means that in the short term the introduction of proposals to improve infrastructure and housing delivery through such as the proposed Community Infrastructure Levy (CIL), or tariff mechanisms is uncertain. What is clear though is that in 2009/10 the number of major planning applications upon which the County Council was consulted by the district councils fell to 121, down by 271 (69%) from the number in 2007/08.

## **Financial and Staff Implications**

17. The contributions held and secured will help the County Council towards delivering the capital programme in line with the capital strategy.

## **Conclusion**

18. The financial year 2009/10 saw developer contributions over £28M secured towards future infrastructure provision; an indication of the scale of expected development (particularly housing) and the consequent need to provide infrastructure to satisfactorily accommodate the development and the corresponding population growth within the county. The £5.3M developer contributions spent in 2009/10 (largely from S106s in previous years) primarily helped deliver improvements to transport and education infrastructure.
19. The extent to which the housing development sector picks up in the current challenging economic climate will influence the timing of the receipt of contributions secured in 2009/10 and consequently the subsequent expenditure and infrastructure delivery. Detailed assessments of the likely development growth will continue to be carried out to help plan for the

appropriate provision across the county and deliver the infrastructure effectively.

## **RECOMMENDATIONS**

20. **The Cabinet is RECOMMENDED to note the information reported on the developer contributions negotiated and received through the planning process in 2009/10.**

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Background papers: Nil.

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