

DEVELOPER SECTION (S) 106 DEFERRAL REQUESTS

To: Cabinet

Date: 8 September 2009

From: Executive Director: Environment Services

Electoral division(s): Little Paxton & St Neots; Buckden, Gransden & The Offords; Papworth & Swavesey; Abbey

Forward Plan ref: 2009/010 Key Decision: Yes

Purpose: To consider the requests by developers for deferral of S106 contributions.

Recommendation: Cabinet is invited to consider the eight Section 106 deferral requests contained in this report and to approve the following recommendations (for the reasons set out in the report):

- 1) Loves Farm (St Neots Market Town Transport Strategy Contributions) - Accept**
- 2) Loves Farm (Bus Revenue Contributions) - Accept**
- 3) Loves Farm (Primary School Contributions) – Reject**
- 4) Loves Farm (Library Contribution) – Accept**
- 5) Summersfield (Education Contributions) – Reject**
- 6) Summersfield (Bypass Contribution) – Reject**
- 7) Riverside Mill (Education Contribution) – Reject**
- 8) Riverside Mill (St Neots Market Town Transport Strategy Contribution) - Accept**

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1. BACKGROUND

- 1.1 A Section 106 Agreement (S106) is a legal agreement that is generally required alongside the grant of a planning permission and is made between the Council and developers. A S106 Agreement is a way of delivering or addressing matters that are necessary to make a development acceptable in planning terms.
- 1.2 Over the last 10 years, developers have signed in excess of 500 S106 Agreements with the County Council in which they have agreed to pay financial contributions, mainly in relation to education, libraries and transport facilities / infrastructure. In total, £48.3m has been received in the 10 years, with a further £27.3m to be collected when development payment triggers are reached.
- 1.3 The schemes which are funded by S106 contributions are linked to the County Council's capital programme and are reflected within the Integrated Plan, as well as other documents such as the Local Transport Plan and service based capital programmes. All County Council S106 contributions are negotiated and secured in line with current adopted planning policy.
- 1.4 As a result of the economic slowdown, the County Council has received a number of requests from developers who are seeking to defer Section 106 payments that have already been negotiated. A process to deal with such requests was agreed by Cabinet on 7 July 2009 and the recommendations in this paper are based on that agreed process. That process requires that deferral requests in excess of £250,000 are considered individually in a report such as this. Others are outlined in The Integrated Finance and Performance Report.

2. SECTION 106 DEFERRAL REQUESTS

- 2.1 The County Council has received eight s106 deferral requests over £250,000 (or cumulative contributions totalling over £250,000 contained within one s106 agreement). These requests have been made in relation to four separate developments:
- **Loves Farm, St Neots (1,352 dwellings)**
 - Request to defer the St Neots Market Town Transport Strategy Contributions
 - Request to defer the Bus Revenue Contributions
 - Request to defer the Primary School Contributions
 - Request to defer the Library Contribution
 - **Summersfield, Papworth Everard (359 dwellings)**
 - Request to defer the Education Contributions
 - **Summersfield, Papworth Everard (Business Park & residential)**
 - Request to defer the Papworth Bypass Contribution

- **Riverside Mill, Little Paxton (427 dwellings)**
 - Request to defer the Education Contributions
 - Request to defer the St Neots Market Town Transport Strategy Contributions

2.2 The details of the developments and the assessment of the deferral requests are contained in Appendix 1. Based on these assessments, recommendations for Cabinet to consider on each of the development's are as follows:

Loves Farm (1,352 dwellings)

2.3 It is recommended that the requests to defer the St Neots Market Town Transport Strategy Contribution, Bus Revenue Contribution and the Library Contribution be accepted. There will be no financial cost to the County Council in accepting these deferral requests, nor will there be any negative impacts on the community.

2.4 The Primary School at Loves Farm has already been built and opened. As a result, the County Council has already paid for the works out of its own funds and therefore needs to recover the S106 contribution to effectively balance its books. It is recommended that the request to defer the primary school contribution should not be accepted as the money is required by the County Council to pay off an existing debt.

Summersfield – (359 dwellings)

2.5 It is recommended that the request to defer the education contributions should not be accepted as this money is required to fund works at Pendragon Primary School which have already been completed. Therefore, the County Council requires this money to pay off an existing debt. The money is also required to fund works at Swavesey Village College which are due to commence in autumn 2009.

Summersfield – (Business Park and Residential)

2.6 It is recommended that the request to defer the Papworth Bypass contribution should not be accepted. Papworth Bypass opened in 2007 and this money is required by the County Council to pay off an existing debt.

Riverside Mill (427 dwellings)

2.7 It is recommended that the request to defer the education contribution should not be accepted as this money is required to fund works to Longsands Community College. The works to Longsands Community College are due to commence in summer 2009.

2.8 It is recommended that the request to defer the St Neots Market Town Transport Strategy Contribution be accepted. This money is likely to be allocated to a scheme which is not due to commence until late summer 2010.

There will be no financial cost to the County Council in accepting this deferral request, nor will there be any negative impacts on the community.

3. SIGNIFICANT IMPLICATIONS

Financial Issues and Implications

- 3.1 A significant part of the Council's capital programme is funded through s106 funding. If s106 payments are deferred, there is the potential to have a financial impact on the Council if borrowing has to be undertaken to fill the gap temporarily left by the s106 funding. This has been fully considered when making the recommendations to Cabinet. Any requests which would require the County Council to borrow have been given a negative recommendation.
- 3.2 It is important to note that all s106 contributions are index linked from the date of the s106 agreement (or date negotiations commenced) to the date of payment. Index linking ensures that the County Council is protected against rising construction prices or any other changes, such as bus services becoming more expensive. Any deferments which are agreed will not affect indexation in any way. If a 12 month deferral were accepted, the contribution would be sought in 12 months time and would be linked to the index figure in 12 months time.
- 3.3 If a deferral is granted, then indexation will continue to be added up until the point of payment. Therefore there is no reasonable basis to charge interest during the deferral period.
- 3.4 If deferral requests are accepted, wherever possible, it is suggested that the developer should be informed by written letter and the original s106 agreement should not be varied. The County Council will honour the written letter. However, if a deferral is granted and the developer fails to meet the terms of deferral in the future, the County Council can turn to the existing S106 agreement and will have the power to enforce a penalty interest clause (usually 4% above the base rate depending on the District) if necessary.

Resources and Performance Implications

- 3.5 If schemes funded by s106 payments are delayed, this could have an impact on the Council's performance and particularly the services that it provides to the Community. This has been considered in the assessments.

Statutory Requirements and Partnership Working

- 3.6 The County Council has statutory responsibilities for the provision of certain services, such as education. Any agreement to defer S106 payments must not jeopardise the County Council's ability to deliver services it has statutory responsibilities for. The assessments have taken this in consideration and appropriate recommendations have been made.

Climate Change

- 3.7 There are no significant climate change implications.

Access and Inclusion

- 3.8 There are potential access and inclusion implications should developers seek to defer S106 contributions relating to transport. These implications have been considered.

Engagement and Consultation

- 3.9 Officers within the Growth and Infrastructure Directorate have made the relevant Local County Member, District Member and Parish Council Members aware of all deferral requests received to date. Officers within Growth and Infrastructure will alert the relevant Members as to the outcome when the final decision is made.

Source Documents	Location
Copies of S106 agreements are held by the New Communities Service	Castle Court A wing 2nd Floor
Original S106 agreements are held by the County Council Records Office	Shire Hall 023