



Portfolio Holder Report

The portfolio holder will make a decision on this item after seven days have elapsed (including the date of publication).

Report of:	Portfolio Holder	Date of publication
Mark Broadhurst, Service Director Health and Wellbeing	Councillor Alan Vincent, Resources Portfolio Holder	14 February 2019

Reimbursement of a (s106) commuted payment to McDermott Homes

1. Purpose of report

- 1.1 To authorise the partial reimbursement of a commuted payment made by McDermott Homes in lieu of onsite affordable housing on a site known as the former Auction Mart site, Lancaster Road, Pilling (planning ref: 03/00953/OUT).

2. Outcomes

- 2.1 To facilitate appropriate residential development within the Borough.

3. Recommendations

- 3.1 That approval is given for the reimbursement to McDermott Homes Ltd of £69,387.39 commuted funds paid as required by the section 106 agreement pertaining to planning application ref: 03/00935/OUT dated 28 November 2016. This approval is subject to the revision of the s106 agreement to the satisfaction of the Head of Planning Services.

4. Background

- 4.1 An outline planning permission (03/00953/OUT) on a site known as the former Auction Mart site, Lancaster Road, Pilling was granted in 2003. The current developer, McDermott Homes Ltd., bought the site in 2007.
- 4.2 The original permission had an onsite affordable housing requirement for 10 units. This was reduced to 3 units following a viability assessment and this was subsequently revised to an off-site payment which was secured through a section 106 agreement dated 28 November 2016. This amounted to £67,100. The developer has paid £71,507.95, which

includes an element for index linking as well as interest in the sum of £1,620.56 due to late payment.

- 4.3** The developer started the development in autumn 2017 and has been onsite for twelve months. Places for People are under contract to purchase fourteen of the smaller units, which the developer asserts are for more than 25% below the anticipated sales value. On the rest of the site only two units have been sold over twelve months.

5. Key issues and proposals

- 5.1** The developer has approached the council stating that the site has not achieved the sales rates or values anticipated with resultant increases in sales, preliminaries and financing costs. Owing to the lack of purchaser demand the developer has agreed to the sale of fourteen of the units at an under-value to Places for People, who will provide the dwellings as affordable rental properties.
- 5.2** The developer has requested the return of the commuted sum paid in lieu of onsite affordable housing, as Places for Places are now providing 14 affordable units onsite, which is significantly above the onsite requirement under the council's emerging Policy HP3. However, in planning policy terms the two matters are not related. Places for People have acquired the units on an open market basis, albeit at a discount on the anticipated sales values. Further to that, the Places for People units are not bound by any planning obligations.
- 5.3** Nonetheless it is recognised that the development of the site has not realised the values assumed within the original appraisal. The resultant increased costs have meant that the commuted payment would not be affordable had the site been appraised on this basis. Further still the development should now provide fourteen affordable units albeit not via planning obligations, and this number of units is significantly higher than the amount that the payment of £69,387.39 would facilitate in itself.
- 5.4** It is recognised that the developer has taken a risk in bringing a stalled site forward which has assisted in the delivery of the Council's overall housing trajectory. The developer would have been better advised to further revisit viability risk prior to start on site, but neglected to do this and unfortunately sales demand has been a lot lower than hoped. As such it is recommended that the council reimburses the developer, McDermott Homes, as analysis now demonstrates a significant net loss. This would thereby improve the viability for the developer and is likely to also assist in the delivery of housing at the site.
- 5.5** The site will thus support the Business Plan 2015 – 2019 Enterprising Wyre objectives in the higher than required provision of affordable housing. Reimbursement will encourage appropriate market housing to come forward. It is considered that this is a site specific situation.

- 5.6** The funding has not been allocated and the Service Director for Health and Wellbeing and the Head of Planning Services support the recommendation. The interest on late payment is intended to be retained for the s106 purposes together with £500 towards the cost of revision of the s106 agreement.

6. Delegated functions

- 6.1** The matters referred to in this report are considered under the following executive function delegated to the Planning and Economic Development Portfolio Holder (as set out in Part 3 of the council's constitution): "to consider arrangements for the provision of housing and facilitate the provision of social housing by external organisations."

Financial and legal implications	
Finance	The reimbursement is discretionary and means that there will be a reduction in capital receipts available to spend on a future scheme of £69,387.39.
Legal	Under the terms of the relevant s106 agreement, the use of the funding is at the discretion of the Council.

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

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List of background papers:		
name of document	date	where available for inspection
None		

Appendices

None

dem/ph/cr/19/0002dt1