

COUNCIL-LED GARDEN COMMUNITY UPDATE

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service	William Cornall, Director of Regeneration & Place
Lead Officer and Report Author	William Cornall, Director of Regeneration & Place
Classification	Public Appendix L and M are exempt as defined in Schedule 12A of the Local Government Act 1972, paragraph 3, Information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected	All, but in particular Harrietsham & Lenham and Headcorn Wards. Lenham Parish Council and Boughton Malherbe Parish Council are affected.

Executive Summary

The proposal was last considered by this Committee on 24th June 2020. The purpose of this report is to provide an update in respect of the progress made since then in pursuing a Council-led garden community, near Lenham Heath (Heathlands), and to agree the overall business case for the proposal and the level of financial exposure that this would mean for the council itself over the medium term. Furthermore, it is important that this Committee should signal its ongoing commitment to the proposal, if it were so minded, in advance of any decisions that will be made by the Local Planning Authority (LPA) on the preferred spatial strategy. As in the case of previous reports to this Committee, the contents of this report relate to the Council's position as a potential property owner/ developer and not as LPA.

Purpose of Report

For decision.

This report makes the following recommendations to this Committee:

To endorse the second stage submission made to the LPA and in doing so signal the Council's intention to continue to work with Homes England (HE) to act as master developers to bring forward the Heathlands proposal, and specifically approve:

- A. The second stage vision document and revised masterplan provided as appendix G, as well as the other supporting appendices too.

- B. The financial model for the Heathlands proposal provided as private appendix L.
- C. The shared (with HE) impending financial commitment to continue the promotion of the proposal through the Local Plan Review (LPR) process, to secure the land options and to secure Planning consent over the coming years.
- D. The use of the second stage vision document as a means and basis for further community engagement in collaboration with the Parish Council.

Timetable	
<i>Meeting</i>	<i>Date</i>
Policy and Resources Committee	21 July 2020

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1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<p>Impact on Corporate Priorities</p>	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling • Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>Accepting the recommendations will materially improve the Council's ability to achieve all the corporate priorities.</p>	<p>Director of Regeneration & Place</p>
<p>Cross Cutting Objectives</p>	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>The report recommendations support the achievement of all the cross cutting objectives.</p> <p>Through delivering much needed homes to include 40% affordable housing of which 70% would be for social rent. The emerging masterplan is landscape led with circa 50% of the total area proposed as green space. Led by the ambitions set out in the Strategic Plan the Council can ensure that the design principles of development where it is the master planner reflect the commitment to reduce health inequalities amongst other things.</p>	<p>Director of Regeneration & Place</p>
<p>Risk Management</p>	<p>See section 5.</p>	<p>Director of Regeneration & Place</p>

Financial	<p>Investment in developing the Garden Community proposal forms part of the Council's five-year capital programme and meets the Council's criteria for capital investment. The capital programme allows for development of the proposal including securing options over the land and obtaining planning permission, and budgetary provision exists for the expenditure described in the report and the future plans outlined here. The budgeted expenditure in the capital programme will be funded in part by Homes England as set out in this report.</p> <p>Funding of the Heathlands development, as set out in Appendix L, is beyond the scope of the Council's existing capital programme.</p>	Section 151 Officer & Finance Team
Staffing	<ul style="list-style-type: none"> We will deliver the recommendations with our current staffing. 	Director of Regeneration & Place
Legal	<ul style="list-style-type: none"> Acting on the recommendations is within the Council's powers There are no direct legal implications arising from the report at this stage, however, legal input will continue to be provided as the project develops 	Principal Solicitor - Commercial
Privacy and Data Protection	<ul style="list-style-type: none"> No impact. 	Policy and Information Team
Equalities	<ul style="list-style-type: none"> Officers will commence the preparation of an Equalities Impact Assessment or equivalent should the proposal feature in the draft spatial strategy of the Local Plan Review. 	Policy & Information Manager
Public Health	<p>Whilst new developments will have varying impacts on the health of the population or individuals the masterplan vision document seeks to address section 8 of the National Planning Policy Framework, promoting healthy and safe communities.</p>	Public Health Officer
Crime and	<ul style="list-style-type: none"> The recommendation will not have a 	Head of Service

Disorder	negative impact on Crime and Disorder.	or Manager
Procurement	<ul style="list-style-type: none"> N/A. 	Head of Service & Section 151 Officer
Biodiversity	<ul style="list-style-type: none"> The revised masterplan brief seeks a biodiversity net gain within the proposed redline. 	Head of Policy Communications & Governance

2. INTRODUCTION AND BACKGROUND

2.1 The council is pursuing this project as it is consistent with its Strategic Plan priority of “embracing growth and enabling infrastructure” and the desired outcomes within it:

- The Council leads master planning and invests in new places which are well designed.
- Key employment sites are delivered.
- Housing need is met including affordable housing.
- Sufficient infrastructure is planned to meet the demands of growth.

2.2 This report will provide an update on the progress made since the last report to this committee and make recommendations in respect of the next decisions and steps, and will address the following areas:

- Second stage submission to the LPA
- Feedback from the LPA
- Financial model
- Promotional costs and programme
- Delivery model and the role of Homes England
- Landowners
- Potential motorway junction
- Community engagement
- Broader considerations

2.3 **Second stage submission to the LPA.** During the week of the 15th June, the following documents were submitted to the LPA (at their request):

- A) Maidstone Borough Council vision statement
- B) Maidstone Borough Council position statement
- C) Maidstone Borough Council delivery model
- D) Maidstone Borough Council 2nd Stage Masterplan Client Brief
- E) Maidstone Borough Council 2nd Stage Masterplan and Explanation
- F) Landscape and Visual Technical Advice Note
- G) Second stage masterplan vision document
- H) Housing statement
- I) Employment statement
- J) Infrastructure statement
- K) Transport statement

L) Financial model

2.4 These can all be viewed as correspondingly labelled appendices (although K & M are private appendices. Appendices A-K are in draft form and may evolve in response to further feedback from the LPA so should be considered in that context, inasmuch they represent a position in time rather than being definitive. Furthermore, in time the LPA will most likely publish similar documents for the other garden community proposals. Committee Members may wish to particularly focus on Appendix G, the second stage masterplan vision document, but a summary of its provision is as follows:

- 770 acres gross
- 4,000 homes, of which 40% affordable housing
- 27.4 acres of employment land
- 2 primary schools
- 117.3 acres of country park
- New train station / halt
- Safeguarded area for a potential motorway junction

2.5 **Feedback from the LPA.** The LPA appear to be broadly content with the second stage submission and they have sought further clarification around the following matters:

- The financial model, and some changes have been agreed that are reflected in the model provided as appendix L.
- The sewerage treatment plant, in terms of its capacity and potential impact on development. Accordingly, a meeting is scheduled with the water authority in the coming weeks.
- Discussions with Network Rail in respect of the new train station. Homes England are now leading on the more detailed exploration of this matter.
- The impact of the mineral's allocation in the Kent County Council Minerals and Waste Plan that broadly covers the southern half of the third phase of development (western parcel) best illustrated on page 29 of appendix G. A meeting has taken place on this topic with the Minerals Authority, the LPA and their advisor Stantec, and all parties appear content that residential development could indeed follow extraction, but it will introduce some programme risk to the final sub-phases. Rather than pre-empt any views it is appropriate to allow time for the LPA to firm up their view on this matter in the coming weeks. However, it might be that the LPA might indicate that the time frame for the development period be lengthened or indeed the quantum of development be reduced to take account of it.
- Possibly with the previous point in mind, the LPA have asked that the availability of a ribbon of land to the north of the railway line be explored for much longer-term development. It is uncertain as to whether this would be the preference of those landowners, but as garden community promotor the Council is in effect obliged to explore the possibility of this in principle, but to be clear, the proposal doesn't include this land at the present time.

- 2.6 At the time of writing, all five of these areas are being positively explored with the LPA and the appropriate stakeholders.
- 2.7 **Financial Model.** This is provided at Appendix L. This shows the project as having a fifteen year construction timeline commencing in 2027, delivering a commercially acceptable margin and a residual land value that is understood to be acceptable to the principal landowners whilst also delivering sufficient land value capture (in the form of Community Infrastructure Levy (CIL) and S106) to deliver a fully fundable proposition. Whilst the overall value of the proposal is considerable, it would not ultimately be funded in the main by the Council, as the Council working with Homes England, intends to take an enabling or master developer role, which will be explained further in the subsequent sections.
- 2.8 The financial model shows the total receipts will come from a combination of the sale of homes for private sale, the sale of affordable housing (to a Registered Provider/s), and the sale of commercial property too. So, whilst the overall value of receipts it is considerable, different sectors will contribute to the overall funding mix.
- 2.9 At the time of writing, the LPA is providing further feedback on the financial model, and may request some changes, although these are not expected to be material.
- 2.10 **Promotional costs and programme.** At risk expenditure on the proposal will be circa £300,000 at the point at which the LPA publishes its public consultation stage of the LPR, the LPA's preferred spatial distribution for future development in the borough. Should the Heathlands proposal feature in this, and continue to gain traction thereafter through to being allocated in the Local Plan Review, and on to securing a Planning consent, inclusive of securing "Options" over the principal landownerships, costs would reach £3m over the first five years of the project ending March 2024. It is these costs that Homes England have undertaken to share 50:50, this is subject to Homes England approval which is due to be considered at internal committee in September following a period of initial project due diligence which will shortly be underway.
- 2.11 These indicative costs are detailed in exempt appendix M.
- 2.12 **Delivery model and Homes England (HE).** In high level terms, MBC/HE would be most likely in time to pursue one of the following delivery strategies:
- A. Sell the land options on to a private sector developer or developer consortium, soon after securing Planning consent, for a fee that reflects the sunk costs to that point inclusive of a reasonable risk margin.
 - B. Exercise the land options and so acquire the land soon after securing Planning consent, most likely on a phased basis, potentially undertaking some infrastructure and site servicing works, so readying the site for onward sale, most likely on a phased basis, to a private sector developer or developer consortium at a price that reflects land value uplift generated through the securing of outline planning,

infrastructure investment, infrastructure investment, sunk promotional costs and margin.

- 2.13 Given the residual land value in Appendix L, even if this were shared 50:50 with HE, delivery strategy B would be too costly an investment and too high a risk for the Council. However, it is possible that HE may favour this option alone but at the time of writing their position is not yet known. Or indeed they might wish to pursue Option B if MBC were prepared to join them as a minority partner.
- 2.14 The Council should take account of the views of Homes England as to which strategy is most appropriate, and it is envisaged that they will have reached a conclusion on this by the Autumn.
- 2.15 In the meantime, the financial exposure for strategy A would be £3m shared 50:50 with HE as the default and less risky option. The worst case scenario would be that there might prove to be no appetite from private sector developers (or consortia) to acquire the options, in which case they would eventually expire and the investment made jointly by the Council and HE would be lost. Or indeed, HE might then choose to exercise the land options themselves.
- 2.16 A key factor that contribute to Heathlands being a potentially attractive proposition to the developer sector is land being available for acquisition with the benefit of Planning consent at a price that is evidenced as being commercially viable inclusive of the required land value capture.
- 2.17 That said, perceived down side risks, from the developer perspective, might be that the garden community concept is unproven in the borough, that the infrastructure requirements mean an unacceptably high level of peak debt, or that more broadly the overall timelines of the project are too long for their respective business plans. That said, having HE as a partner is an important mitigation to this risk.
- 2.18 However, much progress has been made inasmuch there is a reasonable chance of Heathlands featuring in the LPA's preferred spatial strategy, the land requirement is known and understood, and the principal landowner's are willing to make their land available via Option agreements, and HE are willing to share the next stage of financial exposure. Accordingly, a fork in a road is effectively now being reached inasmuch as this Committee is being asked to consider reinforcing its commitment to the project and signalling this intent to the LPA, and in doing so commit itself to the financial exposure set out in the promotional costs and programme section. Should the LPA not favour the proposal at the next stage of the LPR, this financial commitment wouldn't materialise beyond the sunk costs to date.
- 2.19 In terms of entering into Option agreements with the principal landowners, the details of those proposed deals will now be taken forward but will be brought back to this Committee prior to entering into them, most likely in the Autumn, coupled with a firm delivery strategy informed by HE.

- 2.20 In terms of the partnership with HE, the possible governance structures for this are currently being explored and firm proposals will be brought back to this committee in the Autumn too, and this will also take forward the work outlined at the 22 April 2020 meeting of this committee in terms of the possible structures set out by Pinsent Mason, that were;
- MBC in house delivery
 - MBC arm's length vehicle
 - Jointly owned vehicle
 - Locally Led New Town Development Corporation
- 2.21 These options will be explored and evaluated with HE too, and their views and future intentions will inform to some degree the recommendations that officers make at the time.
- 2.22 There are also other mechanisms by which the council might choose to invest in the broader proposal once development is underway. For example, the council could pre purchase some or all the c1600 affordable homes that will be made available through the S106 agreement to Registered Providers on terms consistent with Maidstone's newly approved Affordable Housing Supplementary Guidance. Or indeed it could choose to invest in the commercial property that will be provided on the site.
- 2.23 **Landowners**. The position with the principal landowners is unchanged since the last report, and preliminary discussions have taken place with the landowners north of the railway in terms of the two access roads that would be required (via their agent).
- 2.24 **Potential Motorway Junction**. As advised at the previous Committee meetings, this matter is now being explored by the LPA through Duty to Cooperate meetings, but an area of land has been safeguarded for it in the latest vision document / masterplan. However, if Highways England were eventually minded to provide it, they might well prefer an alternative location elsewhere on the A20 / M20 corridor.
- 2.25 **Community Engagement**. The Parish Council and Ward councillors opted to defer the intended meeting in June until such time as the second stage masterplan can be shared with them.
- 2.26 **Broader considerations**. Good progress continues to be made but Members should be mindful that the project will be complex and challenging to deliver, and no doubt many obstacles and complications will be encountered and need to be overcome on the journey. The success of the project will also depend to some degree on different stakeholders inclusive of the local community itself, and the Council's ability to provide them with clear and consistent messaging, and to form strong productive working relationships with them, both at officer and Member level. Also, there will be complex political structures to work through, for example the Local Enterprise Partnership, in terms of building consensus around the railway station for example, as well as the ongoing ambition for the motorway junction on the A20 / M20 corridor.

- 2.27 That said, the project does present huge opportunities for the borough. These are set out in the employment statement (Appendix I) in terms of the following:
- £1bn construction value
 - 1,000 direct and indirect jobs
 - 4,000 new homes, of which 40% would be affordable
- 2.28 Furthermore, the project does present the opportunity for the council to lead the way in terms of place making, with an emphasis upon eco and biodiversity credentials.
- 2.29 In conclusion, from the outset, it has always been highlighted that progress on the project will be of an iterative nature. Much progress has been made and there is now greater clarity around the land required, the will of the principal landowners to participate and the proposed partnership with HE, but there is still further work to do. The LPA will soon be publishing its draft preferred spatial strategy, at which stage it will be known whether the Heathlands proposal is to be taken forward to the next stage of the LPR. It has now been estimated what the project will cost to fund through to securing Planning consent, and options for a delivery strategy have been identified, taking account of the need to minimise risks.
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3. AVAILABLE OPTIONS

- 3.1 Option A: To endorse the second stage submission made to the LPA and in doing so signal the Council's intention to continue to work with HE to act as master developers to bring forward the Heathlands proposal, and specifically approve:
- A. The second stage vision document and revised masterplan provided as appendix G, as well as the other supporting appendices too.
 - B. The financial model for the Heathlands proposal provided as private appendix L.
 - C. The shared (with HE) impending financial commitment to continue the promotion of the proposal through the Local Plan Review (LPR) process, to secure the land options and to secure Planning consent over the coming years.
 - D. The use of the second stage vision document as a means and basis for further community engagement in collaboration with the Parish Council.
- 3.2 Option B: To withdraw from the Heathlands proposal and notify the LPA so that it can be removed from the LPR process.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is A, as it is consistent with the council's strategic plan. The council has taken a bold step in pursuing the proposal, has made good progress to date, and so it would be appropriate to continue to invest prudently to see it through to the next key milestone in the LPR and beyond, with the best likelihood of success.
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5. RISK

- 5.1 When this proposal was presented to this Committee in September 2019, the likely risks were set out as follows:
- At risk consultancy expenditure.
 - A period of uncertainty for the community affected.
 - Possible negative perceptions of a broader role for the Council in the context of acting as master developer.
 - Maintaining cohesion amongst the landowner group.
- 5.2 These risks have to some degree crystallised and largely remain. However, the level of cohesion amongst what is a now smaller landowner group, is now strong.
- 5.3 When the proposal was last reported on 24th June, further risks were identified, that broadly remain unchanged, as follows:
- Terms cannot be agreed with the landowners.
 - That the LPA does not support the proposal at the next stage of the LPR.
 - Challenge from individuals or organisations that oppose the principle and/or the specific details of MBC's council-led garden community.
- 5.4 In terms of new and emerging risks, these are as follows:
- Now is that the LPA could move to support the proposal in the next stage of the LPR process, but this Committee falters in its resolve to continue to back the project over the long term. I.e. This committee must decide if it intends to move forward, in careful and measured steps, cognisant of the fact that more work needs to be undertaken, with greater detail provided, particularly in relation to the financial terms with the landowners and the preferred delivery model, both of which will be brought back to this Committee in the Autumn.
 - The Council will also need to work in collaboration with the LPA and other key stakeholders to continue to explore the opportunities and constraints presented by the Minerals allocation and the Southern Water Plant and refine mitigation strategies for them. The LPA will be seeking assurance on these matters and will provide their definitive views on them in due course.

6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Nothing further to report since June 24th.

7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The next steps will be to:

- Advance the commercial negotiations with the principal landowners and bring the final terms of the proposed deal/s back to this Committee prior to moving to contract stage.
 - Continue to promote the proposal to the LPA through the LPR process.
 - Develop the preferred delivery model with Homes England.
 - Continue dialogue with Lenham Parish Council and other community groups / stakeholders.
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8 REPORT APPENDICES

Appendices A to M of which L&M are private.

9 BACKGROUND PAPERS

None.