

# Executive Decision Report

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## **Ashton Green – Appointment of Development Partner**

Decision to be taken by: City Mayor

Decision to be taken on: 16 December 2021

Lead director: Andrew L Smith

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**City Mayor**

## **Useful information**

- Ward(s) affected: Beaumont Leys
- Report author: Geoff Mee
- Author contact details: x37 2975
- Report version number: v1

### **1. Summary**

- 1.1 The purpose of the report is to approve the appointment of Morris Homes Limited as Development Partner for a 18.8 ha (46.5 acres) parcel of residential development land known as Ashton Green, Phase C and to enter into a Development Agreement.

### **2. Recommendation**

- 2.1 The City Mayor is asked to;
- a) Approve the appointment of Morris Homes Limited as Development Partner for Ashton Green, Phase C.
  - b) Approve entering into a Development Agreement for the sale of land and development of Ashton Green, Phase C on detailed terms to be agreed by the Strategic Director (City Development and Neighbourhoods).

### **3. Supporting information including options considered:**

- 3.1 Ashton Green Phase C comprises two parcels of land either side of Ashton Green Road as outlined in Appendix 1.
- 3.2 The land edged red (16.85 ha) relates to a proposed housing scheme of up to 380 new homes including 30% affordable housing and the land edged blue (2.68 ha) to the east of Ashton Green Road is opportunity for housing apartments, a retail scheme and potentially an Extra Care housing scheme.
- 3.3 Both sites benefit from recently constructed access roads funded through the Governments Housing Investment Fund.
- 3.4 The proposed development partner, Morris Homes Limited, were one of a number of developers bidding for the opportunity through the Homes England Delivery Partner Panel (DPP3), a panel of over 40 major developers within the Midlands region and were selected on the basis of the land price offer and quality of their development proposals.

- 3.5 The development partner selection process involved a staged invitation to tender and further negotiations to ensure the production of comprehensive high quality design submissions and robust financial analysis in support of the land value offers.
- 3.6 The quality assessment process considered matters including; the scheme proposal and design approach, the enabling infrastructure works and long term management, planning, programme and phasing, the commercial rationale, the project team, approach to project management, employment creation and project risk management. The process also included the role of sub-developers for the delivery of the commercial elements.
- 3.7 The evaluation of the land price offer of £12.951m referred to in the Financial Implications (5.1) included thorough financial modelling and the support of external Property and Cost Consultants for independent external scrutiny.
- 3.8 The development proposals meet the requirements of the outline planning permission (2018), the development brief for the village centre and the site wide development strategies with a clear urban design analysis in identifying opportunities and constraints, and meeting the objectives of the development parcel design guidance. The proposals also demonstrate a well-designed urban layout of appropriate residential uses that optimises the capacity of the site.
- 3.9 The proposals also identify the opportunity to create a 'place' and homes with distinctive character and meet the other key requirements of the development brief in terms of a commitment to the principles of sustainable development including green infrastructure and sustainable urban drainage and providing suitable highways and transportation solutions having regard to the site wide development aspirations.
- 3.10 Morris Homes will have the role of lead developer/development partner and will work with sub-developers to bring forward the other commercial and specialist housing opportunities.
- 3.11 The indicative development programme will involve the negotiation of a development agreement by during 2022, a planning application submission by the end 2022/early 2023 with planning and highways approvals to follow by late 2023.

#### **4. Details of Scrutiny**

- 4.1 The Ashton Green scheme has previously been considered through the planning process including at Planning and Development Control Committee and at EDTT Scrutiny Commission.

## 5. Financial, legal and other implications

### 5.1 Financial implications

5.1.1 The Council has essentially 2 options, namely:

1. Accept the offer from Morris Homes for £12.951m assuming S106 agreements can be negotiated through the planning process.
2. Reject the offer and retender the site.

5.1.2 If the offer from Morris Homes was accepted, the Council would be expected to receive capital receipts of an estimated £12.951m over 5 years. It should be noted that like most development offers, this could be subject to change if for example, specific ground conditions are found or planning design requirements change so the Council may actually receive a lower capital receipt. The proposed introduction of the Future Homes and Future Buildings Standards expected in 2025, could have development cost implications that may also impact on the land value offer through the planning process.

5.1.3 Conversely, the Council may potentially receive additional receipts through an overage clause if sales values are greater than originally estimated.

5.1.4 External consultants (Savills) have been employed to review sales values proposed by Morris Homes and have indicated that the offer does reflect the housing market.

5.1.5 In terms of options at this stage, if the Council rejected the offer and retendered, it could potentially receive a higher offer in the future. On the other hand, it may also receive a lower offer in the future and even be placed in a very difficult position of getting a new lower offer which it would potentially need to accept to avoid stalling the Ashton Green development.

5.1.6 If the Council did retender, the delay would be likely to be in the region of 18 months or so which would impact on agreed targets for housing delivery linked to the secured MHCLG Housing Infrastructure Funding (HIF) that has delivered new roads on the site. A delay in delivery would be likely to harm relations with MCHLG so that future bids may be looked upon less favourably.

5.1.7 Receiving receipts over 5 years rather than upfront is not a particular problem for the Council as long as tranches of land are not formally transferred until payment is made.

**Nick Booth**

Treasury Manager ext. 37 - 4063

### 5.2 Legal implications

5.2.1 The Council is required to obtain the best consideration reasonably obtainable in the disposal of land and property in accordance with the provisions of section 123 of the Local Government Act 1972 (as amended). Best consideration is usually evidenced by open marketing, and as explained in this briefing the property was subject to a compliant tendering exercise and therefore the Council has complied with its legal obligations, subject to ensuring

the values referred to in this briefing are achieved. Consideration may also be required for the land sale documents to include appropriate indexing in the event the purchase monies are to be paid in phases.

5.2.2 As explained in paragraphs 3.5-3.6 of this Briefing, while the final land value may not be identified until the conditional requirements have been discharged, the Council should ensure it continues to comply with its obligation to obtain best consideration. The Council may also require the sale documents to include appropriate overage provisions in order to secure future benefits in terms of additional development value.

5.2.3 Both the formal terms of sale and sale documentation should contain appropriate provisions to ensure compliance with development obligations, including compliance with planning and other regulatory requirements at the purchaser's cost (including any s.106 obligations that may be imposed). The Council should ensure that at all times the purchase monies received do not fall below the market value offered for the property. Regard should also be given to the potential for clawback of Homes England funding in the event that the outputs required by the funding agreement are not achieved.

**John McIvor**  
Principal Lawyer ext. 37-1409

5.3 Climate Change and Carbon Reduction implications

5.3.1 Evaluation of the tender from Morris Homes Limited has confirmed that the proposals meet the requirements for carbon reduction in the Site-Wide Energy and Carbon Reduction Strategy (SWE CRS). The SWE CRS defines how development of the site will meet Condition 10 of the Outline Planning Permission. The SWE CRS includes a requirement that houses will exceed the carbon savings required in Part L of the Building Regulations 2013 by at least 19%.

5.3.2 It should be noted that the Government intends to increase the minimum carbon reduction and energy efficiency requirements in the Building Regulations through an interim uplift to the Regulations in 2021, followed by the introduction of the Future Homes and Future Buildings Standards expected in 2025. The changes are expected to have the following effect on the minimum level of carbon savings required, compared to the current 2013 Part L:

	<b>Building Regulations Interim Uplift 2021</b>	<b>Future Homes / Buildings Standard 2025</b>
New homes	31% reduction.	At least 75% reduction. No gas boilers.
New non-domestic buildings	Average 27% reduction (varying between different building types).	Carbon reduction still to be confirmed. No gas boilers.

5.3.3 The interim uplifted regulations will be published in 2021 and come into force in June 2022 according to the Government, with transitional arrangements applicable where plans are deposited before that date and construction begins before June 2023. For phases where construction starts from June 2023 or later, the full uplifted requirements will apply. The Future Homes and Buildings Standards are expected to be introduced in 2025, with the detailed timetable and transitional arrangements still to be confirmed.

5.3.4 So, depending on the timetable for development of this parcel at Ashton Green, the new homes and other buildings will need to meet at least the uplifted carbon reduction requirements and some are likely to have to comply with the Future Homes / Buildings Standards. This will raise their performance substantially above that required in the SWECRS.

**Duncan Bell**

Climate Change Manager. Ext. 37 2249

#### 5.4 Equalities Implications

5.4.1 To ensure that Ashton Green Phase C, which comprises a housing led mixed-use development including a proposed retail centre and Extra Care housing, complies with relevant building regulations with regards to accessibility (Part M of the Building Regulations), which would be relevant under the protected characteristic of Disability as defined by the Equality Act 2010.

5.4.2 Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

**Sukhi Biring**

Equalities Officer Ex 37 4175

#### 5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None

#### **6. Background information and other papers:**

None.

#### **7. Summary of appendices:**

None.

**8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

No

**9. Is this a “key decision”?**

No

**10. If a key decision please explain reason**

n/a