

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	10 October 2023
<b>Title:</b>	Manydown North, Basingstoke – Update
<b>Report From:</b>	Director of Hampshire 2050

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### Purpose of this Report

1. The purpose of this report is to provide an update on the Manydown North project. It seeks approval in principle to the drawdown (purchase) of the freehold land and summarises (in a Confidential Appendix) several legal, procurement and financial issues that are likely to need resolution before a final decision to proceed with the acquisition can be made.
2. The report seeks a delegated approval to undertake a due diligence exercise (in conjunction with representatives of the joint owner Basingstoke and Deane Borough Council) to conclude the contractual arrangements to support the onward delivery of the site.
3. It also seeks a delegated approval to the Overarching and Key Phase 1 Business Plans (provided in Annex B and C) which set out the approach to the delivery of the site and the initial phase of development.
4. Finally, approval is sought to the requested 2023/24 operational budget from the Manydown Development LLP partner on the basis set out in the Confidential Appendix.

### Recommendations

That Cabinet

5. Delegates, subject to the reciprocal approval of Basingstoke and Deane Borough Council (as joint owner), authority to the Director of Hampshire 2050 and Assistant Chief Executive (in consultation with Leader and Executive Member for Hampshire 2050 and Corporate Services, the Chief Executive, the Director of Corporate Operations and the Assistant Director - Legal Services and Monitoring Officer) to work with Basingstoke and Deane Borough Council officers (and our mutual external advisors) to conclude

negotiations with The Manydown Company Ltd, in line with the principles set out in paragraph 12 of the Confidential Appendix and, subject to undertaking the necessary due diligence, and following a Gateway Review, to complete the purchase of the Manydown North land.

6. Approves the principle of the identified changes to the Joint Venture contractual agreements (as summarised in the Confidential Appendix) to enable the Manydown North land acquisition to be concluded and delegates authority to the Director of Hampshire 2050 and Assistant Chief Executive (in consultation with the Director of Corporate Operations and the Assistant Director - Legal Services and Monitoring Officer) to work with Borough Council Officers (and our mutual advisors) to agree any minor amendments and finalise the agreements.
7. Approves the scope and principles of the Overarching Business Plan and the Key Phase 1 Business Plan for the Manydown North land as summarised in the report and provided in Annex B and C of the Confidential Appendix, with the Director of Hampshire 2050 and Assistant Chief Executive (in consultation with the Director of Corporate Operations and the Assistant Director-Legal Services and Monitoring Officer) authorised to conclude the final terms of these Plans as may be required.
8. Approves in principle the drawdown of part of the approved Manydown loan funding to support the County Council's contribution towards the proposed Manydown Development Vehicle (MDV) LLP 2023/24 Budget on the basis set out in the Confidential Appendix.
9. Delegates, subject to the reciprocal approval of Basingstoke and Deane Borough Council, authority to the Director of Hampshire 2050 and Assistant Chief Executive (in consultation with the Chief Executive and the Director of Corporate Operations) to authorise release of the MDV LLP 2023/24 Budget on the basis set out in the Confidential Appendix.

## **Executive Summary**

10. This paper seeks to:
  - summarise the background to the Manydown North project, including the planning and procurement context and progress to date.
  - notes the previous assumptions regarding the basis of land acquisition (drawdown) and an alternative approach to expedite the project.
  - secure approval to the principles of the proposed financial Deal Structure and summarises the associated legal, procurement and financial issues of the proposed basis of acquisition, and a proposed due diligence exercise.
  - delegates authority to the Director of Hampshire 2050 and Assistant Chief Executive to finalise the terms of the Deal Structure and following a Gateway Review process to conclude the acquisition.

- secure a delegated approval to finalise and complete the Overarching and Key Phase 1 Business Plans for the Manydown North land.
- secure approval to the identified 2023/2024 Manydown Development Vehicle (MDV) LLP budget and the County Council's contribution (through loan funding) to this expenditure on the basis set out in the Confidential Appendix.

### **Context and progress to date**

11. In 1996, the County Council and Basingstoke and Deane Borough Council jointly acquired a 999-year leasehold interest in the Manydown Estate at a shared cost of £10million from The Manydown Company Ltd (TMCL). This acquisition, which extends to approximately 800ha of land capable of accommodating c.8,000 dwellings with supporting infrastructure (schools, local centres, open space etc.), was (and remains) subject to an Option to Purchase agreement within the Lease. The leasehold interest was acquired under the Town and Country Planning Act 1990 powers to acquire for the purpose of facilitating the carrying out of development or for a purpose necessary to achieve in the interests of the proper planning of an area in which the land is situated.
12. In 2016, the Councils were successful in securing an allocation for the development of approximately 40% of the Manydown land (Manydown North) for around 3,250 dwellings to be delivered up to 2029 (see Plan 1). In March 2017, an outline planning application was submitted for most of the allocated site for determination by the Borough Council as Local Planning Authority. Resolution to Grant planning consent was secured in July 2020 and planning consent was granted in December 2021 following the negotiation of a complex, tiered Section 106 agreement.
13. In February 2018, the Executive Member for Policy and Resources approved the detailed business case for and the selection of Urban & Civic (U&C) (supported by the Wellcome Trust) as its development partner, subject to a period of due diligence and completion of a suite of complex and interrelated development, funding, and JV Member agreements.
14. A separate Joint Venture arrangement between the County Council and Borough Council was formed known as the Manydown Garden Communities (MGC) LLP. In July 2020, MGC LLP formed a Joint Venture partnership with U&C and the Wellcome Trust known as the Manydown Development Vehicle (MDV) LLP. The suite of legal agreements prescribes the roles and responsibilities of the different parties and levels of delegation and provides the framework for the financial arrangements for the project in terms of land purchase, Loan Notes between the JV parties and the timing and level of net returns.
15. The agreements also enshrined an explicit link between the commencement of development and the need to have met certain obligations including the preparation and approval of both the Overarching and initial Key Phase

business plans, together with securing a Reserved Matters planning consent in respect of the first Key Phase. A key element of the business plan(s) relates to the finance model, and in particular the strategy for and cost of the land drawdown (or purchase) of the freehold reversion of the Manydown North land. The content of the business plans is summarised below and discussed in more detail in the Confidential Appendix to this report.

16. Importantly, as the County Council (as applicant) does not own the freehold of the application site, and TMCL is not party to the Section 106 agreement, the Local Planning Authority (and the County Council in its Regulatory capacity) have conditioned that the applicant (or its successor) must own the whole application site before any part of the planning permission can be implemented. This has been a key consideration in the land drawdown strategy/negotiations summarised below and discussed in more detail in the Confidential Appendix to this report.

### **Land Drawdown (Purchase) Strategy**

17. The 1996 Option agreement sets out the process for land drawdown including the need for a qualifying planning permission (in outline or detail) before the option can be triggered. The grant of outline planning consent for the Manydown North land has allowed formal negotiations with the freeholder, TMCL to begin in earnest.
18. U&C, together with the Council's external advisors, have supported the two Councils in these negotiations to ensure the basis of any purchase facilitates a purchase of the whole rather than part to enable the development to proceed; aligns as far as possible with the different parties' value expectations, and importantly recognises the likely variance of market conditions over the life of the project.
19. The County Council, alongside Basingstoke and Deane Borough Council have therefore been in negotiation with TMCL to purchase the freehold land for Manydown North. The principles of these commercially confidential negotiations are detailed the Confidential Appendix and Annex A to this report, including the financial and non-financial parameters and structure through which a deal would be progressed.
20. As any deal is concluded, there is also a wider piece of due diligence work that will be undertaken to close out a range of legal, financial and procurement issues, including any required changes to the existing JV contracts before drawdown (purchase) of the Manydown North land can be completed.

### **Business Plans**

21. As noted above, there are several contractual obligations that the Council's JV partner must satisfy before the development of the Manydown North land can commence. A key obligation is the preparation and approval of the

Overarching and Key Phase 1 Business Plans, the expected content of which is set out in Schedule 2 of the MDV LLP Member's Agreement.

22. As the name suggests, the Overarching Business Plan (OBP) sets out the approach for the whole Manydown North development and should be regarded as the 'parent' document from which the guiding principles and approach are then pulled through into subsidiary Phase and Parcel specific plans over the life of the development. Unless there is a substantive change required, the OBP will remain in place once approved, whilst the Phase specific plans are likely to need revising as each successive phase of development is brought forward.
  
23. Since the formation of the Joint Venture with U&C and the Wellcome Trust, the project has been operating under an Interim Business Plan (approved by the Executive Member for Policy and Resources in March 2019). With the recent progress on the land negotiations, U&C have now prepared a draft OBP and Key Phase 1 Business Plan for consideration and approval by the Councils. Given their commercial sensitivity these plans are provided in Annex B and C of the Confidential Appendix. These have been carefully reviewed by the Councils' project team, are agreed in principle apart from the redacted sections and are now recommended for approval subject to a delegated authority to finalise these Plans.

### **Manydown Development Vehicle (MDV) LLP 2023/24 Budget**

24. On an annual basis the MDV LLP is required to set out its budget requirements for the forthcoming financial year which runs from 1<sup>st</sup> October to 30<sup>th</sup> September as set out in the Joint Venture contract agreements. A budget requirement has now been identified by the Development Manager (U&C) for the 2023/24 period. It is recommended that the overall budget request is approved in principle on the basis set out in the Confidential Appendix. The County Council's contribution will be funded by drawing down part of the approved loan funding for the Manydown project as set out in the County Council's Treasury Management Strategy approved February 2020.

### **Next Steps**

25. On the assumption that the Deal set out in the Confidential Appendix and Annex A is approved in principle, a period of due diligence including finalisation of terms with TMCL will follow and conclude with a joint Gateway Review to be held with relevant Members and Officers of the County Council and Borough Council.

### **Performance**

26. The proposals set out above will support all the Corporate Priorities.

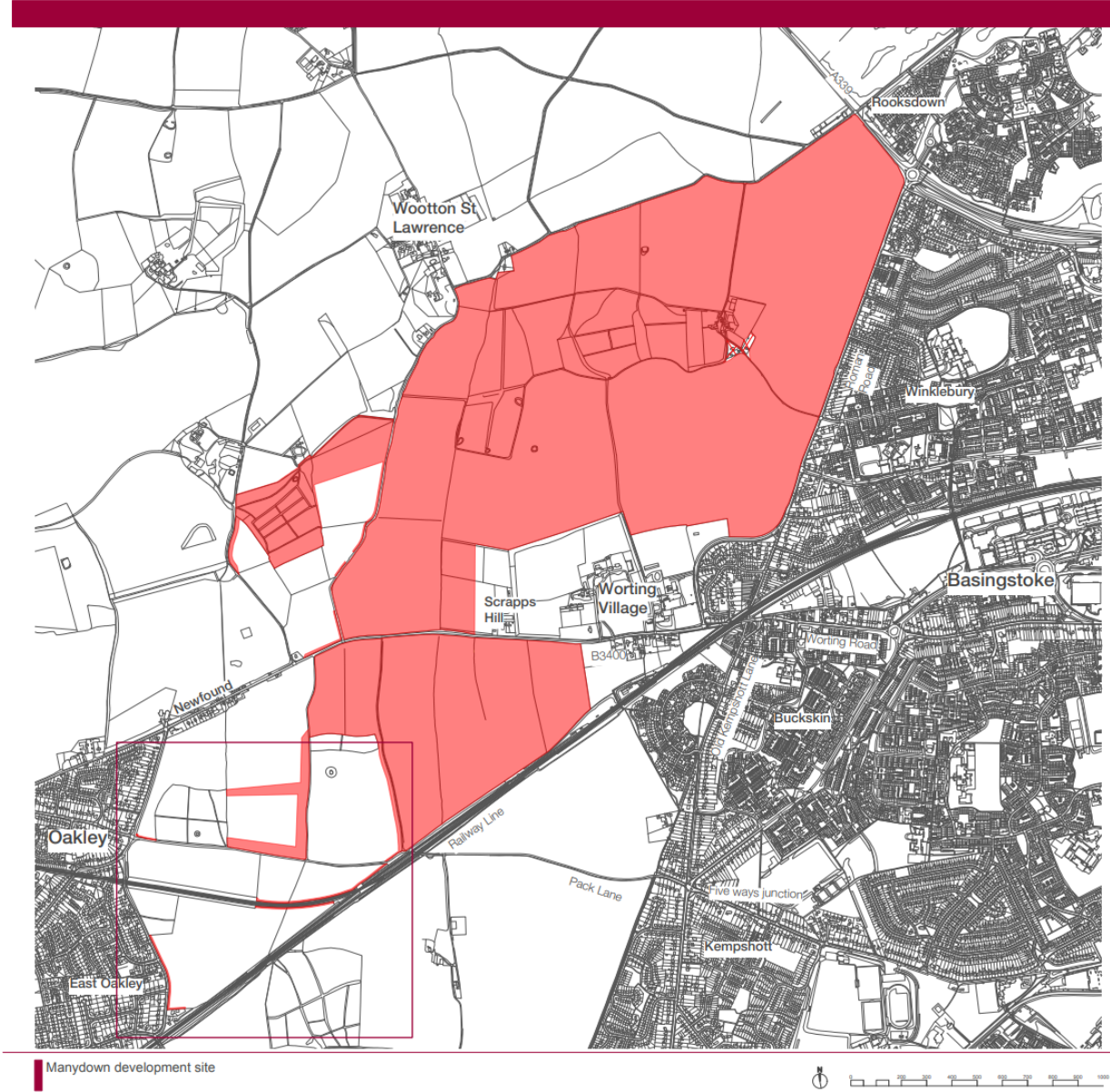
## **Consultation and Equalities**

27. An EIA has been undertaken (reference number EIA65394744). No specific impact has been identified on those within the “protected characteristics”, identified by the Equality Act 2010. A positive impact is identified on Poverty in the locality due to the positive economic growth impacts which can be executed from a development of this scale.
28. To date the Councils' strategy for the project has been strongly influenced by the Councils' desire to achieve the principles and objectives and deliver meaningful and complementary social and economic benefit for the new Manydown North community, adjacent communities, and the wider Basingstoke area. These will be further developed in partnership with the selected Private Sector Partner, Urban and Civic and which are encapsulated within Joint Venture contracts or as commitment within emerging Business Plans.

## **Climate Change Impact Assessments**

29. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
30. The carbon mitigation and climate change adaptation tools utilised by the County Council were considered and deemed not applicable for this Decision, as the purpose of this decision is to secure approval in principle to the basis of land acquisition for and not the form of development of the Manydown North site in Basingstoke.

# Plan 1 – Manydown North land



**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	yes
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u>	<u>Date</u>
Cabinet - MTFS	18 <sup>th</sup> October 2017
<u>EMPR:</u> Strategic Land update	7 <sup>th</sup> February 2018
Strategic land Update – Manydown	24 <sup>th</sup> July 2018
Manydown Update	20 <sup>th</sup> June 2019
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u>	<u>Date</u>

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

<u>Document</u>	<u>Location</u>
None	



## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

An EIA has been undertaken (reference number EIA65394744). No specific impact has been identified on those within the "protected characteristics", identified by the Equality Act 2010. A positive impact is identified on Poverty in the locality due to the positive economic growth impacts which can be executed from a development of this scale.

To date, the Councils' strategy for the project has been strongly influenced by the Councils' desire to achieve the principles and objectives and deliver meaningful and complementary social and economic benefit for the new Manydown North community, adjacent communities, and the wider Basingstoke area. These will be further developed in partnership with the selected Private Sector Partner, Urban and Civic and which are encapsulated within Joint Venture contracts or as commitment within emerging Business Plans.