

# CABINET

Thursday, 9 December 2021

## PROPERTY TRANSACTION REPORT

### Report of the Chief Executive

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#### Recommendation(s)

It is recommended that Cabinet

- (1) Approve additional expenditure of £30.7M (Appendix A) to bring forward the delivery of secondary infrastructure at One Horton Heath funded by borrowing repaid from future sales and rental income;
  - (2) Approve the revised serviced plot business plan (Appendix B); and
  - (3) Approve the revised First Reserved Parcel (FRP) business plan (Appendix C)
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#### Summary

The Council has previously purchased land and assets to deliver a new community west of Horton Heath in the borough (total 320 acres i.e. 129 hectares). Land purchases and the Project Brief followed Cabinet approvals in October 2017, July 2018, April 2019, and September 2020, and the project is known as One Horton Heath.

Cabinet approval is sought to approve the budget for the Secondary Infrastructure Delivery (SID) and updates

The attached Financial Appraisals and supporting information are explained in this report

#### Statutory Powers

Localism Act 2011

#### Strategic Implications

1. This proposal responds to the One Horton Heath Project Brief, as well as several of the Council's Corporate Objectives.
2. A key Council Corporate Plan objective is ensuring there is a planned housing supply to meet residents' requirements for new housing in the borough. The

Corporate Strategy for Housing (February 2018) explains the Council is a housing delivery enabler and taking responsibility for making development happen in the area, with an emphasis on actively using its own assets and capabilities to unlock housing opportunities.

3. On 11 July 2019, Cabinet approved a Project Brief for the One Horton Heath Project, which confirmed the direction of travel or 'roadmap' for the Council's development team responsible for the planning, design and implementation of the Council's aspirations for the land as landowner. Further information about the project is online at [www.onehortonheath.co.uk](http://www.onehortonheath.co.uk)
4. The Project Brief aims to deliver the maximum reasonable quantum of residential development, to ensure efficient use of land. Delivering infrastructure ahead of residential development wherever possible and otherwise simultaneously with development, is another key aim, and justification for accelerating secondary infrastructure within the One Horton Heath Boundary in order to deliver on the infrastructure first approach.

## **Introduction**

5. One Horton Heath is a major mixed-use development set across 320 acres which is being delivered directly by the Council providing many opportunities to meet and further Corporate objectives in respect of the environment, housing supply, health and wellbeing of residents in the Borough.
6. Since acquiring the land in 2018 operations have focused on land management, various forms of site wide enabling work and installation of major new highway infrastructure and green spaces at the northern and southern ends of the site.
7. In September 2021 the Development Management Committee approved a new site side masterplan, a consent once issued that will set parameters for all future design, delivery and long-term operation of the site.
8. In October 2021 the Development Management Committee approved plans for the first phase of housing and new green infrastructure adjacent to Burnetts Lane.
9. In line with the Council's commitment to infrastructure first, plans have already been submitted for the new link road between Burnetts and Lane and Allington Lane which will be opened in 2023 prior to any houses being occupied.
10. OHH prioritises provision of the right infrastructure at the start of the project. Now that the new masterplan has been approved, the Council is able to progress the remaining primary infrastructure in accordance with the approved business case. The Council also wishes to accelerate provision of site wide secondary infrastructure and is seeking Cabinet approval to incur further expenditure so that all primary and secondary infrastructure is provided by completion of the first phase of housing.

## Secondary Infrastructure Delivery

11. In the context of One Horton Heath, secondary infrastructure includes the following elements within the site boundary, between development parcels and enroute to key destinations within the site layout such as the school local centre and sports provision, the cost breakdown is shown in Appendix A.
  - (a) Carriageways, footways & cycleways.
  - (b) Mains drainage, water, electricity, telecoms and broadband.
  - (c) Formal and informal open spaces.
  - (d) Surface water management via on site Sustainable Drainage Systems (SuDS).
  - (e) Destination play facilities.
  - (f) On site sports provision.
  - (g) Ecological mitigation.
  - (h) Nutrient mitigation via on site SuDS.
  - (i) Biodiversity Net Gain (BNG)
12. There are a variety of reasons why approval to accelerate delivery of the secondary infrastructure is being sought at this time.
  - (a) Previous approvals operated on the assumption that all secondary infrastructure would come forward in piecemeal fashion alongside development parcels.
  - (b) Having now fixed the new masterplan some elements of secondary infrastructure need to be delivered in advance of housing parcels in any event e.g., carriageways, footways & cycleways to the onsite education facilities and destination play.
  - (c) The scope of onsite delivery has grown over the course of planning determination since original business case approval, for example nutrient mitigation, ecological mitigation and BNG.
  - (d) It is more desirable and sensible to take a comprehensive approach to secondary infrastructure delivery rather than progressing individual development parcels with the need to complete individual additional infrastructure items at a later date.
13. The primary reason for accelerating the secondary infrastructure is to fully realise the Council's commitment to infrastructure first for the benefit of existing and new residents in this part of the Borough and to de-risk future

delivery of individual development parcels. The full extent of the approved infrastructure and the FRP can be seen at Appendix D leaving the future parcels (non-shaded areas) for approval.

## **Financial Implications**

14. A summary of the historic financial approvals for One Horton Heath is shown at Appendix E.
15. Bringing forward the delivery of SID at a cost of £30.7M will be initially funded by borrowing and repaid from future sales and rental receipts. It is important to note that this cost is not an increased cost to the overall project budget but bringing forward spend to enable delivery of the Councils 'Infrastructure First' approach.
16. As this cost will become part of the serviced land appraisal last approved in September 2020, the revised appraisal shown in Appendix B is required to be reapproved. This shows a net reduction in surplus to £9.16M, recognising the £30.7M cost of SID.
17. Whilst the total surplus at this stage is reduced, the business case recognises that should the Council decide to sell off serviced plots in the future and they still only generate an income of £84,000 a plot the scheme will create a net surplus.
18. This income figure is now some years out of date, and this value will have risen over time with inflation, and to recognise the reduced delivery risk in the delivery parcels. The District Valuer is providing an updated figure which has yet to be received at the time of writing.
19. Whilst it is envisaged that income will have increased, it is also noted that construction costs will have increased over this period. Where known, such as where construction costs have already been incurred, works are ongoing, or tendered for, actual forecast costs are factored into the business case. Where costs are upcoming but as yet untendered for, such as the SID costs, estimates are included in the business case having been calculated using the latest current forecasts.

20. A financial summary of this approval is shown below:

<b><u>Land Appraisal</u></b>			
	<b>Expenditure (£)</b>	<b>Income (£)</b>	<b>Total (£)</b>
Projected Income Total Cost	181,363,971	(221,214,150)	
<b>Position Approved Sept 2020</b>	<b>181,363,971</b>	<b>(221,214,150)</b>	<b>(39,850,179)</b>
Adjust LAAC Grant to Income	20,800,000	(20,800,000)	
Additional SID Costs Financing Costs of SID	28,087,441 2,600,000		
<b>New Net (SURPLUS) Position Approved Dec 2021</b>	<b>232,851,412</b>	<b>(242,014,150)</b>	<b>(9,162,738)</b>

21. As the FRP previously approved included a cost element of SID (£1.2M) this has been removed from the FRP appraisal. This leads to a reduction in the FRP budget of £1.2M as detailed in Appendix C and shown in summary in the table on the following page:

<b><u>FRP Appraisal</u></b>			
	<b>Expenditure (£)</b>	<b>Income (£)</b>	<b>Total (£)</b>
Projected Income Total Cost	121,786,750	(121,981,250)	
<b>Position Approved Feb 2021</b>	<b>121,786,750</b>	<b>(121,981,250)</b>	<b>(194,500)</b>
Reduced Cost for SID	(1,200,000)		
<b>New Net Position Approved Dec 2021</b>	<b>120,586,750</b>	<b>(121,981,250)</b>	<b>(1,394,500)</b>

Note – The total expenditure includes £33.012M of costs allocated from the land appraisal so the true additional capital spend is £87.6M.

22. In addition to the Council's usual project monitoring processes, further cost monitoring is regularly undertaken by the Horton Heath Commercial Manager, due to the size of the funds involved. These include a full monthly cost report to both the Project Management Team and Financial Services and fully reported to the Horton Heath Board quarterly. In addition, should changes be required, additional reporting will be provided as necessary. This process includes a full reconciliation of the spend against the cost in the cost plan by the Chief Accountant.

## **Risk Assessment**

23. Cabinet is asked to note the financial appraisals summarised in the Appendices. The appraisals have been compiled by the Council's in-house delivery team. All appraisal inputs and assumptions have been tested with local agents, contractors, and where relevant other departments of the Council (Finance, Legal, Direct Services etc).
24. The One Horton Heath project is supported by a Risk Register that is closely monitored. This followed a comprehensive risk assessment which accompanied the October 2017 original property transaction for the land, and the subsequent land purchases. The most significant risks associated with large-scale development projects include market downturn and an impact on sales values; economic uncertainty associated with BREXIT and COVID-19; abnormals leading to works which exceed the budgeted contingency sum; financial collapse of business partners; knowledge retention; unknown liabilities.
25. Any construction process includes inherent risks, and these are mitigated as far as possible through good procurement process and contract controls. There are also industry standard levels of contingency which will reduce as the project progresses and the risks are removed.
26. The construction industry has been impacted by the Covid Pandemic and Brexit. Material availability and labour supply have escalated construction costs. This is forecast as a short-term risk (1-2 years) and is monitored through the Strategic Risk Management Group and Audit and Resources Scrutiny Committee.
27. In addition, the OHH project has additional scrutiny from the Housing Working Group, containing senior staff members and councillors from the Audit and Resource Scrutiny Panel, considering housing developments and reporting back their findings to the Audit and Resources Scrutiny panel regularly throughout the year.

## **Equality and Diversity Implications**

28. The Equality Act is not relevant to the decision in this report because it has been assessed against the criteria and an Equality Impact Assessment has not been carried out. The proposal does not relate to eliminating discrimination, advancing equality of opportunity, or fostering good relations between different people with protected characteristics.
29. Any specific construction or works projects approved in future in accordance with this budget would be likely to address issues around accessibility for persons with disabilities or older persons, and so on. At that stage, a full Equality Impact Assessment (EIA) may need to be carried out if deemed proportionate.

30. It is considered that for this decision the Equality Duty does not need to be addressed and an Equality Impact Assessment (EIA) has not been carried out.

## **Climate Change and Environmental Implications**

31. The appraisal proposed in this report do not explicitly lead to an increase in Greenhouse Gas/CO2, or damage ecology or the environment. The environmental impacts and net benefits of the One Horton Heath project are set out elsewhere. In May 2020, the Council submitted an Environmental Impact Assessment (EIA) Scoping Request for One Horton Heath to help ensure the highest environmental standards for the new development. This included a nil impact on the environment and a net gain in biodiversity. In addition, the project is seeking to enable many environmental initiatives such as ground source heat pumps and self-sufficient for energy usage.

## **Conclusion**

32. To fully deliver on the 'Infrastructure First' approach and enable a better environment earlier for residents of One Horton Heath and the local residents it is recommended that Cabinet approve the advancement of funding for secondary infrastructure delivery.

TOM ANDREWS  
CHIEF ACCOUNTANT

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Appendices Attached: 5

## **LOCAL GOVERNMENT ACT 1972 - SECTION 100D**

The following is a list of documents which disclose 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. This list does not include any published works or documents which would disclose exempt or confidential information.

\* List Background Papers or state None.