



31st January 2024
Our Ref: OJ/18.214

Peter Drake Esq
Fareham Borough Council
Civic Centre
Fareham

By email only

Dear Peter,

**FAREHAM BOROUGH COUNCIL COMMUNITY INFRASTRUCTURE LEVY –
CONSULTATION ON THE PROPOSED MODIFICATION TO THE DRAFT CHARGING
SCHEDULE IN RESPECT OF SITE HA55 (LAND SOUTH OF LONGFIELD AVENUE)
ALLOCATED IN THE ADOPTED LOCAL PLAN (“HA55”)**

I am writing on behalf of Hallam Land Management Limited (Hallam) who control the substantial part of the above allocation.

Background

In April 2023, Hallam submitted representations to the previous consultation concerning the CIL Charging Schedule amendments. The effect of those amendments was to increase the charge to £195 per square metre for C3 housing at HA55.

At that time, as highlighted in those representations, the Three Dragons Viability Assessment did not consider the proposed allocation at HA55; that study wrongly assumed that the largest allocation was that at Downend Road for some 550 dwellings. That was a significant error.

Attempts by the LPA to argue that RF14 was comparable to HA55 simply wasn't credible when the underlying assumptions were examined in the face of the costs which the live planning application was needing to consider.

Hallam was represented at the Hearing on the 6th September 2023 by LRM Planning and Terence O'Rourke and responded to questions posed by the Examiner during that session.

Having considered the written and oral submissions, the Examiner recommended in his Report (dated 26th October 2023) that HA55 is zero rated. Persuaded by the representations submitted on behalf of Hallam, and alighting upon the LPAs proposition that any ensuing viability issue would be dealt with in the context of a planning application, the Examiner identified the risk to the delivery of affordable housing in this situation. This recommendation reflecting the representations made by Hallam.

Pausing here, you will be aware that meeting the growing housing need in the Borough is implicit in the Council's vision and strategic priorities in the Local Plan. Paragraph 5.28 of the

Local Plan states: “One of the key issues facing residents in the Borough is the unaffordability of homes to rent or to buy. Paragraph 5.29 states “the delivery of new affordable housing is a vital part of the overall housing delivering in the Borough”. I would imagine that the risk that the Examiner identified is one that is particularly uncomfortable in this context.

Nevertheless, the Council is opposed to accepting this recommendation hence the current further consultation. This is in part because it relies upon monies from HA55 to fund infrastructure as is evident from page 7 of your letter.

Recognising that no assessment of HA55 was in fact conducted by Three Dragons on its behalf, the Council commissioned that further work in November 2023. Because of this a further revision to the charging schedule is now proposed reducing the applicable CIL charge to £166 per square metre for C3 housing. We are of course mindful that this is a very similar figure to that which would be levied on HA55 in the event the current amendments to the charging schedule were abandoned. Consequently, the submission made previously and herein apply in any event and in equal measure in this forum or in relation to the current planning application.

It is striking that this additional work underlines that the earlier proposal did pose a risk to the delivery of HA55, substantiating the views of Hallam and the Examiner. The 2023 Viability Report, prepared in light of further site-specific work, acknowledges that the required buffer would be much reduced if the original figure was retained.

On this occasion, the Three Dragons work has considered in greater detail HA55 specifically. Because of the Local Plan’s policy requirements, which are unique and materially different to other allocations, the earlier typology approach plainly isn’t appropriate in this context.

Whilst the Council suggest that HA55 is not a strategic site equivalent to Welbourne it is plainly different from other allocations on account of the policy expectations and infrastructure requirements.

It is disappointing that the Council chose to instruct Three Dragons without any engagement with Hallam. As a consequence, the additional assessment work still does not properly and fully consider the characteristics of HA55, and this goes to the heart of the matter between Hallam and the Council. This is explored in the following paragraphs.

Key Issues

Whilst the viability of a scheme can be tested at various stages in the process, a full viability can only be completed once there is a fixed scheme. We are not yet at that stage with amendments to P/20/0646/OA currently the subject of further consultation.

Assuming the scheme does not change significantly post consultation, the most significant pieces of information which remain outstanding are Section 106 costs, utility costs – supply and diversions, and Abnormal Costs.

Notwithstanding, at each stage in the process it is possible to make an assessment of viability and that is precisely what the Inspector did at the CIL Examination and at that point in the process, he came to a reasoned judgement based on the information that was available – the evidence that he did have in front of him was sufficient to raise concerns over the viability of HA55 and draw his conclusions accordingly.

In order to undertake a credible “viability review” the inputs need to be specific to the proposal being tested. Hence the Three Dragons’ approach: “to supplement the viability assessment submitted for the examination” (para 1.4 of their report) is fundamentally flawed. It does not interrogate the HA55 proposals in any detail; it fails to recognise that HA55 is not a traditional housing development; it does not take account of the specifics of the market area within which HA55 is being developed; and, it relies on out of date information on costs. Consequently, the

Three Dragons report does not provide the credible detailed viability evidence to enable FBC to consider the implications for CIL on HA55 it commits to do at Para 1.10 of the report.

This is exacerbated by the failure of Three Dragons to undertake any consultation with Hallam and their technical team; relying on engagement through the Local Plan; planning application submissions; CIL consultation and Examination (as set out in para 1.15) does not meet the provisions of the National Planning Policy Guidance and Three Dragons have failed to take account of "*appropriate, available evidence* (para 007 Reference ID: 10-007-20190509). There has been no attempt to interrogate the specifics of the scheme.

It is wrong, therefore, to describe this report as providing "*detailed evidence taking into account site-specific requirements including the site-specific mitigation and S106 costs*" as described at paragraph 1.10. Indeed, this is acknowledged at paragraph 1.11 which states "*please note that costs are based on broad estimates taken from named sources Have not been subject to any consideration by quantity surveyors appointed by FBC* and confirms that the review has not been informed by any detailed cost plan.

Our response is informed by a detailed cost plan and the "broad estimates" used by Three Dragons are incorrect.

At paragraph 1.8, Three Dragons note that "*there was no concern expressed*" "*through representations or by the Local Plan Inspector*" at the Local Plan Examination and therefore draw the conclusion that "*effectively a CIL rate of £150/sqm was accepted*". This is not a logical conclusion for the reasons set out in *Annex 1*, noting that it is now two years since the Local Plan Examination.

In the following sections we comment on assumptions in the Three Dragons Report.

Assumptions

In terms of general assumptions, there are number of errors in Chapter 2 that have a material effect on the outcome of the exercise and underscore the susceptibility of the outcome. We would propose to explain these at the point that we meet following submission of these representations; an account of this is set out in *Annex 2* but this is not an exhaustive list.

Sales Values and Revenue

Hallam has instructed advice from **Maclaren Clark Consultancy**, in respect of open market sales values and revenues. Values are one part of the viability calculation.

It has done so on account of the fact that information which Three Dragons has relied upon in its HA55 specific assessment is materially different to the housing output expected by the Local Plan as evidenced by the *Masterplanning Principles Document*. It is not at all obvious how Three Dragons have applied its mind to this.

The Maclaren Clark work illustrates that the Three Dragons value and revenue estimates are derived from higher value areas in the Borough and different housing products despite it being suggested it is Borough wide assessment. Maclaren Clark provide comparative examples that are better suited to considering likely values in the instance of HA55.

The Council ought not to quarrel with this point being put at this time. The Three Dragons work purports to have a greater degree of site and scheme specificity, but plainly relies on high level and generic information. Whilst the high level and generic information was sufficient for the typological approach pursued previously if the intention is to be more specific in this exercise it needs to be faithful to that objective on all counts.

Development Costs

Brookbanks Consulting advise Hallam on development costs nationwide. They have advised Hallam on various engineering aspects of HA55 over a period of time and have built the cost plan. It is important to recognise that the scheme is still to be fixed in a final form sufficient to determine a precise cost plan. Agreement on the required revisions to the land use parameter plan was only received late in 2023 and those amended drawings are currently the subject of consultation. It remains the case that aspects of the scheme could change. Brookbanks have nevertheless compared the development costs set out in Table 2.5 of the Three Dragons report with its own cost plan and the following is apparent from that exercise:

Build costs and Abnormal Costs

At the outset, there appears to be no regard to the requirements of the *Masterplanning Principles Document* and the associated quality aspects of the proposed development, evident from the precedents contained therein and the later Design and Access Statement. It isn't apparent that Three Dragons have in fact considered this material whatsoever in order to contemplate the type and form of the proposed development. Rather, its costs are derived from standard housebuilder products which are of a very different nature. For example, Hallam's cost consultants estimate that those elements alone add circa £9m to the build cost.

Further examples are listed in Annex 2.

All of the above are in addition to the fact the Q2 2002 build costs are grossly out of date at the present time. Whilst build costs might reduce over the period of the project, equally they might not and that higher costs are now normal for the foreseeable future. To ensure that the delivery of HA55 is not prejudiced, those higher build costs should be the starting point.

Other development costs

These are matter that are covered in the accompanying **Turner Morum** Report.

Infrastructure costs

The sums listed under this heading are not sufficient to take account of:

(a) earth works across the site and the need for land raising to allow for the installation of drainage infrastructure: and

(b) costs associated with service diversions both within the site and in association with the offsite highway pedestrian and cycle improvements.

In respect of the latter point, the applicant is presently negotiating with Southern Water as to whether it will be required to divert the existing strategic sewer situated to the south of Longfield Avenue; is currently in negotiations with SSE in relation to the diversion of the overhead power lines and has C4s pending for diversions associated with the highways works (site access and offsite improvements). Provisional sums should be included in the assessment for all these works. Moreover, whilst the extent of off-site improvements is shown on the drawings in the Transport Assessment Addendum submitted in December 2023; these are schemes that have been discussed between the applicant, the Local Planning Authority and the Highway Authority for a considerable period of time prior to this, since at least April 2023. The extent of works and associated costs do not appear to have been accounted for.

Local policy costs

Markides Associates, who advice Hallam and transportation matters have costed the off-site highway improvements referred to in the preceding paragraph as exceeding £10.6 million (potential Section 106 and Section 278 costs). This is greater than the figure included in the

sensitivity allowance and should be the base assumption. The design for the area of environmental mitigation west of Peak Lane as set out in the Habitat Creation and Open Space document has been costed at £3.1million, a tenfold increase to that assumed presently.

Viability

Hallam has also instructed advice from **Turner Morum**, to prepare an alternative viability exercise drawing upon this site and scheme specific information.

In doing so, it has again identified where the high level and generic assumptions employed by Three Dragons are not fit for purpose. In this regard it justifies why a different approach is necessary in relation to key inputs to the assessment process. It also takes into account the cost planning work undertaken by Brookbanks. Its holistic approach is to be preferred to that of Three Dragons.

Its report exhibits that the headroom for CIL is predicated upon various input allowances that are neither justified nor appropriate. In this regard, Three Dragons has:

- firstly, significantly over-stated revenues (for the market, affordable and custom build housing);
- secondly, made an insufficient allowance for developer profit given the risk involved in this instance;
- thirdly, has assumed grossly insufficient build and infrastructure costs;
- fourthly, underestimated the whole site benchmark land value contrary to previous assumptions; and
- fifthly, has adopted a flawed approach to calculating the scheme finance costs.

Again, the Council ought not to quarrel with these points being put at the present time in response to the site and scheme specific exercise it commissioned, which of necessity is materially different to assumptions that might be appropriate to the generic typological approach.

In combination, these inputs result in a significantly over-stated projection of the scheme's viability position. Turner Morum's conclusion is striking; once corrected, **"not only would the headroom for CIL" be eroded, but the scheme would be significantly in deficit"**. This is the outcome that the Examiner wished to avoid and recommended accordingly, prescient of the submissions that may need to be made in relation to planning application with the current CIL levy.

Conclusion

In response to the Council's further attempt to justify levying CIL at HA55, Hallam has compiled evidence that draws into question the assessment work undertaken on its behalf by Three Dragons. No such work had previously been commissioned by the Council.

It has critically and objectively considered the inputs to the viability assessment conducted in relation to HA55. It has found that the Three Dragons assessment, despite needing to be as site and scheme specific as possible, because of the materially different nature of the allocation and intended development outcomes, has used a number of generic or high level or out of date inputs that are wrongly conceived.

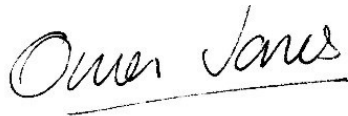
On the one hand, it has relied upon sales values and revenues that are not comparable to HA55 and consequently overestimated the gross development value.

On the other hand, it has downplayed development costs failing to recognise the large-scale nature of the proposal not just in terms of units, but its other component parts and costs. Equally, because the Council choose not to engage with Hallam, Three Dragons through no fault of their own simply are not aware of other abnormal costs that are having to be accommodated.

For these reasons Hallam maintain that HA55 should be zero rated.

We have discussed that, following submission of these representations, it would be in both party's interest to convene a meeting to discuss these matters. I look forward to hearing from you in due course.

Yours sincerely

A handwritten signature in black ink that reads "Owen Jones". The signature is written in a cursive style and is underlined with a single horizontal line.

Owen Jones
LRM Planning Limited

Encl:
Reports by Maclaren Clark Consultancy and Turner Morum

Annex 1: Further information which impacts on viability and was not available at the time of the Local Plan Examination

- a. There is significantly more detail available on the scheme in terms of:
 - i. Section 106 / Section 278 costs
 - ii. The Habitat Creation Scheme – Three Dragons only account for the costs of Drier Grassland (15.5ha @ £1.11 sqm) however by reviewing the relevant report it is clear that there is significantly more involved in the creation of that scheme than simply planting an area of grassland.
 - iii. Sustainable travel and highways interventions
 - iv. The requirements of Natural England
 - v. Abnormal costs
- b. Despite the Highways Authority presenting evidence at the Examination that the focus of this scheme would be the delivery of sustainable travel it is clear now that the Highways Authority are expecting both sustainable travel AND contributions toward traditional highways interventions;
- c. The package pedestrian / cycle links are far more extensive than anticipated in Policy HA55 subsection f;
- d. Three Dragons assume that the sports pitch requirement will be a site only – there is no documented evidence that FBC agree with this approach;
- e. Natural England have failed to accept that the Green Infrastructure is a reasonable alternative to recreation on the New Forest and Solent SPAs as recognised in Policy HA55 subsection g;
- f. FBC have failed to accept that Appendix D is “indicative” (Para 138 of the Inspector’s Report) and therefore there has been no flexibility in the subsequent design of the scheme;
- g. Costs have increased: examples include the costs of maintenance of the GI brought about by the introduction of a new SPG; costs of the healthcare contribution; the application of a further two years of indexation on costs (Three Dragons only index to 2Q 2022); and build costs;
- h. The housing market and economic climate are in a very different place.

Annex 2: Three Dragons Assumptions

- a. The assessment undertaken is based on an old scheme pre the 2022 amendments. Further amendments have been discussed with the Council since April 2023.
- b. The reference to 8.3 ha of land south of Stroud Green is an error; the area of land allocated as HA55 does not extend south of Stubbington Bypass.
- c. Assumptions regarding storey heights across the development does not reflect the Masterplanning Principles Document.
- d. Whilst an allowance is made for servicing the care home and local centre, no equivalent allowance is made for either the primary school and sports hub.
- e. Infrastructure costs are based on index linked costs from a number of years ago.

- f. Other sections 105 costs do not reflect consultation responses available at the time of the exercise;
- g. No account has been taken of abnormalities such as earthworks; utility costs – services and diversions; the Building Safety Levy or Elevational Uplifts;
- h. Sprinkler costs have only been applied to the local centre flats. The Masterplaning Principles Document intends that there are 255 flats across the scheme as a whole and a disproportionate number of those will be on the application site.
- i. Electric vehicle charging will be required in the local centre, the school site and the sports hub; the servicing costs increase accordingly.
- j. Three Dragons base all of their assessments on assumptions that the capacity of HA55 is split 1200 on the application site and 50 dwellings on the balance. The application is for “**up to**” 1200 units and the final capacity will not be determined until the parameters plan is fixed and proving layouts are produced.
- k. Whilst the allocation extends across the Seale/Williams land, the character areas attribute the greatest proportion of the 255 flats to the Hallam land.
- l. Three Dragons base all of their assumptions on the 50 dwellings on the Seale/Williams land making a proportionate share of the transport costs; the GI costs; the bird mitigation costs etc, – that is simply incorrect. Fixed costs associated with the scheme mitigation will be borne only by Hallam.