

FAREHAM

BOROUGH COUNCIL

EXECUTIVE MEMBER DECISION (PLANNING AND DEVELOPMENT)

Date: Monday, 8 June 2020

Time: 2.30 pm

Venue:

Executive Member: Councillor K D Evans, Executive Member



1. Report Published

To consider the following matter(s) for decision for which reports have been published:-

Key Decision(s)

(1) Community Infrastructure Levy Charging Schedule (Pages 3 - 38)

A report by the Director of Planning and Regeneration.



P GRIMWOOD
Chief Executive Officer

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01 June 2020

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FAREHAM

BOROUGH COUNCIL

Report to the Executive Member for Planning and Development for Decision 08 June 2020

Portfolio:	Planning and Development
Subject:	Community Infrastructure Levy (CIL) Charging Schedule
Report of:	Director of Planning and Regeneration
Corporate Priorities:	Providing Housing Choices

Purpose:

To seek approval to the content of a consultation on a review of the Borough's Community Infrastructure Levy (CIL) Charging Schedule to amend rates for Welborne Garden Village.

Executive summary:

In introducing CIL in April 2013, the Council recognised the substantial site-wide infrastructure costs associated with the Welborne Garden Village and committed to an early review of the charging schedule to respond to evidence that was emerging in line with the preparation of the Welborne Plan (Part 3 of the Fareham Borough Local Plan). Such an early review would take into account the Council's requirements for the new community north of Fareham, including the infrastructure that would be required to support it, enabling an appropriate charge rate to be set for the area covered by the Welborne Plan.

This review was started in 2014 and was set to continue following adoption of the Welborne Plan, in June 2015. However, progress on the CIL charging schedule review was halted following the government's announcement of its intent to review the CIL Regulations in the autumn of that year.

Following the adoption of the Welborne Plan, progress on an outline planning application for Welborne proceeded. As part of the supporting material, the Welborne Infrastructure Delivery Plan showed how the developer intended to meet the infrastructure requirements of the Welborne Plan. The applicant presented the site wide infrastructure costs and viability issues and suggested that the scheme should not be liable to pay the Community Infrastructure Levy (CIL).

This assessment has been reviewed by CBRE on behalf of the Council, who concurred with the applicant's conclusion that the scheme cannot afford to pay both CIL and £308m of site wide infrastructure costs. This was considered by the Council at Planning Committee, which resolved to grant planning permission in December 2019, subject to the Section 106 agreement being finalised.

This report seeks approval to consult on a review of the Borough's Community Infrastructure Levy Charging Schedule, 'zero rating' the Welborne Local Plan area on viability grounds. The existing residential charge will remain unchanged and continue to be applied across the borough for applicable developments. Indexation will continue to be applied using the RICS CIL Index in line with the 2019 amendments to the CIL Regulations (2010).

Recommendation/Recommended Option:

It is recommended that the Executive Member:

- (a) approves the Community Infrastructure Levy Charging Schedule as set out in Appendix A to this report for public consultation for a period of 6 weeks;
- (b) agrees that the Director of Planning and Regeneration be authorised to make any necessary minor amendments, following consultation with the Executive Member for Planning and Development, and delegates to him the authority to submit the Charging Schedule for Examination; and
- (c) delegates to the Director of Planning and Regeneration, in consultation with the Executive Member for Planning and Development, the authority to procure and appoint an independent examiner to conduct the Charging Schedule Examination;

Reason:

To recognise the impact of the adopted Community Infrastructure Levy (CIL) Charging Schedule on the viability of Welborne Garden Village, in the light of its significant requirement to provide infrastructure through its Section 106 obligations.

Cost of proposals:

Cost to undertake the examination, procurement of an Inspector, venue etc. Depending on the number of days that the Inspector has to work an estimate of £15,000 for the 2020/21 financial year has been included within existing revenue budgets.

Appendices:

A: Draft Charging Schedule for Consultation

B: Three Dragons Fareham CIL Review April 2020

Background papers: None

Reference papers:

BDL Welborne Infrastructure Delivery Plan (Version 6, March 2019)
<http://www.fareham.gov.uk/casetrackerplanning/GetFile.aspx?docref=ed9db292-b19c-4b62-838f-aac531cfdc78>

BDL Site Wide Viability Assessment Addendum (March 2019)

<http://www.fareham.gov.uk/casetrackerplanning/GetFile.aspx?docref=1ed89223-ba6a-40bd-a925-48818976bddb>

BDL Site Wide Viability Report Supplemental Position Statement (August 2019)
<http://www.fareham.gov.uk/casetrackerplanning/GetFile.aspx?docref=68bb6e04-f57a-487c-8e9d-c9c4dc1d4b10>

CBRE Viability Review Report (Planning Committee Report)
<http://www.fareham.gov.uk/casetrackerplanning/GetFile.aspx?docref=36f8c57d-677e-4d45-b4c5-38060c37f84c>

CBRE Viability Review - addendum (published for Planning Committee Update)
<http://www.fareham.gov.uk/casetrackerplanning/GetFile.aspx?docref=55414242-a1f7-4eae-9ddb-062b6475d704>

CBRE review of Buckland Infrastructure Delivery Plan
<http://www.fareham.gov.uk/casetrackerplanning/GetFile.aspx?docref=f6e45974-eac8-46f0-aabf-13921c9a96ac>

FAREHAM

BOROUGH COUNCIL

Executive Member Briefing Paper

Date:	08 June 2020
Subject:	Community Infrastructure Levy (CIL) Charging Schedule
Briefing by:	Director of Planning and Regeneration
Portfolio:	Planning and Development

INTRODUCTION

1. The Community Infrastructure Levy (CIL) is a charge which can be levied by local authorities on new development in their area. It is an important tool for local authorities to use to help them deliver the infrastructure needed to support new development in their area.

CURRENT CIL ARRANGEMENTS

2. In April 2013, following two periods of consultation and an independent examination, a Charging Schedule for the Fareham Borough Community Infrastructure Levy was approved by the Council, effective from 1 May 2013. The Charging Schedule set a rate of £105 per square metre, applicable to all residential development across the borough, with a variation applied to retail dependent on location in relation to town centres.
3. In introducing CIL, the Council had committed to an early review of the CIL charging schedule in line with the adoption of the Welborne Plan to enable an appropriate charge rate to be set for the area covered by the Plan prior to any planning applications for the development should come forward to the Council.
4. The Council has been very successful to date in collecting CIL receipts since adoption and has collected in excess of £9 million from development sites across the Borough that has funded a range of projects. This report seeks approval to consult on a review of the Borough's Community Infrastructure Levy Charging Schedule, with a view to the Welborne Local Plan area becoming zero-rated to reflect known site-wide infrastructure costs and associated viability issues and challenges to ensure that the new community is delivered.
5. At the time of adoption of the Charging Schedule, Regulation 123 of the Community Infrastructure Regulations 2010 (as amended) restricted the use of planning obligations for infrastructure that was to be funded in whole or in part by the Community Infrastructure Levy (CIL). With the expectation that the infrastructure required for Welborne Garden Village would be captured as planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), the Council's Regulation 123 list (adopted 2013 and revised in 2018), which sets out what infrastructure

projects/types are to be funded at least in part by CIL, also excluded any provision required from Welborne. This ensured that any CIL charge levied on the development of Welborne would be additional to the section 106 contributions and could not be spent on the infrastructure required to mitigate the site.

PRELIMINARY DRAFT CHARGING SCHEDULE REVIEW

6. In introducing CIL, the Council committed to an early review of CIL in line with the preparation of the Welborne Plan. This review was intended to ensure that the rate(s) at which Welborne development will need to pay CIL would be consistent with the infrastructure planning and development viability evidence that supports the adopted Welborne Plan.
7. The Council undertook a period of consultation on the first stage of its review of CIL between the June and August 2014. It is of note that the Inspector of the Welborne Plan requested to see a summary of responses to the Council's consultation on the Preliminary Draft Charging Schedule (PDCS) and an early indication of how the Council was intending to take these into account as it continued its CIL Review.
8. The consultation was held on a document known as the 'Preliminary Draft Charging Schedule', as well as its supporting evidence, including a revised Infrastructure Delivery Plan, updated viability evidence and a revised 'Regulation 123 list'. The evidence within the viability report, produced by Peter Brett Associates, pointed towards a zero rate for Welborne, and the PDCS proposed a zero rate for the site.

THE WELBORNE PLAN

9. In June 2015, the Council adopted the Welborne Plan, Part 3 of the Fareham Borough Local Plan. This set out the Council's requirements for the new community north of Fareham, including the infrastructure that would be required to support it. The Plan recognised that developer contributions would be required as part of the overall funding package to deliver the infrastructure required to support Welborne.
10. Paragraph 10.51 of The Welborne Plan states:
Based on currently available viability evidence, the Council anticipates that all or almost all developer contributions from Welborne will be secured through Section 106 Planning Obligations and therefore, it is likely that a differential CIL rate (or rates) will be justified and will need to be applied to the Welborne policy area which reflects the overall burden of planning obligations. Given the latest available evidence, a differential rate of zero could be justifiable.
11. Following adoption of The Welborne Plan, the Council considered how best to continue with the CIL review.

GOVERNMENT REVIEW

12. In November 2015, the Government announced a wide-ranging review into CIL as an effective mechanism for funding infrastructure. The significance of this announcement, and the potential ramifications prompted the Council to put its review on hold, in order to assess any implications that could arise.
13. In October 2016 the Government published its recommendations, which included replacing the Community Infrastructure Levy with a hybrid system of a tariff and Section 106 for larger developments because they felt that CIL was unable to shoulder the entire infrastructure provision burden directly or secure its provision in a timely manner.

The Government announced their intention to make changes to the CIL regulations following this review, but a considerable period of time elapsed before the new statutory Regulations (The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019) were introduced in September 2019.

14. As a result, the Borough's Community Infrastructure Levy Charging Schedule review remained on hold, meaning it is still as it was originally adopted.

WELBORNE OUTLINE PLANNING APPLICATION

15. In March 2019, the Borough's Council as Local Planning Authority consulted on significant revisions to the planning application for Welborne, originally submitted in March 2017.
16. Two key documents submitted by Buckland Development Limited (BDL) as planning applicant in this revision were the BDL Welborne Infrastructure Delivery Plan (Version 6, March 2019) and BDL Site Wide Viability Assessment Addendum (March 2019).
17. The BDL Welborne Infrastructure Delivery Plan showed how the developer intended to meet the infrastructure requirements of the Welborne Plan at an estimated total cost of £308M. Keen to obtain an independent verification, the Council commissioned CBRE to review these costs as part of the planning application process. CBRE undertook a Viability Report review (including an addendum) as well as a review of the BDL Infrastructure Delivery Plan. CBRE concluded that the BDL IDP had been thoroughly assessed and accurately costed using current market rates and pricing for the development works described.
18. The BDL Site Wide Viability Assessment Addendum, together with the subsequent Supplemental Position Statement submitted in August 2019, stated that the CIL liability for Welborne was in the region of £74m. It also showed that the scheme's viability was significantly weakened where CIL is charged so that the development could not support a policy compliant level of affordable housing. It concluded that the scheme should not be liable to pay the Community Infrastructure Levy (CIL) and, even then, the scheme viability was such that:
 - The developer contribution towards M27 Junction 10 costs is capped at £20m;
 - Affordable housing for the first 1,000 units should be 10%;
 - The affordable mix for the first 1,000 units is split 50/50 between affordable/social rent and intermediate tenures ;
 - The scheme is unable to provide Lifetime Homes or Passivhaus for the first 1,000 homes.
19. CBRE also undertook a review of the BDL Site Wide Viability Assessment Addendum on behalf of the Council, in which they benchmarked the assumptions made against market data, reviewing the inputs and outputs of the BDL financial model and analysed the approach against guidance contained in the National Planning Policy Framework (NPPF) and the National Planning Policy Guidance (NPPG). They concurred with the applicant's conclusion that the scheme cannot afford to pay both CIL and £308m of site wide infrastructure costs.
20. The application went before the Planning Committee in December 2019. The committee report (paragraph 8.30.28) stated that it was 'not within the remit of the Planning Committee to set future CIL rates or to 'predetermine' what the review of the CIL charging schedule might conclude'. Given that the Welborne Plan policies ensure that

the infrastructure necessary to support the development is to be secured through a legal agreement, and the implications that CIL has on the viability of the scheme, it was considered that there was a good prospect that a review of the charging schedule may conclude that CIL at Welborne should be zero rated. As part of sensitivity testing of variables, an assumption of zero CIL was therefore considered a reasonable approach as part of the viability assessment.

THREE DRAGONS VIABILITY ASSESSMENT

21. A final independent assessment of viability for the Welborne Garden Village proposals has also been commissioned by the Council from Three Dragons. This study concurred with the CBRE position that Welborne should be zero-rated to ensure deliverability on viability grounds. This Three Dragons viability study will form part of the evidence base for the consultation on a revised CIL charging schedule and is attached to this report as Appendix B.
22. This approach reflects a “developer-led delivery” for Welborne through site specific Section 106 contributions and a zero CIL rate. A move that recognises the increased cost of bringing this site forward and the need for greater flexibility over the level of planning obligations on developments of this scale. The use of S106 rather than CIL to fund infrastructure on large strategic sites is not uncommon and was supported in particular in evidence from the government commissioned Peace review¹.

REVIEW OF THE CHARGING SCHEDULE

23. This report seeks approval to consult on a review of the Borough’s Community Infrastructure Levy Charging Schedule, ‘zero rating’ the Welborne Local Plan area on viability grounds. The existing residential charge will remain unchanged and continue to be applied across the borough for applicable developments. Indexation will continue to be applied using the RICS CIL Index in line with the 2019 amendments to the CIL Regulations (2010).
24. Through statutory guidance, in this case the National Planning Practice Guidance, charging authorities may revise their charging schedule in whole or in part. This report seeks a partial review at this time. Following adoption of the Local Plan, the Council will undertake a full review of the charging schedule to consider market conditions and updated infrastructure needs, with a view to adjusting the standard charges across the Borough.

EXAMINATION AND IMPLEMENTATION

25. Any revisions to the charging schedule must follow the same processes as the preparation, examination, approval and publication of a charging schedule. As Charging Authority, it is our responsibility to prepare and publish the evidence base and prepare and publish a draft charging schedule. Representations are then required to be sought on the draft, before submitting the draft schedule for examination.
26. It is for the Charging Authority to decide how they wish to consult, and the regulations do not specify for how long or how many times the authority should consult, however examiners must consider whether adequate time for consultation has been provided. It is therefore recommended that following approval to progress with the review, a consultation period on the draft schedule will be undertaken for a period of 6 weeks.

¹ Government commissioned review of CIL - A new approach to developer contributions: A report by the CIL review team, Chaired by Liz Peace – Para 4.1.5

27. This approach would be consistent with that undertaken during the adoption of Fareham Borough Council Community Infrastructure Levy in 2012. During that process, a period of consultation lasting 6 weeks was conducted, with two forms of communication; emails and letters to relevant individuals and organisations on the Council's Local Development Framework consultation database; and the draft Charging Schedule and supporting evidence published on the Council's website. That consultation on the Draft Charging Schedule in 2012 resulted in a total of 13 representations being received.
28. The charging schedule must be examined in public by an independent person appointed by the charging authority. The Council must consider that the examiner is independent and has appropriate qualifications and experience to fulfil the role. Planning Inspectors are likely to meet these criteria, but other independent examiners can also be used. The Planning Inspectorate is often appointed but there are availability issues associated with this route, and so it can be quicker to use alternative providers. This report therefore also seeks delegated authority to the Director of Planning and Regeneration in consultation with the Planning and Development Executive Member, to appoint an examiner following the consultation.
29. An informal hearing format is usually the most appropriate form of examination for the Community Infrastructure Levy. If no-one has requested the right to be heard, the examiner also has the option of conducting the examination by written representations. The examiner must report their recommendations to the charging authority in writing. The examiner may recommend that the draft charging schedule should be approved, rejected, or approved with specified modifications. The examiner must give reasons for those recommendations.
30. As set out in section 213 of the Planning Act 2008, the charging schedule must be formally approved by a resolution of the full council of the charging authority. The resolution should include an appropriate commencement date following, or on, approval. On receipt of the Inspectors report, and pending a successful outcome, the proposed Charging Schedule will be taken to Full Council to seek adoption.

FINANCIAL IMPLICATIONS

31. The 2013 viability study submitted as part of the adopted Charging Schedule estimated that over the plan period to 2026 around £9.7 million could potentially be raised. Importantly, this figure excluded any estimate of levy applied to the Welborne development. As previously stated, taking into account CIL expenditure to date, the Council is ahead of that prediction having collected over £10 million to date. There has never been or was never intended to be, any assertion of income from Welborne that would be budgeted into CIL expenditure plans.
32. There will be a cost to the council to undertake the examination. This will be mainly focused on the cost of the independent examiner. Depending on the number of days that the Inspector has to work (which depends on the number and depth of comments that are received from the consultation) an estimate of £15,000 for the 2020/21 financial year has been included within existing revenue budgets.

CONCLUSION

33. For the reasons set out above, the Executive is asked to approve the Community Infrastructure Levy Charging Schedule consultation document for a six-week public consultation, and delegate authority to the Direction of Planning and Regeneration in consultation with the Planning and Development Executive Member, to conduct an

Examination.

Enquiries:

For further information on this report please contact Gayle Wootton (Ext 4328)

Appendix A: Draft Charging Schedule for Consultation

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Community Infrastructure Levy

Charging Schedule

Purpose

This schedule sets out the Community Infrastructure charging rates set by Fareham Borough Council.

Charging Rates

Type of Development (see Note 1 below)	CIL charge ² per square meter	
	Rest of Fareham Borough	Welborne (see Note 2 below)
Residential falling within Class C3(a) & (c) and C4	£105	£0
Care homes falling within Class C3(b) and C2	£60	£0
Hotels falling within Class C1	£35	£0
Retail falling within Class A1:		
Comparison retail (see Note 3 below) in the centres as shown on the maps annexed to this schedule	£0	£0
All Other Retail (see Note 4 below)	£120	£0
Standard Charge (applies to all development not separately defined above, for example: offices, warehouses and leisure and educational facilities)	£0	£0

Note 1 – References above to Classes are to the Use Classes as set out in the Town and Country Planning (Use Classes) Order 1987 (as amended).

Note 2 – For the purposes of this Schedule, the area defined as Welborne is that as set out by Welborne Plan, Part 3 of the Fareham Borough Local Plan.

Note 3 - Reference to "comparison retail" means the selling of clothing and fashion accessories, footwear, household appliances (electric or gas), carpets and other floor coverings, furniture, household textiles, glassware, tableware and household utensils, computers, books, stationary and art materials, recorded music/videos, recording media and equipment, audio-visual equipment, musical instruments and accessories, games and toys, photographic, video and optical equipment, DIY equipment for the maintenance and repair of dwellings, tools, jewellery, clocks and watches, sports equipment, goods for outdoor recreation, telephony equipment and bicycles and accessories.

² Indexation will continue to be applied from the May 2013 base date using the RICS CIL Index in line with the 2019 amendments to the CIL Regulations (2010).

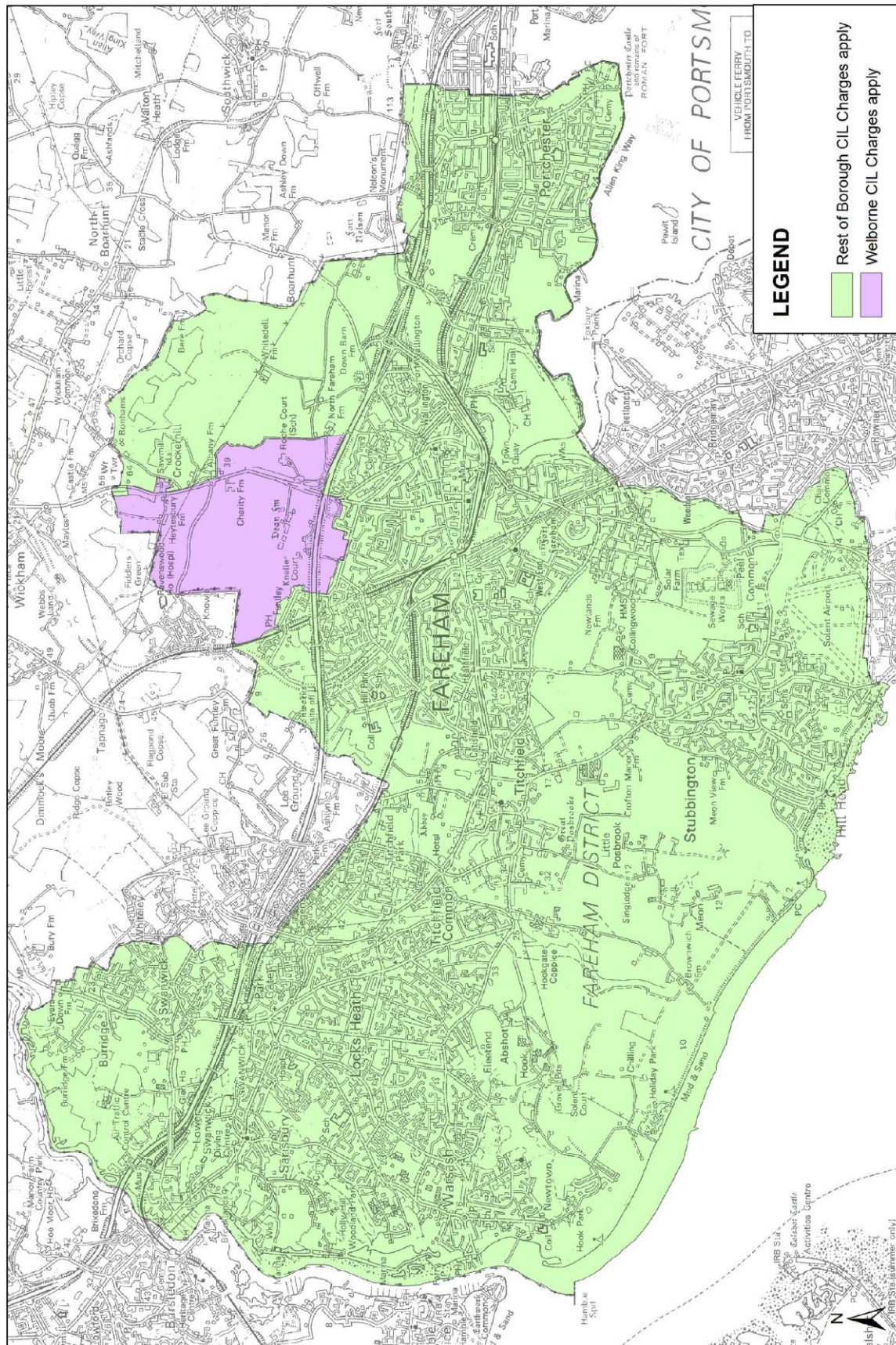
Note 4 - For the purposes of this schedule, a comparison retail unit is a unit in which it is intended to utilise more than 50% of the gross retail floor area for the sale of comparison goods as defined by Note 2 above.

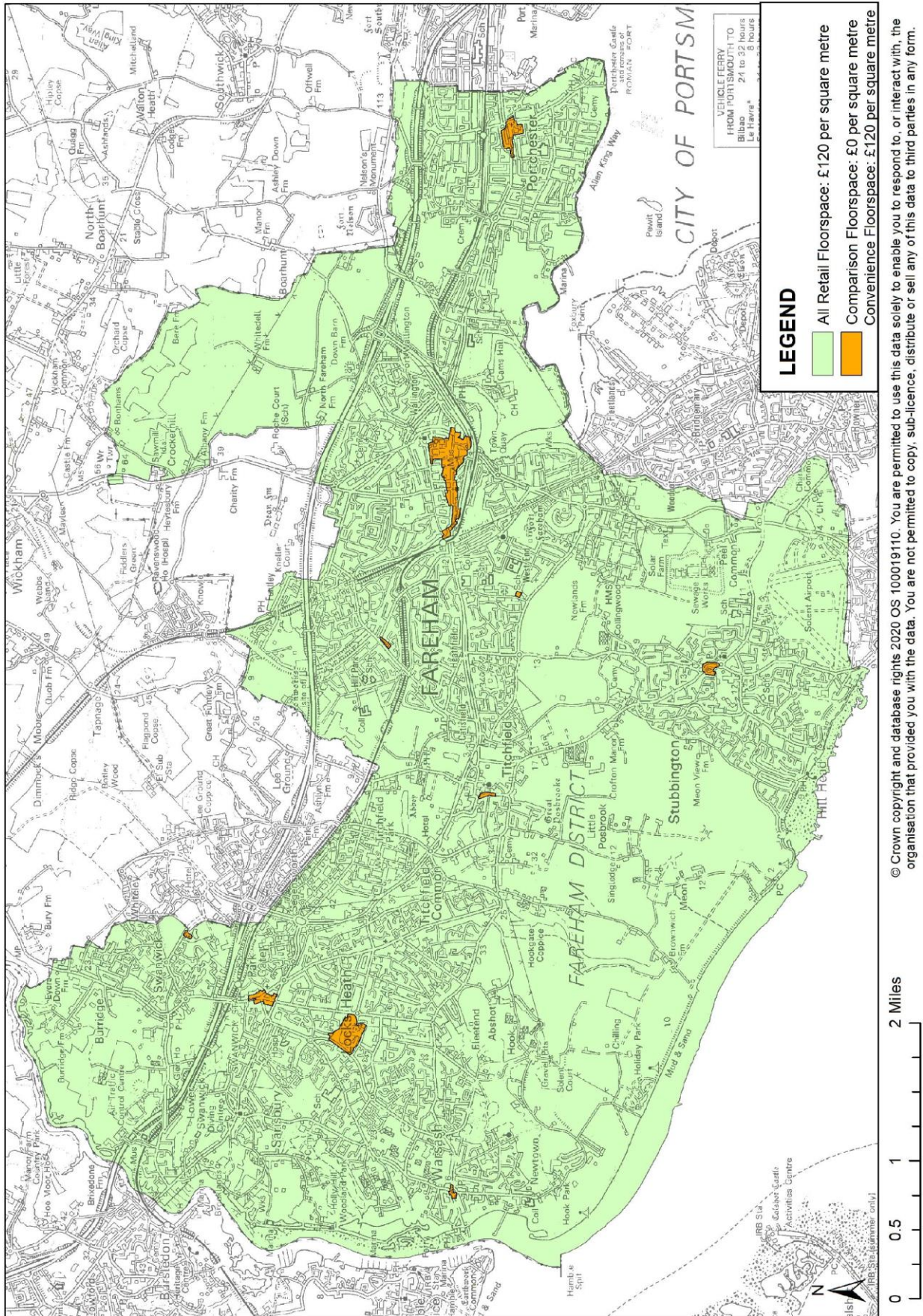
Calculating the Chargeable amount of CIL

CIL is charged on all new developments which create more than 100m² of floor space and on those developments, which create 1 or more new dwellings, even where the floor space is less than 100m². The chargeable amount of CIL is calculated on the gross internal area of the net increase in floor area. The amount to be charged for individual developments will be calculated in accordance with Regulation 40 of the Community Infrastructure Levy Regulations 2010, as amended.

Statement of Conformity

This Charging Schedule has been issued, approved and published in accordance with the requirements of Part 11 of the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 as amended by The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019.





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**Fareham Borough
Council**

Fareham CIL Review

April 2020

Three Dragons



This report is not a formal land valuation or scheme appraisal. It is based on planning application level data supplied by Fareham Borough Council, consultation and quoted published data sources. The toolkit provides a review of the development economics of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.

No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

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EXECUTIVE SUMMARY

1. Three Dragons was commissioned by Fareham Borough Council to undertake a review of the CIL rate at Welborne Garden Village.
2. As an early adopter of CIL the council has had a Charging Schedule in place since 1st May 2013, which was prior to the adoption of the Welborne Plan (June 2015). The Welborne site is currently subject to the same CIL rates as other residential development within Fareham. The (indexed) rate to be applied is £157.27 per sq m as of April 2020.
3. The Welborne Plan makes clear that a review of the CIL Charging Schedule is likely to be necessary to ensure *“the rate(s) at which Welborne development will need to pay CIL will be consistent with the infrastructure planning and development viability evidence”*. At the time of introducing CIL, the Council committed to reviewing the CIL once more was known about delivery options at Welborne.
4. An application for up to 6,000 homes, district and local centres, employment space, education facilities, parks and recreation and significant transport works was submitted in 2017. The application has now come before committee with a resolution to grant planning permission in October 2019. A widely accepted body of evidence has now been produced, providing a more detailed understanding of the proposed development and in particular its delivery. This includes consideration of the current CIL rate for Welborne, viability and the impact upon delivery on this key site. Both the applicant and the council consider that the provision of infrastructure relating to Welborne is best achieved through s106 mechanisms to ensure the timely delivery of the scheme, whereas the current Charging Schedule requires some delivery through CIL.
5. The aim of this report is to bring together the Welborne evidence base already established by the council during the planning application process and provide a structure by which it can demonstrate whether the CIL charging schedule needs amending in relation to Welborne. At the council's request Three Dragons has not sought to retest the scheme or challenge the assumptions as this has already been undertaken through the application process informed by the separate council commissioned expert advice, and is therefore considered unnecessary given the level of scrutiny already undertaken.
6. The testing shows that viability is marginal for the Welborne site with 10% affordable housing. When the proportion of affordable housing is increased to 30%, the proposal is not viable. Some improvement to viability could be made through reduced developer profit, a reduction in land value and an improving market, but this improvement will contribute to increasing the affordable housing offer on subsequent stages rather than being available for other development contributions such as CIL.
7. In assuming that the site will fund and deliver all infrastructure requirements relating to the site through S106, the viability review which uses the evidence set out in the planning application shows that even with a reduced level of affordable housing the initial phase would be marginal in viability terms, with no headroom for CIL.
8. The current CIL of £149.74 sqm would therefore be unviable if applied alongside the agreed s106 and it is considered appropriate that the Council should review this charge. Given the evidence set out in the planning application and replicated in this report it is clear that the council should amend the CIL rate to zero.

1 Introduction

- 1.1.1 The Council has commissioned this study to provide evidence towards a review of that part of the CIL Charging Schedule which applies to the proposed development at Welborne identified in Policy CS13 of the adopted Fareham Core Strategy (Local Plan Part 1) and further detailed within the adopted Welborne Plan (Local Plan Part 3).
- 1.1.2 Welborne is a proposed new community in Fareham. It includes around 6,000 homes, supporting 5,700 jobs, with significant infrastructure investment and substantial green space. It has been awarded Garden Village status and unusually is being delivered through a master developer, Buckland Development Ltd. Welborne is a critical part of Fareham's housing supply and its timely delivery is critical for Fareham to meet its housing requirements.

CIL review

- 1.1.1 As an early adopter of CIL the council has had a CIL Charging Schedule in place since 1st May 2013, which was prior to the adoption of the Welborne Plan. The Welborne site is currently subject to the same CIL rates as other residential development within Fareham. The rate to be applied (as of April 2020) is £157.27 ¹ per sqm.
- 1.1.2 The Welborne Plan makes clear that a review of the CIL Charging Schedule is likely to be necessary to ensure *"the rate(s) at which Welborne development will need to pay CIL will be consistent with the infrastructure planning and development viability evidence"* ². At the time of introducing CIL, the Council committed to reviewing the CIL once more was known about delivery options at Welborne.
- 1.1.3 Whilst CIL has successfully operated across the borough for a significant time, it has not been fully reviewed and when brought in, did not have the benefit of the evidence on delivery and viability at Welborne that has amassed in the period since.
- 1.1.4 The Council has already commissioned a review of viability in relation to Plan making and a review of the Core Strategy and Development Sites and Policies (Local Plan Parts 1 and 2). That Local Plan viability assessment has been presented on the basis of the proposed new policies being put forward³, and a review of CIL will need to take place once the new Fareham Local Plan 2036 has gone through due process to take these new policies into account. However, given that the viability evidence is directly related to the local plan, which has not been submitted yet, it is likely that the related CIL review is at least a year away. It is important to note that it is not the council's intention at this stage to review the Welborne Plan (Local Plan Part 3), which will remain extant Plan policy.
- 1.1.5 Although the new local plan viability evidence has referenced Welborne it was considered appropriate that this standalone report was produced to specifically address the current viability at Welborne in relation to CIL under the *existing* plan policies. This is to enable an earlier review of CIL, in line with the Welborne Plan, ahead of any subsequent review that may be considered necessary in respect of a new Local Plan to 2036.

Welborne planning application

- 1.1.6 An application for up to 6,000 homes, district and local centres, employment space, education facilities, parks and recreation and significant transport works was submitted in 2017. The

¹ This is the indexed rate taken from Fareham Borough Council's CIL calculator – the original non indexed rate is £105 per sqm

² Para 10.48 Local Plan Part 3 – The Welborne Plan June 2015

³ Part of the supporting evidence for the Regulation 18 consultation

application has now come before committee with a resolution to grant planning permission in October 2019. The application was supported and resolved alongside a comprehensive body of evidence, providing a more detailed understanding of the proposed development and in particular its delivery. This includes consideration of the current CIL rate for Welborne, viability and the impact upon delivery on this key site. Both the applicant and the council consider that the provision of infrastructure relating to Welborne is best achieved through s106 mechanisms to ensure the timely and effective delivery of the scheme.

Local plan

- 1.1.7 The NPPF is clear that viability testing should take into account the costs of any requirements likely to be applied to development. The Welborne Plan is the main planning document to inform testing at Welborne. It sets out the overarching spatial strategy and development principles for the area together with more detailed policies to help determine planning applications. The Welborne Plan is part of a suite of planning documents and it is important to note that it is not the council's intention for it to be replaced by the new Fareham Local Plan 2036.
- 1.1.8 A planning application has been submitted and recently recommended for approval at Welborne. It is assumed for the purposes of this report that the agreed position that is set out in the planning permission process has undertaken to meet the policy requirements within the current planning framework.
- 1.1.9 It is also of note that due to the extent and range of financial variables involved in residual valuations, they can only ever serve as a guide. Individual development parcel characteristics at Welborne mean that recommendations must always be tempered by a level of flexibility in application of policy requirements, an approach which has already been reflected in the viability process undertaken in support of the planning application. For example, the viability work undertaken in support of the planning application and supported by the council includes provision for 10% affordable housing within the tested dwelling development parcel. In the Welborne Plan this is the minimum amount allowed within any one phase with an expectation that over the whole development 30% will be provided (policy Wel18). It is understood that existing claw back mechanisms within the s106 that will allow the council to require developers to make up any shortfall on future phases, subject to viability.

CIL approach and meeting the guidance

- 1.1.10 Whilst the focus of this report is effectively a single strategic site the principles adopted are in line with the standard approaches to viability in terms of CIL as set out in government guidance and standard practice as well as taking account of the Council's planning policies. In addition, this study replicates the inputs from the significant body of work on viability that has already been undertaken in support of a comprehensive planning application at Welborne – this work has already been independently verified and agreed by the Council and the applicant.
- 1.1.11 In considering CIL there are three key questions:
- What is the overall amount of infrastructure funding required to deliver the quantum of development identified in the plan?
 - Is the proposed levy rate justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs?
 - Does the proposed rate strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability (viability buffer)?

- 1.1.12 The council will set out the infrastructure position in relation to CIL through a separate document. This report will set out the available evidence and demonstrate an appropriate balance in regard to the viability position considered through the planning application process. This will assist the Council in understanding changes to viability and delivery and whether these suggest a revised approach to CIL charging at Welborne and any proposed changes to the current Charging Schedule through Examination in Public. The Study therefore provides an evidence base to show that the requirements set out within the National Planning Policy Framework (NPPF), CIL Regulations and National Planning Practice Guidance (NPPG) are met.
- 1.1.13 In terms of demonstrating viability an individual development such as that proposed at Welborne can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the landowner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.
- 1.1.14 In assisting the council to come to a view this report replicates the scheme and assumptions supporting the planning application and sets it out in a form that demonstrates how the main CIL tests are met.

2 Welborne viability evidence

2.1 Introduction

- 2.1.1 The aim of this report is to bring together the Welborne evidence base already established by the council during the planning application process and provide a structure by which it can demonstrate whether the CIL charging schedule needs amending. At the council's request Three Dragons has not sought to retest the scheme or challenge the assumptions as this has already been undertaken through the application process, with separate council commissioned expert advice, and is therefore considered unnecessary, given the level of scrutiny already undertaken. Therefore, all the assumptions used are taken from the planning applications documents, where these are supported by the council. The information is re-presented in an appropriate format to help show whether there is sufficient headroom for a CIL charge.
- 2.1.2 However, as mentioned in the introduction, a separate review of viability⁴ has been provided to the council in support of the proposed Local Plan 2036 (Reg 18 stage). Three Dragons acknowledges that there are differences in some of the assumptions between the work undertaken at Welborne as part of the planning application and the wider new Local Plan 2036 evidence base, some of which are in response to the different scales of development tested and the specific site requirements at Welborne. Whilst these may change viability, overall it would not alter the view that infrastructure is most appropriately delivered through S106 mechanism and any improvement in viability would more likely be taken forward to an improved level of affordable housing to meet policy requirements rather than additional surplus to support a higher CIL charge.

2.2 Welborne CIL testing approach

- 2.2.1 The approach to reviewing the appropriateness of any CIL rate for Welborne is necessarily different to how viability has been considered in the rest of the borough in respect of the Local Plan 2036 testing. This is for two main reasons – firstly a significant body of work, which is up to date has already been produced and agreed by the council through the resolution to grant planning permission and therefore constitutes the best available evidence. This means there is no intention within this study to reopen any debates on the assumptions that have driven the viability position at Welborne, also noting that the site is unique for Fareham and any assumptions used are not necessarily the same as those that would be used elsewhere in the borough, due to the scale and specific site characteristics.
- 2.2.2 Secondly, as set out above, Welborne is being delivered through a different model than most developments. Buckland Development is the master developer (and main landowner), which means that it will be bringing forward all the supporting infrastructure and then selling serviced plots to housebuilders. In this particular circumstance, given that this report is not intending to check or challenge the viability work undertaken, the approach to testing CIL in this location needs to be amended from that used for the borough wide local plan testing.
- 2.2.3 The borough wide testing deals with setting CIL through a standard residual valuation, whereby any positivity in the headroom is potentially available for CIL. Sites are tested in a single

⁴ Fareham Local Plan Viability Assessment November 2019

appraisal and if the residual value is still positive after the benchmark land value has been allowed for then there is scope for additional CIL.

- 2.2.4 There is a different approach for Welborne, where the third-party viability evidence produced for the planning application splits the process into a) the master developer stage (bringing forward serviced land) and b) the house builder stage (buying serviced parcels and delivering houses):
- a) The costs associated with bringing forward a serviced site are judged against the gross development value (GDV) that may be achieved for the serviced parcels, including costs associated with servicing the land. The viability test is a consideration as to whether there is enough value in bringing forward the building plots to pay for the serviced land and its associated costs. It should be noted that the applicant, in agreement with the council, has set out the full costs and required value for the total site to provide serviced land and associated infrastructure.
 - b) There is then a further appraisal that sets out the residual value for a development purchasing enough serviced land for 150 units as this is the basis of the master developer intentions for delivery, i.e. selling off parcels for 150 dwelling to individual house builders.
- 2.2.5 Whilst the approach is slightly different, it is still considered that it meets the requirements set out in guidance, in that we are testing whether there is sufficient value in the scheme for its delivery, including policy and infrastructure costs and returns to the land owner and developer. Within the two stage viability process the CIL calculation would fall within the house builder stage (as this is when the floorspace will be agreed), although this would also have an implication for the amount that can be returned to the master developer for the serviced land.
- 2.2.6 In terms of CIL this means that this report needs to consider whether there is enough headroom after the cost of the serviced site has been taken into account. In order to test the calculations presented in the planning application and to be consistent with Local Plan 2036 viability evidence base modelling, the agreed appraisal for one of the '150' dwelling serviced development parcels has been replicated in our own toolkit to enable the council to consider, along with the borough wide testing, an appropriate approach to CIL.

2.3 Viability position at Welborne

- 2.3.1 The viability position is drawn from two main documents that support the Welborne planning application, namely:
- Site Wide Viability Report, Intelligent Land – Addendum, March 2019 (SWVRAMar19)
 - Site Wide Viability Report, Intelligent Land – Supplemental Position Statement, August 2019 (SWVRSAug19)
- 2.3.2 As described in the approach the viability assessment is in two stages – establishing a reasoned per hectare serviced land value and a residual value for a development parcel.
- a) Establishing the serviced land value**
- 2.3.3 There are two main components to this – the threshold land value and the cost to bring forward the necessary infrastructure to provide a serviced plot. Combined these costs will establish a minimum value which the sale of each plot will need to achieve to be viable.
- 2.3.4 The SWVRAMar19 in paras 4.26 to 4.40 sets out how the threshold land value has been established and how this conforms with the existing use plus approach set out in viability guidance within NPPG.

- 2.3.5 A figure of £272,000 per gross hectare (£110,000 per acre) for benchmark land value is agreed by both the applicant and the council as being an appropriate figure to test viability at Welborne. It was previously agreed in 2014 at £100,000 per gross acre, but this was increased in line with inflation using the RPI. The land value has been established, as is common for greenfield sites with a current agricultural use, as being an uplift on the agricultural land value. The uplift used by Intelligent Land references the former HCA (now Homes England) methodology of a multiplier of 10 to 20 times the agricultural land value. The report also considers transactions elsewhere in the locality as a sense check, noting that the minimum option agreements average above this figure. It should be noted that the suggested sites are fairly historic, and there is no indication about how they addressed policy requirements or whether they were of a similar scale. It is considered that given the size of Welborne and the policy requirements that the agreed position between the council and the applicant is at the upper end of an acceptable land value⁵.
- 2.3.6 For the purposes of this report, the total land value (unserviced) is £154,469,000 equivalent to £272,000 per gross hectare (£110,000 per acre).
- 2.3.7 In terms of the infrastructure requirements an IDP (<http://www.fareham.gov.uk/casetrackerplanning/GetFile.aspx?docref=ed9db292-b19c-4b62-838f-aac531cfdc78>) has been prepared which sets out that the cost to bring forward a serviced site with all the associated infrastructure is £307,931,655 – this includes:
- Site preparation at £19.3m
 - Transport infrastructure at £64.4m
 - Utility infrastructure at £43.7m
 - Social and green infrastructure at £113.9m
 - Contingency, fees, overheads at £66.6m
- 2.3.8 Both the promoter and the council consider the best method of delivering this infrastructure is outside of CIL i.e. through normal development costs or via a s106/278. Neither the above report, nor our testing, comments on how the infrastructure is funded in terms of normal development costs, S106/278 or CIL. The reports produced to support the planning application (e.g. para 2.11 SWVRAMar19) clearly state that it is assumed that if a CIL was in place that all of the levy would be recycled back into the required supporting infrastructure, so for testing purposes CIL would be neutral. Although it should be noted that in reality, even if this was agreed as acceptable it is likely that the funding via CIL would lag behind the time infrastructure maybe required.
- 2.3.9 Taking into account the serviced site costs, land and associated costs the applicant and the council have agreed that in order for the master developer stage to be viable the serviced parcel sales to the house builder need to achieve a purchase price of **£3,429,820 per hectare** (£1,388,241.86 per acre), based on what the applicant describes as a medium density site. As well as infrastructure and land this figure also allows for a finance cost (at 5%) and a return for the master developer. The cash flow used to work out the finance cost and developer return can be found on the final page (pg143) in SWVRRAMar19.

⁵ PPG para 006 Reference ID: 10-006-20190509 states 'It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land.'

b) Development parcel assessment

- 2.3.10 The test for viability and to demonstrate whether there is sufficient headroom for CIL for Welborne is whether a housebuilder has sufficient residual at or above the development parcel purchase price. Rather than test the full 6,000 units in one appraisal the supporting viability assessment for the planning application has instead tested a single development parcel of 150 dwellings, on the basis that it will be a common sized transaction as the serviced site parcels are sold for development by the master builder.
- 2.3.11 The viability assessment for the development parcel house builder stage will be undertaken with a standard approach that is with all the normal costs and values associated with such a development taken into account. The only difference is that the strategic infrastructure has already been considered as part of the serviced land cost, therefore the land values with which the residual will be compared, will be substantial higher than is found in the local plan testing, conversely the infrastructure costs attributed to the appraisal will be somewhat lower as they have already been considered within the land value.
- 2.3.12 The assumptions are set out in a number of places within SWVRAMMar19, for ease the main ones are listed below. The replicated model draws from these assumptions and whilst these do differ from assumptions set out in the Local Plan Viability Assessment 2019, the Council considered it was important that the CIL assessment for Welborne was consistent with that of the planning application which has taken a number of years to reach an agreement.

Form

- 4.45 hectares (gross)
- 150 dwellings
- 34 dph
- 135 market units
- 15 affordable units
- 4 year construction and sales period

Values

- Market units (blended) - £3,773 psqm
- Affordable units (blended) - £1,600 psqm (SR) & £2,694 (Intermediate)

Costs

- Professional fees - 5% of build cost
- Marketing costs - 1.5% of GDV
- Contingency – 3% build cost
- Finance cost – 5% of cost
- Agent and legal fees – 1.5% value
- Stamp duty at HMRC SDLT rates

- 2.3.13 In line with the planning application evidence the medium density 150 dwelling appraisal includes 10% affordable housing (it is understood that in the early phases of development that affordable housing is less than policy compliant to assist cash flow, a review mechanism will allow for latter phases to make up any shortfall). It is also of note that the profit level for the 150 dwelling parcel is at the higher end of what one may normally expect at 19.32% blended for both the affordable housing and market housing⁶.

⁶ Developer return is risk related and in this two stage process, risks associated with up front infrastructure provision have been taken by the master developer rather than the housebuilder – suggesting that the risk related return to the housebuilder could be lower.

- 2.3.14 The result below in Typology W1, is drawn from the appraisal set out in the applicant's viability assessments, although there are some minor differences in how the two models work, including rounding issues which means the figures will not be exact. W2 uses the same inputs as W1 but increases the proportion of affordable housing to 30%.

Table 2.1 Welborne results

Typology (a)	% AH (b)	Net residual value (c)	Additional CIL headroom £/sqm (d)
W1 – Greenfield – medium density 150 units	10%	-£356,279	-£23
W2 – Greenfield – medium density 150 units	30%	-£4,003,847	-£300

- 2.3.15 The testing shows in typology W1 that development at Welborne results in a marginal viability position when modelled with 10% affordable housing. The impact on increasing the proportion of affordable housing in typology W2 to 30% affordable housing suggests the proposal is not viable at the higher level of affordable housing. Whilst some improvement to viability could be made through reduced developer profit, a reduction in land value and an improving market, this will contribute to improving the affordable housing offer on subsequent stages rather than being available for other development contributions such as CIL.
- 2.3.16 Even without CIL, development at Welborne is providing significant infrastructure contributions directly. Should the development at Welborne receive additional public funding support, this may be used to increase the proportion of affordable housing, help meet the transport infrastructure funding gap or bring forward the delivery of the infrastructure required. It should not be used to enable an increase in CIL, which in any case may be recycled back to pay for infrastructure at Welborne.
- 2.3.17 Based on currently available viability evidence, the Council anticipates that all or almost all developer contributions from Welborne will be secured through Section 106 Planning Obligations and therefore, it is likely that a differential CIL rate (or rates) will be justified and will need to be applied to the Welborne policy area which reflects the overall burden of planning obligations. Given the latest available evidence, a differential CIL rate of zero is justifiable.

3 CIL setting

- 3.1.1 The council needs to consider whether it has met the regulations in terms of setting its CIL – i.e. is the proposed levy rate justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs and does the proposed rate strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability (viability buffer).
- 3.1.2 In coming to a view about the evidence, the council needs to consider the evidence provided and agreed by them for the purposes of the planning application at Welborne. This relatively recent, site specific evidence, reviewed in 2019, is at a level of detail needed for a planning application and therefore also a suitable basis for CIL evidence. The council therefore understands this to be the best available evidence regarding this large strategic site and, in line with the guidance⁷, has chosen to rely upon it as the most appropriate available evidence and the basis for considering whether to amend the CIL charge.
- 3.1.3 In terms of infrastructure needs and delivery it is of note that the current CIL charge (as of March 2020) that will apply to Welborne is £149.73 per square metre. Since that charge was first brought in both the Welborne specific part of the Local Plan and a planning application for the site have been adopted and approved. In support of the planning application, infrastructure delivery and viability evidence has been submitted and agreed by the council concluding that the best mechanism for delivering infrastructure at Welborne is through S106/278. Therefore, in delivery terms CIL would not be used to help bring forward Welborne.
- 3.1.4 The use of S106 rather than CIL to fund infrastructure on large strategic sites is not uncommon and was supported in particular in evidence from the government commissioned Peace review⁸. Three Dragons' own experience in helping local authorities deliver large strategic sites is that a CIL charge taken from a strategic site which is then intended to fund the infrastructure for that same strategic site is challenging due to a number of reasons including:
- **Timing** – the CIL is payable on commencement of development but is often both requested as instalments and phased through the development cycle for each reserved matters. This means that there is often a substantial funding gap between when the infrastructure is required, normally many months and even years in advance of the receipt of funding. As the council is not allowed to borrow against future CIL receipts this can stall development
 - **Reduced CIL return** – potentially some of the CIL return from a strategic site can be redirected elsewhere, e.g. there is likely to be an administrative proportion retained by the council, a neighbourhood proportion up to 25% (depending on whether there is a neighbourhood plan), or the district council may not choose to pass on CIL to other infrastructure providers such as the county council. Use of S106 would guarantee all the infrastructure payments arising from the scheme are funding the scheme infrastructure and not redirected elsewhere
 - **Certainty** – use of s106 offers more certainty as it can directly link any payments as to when the infrastructure is required. It also can be used as delivery framework so both the developer and the council agree when infrastructure is provided and by whom in terms of funding and delivery.

⁷ Paragraph 019 Reference ID: 25-019-20190901 Planning Practice Guidance

⁸ Government commissioned review of CIL - A new approach to developer contributions: A report by the CIL review team, Chaired by Liz Peace – Para 4.1.5

- 3.1.5 In assuming that the site will fund and deliver infrastructure requirements relating to the site through S106, the viability review which uses the evidence set out in the planning application shows that even with a reduced level of affordable housing the initial phase of 150 dwellings would be marginal in viability terms and, at an increased fully policy compliant level of 30% affordable housing, it would be unviable. In this circumstance the current CIL of £149.74 would therefore be unviable and it is considered appropriate that the Council should review this charge. Given the evidence set out in the planning application and replicated in this report it is clear that the council should amend the CIL rate to zero.

Appendix A - Extracts from Site Wide Viability Report, Intelligent Land, Addendum, March 2019

4.16 Table 3 – Summary of Major Cost Items within the IDP

ITEM	Feb-17	Jan-19
1. SITE PREPARATION	£21,498,827	£19,288,966
2. TRANSPORT INFRASTRUCTURE	£70,198,913	£64,404,787
3. UTILITY INFRASTRUCTURE	£44,670,826	£43,692,631
4. SOCIAL INFRASTRUCTURE	£68,311,000	£78,327,855
5. GREEN INFRASTRUCTURE	£45,771,293	£31,592,702
6. PROFESSIONAL FEES	£21,728,990	£22,862,040
7. DESIGN AND DEVELOPMENT CONTINGENCY	£17,820,151	£19,512,674
8. MASTER DEVELOPER – STRATEGIC COSTS, FEES AND OVERHEADS	£12,000,000	£24,250,000
TOTAL IDP COST	£302,000,000	£307,931,655*

4.44 Table 4 – Summary of Development Cash Flow Assumptions

Assumption	SWVR Feb-17	CBRE Jun-18	Addendum Mar-19	Notes
Serviced Acre Sale Rate (Av)	£1,096,000	£683,101	£1,362,000	Update report provided. CBRE rate based on CIL payable and CBRE delivery rate.
New Homes Bonus	£30,400,000	£0	£0	No longer available for Welborne. Agreed with CBRE and FBC.
CIL	Zero	Various Sensitivity	Zero	CBRE draft report confirms development is not policy compliant when CIL is charged.
Build Out Delivery Rate (max per annum)	340	240	250	CBRE and Addendum based on Nathaniel Litchfield report and IL research.
Threshold Land Value (per gross acre)	£156,400	£148,629	£150,393	Based on circa £100,000 per gross acre with uplift to reflect deferred payments to land owner to assist viability.
Cash Flow Interest Rate	6%	5%	5%	Interest rate adjusted accordingly.
Employment Land Sale Rate (per acre blended)	£425,000	£500,000	£450,000	Addendum rate supported by evidence and reflects market conditions.

APPRAISAL SUMMARY**INTELLIGENT LAND**

Welborne Plan
 Serviced Acre Viability Assessment
 150 Unit Scheme

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales
Market Housing	135	140,125	350.51	363,815	49,115,000
Affordable Rent	8	6,458	148.47	119,851	958,812
Shared Ownership	7	6,189	249.98	221,017	1,547,119
Totals	150	152,772			51,620,931

NET REALISATION

51,620,931

OUTLAY**ACQUISITION COSTS**

Residualised Price (11.00 Acres 1,388,241.86 pAcre)			15,270,660		
				15,270,660	
Stamp Duty			763,533		
Agent Fee		1.00%	152,707		
Legal Fee			20,000		
Acquisition Surveys Due Dil			5,000		
				941,240	

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost		
Market Housing	141,070 ft²	133.12 pF	18,778,730		
Affordable Rent	6,725 ft²	137.61 pF	925,434		
Shared Ownership	6,294 ft²	134.38 pF	845,819		
Totals	154,089 ft²		20,549,983	20,549,983	

Contingency		3.00%	616,499		
				616,499	

Other Construction

Garage Build Cost (69 No.)			534,756		
				534,756	

PROFESSIONAL FEES

Professional Fees		5.00%	1,027,499		
				1,027,499	

DISPOSAL FEES

Marketing Fees (All Tenure)		1.50%	774,314		
AH Contract Legal Fee			20,000		
Market Housing Conveyance	135 un	750.00 /un	101,250		
				895,564	

FINANCE

Debit Rate 5.000%, Credit Rate 0.000% (Nominal)					
Land			1,615,262		
Construction			193,971		
Other			2,333		
Total Finance Cost				1,811,566	

TOTAL COSTS

41,647,767

PROFIT

9,973,164

Performance Measures

Profit on Cost%	23.95%
Profit on GDV%	19.32%
Profit on NDV%	19.32%
IRR	24.22%
Profit Erosion (finance rate 5.000%)	4 yrs 4 mths

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2036	2038	2037	2038	2039	2040	2041	2042	2043	2044	2046							
Forecast Annual Expenditure/ Returns: CALENDAR YEARS																																			
Primary Infrastructure Works	279,601,655	0	704,160	10,100,024	19,067,191	20,335,393	15,875,644	12,561,293	13,037,924	10,073,650	8,031,043	8,711,894	7,240,149	6,693,976	10,514,052	21,297,996	13,521,533	13,503,759	8,049,895	7,820,193	10,595,696	10,000,506	7,042,326	4,702,526	3,739,097	2,200,323	1,452,073	1,433,429	404,061						
Strategic Costs and Fees																																			
Marketing and sale of land parcels																																			
Agents fees (0.60% x £600m)	5,000,000	0	0	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300	192,300							
Legal fees (0.25% X £600m)	1,500,000	0	0	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692							
Strategic cost and project management																																			
BDL Management Fee	12,500,000	0	0	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769	480,769							
Viability and cost management; strategic planning	2,150,000	0	0	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530	66,530							
Estate Management and maintenance																																			
Maintenance of unadopted/ unsold areas	1,500,000	0	0	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692							
Community management																																			
PR and communications including website	1,500,000	0	0	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692	57,692							
Total	303,931,655	0	704,160	19,032,716	19,999,883	21,268,085	16,808,336	13,493,985	14,020,676	11,004,350	8,963,735	9,644,586	8,172,842	9,626,669	21,467,644	22,230,688	24,454,226	14,436,451	9,782,688	8,852,885	11,528,389	11,133,278	7,981,019	5,641,219	4,671,789	3,141,016	2,384,766	2,366,121	1,337,553						
Total Ex	-303,932	0	-704	-19,033	-20,000	-21,268	-16,608	-13,494	-14,021	-11,006	-8,964	-9,645	-8,173	-9,627	-21,468	-22,231	-24,454	-14,436	-9,783	-8,853	-11,528	-11,133	-7,981	-5,641	-4,672	-3,141	-2,385	-2,366	-1,338						
Manual adjustment (Health Care Provision)	-4,000	704	-704			-500								-3,500														0							
Use in model	-307,932	0	0	-19,737	-20,000	-21,268	-17,108	-13,494	-14,021	-11,006	-8,964	-9,645	-8,173	-13,127	-21,448	-22,231	-24,454	-14,436	-9,783	-8,853	-11,528	-11,133	-7,981	-5,641	-4,672	-3,141	-2,385	-2,366	-1,338						
MAX OF HOUSE BUILDERS - 250 per max				2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48		
UNIT SALES				0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29		
Total Unit Sales				6,000		0	25	75	150	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	0	0			
Cum Unit Sales						0	25	100	250	500	750	1,000	1,250	1,500	1,750	2,000	2,250	2,500	2,750	3,000	3,250	3,500	3,750	4,000	4,250	4,500	4,750	5,000	5,250	5,500	5,750	6,000	6,000		
Total Plot Sales				6,000		100	100	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	200	100	0	0	0		
Cum Plot Sales						100	200	450	700	950	1,200	1,450	1,700	1,950	2,200	2,450	2,700	2,950	3,200	3,450	3,700	3,950	4,200	4,450	4,700	4,950	5,200	5,450	5,700	5,900	6,000	6,000	6,000		
Headroom				450		100	175	350	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	450	400	250	0	0	0		
Regional Revenue				251,375		0	2,514	7,541	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	10,055	0	0		
National Revenue				351,925		0	7,541	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	15,082	0	0	
Employment Etc Revenue				22,096					10,436	611								10,436	611														0	0	
Revenue				625,397		0	0	2,514	15,082	25,137	35,575	25,748	25,137	25,137	25,137	25,137	25,137	35,575	25,748	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	23,881	20,110	13,826	0	0
Total Revenue				625,397		0	0	2,514	15,082	25,137	35,575	25,748	25,137	25,137	25,137	25,137	25,137	35,575	25,748	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	23,881	20,110	13,826	0	0
Ex/acre				1,362																															
Acres				442.9																															
Total Housing Revenue				603,299																															
Per Unit				100.5																															
Cost Plan Summary (per MM Delivery Plan)				-307,932		0	0	-19,737	-20,000	-21,268	-17,108	-13,494	-14,021	-11,006	-8,964	-9,645	-8,173	-13,127	-21,448	-22,231	-24,454	-14,436	-9,783	-8,853	-11,528	-11,133	-7,981	-5,641	-4,672	-3,141	-2,385	-2,366	-1,338	0	0
IDP COST				-307,932		0	0	-19,737	-20,000	-21,268	-17,108	-13,494	-14,021	-11,006	-8,964	-9,645	-8,173	-13,127	-21,448	-22,231	-24,454	-14,436	-9,783	-8,853	-11,528	-11,133	-7,981	-5,641	-4,672	-3,141	-2,385	-2,366	-1,338	0	0
CIL - Charged				Y	-73,935		0	0	-308	-924	-1,848	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	-3,081	0	0	
CIL - Reinvested				Y	73,935		0	0	308	924	1,848	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	3,081	0	0
CIL IMPACT				90%	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Funding & Returns																																			
Revenue				625,397		0	0	2,514	15,082	25,137	35,575	25,748	25,137	25,137	25,137	25,137	25,137	35,575	25,748	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	25,137	23,881	20,110	13,826	0	0
IDP				-307,932		0	0	-19,737	-20,000	-21,268	-17,108	-13,494	-14,021	-11,006	-8,964	-9,645	-8,173	-13,127	-21,448	-22,231	-24,454	-14,436	-9,783	-8,853	-11,528	-11,133	-7,981	-5,641	-4,672	-3,141	-2,385	-2,366	-1,338	0	0
CIL				0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land				-154,469			-43,654	0	0	-23,153	0	0	-13,401	0	0	-15,513	0	0	-17,959	0	0	-20,789	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant				N	0																														
Period cash flow pre interest costs				161,997		0	-43,654	-17,223	-4,917	-19,263	16,467	12,254	-2,284	14,131	16,174	-20	16,965	22,449	-13,650	2,907	603	-10,068	15,355	16,265	13,609	14,004	17,156	19,496	20,466	21,996	21,496	17,744	12,488	0	0
Cash flow				-51,303		0	-1,591	-3,693	-4,431	-5,150	-5,541	-5,050	-5,053	-5,010	-4,502	-4,324	-4,116	-3,337	-3,264	-3,717	-3,813	-4,239	-4,319	-3,744	-3,164	-2,653	-2,006	-1,190	-251	0	0	0	0	0	
Period cash flow				79,694		0	-45,245	-20,916	-9,348	-24,541	12,926	7,205	-7,337	9,122	11,671	-4,244	12,948	19,112	-16,941	-810	-3,130	-14,327	11,036	12,541	10,425	11,352	15,150	18,306	20,215	21,996	21,496	17,744	12,488	0	0
Cash brought forward						0																													

Appendix B – Three Dragons replication summary models

Output summary

Typology	Site	Dwgs	%AH	Value area	Residual value post BMLV/ SDLT & Fees	GDV	Return @ 19.32% GDV	Net residual
W1	Welborne	150	10%	Welborne	£9,617,478	£51,624,000	£9,973,757	-£356,279
W2	Welborne	150	30%	Welborne	£4,003,847	£44,697,060	£8,635,472	-£4,631,625

W1 Appraisal Summary – 10% affordable housing

Summary Results																																																																																																																																																																																																																					
Site Details	Farnham CIL Replicate IL illustrative viability for 150 dwelling medium density scheme			Site Address	Large greenfield Based on IL details for costs and values			Site Reference																																																																																																																																																																																																													
Scheme Description				Notes				Application No																																																																																																																																																																																																													
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W2 Appraisal Summary – 30% affordable housing

Summary Results									
Site Details	Fareham OIL, Replicate IL illustrative viability for 150 dwelling medium density scheme			Site Address	Large greenfield Based on IL details for costs and values Amended to provide 30%AH split 70%MR/30%int			Site Reference	
Scheme Description	Dwelling not per type based on Mix % in IL Medium density table			Notes				Application No	
								Date Saved	31/10/2019

Site Details		Dwellings		GIA (sq m)
Gross Area	4.45 ha	Total	150.00	13,490.4
Net Area	4.45 ha	Market Housing	105.00	10,182.0
Net to Gross Ratio	100.0%	Affordable Housing	45.00	3,308.4
Density	33.89 dwgs per net ha	% Affordable Housing	30.00%	

	Total	Market	Affordable Housing				
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share	Shared Ownership
Total No of Dwellings	150.00	105.00	-	-	-	51.50	13.50
Total GIA (sq m)	13,490.4	10,182.0	-	-	-	2,507.2	1,021.2
Tenure Split (by % dwellings)		70.0%	0.0%	0.0%	0.0%	21.0%	9.0%
Total Revenue	44,867,060	30,305,500	-	-	-	3,600,800	2,722,600
Average Revenue per unit	297,660	305,100	-	-	-	115,520	201,680
Average Revenue per sq m GIA	3,313	3,772	-	-	-	1,577	2,666
Total Capital Contributions	-						
Total Commercial Elements	-						
Total Scheme Revenue	44,867,060						

	Total	Market	Affordable Housing				Per dwelling	per sq m
			Social Rent	Affordable Rent	Intermediate Rent	Equity Share		
Build Cost (inc external works & contingency)	19,444,582	14,542,453	-	-	-	3,409,046	1,493,193	
Additional Dwelling Standards	-	-	-	-	-	-	-	
Professional Fees	972,235	727,123	-	-	-	170,452	74,660	5.0% build costs
Marketing Costs (market housing)	575,033	575,033	-	-	-	-	-	1.5% market revenue
Marketing Costs (aff housing)	95,423	-	-	-	-	54,503	40,940	1.5% affordable revenue
Exceptional Development Costs	17,347,862	12,143,567	-	-	-	3,643,079	1,561,320	
Planning Obligations Costs	-	-	-	-	-	-	-	
Commercial Elements Costs	-	-	-	-	-	-	-	
Community Infrastructure Levy	-	-	-	-	-	-	-	0.0% OIL as %Revenue 20.00 per market sq m 0.0% OIL as %Dev Costs
Developer's Return for Risk and Profit	-	-	-	-	-	-	-	
Developer's Return (Market housing)	-	-	-	-	-	-	-	0.0% market revenue
Contractor's Return (Aff housing)	-	-	-	-	-	-	-	0.0% self build & prof fees
Total Development Costs	38,436,377							
Total Operating Profit	6,281,683							

Finance Costs and Residual Value	
DCF Period	4 years
Debit Interest Rate	5.0%
Credit Interest Rate	0.0%
Annual Discount Rate	0.0%
Revenue and Capital Contributions	44,867,060
Total Development Cost	38,436,377
Finance Cost	1,860,678
Annual Discount Rate Cost	-
Total Dev Cost, Finance Cost & ADR Cost	40,297,056
Gross Residual Value	4,267,704
Agents Fees	40,848
Legal Fees	20,324
Stamp Duty	202,005
Net Residual Value	4,003,947
per gross ha	899,337
per net ha	899,337
per dwelling	26,692
per market dwelling	30,132

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