

# FAREHAM

BOROUGH COUNCIL

## AGENDA FOR THE EXECUTIVE

**Date:** Monday, 5 February 2024

**Time:** 6.00 pm

**Venue:** Collingwood Room - Civic Offices

***Executive Members:***

Councillor S D T Woodward, Policy and Resources (Executive Leader)

Councillor I Bastable, Streetscene

Councillor Miss J Burton, Health & Public Protection

Councillor D G Foot, Housing

Councillor S D Martin, Planning and Development

Councillor Mrs S M Walker, Leisure and Community

**1. Apologies for Absence**

**2. Minutes (Pages 5 - 10)**

To confirm as a correct record the minutes of the meeting of the Executive held on 08 January 2024.

**3. Executive Leader's Announcements**

**4. Declarations of Interest**

To receive any declarations of interest from members in accordance with Standing Orders and the Council's Code of Conduct.

**5. Petitions**

**6. Deputations**

To receive any deputations, of which notice has been lodged.

**7. References from Other Committees**

To receive any references from the committees or panels held.

**Matters for Decision in Public**

*Note: Where an urgent item of business is raised in accordance with Part 3 of the Constitution, it will be considered with the relevant service decisions as appropriate.*

**8. Housing**

**Key Decision**

**(1) Fareham Housing Responsive Repairs Framework Contract Extension (Pages 11 - 20)**

A report by the Director of Housing.

**9. Planning and Development**

**Key Decision**

**(1) Planning Obligations Supplementary Planning Document (Pages 21 - 96)**

A report by the Director of Planning and Regeneration.

**Non-Key Decision**

**(2) Affordable Housing Supplementary Planning Document for Consultation (Pages 97 - 152)**

A report by the Director of Planning and Regeneration.

**10. Policy and Resources**

## Key Decision

**(1) Finance Strategy, Capital Programme, Revenue Budget & Council Tax 2024/25** (Pages 153 - 166)

A report by the Assistant Chief Executive Officer.

**(2) Housing Revenue Account 2024/25** (Pages 167 - 184)

A report by the Assistant Chief Executive Officer.

## Non-Key Decision

**(3) Treasury Management Strategy 2024/25** (Pages 185 - 208)

A report by the Chief Executive Officer.

## 11. Exclusion of Public and Press

To consider whether it is in the public interest to exclude the public and representatives of the Press from the remainder of the meeting on the grounds that the matters to be dealt with involve the likely disclosure of exempt information, as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

### Exempt Matters for Decision

*Note: Where urgent items of business are raised in accordance with Part 3 of the Constitution, they will be considered with the relevant service decisions as appropriate.*

## 12. Policy and Resources

### Non-Key Decision

**(1) Irrecoverable Debts** (Pages 209 - 214)

A report by the Head of Finance and Audit.



A WANNELL  
Chief Executive Officer

[www.fareham.gov.uk](http://www.fareham.gov.uk)

26 January 2024

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# FAREHAM

BOROUGH COUNCIL

## Minutes of the Executive

**(to be confirmed at the next meeting)**

**Date:** Monday, 8 January 2024

**Venue:** Collingwood Room - Civic Offices

**Present:**

S D T Woodward, Policy and Resources (Executive Leader)  
I Bastable, Streetscene  
Miss J Burton, Health & Public Protection  
D G Foot, Housing  
S D Martin, Planning and Development  
Mrs S M Walker, Leisure and Community

**Also in attendance:**

Ms C Bainbridge, for item 8(1)



## 1. APOLOGIES FOR ABSENCE

There were no apologies given for this meeting.

## 2. MINUTES

RESOLVED that the minutes of the meeting of the Executive held on Monday 11 December 2023 be confirmed and signed as a correct record.

## 3. EXECUTIVE LEADER'S ANNOUNCEMENTS

### Director of Neighbourhoods

The Executive Leader welcomed the new Director of Neighbourhoods, Sarah Ward, to her first meeting of the Executive and stated that he was pleased to see promotion from within the Council.

### Nutrient Mitigation

The Executive Leader announced that he had received a letter from central government awarding us £9.6m for use in bringing forward, with our partners in the Partnership for South Hampshire, further land for nutrient mitigation to allow housebuilding to continue in the medium term.

### Westbury Manor Museum

The Executive Leader announced that Hampshire Cultural Trust (HCT) has given Fareham Borough Council 12 months' notice that it will be closing Westbury Manor Museum at the end of this year. The decision was taken following a strategic review which will see the HCT withdraw from six of the 24 facilities it currently manages. Ashcroft Arts Centre in Fareham is also set to close.

Hampshire Cultural Trust has been managing Westbury Manor Museum for the Council since 2014. Initially the cost of funding the Museum was shared with the Council providing an annual subsidy of £64,500.

In 2016 it was agreed that the Council would invest £448,000 towards the refurbishment of the Museum instead of an annual subsidy and the HCT shared its plans with the Council to ensure the Museum would be a vibrant and viable addition to the town centre. As a result, a new 10-year management agreement was put in place.

Six years later the HCT advised the Council that actually, this was not now the case, and they required further funding from the Council after all.

This is extremely disappointing news for Fareham as the 10-year agreement was signed in good faith and backed up with significant investment by the Council. HCT was confident it would deliver a thriving museum for our town centre. The Council is not in a position to further subsidise the HCT and, in any event, based on this turn of events, and indeed the similar fate of the Ashcroft Arts Centre, it feels to me that this would be throwing good money away.

Westbury Manor Museum and gardens are a beautiful asset in the heart of Fareham town centre and Fareham Borough Council has held many successful events there in recent years. At the end of last year, we started work on our exciting plans to regenerate the town centre and the future of the building will now be considered as part of that wider work.

The Executive Leader stated that he is thankful that the closure of Ashcroft Arts Centre will coincide with the opening of Fareham Live so we will not lose cultural excellence in the centre of our town.

#### **4. DECLARATIONS OF INTEREST**

Councillor Miss J Burton, Executive Member for Health and Public Protection, declared a Disclosable Pecuniary Interest for item 10(1) – Fees and Charges 2024/25 as she is a community user of the facility at Daedalus. As this interest relates specifically to fees and charges for Daedalus and recommendation (c) asks the Executive only to note the charges, Councillor Burton remained present for the rest of the item but left the room when recommendation (c) was considered. She took no part in the discussion or decision for recommendation 10(1)(c).

#### **5. PETITIONS**

There were no petitions received at this meeting.

#### **6. DEPUTATIONS**

There were no deputations made at this meeting.

#### **7. REFERENCES FROM OTHER COMMITTEES**

There were no references from other Committees.

#### **8. HOUSING**

##### **(1) Emergency and Temporary Accommodation Pressure**

At the invitation of the Executive Leader, Councillor Mrs C Bainbridge addressed the Executive on this item.

During the discussion on this item, Councillor Mrs S Walker asked that thanks be placed on record to the Director of Housing and the teams involved.

RESOLVED that the Executive:

- (a) agrees an increase in capital budget, to purchase or directly provide further emergency accommodation, to a level of expenditure as set out in Confidential Appendix A to the report; and
- (b) delegates authority to the Director of Housing, following consultation with the Executive Member for Housing, to agree the final acquisition cost, terms of purchase and/or long lease arrangements (subject to the

purchase being within affordable levels), of any suitable property or properties identified.

## **9. LEISURE AND COMMUNITY**

### **(1) D-Day 80 Event**

RESOLVED that the Executive agrees:

- (a) to appoint Montserrat Events Community Interest Company to organise an event, under licence, to commemorate the 80<sup>th</sup> Anniversary of D-Day in June 2024 non-airside at Daedalus, subject to financial approvals and subject to agreement of detailed terms and conditions;
- (b) subject to approval of (a), to delegate authority to the Assistant Director (Democracy), following consultation with the Executive Member for Leisure and Community to agree Heads of Terms and conditions for the Licence agreement; and
- (c) to request a simultaneous fly-in event at Solent Airport, organised by the Council's Airport Operator.

## **10. POLICY AND RESOURCES**

### **(1) Fees and Charges 2024/25**

Councillor Miss J Burton declared a disclosable Pecuniary Interest for this item as she is a community user of the facility at Daedalus. Councillor Burton remained present for the rest of this item but left the room when recommendation (c) was considered. She took no part in the discussion or decision for recommendation 10(1)(c).

RESOLVED that the Executive:

- (a) approves the fees and charges for 2024/25 as set out at Appendix A to the report;
- (b) notes the fees and charges that will be reviewed by the Licensing and Regulatory Affairs Committee and the Planning Committee;
- (c) notes the Solent Airport Daedalus charges at Appendix B to the report;
- (d) approves the increase for the Trade Waste fees and charges as set out at the confidential Appendix C to the report;
- (e) gives delegated authority to the Head of Streetscene to agree concessions to the Trade Waste charges at Appendix C to win business that will be of benefit to the Council; and
- (f) notes the other fees and charges at Appendix C.

### **(2) Finance Strategy, Revenue Budget & Council Tax 2024/25**

RESOLVED that the Executive:



**Financial Forecasts (MTFS)**

- (a) approves the Medium-Term Finance Strategy for the period 2023/24 to 2027/28 as set out at Appendix C to the report;
- (b) agrees to submit the updated Pay Policy, annexed to the Medium-Term Finance Strategy in Appendix C at Annex 2, to Full council for approval;

**Revenue Budgets**

- (c) approves the revised 2023/24 general fund revenue budget, amounting to £12,376,100 as set out in Appendices A and B to the report; and
  - (d) approves the base 2024/25 general fund revenue budget amounting to £13,065,600, as set out in Appendices A and B to the report.
- (3) Capital Programme and Capital Strategy 2024/25

RESOLVED that the Executive:

- (a) endorses the draft Capital Strategy for 2024/25, attached as Appendix A to the report;
  - (b) approves the capital programme for the period 2023/24 to 2027/28, amounting to £82.3 million as set out in Annex 1 of the Capital Strategy; and
  - (c) agrees to submit the Capital Strategy for 2024/25 to Council for approval.
- (4) Fareham Town Centre Draft Regeneration Strategy and Action Plan

RESOLVED that the Executive:

- (a) notes the outcome of the Council's engagement with residents, businesses and visitors on the future of Fareham Town Centre; and
- (b) endorses the "Four Pillars" and Strategic Objectives that have been established to inform and guide the Fareham Town Centre Regeneration Strategy and Action Plan as it is developed through the first half of 2024.

**11. EXCLUSION OF PUBLIC AND PRESS**

RESOLVED that it is in the public interest to exclude the public and representatives of the press from the remainder of the meeting on the grounds that the matters to be dealt with involve the likely disclosure of exempt information, as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**12. POLICY AND RESOURCES**

- (1) Purchase of Strategic Land at Faraday Business Park (South)

RESOLVED that the Executive:

- (a) approves the purchase of the land; and
- (b) delegates the agreement of final financial terms, up to the sum detailed in the recommendation to the report (plus overage provisions), to the Director of Planning and Regeneration following consultation with the Executive Member for Policy and Resources.

(2) Sale of Development Land at Faraday Business Park (South)

RESOLVED that the Executive gives delegated authority to the Director of Planning and Regeneration, following consultation with the Executive Member for Policy and Resources, to award a contract as detailed in the report and up to a value as detailed in the recommendation once the final terms are understood.

(The meeting started at 6.00 pm  
and ended at 6.42 pm).

..... Chairman

..... Date

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 05 February 2024

<b>Portfolio:</b>	Housing
<b>Subject:</b>	<b>Fareham Housing Responsive Repairs Framework Contract Extension</b>
<b>Report of:</b>	Director of Housing
<b>Corporate Priorities:</b>	Provides Housing Choices

**Purpose:**

To seek Executive approval for an extension of up to 12-months to the existing Responsive Repairs Framework Contract with the respective suppliers.

**Executive summary:**

The Responsive Repairs Framework provides a framework of contractors who were awarded contracts to undertake repairs or specialist works, in Council homes, which cannot be undertaken by the Council's in-house Building Services Direct Service Organisation (DSO). It forms part of the delivery of the repair service for Fareham Housing.

The original contracts were entered into on 20 January 2020 and they will expire on 19 January 2024.

During 2023 there have been many changes to the social housing landscape. This includes the Social Housing (Regulation) Act 2023 (sometimes referred to as Awaab's Law) and increasing focus by the Regulator of Social Housing relating to matters of repair. This has coincided with a significant increase in the cost of repairs (materials/labour) in recent years.

Key contracts for the Housing Property service will expire in 2024. One is the Fareham Housing Voids Property Repairs and Refurbishment Works (new contract due to be awarded in October 2024), along with the series of contracts awarded under the Responsive Repairs Framework (subject of this report). It is considered appropriate to take the opportunity to recognise the synergies between the works undertaken across both contracts, and opportunities to improve the efficiency and effectiveness of the service.

An extension of the existing Responsive Repairs Contracts will allow for a continuation of service delivery, ahead of many of the repair works being incorporated into the, soon to be advertised, Void and Property Improvement works contract (anticipated to be in place for Oct/Nov 2024). This amalgamation of some

of the contract elements will assist in contract management, monitoring quality, service delivery and timeliness of repairs, and improved clarity on costs.

In November 2023 an internal review commenced to look at the existing framework contract performance. The review is aimed at ensuring an appropriate standard of repair works takes place alongside good quality customer service, whilst also improving efficiency and identifying opportunities to reduce the financial impacts of the repair process.

**Recommendation/Recommended Option:**

It is recommended that authority be delegated to the Director of Housing, following consultation with the Executive Member of Housing, to enter into an extension of the existing Responsive Repairs Contracts with the respective suppliers, for a period of up to 12 months.

**Reason:**

To ensure repair works to occupied Council homes continue whilst a new tender pack and procurement exercise is concurrently prepared which will incorporate many of the responsive repairs works with the voids and property improvement contract.

**Cost of proposals:**

Further detail around the cost implications is provided in Confidential Appendix A. The 2023/24 and 2024/25 costs of providing repair works are reflected in the HRA budget proposals for detailed in the Housing Revenue Account 2024-25 report to the Executive on 5 February 2024.

**Appendices:**

**A:** \*\*Confidential Appendix A, Fareham Housing Responsive Repairs Framework – Extension of Contract

\*\*It is not in the public interest to publish this information within the Confidential Appendix A, as revealing values paid and future financial strategies could harm the Council's ability to achieve best value and could undermine, and jeopardise, this, and any, future negotiations by revealing budgets and costs and could result in a weak negotiating position for the Council.

**Background papers:** None

**Reference papers:** Executive Report 16 December 2019 (Responsive Repairs for Fareham Borough Council-owned Properties)

Executive Report 03 July 2023 (Fareham Housing Void Property Works and Improvement Contract)

Executive Report 05 February 2024 (Housing Revenue Account 2024-25)

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	05 February 2024
<b>Subject:</b>	Fareham Housing Responsive Repairs Framework - Extension of Contract
<b>Briefing by:</b>	Director of Housing
<b>Portfolio:</b>	Housing

#### INTRODUCTION

1. An information evening was held at Ferneham Hall on 04 March 2019 to engage with local businesses who may be interested in working for Fareham Borough Council, in support of our Direct Services Organisation (DSO). The aim of the event was to engage and encourage local Small and Medium Enterprises (SME's) businesses to meet with Council Officers face to face, to find out what the benefits are for working with Fareham Borough Council and to find out more about the procurement process.
2. The works were for responsive repairs to Council owned housing assets, when additional resource is required over and above the Council's DSO capacity to deliver, or to provide more specialist support.
3. Following the procurement process, the Council established compliant contractual arrangements with selected contractors across twenty-one separate 'lots' (i.e. types of works):
  1. Asbestos
  2. Carpentry
  3. CCTV
  4. Civil engineering
  5. Door Entry Systems
  6. Drainage
  7. Electrical
  8. Fencing
  9. Flooring
  10. Foundations
  11. Groundworks
  12. Gutter Clearance
  13. Insulation
  14. Locksmith
  15. Painting & Decorating
  16. Plastering
  17. Plumbing
  18. Roofing
  19. Scaffolding
  20. Stairlifts
  21. Window & Doors
4. This provides the overall 'framework' to call off for works, and contract arrangements are on four-year terms, which commenced on 20 January 2020. Approximately 40 different contractors have formed part of the framework.
5. The contracts are based on a non-exclusive arrangement and the quantity and value of orders that they receive is not guaranteed. The framework agreement allowed up to six suppliers for each 'lot' and orders to be allocated on a rolling basis. The contracts are

monitored by The Property Manager (Housing) pursuant to the KPI provision in the agreements.

## **BACKGROUND**

6. Responsive repair work has, and will continue, to be delivered mostly by the in-house DSO team (made up of 14 staff, covering a variety of trades). The existing framework provides a flexible 'call-off' arrangement when needed, so it is not possible to quantify the exact level of work to be allocated, however estimated values are provided in the Confidential Appendix A.
7. The contracts have agreed labour rates, profit, and overhead uplifts. The labour rate is subject to an annual Consumer Price Indexation (CPI).
8. The responsive repair framework contractors currently provide repair and improvement works on behalf of the Council. This is by a contract arrangement that began in January 2020 following agreement by the Council's Executive on 19 December 2019. The contract arrangement was for a period of four years.
9. With, at times, around 40 contractors making up the overall Framework, this can lead to contract management issues and make it difficult to monitor work and the timeliness of work being completed. This potentially creates issues of customer satisfaction, and the Council's performance against repair targets. The rotation/rolling of works awarded within the 'lots' means that we may not always be achieving best value.

## **RECENT AND EMERGING CHANGES**

10. Within the last year the wider landscape on social housing has and is changing.
11. The Social Housing (Regulation) Act received Royal Assent, becoming law on the 20 July 2023. This has increased expectations and standards for social landlords relating to the conditions of homes, with elements of this Act often referred to as Awaab's Law. This does not just relate to issues around damp and mould, but also other standards and hazards, and interrelates to timeliness of repairs.
12. Recent years have also seen a significant rise in costs for materials and labour, and the implications of this to the Housing Revenue Account (HRA) in 2023/24 has been compounded by rental receipts not tracking inflation.
13. Officer analysis of our repair process and timescales has recognised an opportunity to improve repair periods in line with new timescales introduced for categories of repair, but that this must be done in a manner that still maintains the current good standard, and customer satisfaction.
14. Moving forward it is vital that officers can efficiently and successfully ensure repairs are undertaken to an appropriate standard, and in a timely way. The cost implications and achieving best value (whilst retaining quality) is also essential.

## **THE NEXT CONTRACT**

15. Key contracts for the Housing Property service will expire in 2024. One is the Fareham Housing Voids Property Repairs and Refurbishment Works (new contract due to be awarded in October 2024), along with the series of contracts awarded under the Responsive Repairs Framework (subject of this report). Responsive repair works to Council homes which are categorised as 'urgent', 'essential' and 'routine' will continue

to largely be delivered by the in-house DSO.

16. The intention (following expiry of the Responsive Repair Contract extensions proposed) is that additional work, and much of the specialised repair work, will be delivered through a new single contract alongside void and property improvement works, rather than a replacement of the Responsive Repair Framework.
17. There may continue to be other more specialist work, or smaller frameworks, to address certain works. More significant areas of spend (e.g. planned maintenance works under the capital programme) will continue to be delivered through other contracts, often procured and specific to the project (such as the energy efficient property improvement works at Fort Fareham).
18. Work is already underway on the procurement process for a new contract; A combined contract covering voids, responsive repairs and refurbishments is anticipated to commence on 31 October 2024.
19. The benefits of this approach will:
  - Reduce the number of contractors which the Council directly manages.
  - Moving from Cost Reimbursable (cost plus) to Schedule of Rates based work.
  - Invoicing process.
  - Performance criteria (timescales for the categorised repairs/timeliness of repairs).
  - Customer satisfaction (easier to contractually ensure and address any issues with a single contractor)
20. This list is not exhaustive, and further factors will be included in the operational management for the next contract.
21. The extension of up to 12 months sought as part of this report, will allow the continuation of the current approach until such a time that much of the works will be covered through the revised contract approach, currently anticipated to apply from October 2024.
22. A further report is expected to be provided to the Executive relating to the award of the next contract later this year.

## **CURRENT EXTENSIONS AND CONTRACTOR IMPLICATIONS**

23. Discussions have already taken place with the Council's Finance team, Procurement Manager, and Legal services in relation to the extension of the existing Responsive Repairs Contracts. The mechanism for the extension will be agreed in conjunction with them and in consultation with the respective contractors.
24. A 12-month extension to the existing contract arrangements is expected to fall within the parameters of regulation 72(1)(f) of the 2015 Public Contracts Regulations (Modification of contracts during their term) as the amounts payable to the contractor will be less than 15% or the original contract sum and the works threshold of £5,336,937.
25. In order to maintain transparency, the 2015 Public Contracts Regulations require the Council to publish a notice of the 12-month extensions.
26. As referred to in paragraph 5, the existing Framework is non-exclusive and there is no guarantee for certain amounts of jobs or value of work. For the Contractors, the Council

are one of many clients. For some the revised approach proposed for the next contract may more notably impact their work than others, but sufficient warning will be provided relating to the proposed intentions going forward to minimise any detrimental impacts.

## **FINANCIAL IMPLICATIONS**

27. The Housing Revenue Account budgets already account for the cost of repair work. The financial implications of the proposals contained in this report are reflected in the HRA budget proposals for 2024/25 detailed in the Housing Revenue Account 2024-25 report to the Executive on 5 February 2024. However, the flow of repair work will be reflective of need/demand, and therefore the costs of different approaches to deliver this (whether it be framework or predominately single contract) are, at this stage, not expected to be significantly different.
28. The framework contracts provide a flexible 'call-off' arrangement when needed, so it is not possible to quantify the exact level of work to be allocated. Estimated values are provided in the Confidential Appendix A.
29. The labour rate of the current Framework is subject to an annual consumer price indexation (CPI) from 1 February 2024 using indices set at the time of award, anticipated to be approximately plus 3.5% (BCIS All-in Maintenance Cost Indices - General).

## **OTHER CONSIDERATIONS**

30. It will be noted that the existing Framework will have ended prior to an extension being formally approved or entered into. Communication has occurred with the contractors via the Council's Procurement team, and work is able to continue without any impact to service delivery.

## **ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT**

31. No new detrimental impacts to the environment or carbon impact are anticipated as part of the proposed extensions. The delivery of the works under the extended arrangements will not have any new environmental considerations or carbon reduction measures built in, as it will roll forward the current arrangement.
32. Opportunities to tackle climate change and other environmental considerations will be considered as part of the next contract.

## **CONCLUSION**

33. The extension of up to 12 months to the existing contracts will allow Fareham Housing to maintain the repair service for Council homes and customers. This will enable sufficient time for much of the repair elements not delivered in-house to be incorporated into the next contract relating to void and property improvement works. This is needed to enable more effective and efficient contract management and interlinked with increasing need to ensure the appropriate timeliness of repairs and customer satisfaction with the overall service.

**Enquiries:** For further information on this report please contact Shaun Barnett on (01329) 824825



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 05 February 2024

<b>Portfolio:</b>	Planning and Development
<b>Subject:</b>	<b>Planning Obligations Supplementary Planning Document</b>
<b>Report of:</b>	Director of Planning and Regeneration
<b>Corporate Priorities:</b>	Provides Housing Choices Respond to Climate Change and Protect the Environment Leisure Opportunities for Wellbeing and Fun Responsive, Inclusive and Innovative Council

**Purpose:**  
To adopt the Planning Obligations Supplementary Planning Document.

**Executive summary:**

Planning obligations are legal obligations used to secure mitigation for the direct impacts of development. They can be used to secure the direct provision or a financial contribution towards the provision of new or improved infrastructure, services, and facilities. Planning obligations can also secure the funding for their ongoing maintenance to ensure that new development is acceptable.

The Planning Obligations Supplementary Planning Document (SPD) provides detailed advice to applicants regarding infrastructure they may be required to deliver and/ or contributions they may be required to pay to mitigate the impact of development.

The draft Planning Obligations SPD was subject to six weeks of public consultation. The version proposed for adoption has been amended in response to the points raised in the representations received during the consultation.

**Recommendation:**

It is recommended that the Executive:

- (a) adopts the Planning Obligations Supplementary Planning Document as set out in Appendix B to this report with effect from 20 February 2024;
- (b) approves the publication of the Companion Cost Schedule as set out at Appendix C to this report alongside the SPD;

- (c) delegates authority to the Director of Planning and Regeneration to review and update the Companion Cost Schedule on an annual basis as necessary;
- (d) delegates authority to the Director of Planning and Regeneration, following consultation with the Executive Member for Planning and Development, to make any minor amendments to the document following consideration by the Executive, prior to the adoption; and
- (e) agrees that the Planning Obligations Supplementary Planning Document (excluding Welborne) adopted in April 2016, be superseded on 20 February 2024.

**Reason:**

To enable the Planning Obligations Supplementary Planning Document to be adopted and afforded due weight as a material consideration in the determination of planning applications.

**Cost of proposals:**

There are no direct financial cost implications arising from this report. The adoption of this SPD will enable the Council to secure greater cost recovery where land and facilities are put forward to the Council for adoption.

**Appendices:**

**A:** Planning Obligations SPD Post Consultation Statement

**B:** Planning Obligations Supplementary Planning Document

**C:** Planning Obligations Schedule of Costs

**D:** SEA and HRA Screening Assessment

**Background papers:** None

**Reference papers:** None

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	05 February 2024
<b>Subject:</b>	<b>Planning Obligations Supplementary Planning Document</b>
<b>Briefing by:</b>	Director of Planning and Regeneration
<b>Portfolio:</b>	Planning and Development

#### INTRODUCTION

1. Supplementary planning documents (SPDs) build upon and provide more detailed advice or guidance on policies in an adopted local plan. As they do not form part of the development plan, they cannot introduce new planning policies into the development plan. They are however a material consideration in decision-making and play a key role in describing and explaining how adopted planning policies should be interpreted and delivered through development management process.
2. Planning obligations are legal obligations used to secure mitigation for the direct impacts of development and are generally secured pursuant to Section 106 of the Town and Country Planning Act 1990. Planning Obligations can be used to secure the direct provision or financial contributions towards the provision of new or improved infrastructure, services, and facilities, and where appropriate, their maintenance to ensure that new development is acceptable.
3. The Planning Obligations SPD provides detailed advice to applicants regarding the infrastructure they may be required to deliver and/ or contributions they may be required to pay to mitigate the impact of development.
4. As outlined in Policy TIN4 of the Fareham Local Plan 2037, the Council and developers have a responsibility, through the planning process, to manage the impact of this growth and ensure that any harm caused by development is mitigated, through ensuring that the necessary infrastructure is provided. As such, clear and detailed guidance on developer contributions to achieve this is required. The Council currently uses an SPD for this purpose which was adopted in 2016.
5. The Council has for many decades been prepared to take on and manage open space, playing pitches and children's play areas where it has been offered to the Council for adoption. The Council has a good reputation for managing these spaces to a high standard.

6. The SPD now proposed for adoption proposes both an increase to maintenance fees associated with the transfer of land (open space, amenity land, playing pitches, playgrounds) to the Council and an increase in the time period which these costs are sought to cover. Once adopted, this will replace the Planning Obligations SPD adopted in 2016.

## **BACKGROUND**

7. The Council consulted on the draft Planning Obligations SPD in April 2023. The draft SPD reflects the policy requirements of the newly adopted Fareham Local Plan 2037 (April 2023). The Local Plan sets out a framework to assess impacts from development and the SPD provides additional guidance on securing planning obligations in relation to the new development.
8. One area of the existing SPD which has been very carefully reviewed, relates to the maintenance charge applied to Public Open Space, Outdoor Sports provision and Children's Play Equipment associated with new development that is to be transferred and adopted by the Council. The rate in the current SPD is based on an assessment of costs from 2015, and whilst this is subject to indexation each year, it is no longer considered reflective of 2023-based service costs. Officers have undertaken a thorough assessment of the costs involved for both capital and revenue elements of maintaining such land and these form the basis for the updated costs in the new SPD.
9. Whilst the Council cannot insist that open space, outdoor sports areas and children's play equipment is transferred to it, it has been a common approach in Fareham for many decades and is favoured by many developers as it removes the ongoing burden on them.
10. The 2016 SPD sets out a per square metre maintenance costs figure for land or assets which the Council manage and maintain. Whilst there was no published timeframe in the SPD, the per square metre figure was based on a 20-year maintenance time period.
11. The April 2023 draft SPD continued the same broad approach to maintenance but consulted on a figure based on a 50-year maintenance period. Where land is transferred to the Council, the maintenance of the land and assets would be covered by the contribution. Following completion of the maintenance period, the continued upkeep of the assets will need to be met from within the Council budgets.
12. The resulting 50-year maintenance figure was a considerable increase over the 2016 SPD, as detailed below:

<b>Maintenance Contribution</b>	<b>Parks and Amenity Open Space</b>	<b>Outdoor Sports provision</b>	<b>Children's Play Equipment</b>	<b>Trees</b>
<i>Current SPD (2016) rate</i>	<i>£7.81 per sqm</i>	<i>£22.12 per sqm</i>	<i>£119.73 per sqm</i>	<i>£650.70 per tree</i>
<b>Consultation version SPD proposed rates (based on 50 year maintenance period)</b>	<b>£39.72 per sqm</b>	<b>£58.53 per sqm</b>	<b>£224.09 per sqm</b>	<b>£1,626.75 per tree</b>

## **PUBLIC CONSULTATION**

13. Consultation on the draft SPD was held between 17th March and 1st May 2023; a total of ten responses were received. Three of the comments received focused on the increase to maintenance costs, and how these had been derived.
14. Those three representations raised the question of the validity of the 50-year maintenance period proposed, stating there was no clear evidence of need for a maintenance period of this length, and that there is a real risk that allocated sites may no longer be able to deliver policy compliant viable schemes with such a significant increase in total cumulative costs, especially with the proposed new CIL charge as well.
15. It is noted that the viability and deliverability of sites allocated within the Local Plan were tested via the Examination in Public of the Local Plan and included the increased proposed costs associated with the draft SPD. The conclusions from that study considered that overall viability would not be significantly adversely impacted by the proposed increase to a 50-year maintenance period. It is recognised however that if developers consider maintenance contributions to be too high, then open space and facilities may well be transferred to management companies rather than transferred to the Council.
16. In deriving a new cost for each category, a two-step approach was used. Firstly, an assessment of the costs of providing the service at 2023 prices was undertaken. This showed a considerable increase in the base rate costs associated with providing the service, particularly for open space and to a lesser extent outdoor sports pitches. Secondly, the annual cost is multiplied to cover the long-term maintenance period.

## **MAINTENANCE CONTRIBUTION**

17. There is no planning guidance or legal framework which sets out what is the appropriate maintenance period for contributions where the Council takes on land or assets. Different lifespan periods can be applied to different assets when considering replacement costs, with play areas being considerably shorter than open space assets.
18. Research of other authorities has shown maintenance periods ranging from 25 years down to 5 years with an even split between 25-year, 20 year and 10-year periods. The

five most recent SPD's (all adopted in 2023) are split 2:2:1 respectively between 15 years, 25 years, and 20 years. There does not appear to be a discernible geographic or age of SPD related split in the varying maintenance periods.

19. The Council is keen to find the right balance between covering the costs of providing the long-term service and when it is acceptable to assume the responsibility is no longer the domain of the developer but should fall within the general responsibilities of the Council. Therefore, whilst 50 years may cause viability concerns for developers, it is considered that 20 to 25 years does not adequately consider the increasing demands and pressures on Local Authority budgets. It is there recommended that a maintenance charge equivalent to that of 30 years would be an appropriate approach.
20. Of the Hampshire Authorities identified, 20 to 25 years seems to be average and whilst no Local Authority has moved to a 30-year period at present, it is understood that a couple are looking to move to a 30-year maintenance period from their current 20-year period. In parallel with this work, officers are currently establishing the arrangements for managing and maintaining the specific requirements of Biodiversity Net Gain. This requires maintenance to be secured for a minimum of 30 years.
21. Given the feedback through the consultation process officers consider that seeking a 50-year period for maintenance as consulted upon would be out of step with regional and national approaches and would significantly increase the risk of developers using management companies to hold and maintain assets rather than transferring land and responsibilities to the Council.
22. A 30-year period is considered appropriate, in relation to the generally accepted approach nationally, reflecting a proportionate cost recovery and balancing out the benefits of the Council managing the land. This time also links to the 30-year requirement for BNG provision.
23. The SPD for adoption therefore sets a revised basis for maintenance contributions based on 30 years. Where a maintenance contribution is appropriate it would equate to the following:

<b>Maintenance Contribution</b>	<b>Parks and Amenity Open Space</b>	<b>Outdoor Sports provision</b>	<b>Children's Play Equipment</b>	<b>Trees</b>
<i>Current SPD (2016) rate</i>	<i>£7.81 per sqm</i>	<i>£22.12 per sqm</i>	<i>£119.73 per sqm</i>	<i>£650.70 per tree</i>
<b>Proposed New rates (based on 30 year maintenance period)</b>	<b>£23.83 per sq.m</b>	<b>£35.12 per sq.m</b>	<b>£162.24 per sq.m</b>	<b>£976.05 per tree</b>

## **MANAGEMENT COMPANIES**

24. Alongside the methodology for establishing the maintenance fee, the SPD also sets out the Council's requirements where developers opt to use a management company



to maintain assets in perpetuity. The Council will require a level of guarantee, oversight and enforcement options secured through a Section 106 planning obligation, that ensures land and assets are maintained in perpetuity to the required standards. The SPD sets out the requirement for a management plan to include performance measures and standards against which a bond or commuted sum will be required, to guarantee that the necessary monies are available to ensure that assets are maintained at all times.

25. The Council will also require through the Section 106 planning obligation, the provision of enhanced step in rights. These rights will ensure that under specified circumstances (for example performance measures not being met) that the Council can take over the role of the management company on a temporary basis to enable the provision of the relevant maintenance/ services and ensure recovery of its costs from the owners in the development/of the land.

### **ANNUAL REVIEW**

26. The process of updating the costs associated with providing the streetscene service has also demonstrated how quickly costs can change in excess of simple indexation, for example with the introduction of new technologies or management techniques.
27. The SPD sets out the methodology for calculating a maintenance charge, but the charge itself will be set out in the accompanying Schedule of Costs which will be published alongside the SPD on the Council's website. This allows the SPD to remain valid and provide the basis and framework for how the Council will calculate maintenance fees without it becoming outdated. The Schedule of Costs will be reviewed annually and updated as necessary. The Schedule is attached at Appendix C of this report.

### **CONTENT OF THE DOCUMENT**

28. The SPD also sets out the information associated with other likely section 106 requirements. These cover environmental mitigation and mitigation associated with services provided by Hampshire County Council. The costs associated with these are not determined by the Council, and the SPD signposts where the guidance for those obligations can be found.
29. The format and scope of the SPD is as follows:
  - Section 1 Purpose – Sets out the purpose and scope of the SPD.
  - Section 2 What are Planning Obligations – Provides definition and explanation of the terms.
  - Section 3 Planning Policy Context - Provides references to relevant national and local policy background.
  - Section 4 Open Space Land and Infrastructure Requirements – Provides information and guidance on the requirements and standards.
  - Section 5 Secured Maintenance Delivery Options – Explains the options with regards to future management.
  - Section 6 Obligations to Mitigate Development Impact on Habitats – Provides information and guidance on the requirements for environmental mitigation.

- Section 7 Obligations to Mitigate Development Impact on other service Provision – Provides information and guidance on the requirements for services provided by Hampshire County Council.
- Section 8 Obligations Covered by other Supplementary Planning Documents – Provides information and guidance on other Fareham Supplementary Planning Documents.

## **STRATEGIC ENVIRONMENTAL ASSESSMENT (SEA)**

30. Planning Practice Guidance states that when producing a Supplementary Planning Document an SEA may be required in exceptional circumstances if the content of the SPD is likely to have significant environmental effects that have not already been assessed during the preparation of the Local Plan. This SPD expands upon policies within the adopted Fareham Local Plan 2037 which has undergone appraisal as part of the Local Plan examination processes and has been found to have likely positive effects. The Council therefore determined that an SEA is not required. In accordance with the regulations, the Council prepared a Regulation 9(3) statement confirming this and consulted the statutory agencies. These statutory bodies responded that they agreed with the Council's opinion that an SEA of the SPD was not required. This is provided at Appendix D.

## **APPROPRIATE ASSESSMENT**

31. The Conservation of Habitats and Species Regulations 2017 sets out that, if a proposed plan or project is likely to have a significant effect on a protected habitats site (either individually or in combination with other plans or projects) then an appropriate assessment of the implications for the site, in view of the site's conservation objectives, must be undertaken (regulation 63). The Planning Obligations SPD expands upon policies within the Fareham Local Plan 2037 and those policies have already been subject to an appropriate assessment and were screened out at an early stage as being unlikely to have a significant effect on relevant designated sites (SPA, SAC and Ramsar). The SPD does not introduce new proposals of a type and/or scale outside the parameters of the Local Plan. It is therefore considered that the Self and Custom Build SPD is not likely to have a significant effect on any European sites which means that an appropriate assessment is not required. Natural England agreed with this view, and their response to the Screening Statement is at Appendix D.

## **CONCLUSION**

32. The Planning Obligations SPD supplements the Fareham Local Plan 2037 by providing information, advice, and guidance on Planning Obligations in the Borough.
33. It is recommended that the Executive adopt the Planning Obligations SPD for adoption along with the publication of the Companion Cost Schedule alongside. The Companion Cost Schedule will thereafter be reviewed and updated on an annual basis as necessary.

## **ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT**

34. The subject matter of this report is not anticipated to have an impact on the Council's carbon footprint, nor is it expected to have a detrimental or beneficial impact to the wider environment.

### **Enquiries:**

For further information on this report please contact Lee Smith, Head of Planning (Tel. 01329 824427)





Appendix A

# **Planning Obligations**

## Supplementary Planning Document

### **Post Consultation Statement**

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February 2024

# Introduction

- 1.1 This statement summarises and addresses the main issues raised during the public consultation on the Planning Obligations Supplementary Planning Document (SPD). The SPD was published for public consultation for a period of 6 weeks from 17th March and 1st May 2023.
- 1.2 This post consultation statement has been prepared in accordance with Regulation 12(a) of the Town and Country Planning (Local Planning) (England) Regulations 2012.

## 1. Consultation

- 2.1 Fareham Borough Council invited consultation responses on the SPD from stakeholders, individuals and organisations who were registered on the Local Development Scheme (LDS) database.
- 2.2 Informal consultation was undertaken internally within Fareham Borough Council throughout the development of the draft SPD which has also informed the direction and content of the SPD.
- 2.3 A summary of the main issues raised by the consultation responses together with the Council's response to those issues are set out in Appendix 1 to this document.

## 2. Availability of Consultation Documents

- 3.1 The draft Planning Obligations SPD and a Consultation Statement were made available at the following places during the consultation:
  - The Council's website – [https://www.fareham.gov.uk/have\\_your\\_say/intro.aspx](https://www.fareham.gov.uk/have_your_say/intro.aspx)
  - The Council's Offices – Civic Way, Fareham
  - Borough Libraries – Fareham, Locks Heath, Portchester and Stubbington

## **Appendix 1: Summary of Consultation Responses and how they have been addressed in the Adopted SPD.**

## Representations on Planning Obligations SPD

Number of representations on policy: 10

Name of respondent	Comments	Council Response and proposed revisions in Final SPD
<p>CBRE on behalf of Premier Marinas</p>	<p>The Council's planning obligation topics or themes are considered to be consistent with the Council's emerging Local Plan and the specific policies that form their policy basis. That said, Premier suggest the wording of the Planning Obligations should make specific reference to paragraph 57 of the NPPF to ensure these are robust and clearly worded.</p> <p>The Council should be cognisant of not stifling the delivery of development by seeking onerous planning obligations and ensure that all planning obligations are strictly necessary, directly related to the proposed development and has consideration for the scale and type of proposed development as part of satisfying the specific planning obligations tests detailed at paragraph 57 of the NPPF.</p> <p><b>Affordable Housing</b></p> <p>Premier support the mechanism for off-site affordable housing contributions and welcome the case-by-case approach as detailed at paragraph 2.6 of the Planning Obligations SPD. However, Premier suggest further clarity is needed and specific reference should be made</p>	<p>The Council agrees. The Planning Obligations Supplementary Planning Document therefore refers to the three tests that planning obligations must fulfil in order to be considered when granting permission at paragraph 2.7.</p> <p>The Council agrees and acknowledges this point. The tests of the 106 will be applied in all cases as per paragraph 57 of the NPPF.</p> <p>The Council is producing an Affordable Housing SPD which will be consulted on separately. As a result, the final Planning Obligations SPD only refers to the AH SPD rather than contain any detail. The suite of SPDs is intended to be considered together.</p>



to viability information and to make it clear that any off-site contribution must be proportionate and reasonably related in scale and kind to the development in accordance with paragraph 57 (parts band c) of the NPPF.

**Flood Risk and Drainage Strategy**

Premier suggest that any Flood Risk and Drainage Strategy related financial obligation is applied on a site-by-site basis and is proportionate to the type of SuDS provided and scale of proposed development in accordance with paragraph 57 (part c) of the NPPF. Premier suggested paragraph 4.4 of the Planning Obligations SPD is amended accordingly to reflect this.

**Biodiversity Net Gain**

Premier accept the importance of biodiversity net gain and acknowledge the 10% minimum requirement (from November 2023 - exact date TBC) for new development in accordance with the Environment Act 2021. Premier acknowledge the exemptions for brownfield sites where there are no existing priority habitats and where achieving biodiversity net gains is difficult for viability reasons. Premier also suggest further leniency is applied to demonstration of any technical or delivery reasons why the minimum 10% biodiversity net gain requirement cannot be met. This will typically be intrinsically linked to the viability challenges that a developer faces.

**International Nature Conservation Designations - The Solent Recreation Mitigation Strategy**

Paragraph 2.7 of the SPD sets the framework for all planning obligations. This states the need to meet the three tests defined in the Regulations and NPPF.

Noted. The Council will apply the regulations and orders as they emerge through national guidance. The text relating to BNG has been updated to reflect this.

Premier acknowledge the financial tariff applied by residential property bedroom size. However, Premier suggest that for any bespoke SPA mitigation agreed with the Council, further wording at paragraph 4.16 of the Planning Obligations SPD is required to ensure any such mitigation is directly related to the proposed development and fairly and reasonably related in scale and kind to the development in accordance with paragraph 57 (parts band c) of the NPPF.

### **Impact of Nutrients on Internationally Designated Water Bodies**

Premier suggest further clarity is added to ensue appropriate mitigation is provided on case-by-case basis and is directly related to the proposed development and fairly and reasonably related in scale and kind to the development in accordance with paragraph 57 (parts band c) of the NPPF.

Solent Waders and Brent Goose Sites.

The main built area of Swanwick Marina is located within an area of 'Low Use' where on-site mitigation should be provided as part of new development to where it can be demonstrated that this is not appropriate, off-site enhancement and/or a financial contribution will be sought under Draft Local Plan Policy NE5. Premier accept this approach but suggest appropriate wording is provided at paragraph 4.36 of the Planning Obligations SPD to ensure that off-site enhancement and/or financial contributions will be assessed on a site-by-site basis, must be directly related to, proportionate and reasonably related in scale and kind to the development in accordance with the planning obligation tests set out at paragraph 57 of the NPPF.

Noted. Paragraph 2.7 of the SPD sets the framework for all planning obligations. This states the need to meet the three tests defined in the Regulations and NPPF. All financial contributions for Solent Recreation Mitigation Strategy are tariff based and set by Bird Aware, so no bespoke contributions are requested. However, given the potential for future changes to the tariff, the SPD has been updated to link to the strategy rather than include a specific rate that could become outdated.

Noted. Paragraph 2.7 of the SPD sets the framework for all planning obligations. This states the need to meet the three tests defined in the Regulations and NPPF.

Noted but not considered necessary. Paragraph 2.7 of the SPD sets the framework for all planning obligations. This states the need to meet the three tests defined in the Regulations and NPPF.

### **Employment and Skills**

Premier acknowledge the importance of securing employment and skills as part of new employment development. Swanwick Marina is a designated boatyard and is protected for employment uses under both the adopted Local Plan (Policy DSP19) and the Draft Local Plan (Draft Policy E6). Premier welcome the case-by-case approach to training and skills for on major developments or 'significant' employment sites. It is not clear if 'significant employment sites' relates to all employment sites including boatyards as this term is not referenced on Draft Local Plan Policy E6. Premier also suggest appropriate wording is added to ensure that any proposed programme of recruitment and skills is directly related to, fairly and reasonably related in scale and kind to the development in accordance with paragraph 57 (parts band c) of the NPPF.

### **Utilities Infrastructure**

Premier acknowledge the importance of delivering appropriate infrastructure to support the delivery of new communities and housing. Premier welcome that the delivery of, or improvements to the utilities infrastructure throughout the Borough will be secured primarily through agreements between developers and the utilities providers. Where planning obligation are required, this should be where strictly necessary, and the Council should ensure nay such obligation satisfies the relevant tests set out at paragraph 57 of the NPPF.

### **Restriction on the use of land**

Noted, however following further refinement, the Employment and Skills section has been removed from the SPD as this is not considered within the scope of the SPD.

Noted, however following further refinement, the Utilities Infrastructure section has been removed from the SPD as this is not considered within the scope of the SPD.

	<p>Premier acknowledge the importance of ensuring the efficient use of land in accordance with paragraph 124 of the NPPF and welcome the Council's appetite for comprehensive development of larger sites under Draft Local Plan Policy D3.</p> <p>That said, Premier suggest additional wording is added at paragraph 8.2 of the Planning Obligations SPD to ensure that any imposed land use restrictions are strictly necessary and are relevant and appropriate to the scale of the proposed development in accordance with the planning obligation tests set out at paragraph 57 of the NPPF.</p> <p>"Where strictly necessary, planning obligations will, be sought as part of a legal agreement to restrict the use of the land to certain activities or uses or to prevent undesirable outcomes of development. Any such obligation must be directly related to the development; and fairly and reasonably related in scale and kind to the development in accordance with the tests for planning obligations as detailed in national policy".</p>	<p>Noted, however following further refinement, the Restriction on the use of land section has been removed from the SPD as this is not considered within the scope of the SPD.</p>
Southern Water	No comments.	Noted.
Hampshire Fire and Rescue Service	<p>No response required, HIWFRS will adhere to the planning process as required.</p> <p>Noting point 5.6 pg.26, HIWFRS will require consultation on LCWIP if planned changes to roadways have a potential impact on emergency response times</p>	Response Noted. No changes required.
Sports England	Sport England agrees that the Playing Pitch Strategy (PPS) should form the basis for identifying the level and type of sports provision for meeting demand generated by new development.	The approach to standards is one that the Council has adopted previously and is currently in operation. The reference in the SPD is incorrect and should refer to the Open Space study not Sports England. This has been amended. This approach was adopted by the Council

	<p>However, it may be more appropriate to enhance and/or improve the capacity of existing facilities rather than create new facilities to meet demand. The PPS as the local evidence base is therefore ideally placed to inform those considerations.</p> <p>Sport England does not support a standards-based approach which is being advanced in Table 2. Further, we do not recognise the footnote “Sport England Playing Pitch Space standards” and would welcome clarification on where this was sourced. Sport England therefore has some concerns with the approach being put forward and we would not wish to see an outdoor sports provision standard adopted.</p>	<p>through the previous Local Plan Core Strategy policy CS21, with the standards updated by NPFA in 2020. The Council therefore does not see any reason to change this approach as it provides a clear and consistent methodology on which to based need.</p>
<p>The Planning Bureau Limited on behalf of McCarthy and Stone</p>	<p>We are concerned that the 2016 Planning Obligations SPD has simply been updated without consideration of the more up to date National guidance. In the first instance we recommend that the Council consider the PPG on Planning Obligations and then re-draft the draft SPD to ensure it is consistent with national policy.</p> <p>The existing Planning Obligations SPD should be revoked given that it is not consistent with PPG. For clarification, the PPG on Planning Obligations sets out where policies that seek planning obligations should be set out and identifies at Paragraph: 004 Reference ID: 23b-004-20190901 the following: ‘Policies for planning obligations should be set out in plans and examined in public. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land’ ‘Such policies should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability.’</p> <p>‘It is not appropriate for plan-makers to set out new formulaic approaches to planning obligations in</p>	<p>Noted. The Council does not agree with this assertion. The SPD refers to the Planning Obligations PPG and the NPPF and is considered consistent with national policy. The SPD provides some additional guidance on Local Plan policies set out in the adopted Local Plan and considered and examined through the Local Plan process. The formulaic approaches have been removed from the document as they are not policy and relate to voluntary transfer of land to the Council. Other formulaic approaches such as for recreational disturbance are contained within the Local Plan and considered at the Local Plan examination. In addition, all contributions resulting from the Local Plan policy were considered in the Local Plan viability process and have consequently been found sound.</p>

supplementary planning documents or supporting evidence base documents, as these would not be subject to examination'...

Paragraph: 005 Reference ID: 23b-005-20190315 of the Planning Obligations PPG, identifies the evidence that is needed to support policies for contributions from development. This states that: 'Plans should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards including the cost implications of the Community Infrastructure Levy (CIL) and planning obligations. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and the total cumulative cost of all relevant policies will not undermine deliverability of the plan'.

The Planning Obligations SPD is not consistent with the Local Plan or national policy guidance as many of the requirements set out either a new formulaic approach to planning obligations or carry forward old requirements that must be subject to examination but have not been. Given the recent adoption of the Fareham Local Plan 2037 in April 2023 and corresponding examination that took place in the spring and summer of 2022 the Council could have had the opportunity to include all variables within the Local Plan and its evidence. Some of the requirements within the draft SPD also have not been included in viability assessments to support the Local Plan or draft Community Infrastructure Levy charging schedule update.

Noted but disagree with this comment. No new formulaic approaches are included in the SPD. The requirements for maintenance are for where land is to be transferred to the Council only, by voluntary agreement, not an obligation on every site. All SPD requirements are included in the viability work for both the Local Plan and the CIL review.

It is clear, that the 2016 SPD has simply been updated post Local Plan examination rather than there being a consideration that new central government guidance may have been published or a consideration to include all variables within viability assessments to support the Local Plan or draft CIL charging schedule. The detail within the SPD should and could have been incorporated within the Local Plan and examined in public to be consistent with the PPG and the Council have now missed this opportunity.

We note that the draft updated Community Infrastructure Levy charging schedule is also available for consultation, this is accompanied by the Fareham Community Infrastructure Levy Viability Assessment – November 2022, Three Dragons (VA). The draft Planning Obligations SPD does not appear to be supported by any evidence. The VA identifies a number of Local Plan policy areas that have an implication for development viability. This VA, as well as the Local Plan Viability Assessment (Three Dragons, November 2019), does not assess a number of planning obligations areas that are detailed within the draft planning obligations SPD, or the values used are concerningly different as discussed below.

Notwithstanding the fundamental objection above that the draft SPD as a whole should not progress as its content is contrary to up-to-date planning guidance, is not supported by any evidence and that its content should have been examined as part of the production of the recently adopted Local Plan, we have the following additional comments.

**Section 2 - Affordable Housing**

Given that the new recently adopted LP at policy HP5

The Council is producing an Affordable Housing SPD which will be consulted on separately. As a result, the final

	<p>exempts older persons housing from affordable housing, we feel that a paragraph should be added after para 2.7 to clarify this position.</p> <p>‘The Viability Study supporting the adopted Local Plan concludes that affordable housing is not viable for older persons and specialist housing. Therefore, Policy HP5 and Section 2 of this SPD does not apply to specialist housing or older persons housing.’</p> <p><b>Section 3 – Open Space provision</b></p> <p>Section 3 identifies the open space standards and sets maintenance sums for open space provision. Para 3.11 identifies that ‘For specialist accommodation (such as hostels, student accommodation and accommodation for those with special needs) the Council will consider the need for onsite open space on a case-by-case basis’.</p> <p>The Council should note that open space needs of older people is also much less than for mainstream housing. For older people the quality of open space either on site or easily accessible for passive recreation is much more important than formal open space. Para 3.11 should also clarify an exemption or flexibility for older people’s housing schemes and also consider the quality and function of the amenity space instead.</p> <p>Para 3.11 should therefore be amended to read: For specialist accommodation (such as hostels, student accommodation, older persons housing and accommodation for those with special needs) the Council will consider the need for onsite open space on a case-by-case basis. For Older person’s housing quality of open space is more important than form sports provision and open space.’</p>	<p>Planning Obligations SPD only refers to the AH SPD rather than contain any detail. The suite of SPDs is intended to be considered together.</p> <p>Noted. This point has been included in the final SPD with schemes considered on a case by case basis.</p>
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### **Section 3 – Open Space maintenance**

Paragraph 3.27 requires maintenance contributions for Parks and amenity open space, outdoor sports provision and children’s play equipment. The maintenance sum requested as an example for a 3 bedroom house alone would amount to approximately £4,500, whilst the VA that supports the draft the CIL consultation allowed for £2,700 to £3,200 for the provision of open space including the management and maintenance (table 4.9, page 29). The draft Planning Obligations SPD is therefore clearly asking for a greater financial requirement for maintenance before even delivery of the infrastructure itself has been considered. The SPD is clearly as a result not consistent with national planning guidance.

### **Section 3 – Tree maintenance**

Para 3.29 states ‘It is therefore a requirement that for any land containing trees being transferred to the Council for management and maintenance, that an additional contribution is secured to cover that cost.’ Para 3.32 requires that ‘a maintenance contribution of £1,626.75....should be secured for each tree with immediate effect’. This sum or policy requirement has not been incorporated within the recently adopted Local Plan nor has it been incorporated into the draft CIL VA. The requirement appears to have been taken forward from the previous 2016 Planning Obligations SPD without consideration of updated guidance and that ‘planning obligations should be set out in plans and examined in public’. Para 3.29 to 3.33 should therefore be deleted to ensure the SPD is consistent with national policy guidance.

### **Section 4 – Biodiversity Net Gain**

Disagree. The VA at paragraph 5.15 includes a sensitivity test based on a doubling of the allowance for maintenance contributions which clearly covers the amount resulting from the requirements in the SPD. These rates have there been tested and found to be viable. With that said, the final SPD sets out the methodology for calculating maintenance costs where the decision is taken to transfer land to the Council. These costs will be published on the website alongside the SPD and reviewed annually.

Noted further clarity has been provided in the final SPD. The requirement is only for trees that are likely to require to be actively managed (those within close proximity to people, including routes that people use, boundaries and/or property). The requirement is not for all trees.

The requirement was introduced in 2021 to cover the cost of maintenance of any tree to be adopted by the Council. Policy NE6 sets out the requirement for maintenance of trees.

Noted. Due to emerging national guidance and to the implementation of mandatory BNG, the statutory

Section 4, para 4.5 to 4.11 of the draft SPD addresses Biodiversity Net Gain, however the recently adopted Local Plan already addresses Biodiversity Net Gain in detail and in line with the requirements of the Environment Act 2021. It is therefore not necessary to repeat the requirements in an SPD as the Local Plan carries greater weight and has been subject to examination.

In addition, it is noted that para 4.8 of the SPD states that 'Biodiversity Net Gain shall be provided onsite in the first instance before a combination of partial onsite and offsite or total offsite solutions within Fareham Borough are identified' whilst the Local Plan states at para 9.39 that 'The Council expects biodiversity net gain to be provided on-site in the first instance. However, where it can be shown that biodiversity net gain cannot be adequately achieved on-site, either a combination of on-site and off-site measures or entirely off-site measures are acceptable. Off-site measures should be made in reasonable proximity to the development as far as possible'.

The SPD by requiring BNG to be within the Borough is therefore trying to incorporate requirements beyond that examined through the Local Plan process which could make the delivery of BNG more onerous. The BNG Natural England metric deals with distance from the development site through the requirement of a higher unit amount the further away you get from the development site thereby encouraging as close delivery as possible. This is the tool that the Council should rely on rather than imposing an administrative boundary. If a project is close to another LPA boundary to restrict delivery to the respective Council boundary involved would be too

framework will take precedence. The text relating to BNG has been updated to reflect this.

	<p>restrictive. Section 4, para 4.5 to 4.11 should therefore be deleted.</p> <p><b>Section 4 – Solent</b> Para 4.12 to 4.16 looks at planning obligations required with regard to the Solent Recreation Mitigation Strategy. Such contributions are considered within the recently adopted Local Plan as well as the VA and therefore paragraphs 4.12 to 4.16 can be deleted.</p> <p><b>Section 4 – New Forest SPA</b> Given the potential to challenge the requirements and the medium to long term uncertainty it is not considered necessary to include within the base viability assessment but has been addressed within the sensitivity testing (see Sensitivity test 4 for further details)'. Again although it has been considered within the CIL VA this requirement should be removed from the SPD as it has not been examined in public. In addition, as the requirement is only applicable until March 2025 this date should as a minimum be expressed within the SPD to provide clarity and to prevent discussion post 2025 that contributions should still be made. Section 4, paragraphs 4.19 to 4.25 should be deleted.</p>	<p>Noted. This section has been simplified in the final SPD with flexibility included to allow future updates to the scheme.</p> <p>Policy NE1 covers the issue of impacts on internationally designated sites and the requirement for planning obligations to make development acceptable is covered by TIN4. This section has been simplified in the final SPD with flexibility included to allow future updates to the scheme or its revisions.</p>
Terrence O'Rourke on behalf of Miller Homes	<p>Concern regarding the proposed maintenance contribution for open space, which is significantly higher than the requirement within the current Planning Obligations SPD and has not been tested at examination in accordance with National Planning Practice Guidance (NPPG) (Paragraph: 004 Reference ID: 23b-004-20190901).</p> <p>For example, the rate per m2 for 'parks and amenity open space' has increased by approximately £34 per m2 (an increase of 567%). There is no evident justification for this</p>	<p>The Local Plan VA at paragraph 5.15 includes a sensitivity test based on a doubling of the allowance for maintenance contributions which clearly covers the amount resulting from the requirements in the SPD. These rates have been tested and found to be viable. The final SPD sets out the methodology for calculating maintenance costs where the decision is taken to transfer land to the Council. These costs will be published on the website alongside the SPD and reviewed annually. These costs have been reduced to reflect a 30 year maintenance period which is considered to be more in step with existing trends.</p>

level of increase either within the SPD, the referenced Community Infrastructure Levy Viability Assessment (November 2022) or Local Plan Viability Assessment /Addendums (2019 and 2021). The latter only considered the current adopted Planning Obligations SPD.

The SPD mentions at paragraph 3.28 that the increase reflects the need for management and maintenance over an extended period of time (at least 50 years), however there is no clear evidence of need for this level of contribution. There is also no explanation for how these most recent figures were derived. The associated viability assessment and revised figures set out within the SPD do not appear to be proportionate or transparent.

MH also has concern in relation to the proposed tree maintenance contribution. Whilst the maintenance of trees would generally be included as part of the contributions for open space, it is noted that FBC have set this out as an additional contribution, over and above the latest proposed increase for open space.

Notwithstanding this, MH would highlight there is also a large increase in annual cost to manage trees on land adopted by the council too (p.16), which is now significantly higher than the previous £500 required for each tree (up by 225%). It appears the £500 contribution was only introduced as an amendment to the current SPD in 2021.

The draft SPD stipulates that £1,626.75 should be secured for each tree, which assumes the annual cost of maintenance per tree for a period of 50 years. Again, there is no specific justification for this level of increase set out in any of the above relevant documents. Further,

Where assets are to be adopted by the Council (voluntary) then the maintenance period needs to reflect a suitable time frame for the developer to be liable. Upon review the Council agrees that 50 years was not appropriate and that 30 years strikes a more proportionate balance.

The costs will be published on the website alongside the SPD and reviewed annually Further clarity has been included at paragraph 5.5 of the Final SPD to specify that these requirements are for if and when any land is transferred to the Borough Council by agreement and is not a policy requirement.

Noted further clarity has been provided in the final SPD. The requirement is only for trees that are likely to require to be actively managed (those within close proximity to people, including routes that people use, boundaries and/or property). The requirement is not for all trees. The costs associated with this maintenance have similarly been amended to reflect the 30 year maintenance period.

Maintenance sums are only sought where management of trees is to be the responsibility of the Council, not all trees.

	<p>given that the £500 figure was included only 2 years ago in 2021, this appears to be a hugely disproportionate increase.</p> <p>The SPD states at paragraph 3.32 that the maintenance regime relates to trees considered to be in proximity to people or property, although it does not specify how close trees would need to be to trigger the contribution. Overall, these significant increases in contributions, which were not tested as part of the Local Plan process, could undermine the deliverability of the Local Plan and have an adverse impact upon the viability of sustainable development coming forward, in conflict with paragraph 34 of the National Planning Policy Framework (2021) and the NPPG (Paragraph: 005 Reference ID: 23b-005-20190315).</p> <p>After factoring in the updated contributions sought, as well as updated proposed CIL costs, there is a real risk that allocated sites may no longer be able to deliver policy compliant viable schemes with such a significant increase in total cumulative costs. Any increase should be proportionate, transparent, and based on evidence of need, ensuring that changes do not undermine the deliverability of the Local Plan, in accordance with the NPPF and NPPG.</p>	<p>The requirement was introduced in 2021 to cover the cost of maintenance of any tree to be adopted by the Council. The increase in proposed maintenance fee reflects the duration to be consistent with other maintenance sums.</p> <p>The increase represents the per annum figure increased to cover the longer maintenance period, it is still based on the same per annum cost.</p> <p>Disagree. The CIL Review viability study has assessed all policy costs arising from the Local Plan, and shows that across the borough, viability is not unduly impacted by the requirements.</p>
LRM Planning on behalf of Hallam Land Management Ltd	Paragraph 4.13, which is drawn from the Solent Recreation Mitigation Strategy, states that development proposals resulting in a net increase in residential units will need to demonstrate that the negative effects can be avoided or mitigated, or they must contribute towards the strategic mitigation measures put in place by the Partnership. This is expressed differently in Policy NE3 of the Local Plan which is the reverse; the financial contribution should be paid, but if it isn't there should be	Noted although this point refers to the planning application. The SPD now just refers to the various strategies/methodologies for which sites will be assessed on a case by case basis, within the boundaries of the three tests set out in paragraph 2.7 of the SPD.

	<p>on-site mitigation. This is a distinction without a difference because what is plain is that it is one measure or the other. In the case of HA55, in order to comply with the policy, it is on-site mitigation that is required and not therefore the off-site contribution. Hallam are concerned that Natural England are presently seeking both measures in its response to the planning application.</p> <p>A similar point can be made in relation to Paragraph 4.20, where either on-site mitigation is required or a financial contribution. Again, Natural England are seeking both measures in their response to the planning application. We note that the list of recreational projects identified by the Council are in proximity to HA55, therefore, as a matter of principle, the provision of alternative recreational space at HA55 is appropriate to direct recreation disturbance away from the New Forest.</p> <p>Paragraph 4.34 concerns the Solent Wader and Brent Goose Strategy. At HA55 there is a need to compensate for the loss of low-classification use and Policy NE5 requires on-site mitigation to be agreed by the Council. Criterion h of the policy intends for land west of Peak Lane to be used for this purpose. The long term management and maintenance of this land will be a matter to be discussed and agreed with the Council and we note that transferring this land to the Council is an option.</p> <p>Section 5 concerns highway mitigation. Proposals for new development that causes a severe impact on the local highway network will be required to provide for appropriate specific highway works and improvements, both on-site and off-site, to mitigate the direct impact of the development scheme on the transport network. It is</p>	<p>Noted although this point refers to the planning application. The SPD now just refers to the various strategies/ methodologies for which sites will be assessed on a case by case basis, within the boundaries of the three tests set out in paragraph 2.7 of the SPD.</p> <p>Noted.</p> <p>Noted. Obligations in relation to highways and education dealt with by HCC. The final SPD now contains a simplified section that relates to all HCC responsibilities.</p>
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	<p>important that this is understood and applied in the context of Policy TIN2 which specifies a mitigation hierarchy.</p> <p>Consistent with this, significant investment is proposed in improving walking and cycling measures as a matter of priority, rather than junction improvements. These are measures that align with and form part of the Local Cycling and Walking Infrastructure Plan (LCWIP) and therefore financial contributions towards this, rather than section 278 agreements, would be most appropriate because that affords the County Council the greatest flexibility as to when it deploys that investment as part of the overall package of such improvements.</p>	Noted.
Hampshire County Council	<p>The County Council is pleased to see that Fareham Borough Council has acknowledged the role of the County Council in its capacity as the local highway authority, lead local flood authority and minerals and waste authority.</p> <p>The County Council take this opportunity to also flag the emerging planning obligations guidance which sets out the County Council's approach to seeking to secure planning obligations towards County Council services and infrastructure where there is a demonstrable impact on that service or infrastructure created by new development which needs to be addressed.</p> <p>The County Council is generally satisfied that the Fareham SPD is aligned with the principles set out in the County Council's emerging guidance and specifically references the County Council in its capacity as the local highway authority, lead local flood authority and minerals and waste authority. However the County Council notes that education, waste management, libraries and Public</p>	Noted. Obligations in relation to highways and education dealt with by HCC. The final SPD now contains a simplified section that relates to all HCC responsibilities and links to the guidance document.

	Rights of Way are not specifically referenced in the Fareham SPD.	
Natural England	<p>While we welcome this opportunity to give our views, the topic this draft Supplementary Planning Document covers is unlikely to have major impacts on the natural environment. We therefore do not wish to provide specific comments, but advise you to consider the following issues:</p> <p><b>Biodiversity enhancement</b> This SPD could consider incorporating features which are beneficial to wildlife within development, in line with paragraphs 8, 72, 102, 118, 170, 171, 174 and 175 of the National Planning Policy Framework. You may wish to consider providing guidance on, for example, the level of bat roost or bird box provision within the built structure, or other measures to enhance biodiversity in the urban environment. An example of good practice includes the Exeter Residential Design Guide SPD, which advises (amongst other matters) a ratio of one nest/roost box per residential unit.</p> <p><b>Landscape enhancement</b> The SPD may provide opportunities to enhance the character and local distinctiveness of the surrounding natural and built environment; use natural resources more sustainably; and bring benefits for the local community, for example through green infrastructure provision and access to and contact with nature. Landscape characterisation and townscape assessments, and associated sensitivity and capacity assessments provide tools for planners and developers to consider how new development might makes a positive contribution to the character and functions of the landscape through</p>	<p>Comments noted.</p> <p>Noted. Due to emerging national guidance and to the implementation of mandatory BNG, the statutory framework will take precedence. The text relating to BNG has been updated to reflect this.</p> <p>The SPD provides further guidance on Local Plan policies where planning obligations are required. The Plan contains policy requirements for assessments as being proposed in this instance and so it is therefore not considered needed in relation to this SPD.</p>



	<p>sensitive siting and good design and avoid unacceptable impacts.</p> <p><b>Protected species</b> Natural England has produced Standing Advice to help local planning authorities assess the impact of particular developments on protected or priority species.</p> <p><b>Strategic Environmental Assessment/Habitats Regulations Assessment</b> A SPD requires a Strategic Environmental Assessment only in exceptional circumstances as set out in the Planning Practice Guidance here. While SPDs are unlikely to give rise to likely significant effects on European Sites, they should be considered as a plan under the Habitats Regulations in the same way as any other plan or project. If your SPD requires a Strategic Environmental Assessment or Habitats Regulation Assessment, you are required to consult us at certain stages as set out in the Planning Practice Guidance.</p>	<p>Noted. A screening assessment was undertaken, and Natural England were consulted.</p>
NHS	<p>NHSPS supports the identification of Local Plan Strategic Policy TIN4 (Infrastructure Delivery) within the Planning Obligation SPD which outlines that: <i>Developments (excluding householder applications) will be required to provide and contribute towards the delivery of new or improved infrastructure, or other mitigation, to mitigate the impacts of the development. Planning permission will be granted where:</i></p> <p><i>a) The new or improved infrastructure will be delivered at a rate, scale and pace taking account of phasing on larger schemes; or</i></p> <p><i>b) The new or improved infrastructure will be provided on-site as an integral part of the development unless the nature of the provision is better provided off-site through the process of developer contributions.</i></p>	

### **Healthcare Infrastructure**

The delivery of infrastructure to mitigate the impact of development accords with the principles of sustainable development as set out in national and local planning policies. NHSPS note that healthcare infrastructure is not outlined within the Planning Obligations (SPD). Ensuring there is adequate healthcare infrastructure is integral to the sustainability of developments and should be considered as part of the planning application process. It is essential that mitigation can be sought by the NHS, and flexibility regarding the means of mitigation be outlined within the Planning Obligation SPD to ensure the means of mitigation aligns with the estate strategy of the NHS.

### **Partnership working between NHS and the Council**

Our experience has shown that the provision of new purpose-built healthcare infrastructure to mitigate the impacts of development requires extensive capital funding. This means significant funding secured through S106 or CIL allocations for health should be anticipated over the Local Plan period.

The NHS, Council and other partners must work together to plan the infrastructure and necessary funding required to support the projected housing development and related population growth across the borough. Continued partnership working with the Council is encouraged to help secure the appropriate infrastructure to support sustainable development in the borough. A vital part of this is ensuring that the NHS has the resources required to develop additional healthcare infrastructure where necessary. This means updates to the Infrastructure Delivery Plan must identify and help fund the delivery of

The need for health related infrastructure is included in the policy requirements for individual sites within the Local Plan but also by way of TIN4. However, financial contributions would be limited by tests set out in para 10.32 of the Local Plan and so it is not considered appropriate to include any form of formulaic approach to health. However, need to include some reference to Health.

Noted. The Council works with the Integrated Care Board on health infrastructure requirements. NHS should coordinate input through that organisation.

	healthcare infrastructure in order to ensure the Council meets the objectives of the Local Plan as a whole.	
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Appendix B

# Planning Obligations Supplementary Planning Document

February 2024

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## 1. PURPOSE

- 1.1 A supplementary planning document (SPD) builds upon and provides more detailed advice or guidance on policies in an adopted local plan. They do not form part of the development plan and cannot introduce new planning policies into the development plan. They are however a material consideration in decision-making and play a key role in describing and explaining how adopted planning policies should be considered and delivered through the development management process.
- 1.2 The purpose of this SPD is to provide further detail on the framework through which the Council will make use of planning obligations. Planning obligations are used to make otherwise unacceptable development acceptable where it's not appropriate to use planning conditions.
- 1.3 Almost all development has an impact on the local environment, local amenities, or on the need for infrastructure and services. The Fareham Local Plan 2037 sets out a framework to assess impacts from development and this SPD provides additional guidance for the assessment of planning applications. In doing so, this SPD will also assist in implementing local objectives in respect of the provision of sustainable development across the Borough by contributing towards the delivery of the Fareham Local Plan 2037 and the Infrastructure Delivery Plan.
- 1.4 This SPD sets out the most common planning obligations which may be required as part of any legal agreement. These have been identified through the policies set out in the Fareham Local Plan 2037. The planning obligations contained within this SPD have been tested through viability work for the Local Plan<sup>1</sup>. This can be found on the Council's website.
- 1.5 Not all the obligation types within this SPD will apply to all types of development, and this guidance will not cover every possible circumstance and/or obligation that may need to be considered. It provides an indication of the possible planning obligations that may be sought from new development in respect of the provision of infrastructure.
- 1.6 This SPD has been produced to apply to varying scales of development, but proposals will be assessed on a site-by-site basis with the individual circumstances of each site being taken into consideration.
- 1.7 This SPD is accompanied by a Schedule of Costs which is referred to at several points within the document. Whilst the SPD sets out the methodology for requiring planning obligations, the Schedule of Costs provides the calculations for costs where appropriate. The Schedule of Costs will be reviewed annually and updated when required.
- 1.8 This document is intended to apply to the whole of the Fareham Borough

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[http://planningpdf.fareham.gov.uk/PDF/planning/publicationplan/VIA001\\_Fareham\\_Local\\_Plan\\_Viability\\_Assessment.pdf](http://planningpdf.fareham.gov.uk/PDF/planning/publicationplan/VIA001_Fareham_Local_Plan_Viability_Assessment.pdf)

excluding Welborne.

- 1.9 The SPD is a material consideration in determining planning applications. This SPD will be updated as required to ensure it is in line with changes in national or local policy on planning obligations.
- 1.10 This SPD has been prepared in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012 and in accordance with the Council's Statement of Community Involvement. If you require further information, you can contact the Planning Strategy Team by email at [planningpolicy@fareham.gov.uk](mailto:planningpolicy@fareham.gov.uk) or by telephone on 01329 824601.



## 2. WHAT ARE PLANNING OBLIGATIONS?

2.1 Planning obligations<sup>2</sup> are legal obligations that bind land in order to mitigate the direct impacts of development and are secured pursuant to section 106 of the Town and Country Planning Act 1990. They are therefore set out within legal documents called section 106 agreements or unilateral undertakings. Planning obligations can be used to secure new or improved infrastructure, services, and facilities, and, where appropriate, their maintenance to ensure that new development is acceptable. This is achieved through a financial contribution paid to the Council, which will arrange for the necessary investment to be made. For this reason, the term ‘developer contributions’ is commonly used, but non-financial planning obligations are also common. New or improved facilities may also be required that are to be provided directly by the developer on site.

2.2 There are three ways in which the Council can seek to mitigate against the impact of development; conditions, section 106 obligations, and the Community Infrastructure Levy. The following table provides a broad overview of how they are typically used.

<b>Mechanism</b>	<b>Description</b>	<b>Examples of use</b>
Section 106 (s106) obligations	Can secure specific on-site infrastructure and contributions towards off-site infrastructure required to make development acceptable in planning terms.	<ul style="list-style-type: none"> <li>• affordable housing;</li> <li>• open space,</li> <li>• highway/transport improvements;</li> <li>• provision of new or expansion of existing schools.</li> </ul>
Community Infrastructure Levy	To fund strategic local and borough wide infrastructure for the area.	<ul style="list-style-type: none"> <li>• Leisure Centres</li> <li>• Community Buildings</li> </ul>
Planning conditions (site/development related)	To mitigate the adverse effects of the development, to allow proposals to proceed where it would otherwise be necessary to refuse planning permission.	<ul style="list-style-type: none"> <li>• Parking provision</li> <li>• Ecology Management</li> <li>• Appearance and materials</li> </ul>

Table 1: Summary of types of mechanisms

2.3 Planning obligations are secured by either agreements (between the landowner/developer and the Council) or unilateral undertakings (given by the owner/developer to the Council) made under section 106 of the Town and Country Planning Act 1990.

2.4 The Council has adopted the Community Infrastructure Levy (CIL)<sup>3</sup> payable on certain types of development. CIL is a tariff based charge, set on new development in order to raise funds to help fund the infrastructure, facilities

<sup>2</sup> Planning obligations - GOV.UK ([www.gov.uk](http://www.gov.uk))

<sup>3</sup> Further information on the Council’s CIL charging regime can be found on the website [https://www.fareham.gov.uk/planning/local\\_plan/cil.aspx](https://www.fareham.gov.uk/planning/local_plan/cil.aspx)

and services needed to support new homes and businesses across the borough. CIL is payable on all qualifying development and is separate from S106 planning obligations.

### Use of section 106 agreements

- 2.5 The Community Infrastructure Levy Regulations 2010 (as amended) sets out the tests that planning obligations (section 106) must fulfil in order to be a reason for granting planning permission. Regulation 122 (repeated in the National Planning Policy Framework<sup>4</sup>) states that they can only be used where they are:
- Necessary to make the development acceptable in planning terms;
  - Directly related to the development; and
  - Fairly and reasonably related in scale and kind to the development.
- 2.6 Whilst this SPD provides guidance, section 106 obligations will be determined on a site-by-site basis to ensure that they are in accordance with Regulation 122 of the Community Infrastructure Levy Regulations 2010.
- 2.7 However, in accordance with those regulations and with section 106 itself, planning obligations may do any of the following:
- Restrict the development or use of the land in any specified way;
  - Require specified operations or activities to be carried out in, on, under or over the land;
  - Require the land to be used in any specified way;
  - Require a sum or sums to be paid to the authority, on a specified date or periodically;
  - Be unconditional or subject to conditions; or,
  - Be for an indefinite or specified period.
- 2.8 The Council may seek financial contributions to fund single items of infrastructure or to fund part of an infrastructure item or service that is necessitated by the development. The Council will also seek provision for the running and maintenance costs of infrastructure for a specified period of time as set out in this Supplementary Planning Document.

### Pre-application discussions

- 2.9 National Planning Policy states that planning obligations should be identified as early as possible in the planning process. This includes the Masterplan process for strategic scale development. The Council provides a pre-application advice service and applicants are advised to use this service in order to understand the likely impacts of the development and potential mitigation required. The pre-app service can be found here: [Advice before You Submit Your Planning Application \(fareham.gov.uk\)](https://www.fareham.gov.uk/advice-before-you-submit-your-planning-application)

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<sup>4</sup> National Planning Policy Framework ([publishing.service.gov.uk](https://www.publishing.service.gov.uk))

## Monitoring of Planning Obligations

- 2.10 The Council will seek monitoring fees to be used to monitor and report on planning obligations, for the lifetime of that obligation. The process can involve many officers across the Council and can therefore be resource intensive. The monitoring of planning obligations involves:
- Recording the details of all the planning obligations within the Council's databases;
  - Recording the triggers for all planning obligations within the Council's databases;
  - Monitoring the progress of the development to identify when contributions are due to be paid (this includes site visits to monitor development progress);
  - Monitoring the progress of the development to ensure infrastructure/ facilities have been delivered on site in accordance with the timescales required by the planning obligation;
  - Invoicing for financial contributions and ensuring they are paid in line with the obligation;
  - Recording how financial contributions are spent by the Council;
  - Ensuring details which are required to be submitted under the planning obligation have been submitted; and
  - Publishing detailed information on the collection and spending of financial contributions in spreadsheets.
- 2.11 The monitoring fee is presently set at £500 per obligation and came into effect on 1 August 2023.
- 2.12 The level of the monitoring fee will be index linked to RPI and updated every April and capped at £10,000 per agreement/unilateral undertaking for the monitoring of financial contributions. There is no cap on the amount that may be charged for the monitoring of non-financial planning obligations.
- 2.13 The monitoring fee will be secured as part of the section 106 planning obligation and will be payable upon completion of the planning obligation. The Council will similarly expect the relevant monitoring fees to be included in any planning obligation, whether by way of agreement or unilateral undertaking presented in connection with any planning appeal.

### 3. PLANNING POLICY CONTEXT

#### National Policy

- 3.1 The National Planning Policy Framework (NPPF) (December 2023) sets out the national planning policies for England. Paragraphs 55 to 58 deal with the use of planning conditions and planning obligations. It provides the framework for using planning obligations to make development acceptable. Paragraph 55 states that ‘Local planning authorities should consider whether otherwise unacceptable development could be made acceptable through the use of conditions or planning obligations. Planning obligations should only be used where it is not possible to address unacceptable impacts through a planning condition’.
- 3.2 The National Planning Practice Guidance (NPPG) on Planning Obligations (updated September 2019) echoes the NPPF regarding the purpose and use of obligations. It states in Paragraph 004 Reference ID: 23b-004-20190901 that ‘policies should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability’. It goes on to state ‘Whilst standardised or formulaic evidence may have informed the identification of needs and costs and the setting of plan policies, the decision maker must still ensure that each planning obligation sought meets the statutory tests set out in regulation 122’.

#### Local Policy

- 3.3 This SPD will support the delivery of the Fareham Local Plan 2037. Strategic Policy TIN4: Infrastructure Delivery provides the overarching policy basis for securing mitigation and the framework for seeking planning obligations to fund infrastructure required to make development acceptable in planning terms.

#### **Strategic Policy TIN4: Infrastructure Delivery**

**Developments (excluding householder applications) will be required to provide and contribute towards the delivery of new or improved infrastructure, or other mitigation, to mitigate the impacts of the development. Planning permission will be granted where:**

- a) The new or improved infrastructure will be delivered at a rate, scale and pace taking account of phasing on larger schemes; or**
- b) The new or improved infrastructure will be provided on-site as an integral part of the development, unless the nature of the provision is better provided off-site through the process of developer contributions.**

- 3.4 A number of policies within the Plan are likely to result in the possible need for mitigation and therefore provide the policy justification for seeking planning obligations. The following list of policies is not exhaustive, but the most common policies are:
- HP5 (Provision of Affordable Housing)

- HP9 (Self and Custom Build Homes)
- CC2 (Managing Flood Risk and Sustainable Drainage Systems)
- NE1 (Protection of Nature Conservation, Biodiversity and the Local Ecological Network)
- NE2 (Biodiversity Net Gain)
- NE3 (Recreational Disturbance on the Solent Special Protection Areas SPAs)
- NE4 (Water Quality Effects on the Special Protection Areas, Special Areas of Conservation and Ramsar Sites of the Solent)
- NE5 (Solent Wader and Brent Goose Sites)
- NE6 Trees, Woodland and Hedgerows
- NE10 Protection and Provision of Open Space
- TIN2 Highway safety and Road Network

- 3.5 National Planning Policy Guidance Planning requires policies seeking planning obligations to be grounded in an understanding of development viability through the plan making process. The impact of the above policy costs on viability were considered and found appropriate in the Local Plan 2037 Viability Study and the Community Infrastructure Levy Charging Schedule Review Viability Study.
- 3.6 The Council has identified known projects in the Infrastructure Delivery Plan that supports the Local Plan, for both allocated sites but also from cumulative impact of development.
- 3.7 Fareham Local Plan 2037 is supported by an Infrastructure Delivery Plan (IDP). The IDP identifies known infrastructure projects required to mitigate the impacts from allocated sites and also from the cumulative impact of development. The IDP can be found here: [http://www.fareham.gov.uk/pdf/planning/local\\_plan/Final\\_Infrastructure\\_Delivery\\_Plan.pdf](http://www.fareham.gov.uk/pdf/planning/local_plan/Final_Infrastructure_Delivery_Plan.pdf)
- 3.8 This identifies the key infrastructure required to specifically support development set out in the Local Plan. It is important that the infrastructure is provided in advance of, or at least alongside development so that it is delivered at the right time to mitigate the impact from the development. The determination of planning applications and the setting of the obligations and trigger points within the legal agreements will be agreed to ensure timely delivery.
- 3.9 This SPD provides further guidance on the following potential planning obligations:
- Green and blue infrastructure land and maintenance requirements
    - Open Space and recreation
    - Blue Infrastructure (Sustainable Drainage)
    - Trees
  - Environmental requirements
    - Solent Recreation Mitigation Strategy
    - New Forest Recreation Mitigation

- Solent Waders and Brent Geese Habitat
- Public Services provision requirements
  - Highways & Transport
  - Children's Services/Education
  - Adults Extra Care
  - Countryside, Public Rights of Way & Green Infrastructure
  - Flood & Water Management
  - Libraries & Archives Provision
  - Public Health
  - Waste Management

3.10 To support the delivery of the Local Plan 2037 and complement this SPD, further SPD's are available to provide detailed guidance on the following policy requirements. These are further described in section 8 of this SPD:

- Affordable Housing
- Self and Custom Build Housing

## 4. OPEN SPACE LAND AND INFRASTRUCTURE REQUIREMENTS

### Public Open Space, Outdoor Sport & Children’s Play Equipment

- 4.1 In line with Policy NE10: Protection and Provision of Open Space of the Fareham Local Plan 2037, residential development will be required to provide open and play space to meet the needs of new residents.
- 4.2 Open space is therefore considered to be a requirement to make residential development acceptable in policy terms and will be secured via a planning condition or through a section 106 obligation where appropriate.

#### Does the development generate a need to provide Open Space and Sports Provision Requirement?

- 4.3 All residential development is likely to create some need for open space. Different age groups will have different requirements for open space, however, all the residents of a community will make some use of their local open spaces, whether it is for walking, sitting, sports or play. Therefore, all types of new residential development will be expected to provide or contribute towards parks, amenity open space and play facilities irrespective of type or tenure of dwellings.
- 4.4 The Council has used the Open Space Study 2018<sup>5</sup> to inform the requirements for open space across the borough. This sets the overall standard for the three different categories:

Category	Requirement
Parks & Amenity Open Space (Natural Greenspace)	1.5 hectare per 1,000 population <b>15 sq.m per person</b>
Outdoor Sport	1.2 hectare per 1,000 population <b>12 sq.m per person</b>
Children’s Play Equipment	14 pieces of equipment per 1,000 1-12 year olds <b>2 sq.m per person</b>

Table 2: Open Space and Outdoor Sports Provision per person requirements

- 4.5 For specialist accommodation schemes (such as hostels, student accommodation, older persons housing and accommodation for those with special needs) the Council will consider the need for on-site open space or an offsite contribution on a case-by-case basis. This will also consider the quality and function of the open space recognising the importance of passive recreation space in such cases.
- 4.6 For sites yielding between 20 and 49 dwellings the Council will normally seek to secure the provision of on-site parks and amenity open space where the proposed development will exacerbate or create a deficiency in provision. The determination will be based upon the contents of the latest available survey of

<sup>5</sup> [http://planningpdf.fareham.gov.uk/PDF/planning/publicationplan/NE010\\_Open\\_Space\\_Study.pdf](http://planningpdf.fareham.gov.uk/PDF/planning/publicationplan/NE010_Open_Space_Study.pdf)

open space in the Borough.

- 4.7 On sites of 50 or more dwellings additional parks and amenity open space will generally be expected to be delivered on-site, in order to serve new residents' needs as locally as possible.
- 4.8 In developments over 300 dwellings there will likely be a requirement to provide on-site outdoor sports facilities to serve the needs of the new residents. The need for facilities possibly including playing pitches will be determined by taking into consideration the local provision of sports facilities as evidenced through the Playing Pitch Strategy<sup>6</sup>, including their accessibility in relation to the development site.
- 4.9 On sites of 600 or more dwellings the provision of on-site sports facilities including playing pitches will be required. Serviced land for appropriate ancillary facilities, including changing rooms should be safeguarded to serve these facilities along with a financial contribution paid to the Council for their provision or be provided directly by the developer. This will be agreed with the Council on a case by case basis. Whilst the total quantum of provision is derived through this SPD, the precise nature of the provision (type of pitch i.e. for rugby or for football etc) will be agreed with the Council based on the evidence from the Playing Pitch Strategy.
- 4.10 Where development proposals come forward that are part of a wider development or allocation (i.e. the individual application is below the threshold but the overall scheme to be delivered is in excess) the Council will determine the need based on the total quantum of development proposed in line with Policy D3 of the Local Plan. A proportionate approach will then be taken towards provision and contributions.
- 4.11 Applicants are advised to have regard to the most recent Open Space Study and Playing Pitch Strategy to determine the likely specific requirements for sports provision in the area of the proposal. This will be done in liaison with the Council during the application process.

#### Calculating the Requirement for Open Space and Outdoor Sports Provision

- 4.12 Applicants are strongly encouraged to engage the council in pre-application advice to determine the quantity as well as the location of open space and sports provision. The following guidance sets out how the quantum will be derived. If the provision is on site and provided by the developer, then the council will require an agreed schedule of works to ensure that the quality is consistent between private and publicly delivered spaces.
- 4.13 Table 3 sets out the quantum of open space and outdoor sports provision that would be expected from new developments. This is based on the per person requirements identified in table 2, multiplied by the average occupancy of people per dwelling. The calculation uses an average occupancy assumption

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<sup>6</sup> [Fareham Borough Playing Pitch Strategy](#)



rather than requirements for specific dwelling types.

- 4.14 This formula will be used to determine either the quantum of expected on site provision or the value of the contribution to be sought towards off-site provision.

<b>Average Occupancy (2.4 persons)</b>	<b>Parks &amp; Amenity Open Space</b>	<b>Outdoor Sports Provision</b>
	<b>@ 15 sq.m per person</b>	<b>@ 12 sq.m per person</b>
Per dwelling	36 sq.m	28.8 sq.m

Table 3: Calculating the Requirement for Open Space and Outdoor Sports Provision

#### Calculating the Requirement for Children’s Play Equipment

- 4.15 Formal children’s play equipment should be provided on-site for new development to serve the needs of the children on that development. It should be provided through formal play areas such as Neighbourhood Equipped Areas of Play (NEAP) and Local Equipment Areas of Play (LEAP). The purpose of a NEAP play area is targeted mainly at older children, stimulating challenging play opportunities with a minimum of 8 play experiences. The purpose of a LEAP is for children who are beginning to go outside and play independently. The Council will expect the provision of these facilities in line with the following thresholds.

<b>Net increase in dwellings</b>	<b>Children’s Play Equipment</b>
Less than 20	Not normally required
20-49	LEAP may be required depending on circumstances and location
50-199	LEAP
200 +	LEAP and a NEAP

Table 4: Children’s Play Equipment Thresholds

- 4.16 Children’s play areas should be delivered to a specification agreed with the Council, with a fully developed Scheme of Works to be approved by the Council before commencement of the development. Alternatively, where appropriate, the Council may deliver children’s play areas, in which case the Council will seek a contribution to deliver the agreed scheme and future maintenance for a 30-year period.
- 4.17 The most up to date Open Space Study recommends the provision of 14 pieces of equipment per 1,000 1-12 year olds. This would be expected to be made up of a combination of play areas (LEAPs and NEAPs).
- 4.18 LEAPs are designed to provide equipment for younger children and should be located where they are easy and safe to access. Ideally this means they should serve a catchment area within 5 minutes’ walk or 400m of new homes. They should be a minimum 400sq.m in size, include at least 5 pieces of equipment to suit a broad range of play styles, ages and interests, on safety surfacing and be surrounded by dog-proof safety fencing. Given the Council’s experience to-date regarding the impact of LEAPs and the likely form of housing layouts in the future, the distance between the equipped area and the

nearest residential boundary should be a minimum 20m.

- 4.19 Therefore, a LEAP (0.04Ha), including buffer zone (0.32Ha), extends to a minimum 0.36Ha.
- 4.20 NEAPs are designed to provide equipment mainly for older children and should be located where they are easy and safe to access. Ideally this means they should serve a catchment area within 15 minutes' walk or 1Km of new homes. They should be a minimum 1,000 sq.m in size, include at least 8 pieces of equipment to suit a broad range of play styles, ages and interests on safety surfacing and a hard surfaced multi-purpose area and surrounded by dog-proof safety fencing. The distance between the equipped area and the nearest residential boundary should be a minimum 30m.
- 4.21 Therefore, a NEAP (0.1Ha), including buffer zone (0.90Ha), extends to a minimum 1.00Ha.
- 4.22 The Council recognises that in some circumstances the provision of the buffer to a LEAP or NEAP in addition to open space requirements may not be possible due to land constraints. The priority is to ensure that playgrounds are not within 20 to 30 metres of nearest properties and therefore in such cases the Council may consider the buffer being included within the overall open space allocation of the site.
- 4.23 For sites of less than 50 dwellings, children's play equipment may be required on site, or a financial contribution sought to fund provision offsite, if there are no existing accessible areas of children's play within a reasonable walking distance. However, for sites yielding over 50 dwellings, children's play equipment will normally be expected to be delivered on site to serve new residents' needs as locally as possible.
- 4.24 In addition to formal play areas, the National Design Guide<sup>7</sup> promotes Informal Doorstep Play. Also known as Local Area for Play (LAP), these are small areas of play for use by children aged 6 and below, meaning no play equipment as such, relying more on demonstrative features indicating that play is positively encouraged that distinguishes the play space. The National Model Design Guide<sup>8</sup> suggests that all housing schemes over 15 dwellings should include such provision within 1 minute walking distance. Such areas should be included in scheme layout and design.

#### On-site Provision

- 4.25 For large sites, the Council expects open space and sports provision to be provided on-site to meet the needs of those residents of the development. The Council will therefore seek on site provision according to the thresholds set out in table 5. The thresholds recognise that individual dwellings and smaller scale developments are unlikely to be able to deliver practical on-site

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<sup>7</sup> [National design guide.pdf \(publishing.service.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/441212/national_design_guide.pdf)

<sup>8</sup> [National Model Design Code \(publishing.service.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/441212/national_model_design_code.pdf)

solutions.

<b>Net increase in dwellings</b>	<b>Parks and Amenity Open Space</b>	<b>Outdoor Sport</b>
Less than 20	Not normally required	Not required
20-49	May be required depending on circumstances and location	Not required
50-299	Will be required	Not normally required
300+	Will be required	Will be required on site (or off site contribution in lieu)

Table 5: On site Open Space and Outdoor Sports Provision Site Thresholds

4.26 The Open Space Study sets out a clear definition of ‘Parks and Amenity Open Space’, but in short it includes urban parks, buffer zones around children’s play equipment, informal recreation spaces, incidental space, village greens and green paths between developments. With the introduction of environmental requirements for new development, the provision of parks and amenity open space may also contain natural greenspace in the form of grasslands, wildflower meadows and other biodiversity enhancements. The defining characteristic is that this type of space is not laid out for defined sport, recreation or as a formal play space, but is accessible, available, and safe for all purposes. It is largely comprised of the sort of areas that people think of as “typical” public open space, for everyday activities such as dog-walking or a “kickabout”.

4.27 These types of spaces are vital to the success of new developments as they not only provide a pleasant backdrop to the urban environment, but they also play an important function in the health and wellbeing of all residents. In order to provide a useable space, which is of true value to its users, the minimum size of any on-site open space should be 0.1 hectare (Ha) based on an area of approximately 35m x 30m, with no single dimension less than 10m.

4.28 Outdoor sport is made up of playing pitches, courts, greens, athletics tracks or training areas. Playing pitches should be grass, artificial or synthetic surfaces marked out for team sports including football, rugby, cricket, hockey etc. This also includes areas around pitches required for “run-off”, player safety or spectator purposes.

Off-site contributions ‘in-lieu’

4.29 Where it is appropriate to seek financial contributions towards off-site provision of open space and sports, the level of contribution will be agreed with the Council based on a proportionate approach. The required level of provision will be calculated using the space standards set out in table 3. This will then be applied to the per square metre costs set out in the Schedule of Costs document ‘Provision and Maintenance of Green Infrastructure Assets’. The Schedule of Costs sets out the cost associated with the standard level of provision expected.

## 5. SECURED MAINTENANCE DELIVERY OPTIONS

- 5.1 For all open space, sports pitches and play equipment, the Council will need to be satisfied that suitable arrangements have been secured for the long-term maintenance (lifetime of the development) of the asset.
- 5.2 The Council expects that there should be no discernible difference in the standard of maintenance between land maintained by the Council and that of privately maintained land. To secure this, the Council will require an agreed management plan to ensure that the quality of the proposed maintenance regime is appropriate.
- 5.3 Where it is agreed between parties that public open space and assets are to be transferred into the control of the Council to manage long term, the ongoing maintenance cost will be secured and paid to the Council.
- 5.4 Where it is proposed to use a management company or similar to manage and maintain the public open space and assets, the Council will seek planning obligations that secure the long-term management and maintenance of those assets for the life of the development, including any necessary step in rights and cost recovery provisions.

### Maintenance of assets to be transferred to Fareham Borough Council

#### Open Space, sports pitches and play areas.

- 5.5 In such cases where the land and management/maintenance responsibilities are to be passed to the Council, the Council will seek two main planning obligations:
  - i. The developer will be required to set out and maintain the approved infrastructure to the Council's satisfaction for a period of 12 months following its completion. After this period, following a satisfactory inspection by the Council, the land will be transferred to the ownership of the Council for an agreed sum (£1). Where remediation is required, this will be required to be undertaken prior to hand over.
  - ii. A financial contribution will be sought to cover the ongoing management and maintenance costs of the infrastructure. This contribution will secure maintenance costs for a period of 30 years, after which the cost of that service shall revert to the Council's revenue budget.
- 5.6 The amount sought as a financial contribution towards maintenance will be calculated on a per square metre basis using up to date costs relating to a maintenance schedule agreed with the Council. This will be based on the typical level of service set out in the Schedule of Costs document 'Provision and Maintenance of Green Infrastructure Assets'. The Schedule of Costs sets out the costs associated with the various maintenance regimes and will be reviewed on an annual basis and updated when necessary to reflect changes to the standard variables and pricing assumed on adoption of this SPD.

### Blue Infrastructure

- 5.7 The Council does not typically take on the responsibility for open space or amenity land where Sustainable Drainage Systems (SUDS) or other open water features form a component either surface features or underground features. In these scenarios, the Council will require a detailed management plan and evidence of how these features will be managed and maintained and how they relate (access requirements etc.) to land transferred to the Council.
- 5.8 Schedule 3 of the Flood and Water Management Act 2010<sup>9</sup> proposes that in the future SUDS will be approved and adopted by the County Council for the area. At the time of publishing this SPD, this is yet to be implemented, but subject to final decisions on scope, threshold and process, implementation is expected during 2024. Further information on SUDS design and approval should be sought from the Hampshire County Council, further information of which is available in section 7.

### Trees

- 5.9 The cost of maintaining land and play equipment as detailed above, does not include the active maintenance of trees. It is therefore a requirement that where the Council adopts land which contains trees that are likely to require active management, an additional contribution is secured to cover the cost for management and maintenance.
- 5.10 Trees that are likely to require to be actively managed are those within close proximity to people (including routes that people use), boundaries and/or property (both within the open space and adjoining land). The management and maintenance of these trees will include regular inspection and maintenance by the Council. Where trees are included in land to be managed that are away from the proximity of people and property, an alternative (less intensive) management regime may be agreed with the Council.
- 5.11 Where the Council agrees to adopt a tree that will be actively managed, a maintenance contribution will be secured for each tree that will cover the cost of maintenance for a period of 30 years, after which the cost of that service shall revert to the Council's revenue budget.

### **Maintenance of assets to be undertaken by existing or proposed management companies**

- 5.12 Where it is proposed that a management company will undertake the long-term maintenance and management of assets, the Council will require a management plan including performance/standard measures to be agreed and secured through the section 106 agreement.
- 5.13 To provide security against the long-term operation of the management company, one or more of the following aspects will be required to ensure the

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<sup>9</sup> [Flood and Water Management Act 2010 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

long-term satisfactory maintenance of the assets.

**Committed sum** - an agreed figure paid to the Council to be ring-fenced to cover the cost of the management company carrying out all or any monitoring and maintenance of the obligations set out in the management strategy, in the event of a shortfall in the amount of service charge collected from residents. This provides for the management company to draw on a reserve funding pot to carry out its obligations in an event when service charges from residents are not received. It would only be accessible to the management Company where it is able to demonstrate satisfactorily to the Council that it has received insufficient funds to comply with the obligations in the legal agreement.

**Bond** - an agreed sum approved by, and payable to, the Council and provided by a reputable surety for the carrying out management and/or maintenance by the Council in circumstances where the management company fails to do so. This would allow the Council to undertake the required works using the bond, until such a time that the management company issues can be resolved.

- 5.14 This is not an exhaustive list and will depend on the circumstances of each particular development and management proposal.
- 5.15 The Council will also require provision for **enhanced step in rights** to be secured through the section 106. This will ensure that under specified circumstances (for example performance measures not being adhered to) the Council is entitled to take over the role of the management company on a temporary basis to enable the provision of the relevant services to the satisfactory standard and recovery of its costs from the owners in the development/of the land.

## 6. OBLIGATIONS TO MITIGATE DEVELOPMENT IMPACT ON HABITATS

- 6.1 To deliver on the requirements of the Habitats Regulations in protecting European Sites, the Local Plan includes policies related to environmental mitigation in Policy NE3 Recreational Disturbance on the Solent Special Protection Areas SPAs, and NE5 Solent Wader and Brent Goose Sites. These policies require the delivery of environmental mitigation in addition to open space requirements.
- 6.2 The Solent and the New Forest are internationally important for their wildlife with the Solent being recognised for its wildfowl and wader population with over 90,000 waders and wildfowl and 10 to 30 percent of the global population of Brent Geese. Four Special Protection Areas (SPAs) have been designated in the region to protect these important populations. The region is also home to a variety of important coastal habitats such as Atlantic Salt Meadows and Estuarine Mud Flats amongst others.
- 6.3 It is essential that new development does not adversely impact these important environments. This includes direct impact through development, but also the associated recreational pressures resulting from new residents that will want to enjoy these important natural environments. The Council has developed (in partnership with other authorities and Natural England) a series of approaches to ensure development does not adversely impact those areas.
- 6.4 The following are likely to require a planning obligation through either a tariff style contribution, or provision of offsetting land. Further details can be found through the links below:
- 1 [Solent Recreation Mitigation Strategy](#)  
(To mitigate the recreational impact on the environmental designations of the Solent coast)
  - 2 [New Forest Recreation Mitigation](#)  
(To mitigate the recreational impact on the New Forest environmental designations)
  - 3 [Solent Wader and Brent Goose Strategy](#)  
(To mitigate the impact of development on grassland sites supporting the bird species for which the Solent is designated).

Strategy	Requirement
Solent Recreation Mitigation Strategy	Financial contribution per dwelling <a href="#">Our strategy - Bird Aware Solent</a>
New Forest Recreation Mitigation Solution	Financial contribution per dwelling <a href="#">Report to the Executive for Decision - (Director of Planning and Development)</a>
Solent Wader and Brent Goose Strategy.	1. Avoidance 2. On-site mitigation 3. Off-site provision (possible financial contribution). <a href="#">The Strategy – Solent Waders &amp; Brent Goose Strategy (wordpress.com)</a>

Table 6: Environmental Mitigation requirements

- 6.5 The Council also requires applications to demonstrate nutrient neutrality to mitigate the impact of wastewater pollutants on the water quality of the environmental designations of the Solent. Developers that propose to secure off-site credits through an agreement with a third party land owner will be required to evidence details of this agreement to the Council. Details of schemes with legal agreements can be found on the Council's website<sup>10</sup>.
- 6.6 There may be occasions where the provision of environmental mitigation may be provided as part of, or in relation to the open space/amenity land being provided. Given the site-specific nature of this provision, where this is required, the details will be agreed as part of the pre-application and/or application process. This will include the management and maintenance arrangements that will need to be agreed with the council, and if this responsibility is to be passed to the council, a suitable maintenance contribution will need to be agreed on a site-by-site basis which reflects the additional requirements of the environmental mitigation.

### **International Nature Conservation Designations – The Solent Recreation Mitigation Strategy**

- 6.7 The Solent Recreation Mitigation Strategy (SRMS)<sup>11</sup> sets out the requirements based on the Conservation of Habitats and Species Regulations 2017 (as amended). Development proposals resulting in a net increase in residential units will need to demonstrate that the negative effects can be avoided or mitigated. This can be done via a financial contribution in accordance with the SRMS or by providing an alternative package of mitigation measures, separate from the SRMS, that would satisfactorily mitigate the adverse effects from recreational disturbance on the Solent SPAs. This should be carried out in consultation with Natural England.
- 6.8 Contributions will also be required from development comprising student accommodation, hotels and for additional dwellings provided through Permitted Development. Developments comprising residential institutions (within Use Class C2) for the elderly or disabled, including sheltered accommodation and nursing/rest homes, may also need to provide mitigation and will be assessed on a case-by-case basis based on an analysis of the likely impact of the residents on internationally protected sites and the level of care provided. In some cases, larger developments may be required to provide additional bespoke mitigation measures.
- 6.9 Developer contributions are paid to the local planning authority from new residential and visitor accommodation development and then transferred quarterly to the Solent Recreation Mitigation Partnership, where they are pooled to implement mitigation measures.

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<sup>10</sup> <https://www.fareham.gov.uk/planning/nitratepositionstatement.aspx>

<sup>11</sup> [Solent Recreation Mitigation Strategy.pdf \(birdaware.org\)](#)



## International Nature Conservation Designations – The New Forest Recreation Mitigation

- 6.10 Parts of the New Forest are designated as a Special Area of Conservation (SAC), an SPA, and a Ramsar site. Evidence has identified that recreational activity has the potential to impact on these areas and to address this the Council developed a programme of mitigation measures to counteract the likely significant effects of recreation disturbance associated with new residential development (either alone or in-combination with other developments) within a 13.8km straight-line zone of influence from the protected sites in the New Forest. The mitigation measures have been formed into an interim mitigation solution<sup>12</sup>.
- 6.11 Where impacts cannot be mitigated on site, a financial contribution will be sought towards the provision of new green spaces or the enhancement of existing green spaces in the local area including provision for their long-term maintenance and management costs. These enhancements are designed to deter people from visiting the New Forest and mitigate any adverse effect on integrity of the habitat sites in that location.
- 6.12 To ensure that the programme is responsive to changing circumstances and opportunities, the programme of specific projects will be maintained separately and reviewed on a regular basis to ensure that they are deliverable in the agreed timeframe.

## Solent Waders and Brent Goose (SWBG) Sites

- 6.13 As a matter of course, applicants for sites with the potential to affect the integrity of the SWBG network sites must consider avoidance as the first approach, with on-site mitigation to be provided if that is not possible. An off-site solution will only be considered if there is clear justification that on-site mitigation cannot be achieved.
- 6.14 Where proposals are being made for mitigation and/or compensation measures, information to support those proposals will be needed. Any off-site enhancements will need to be consistent with the approach set out in the 'Guidance on Mitigation and Off-setting Requirements' (SWBG Steering Group, October 2018) and Policy NE5 of the Fareham Local Plan 2037.
- 6.15 Where on-site mitigation is agreed, the Council will need to be provided with full details of how it will be secured in perpetuity and confirmation of its suitability from Natural England. If the land is to be transferred to the Council, it is expected that it will be accompanied by a suitable and appropriate commuted sum for the long term (in-perpetuity) management of the site. This will be in accordance with a submitted Ecological Management Plan and based on the maintenance figures set out for public open space and amenity

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<sup>12</sup>

<https://moderngov.fareham.gov.uk/documents/s29833/Implications%20of%20Natural%20England%20advice%20on%20New%20Forest%20Recreational%20Disturbance.pdf>

land considering the specific case by case ecological requirements of the site.

- 6.16 Where an off-site mitigation measure is identified, the Council will need to be provided with full details of the mitigation proposed including how it will be secured in perpetuity and confirmation of its suitability from Natural England. It will also need to be accompanied by an Ecological Management Plan to demonstrate how the long term management of the land will be provided for.

#### Biodiversity Net Gain

- 6.17 Under the Environment Act 2021, developers are required to deliver a biodiversity net gain of 10%. This means a development will result in more or better-quality natural habitat than there was before development. .
- 6.18 The Local Plan Policy NE2: Biodiversity Net Gain provides for a non-mandatory requirement to provide a 10% net gain. Where an application is deemed subject to this policy, an appropriate solution will be agreed on a case by case basis.

#### Environment Mitigation Unilateral Undertaking

- 6.19 The Council recognises that environmental mitigation is often required when no other planning obligations are. To minimise complication as well as legal fees, a standard template legal agreement in the form of a simple unilateral undertaking can be provided by the Council as part of the pre-application or application process.
- 6.20 A unilateral undertaking is a planning obligation that is signed only by the applicant's side (including applicants, land owners and lenders) but not by the Council or other parties. In most cases the Unilateral Undertaking comes into effect when the planning permission to which they are linked is granted.
- 6.21 The unilateral undertaking can usually be agreed as part of the application process prior to decision, helping to avoiding delays. The applicant will need to provide evidence of the ownership of their development site with their unilateral undertaking [and pay a small fee for the title information and completed document to be checked].

## 7. OBLIGATIONS TO MITIGATE DEVELOPMENT IMPACT ON OTHER SERVICE PROVISION

### Hampshire County Council Services

- 7.1 The County Council is responsible for delivering a number of important public services which support both existing and new populations and development. As such, the County Council would normally also be a party to the section 106 agreement between the owner/developer and Fareham Borough Council.
- 7.2 The County Council provide guidance for its approach to seeking to secure planning obligations towards County Council services and infrastructure where there is a demonstrable impact. The guidance should be considered as advisory, and any and all contributions requested by the County Council will be considered by Fareham Borough Council as the Local Planning Authority on a site by site basis.
- 7.3 The guidance covers the following service areas for which the County Council will potentially seek mitigation towards:
- **Highways & Transport** – Guidance on Transport Assessments and Travel Plans to assess the need for any necessary highways works and improvements alongside measures to encourage the use of transport modes other than the private car;
  - **Children’s Services/Education** – Guidance on Education provision including new schools, extension to schools and provision for those with Special Educational Needs & Disabilities, early years and post-16 education;
  - **Adults Extra Care** – Guidance on the provision of adult care facilities;
  - **Countryside, Public Rights of Way & Green Infrastructure** – Guidance on improvements to Public Rights of Way and the Green Infrastructure network;
  - **Flood & Water Management** – Guidance on the use of SuDS in new developments and Ordinary Watercourse consents;
  - **Libraries & Archives Provision** – Guidance on improving the stock and services on offer at local library facilities, discovery centres and local archives services;
  - **Public Health** – Guidance on Health Impact Assessments and measures to improve the health and well-being of the occupiers of new developments.
  - **Waste Management** – Guidance on improving existing Household Waste Recycling Centres.
- 7.4 Full details can be found in the following guidance document: [Guidance on Planning Obligations and Developer Infrastructure Contributions](#)

## **8. OBLIGATIONS COVERED BY OTHER SUPPLEMENTARY PLANNING DOCUMENTS**

- 8.1 The Fareham Local Plan 2037 is supported by a suite of SPDs which provide more detailed guidance on Local Plan policy.
- 8.2 As detailed within the Local Development Scheme (July 2023), the following SPD's relevant to Planning Obligations will be produced to support the implementation of the Local Plan:
- Self and Custom Build Housing SPD
  - Affordable Housing SPD

- 8.3 These SPDS are reviewed periodically and can be found on the Planning Strategy webpages here: [https://www.fareham.gov.uk/planning/local\\_plan/](https://www.fareham.gov.uk/planning/local_plan/)

### **Self and Custom Build Housing Supplementary Planning Document (Adopted October 2023)**

- 8.4 The Self and Custom Build Housing SPD provides guidance to developers on the policy requirements for self-build and custom build housing including the quantity required and the type and size of plots to be provided.
- 8.5 The SPD details the policy requirements for large developments which will be required to deliver 10% self and custom build, including identifying the phasing of the plots within the overall development, providing details of the marketing strategy which the developer will undertake and the design parameters for the self and custom build homes through the provision of design codes and plot passports.

### **Affordable Housing Supplementary Planning Document (Emerging)**

- 8.6 The Affordable Housing SPD sets out the amount and type of affordable housing required as a result of the Local Plan Policy. It also provides more detailed guidance on design and integration of affordable housing into wider schemes.



# **Planning Obligations**

## Provision and Maintenance of Green Infrastructure Assets

### **Schedule of Costs**

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February 2024

## Introduction

- 1.1 The Planning Obligations Supplementary Planning Document sets out the basis for calculating maintenance contributions for land and assets that are transferred to the Council.
- 1.2 This document should be read alongside the SPD and provides an up to date assessment of costs, based on the publication date of this document.
- 1.3 This document, and the practices and costs therein, will be reviewed annually by the Council, and the information contained updated where appropriate.
- 1.4 This companion document is a guide, not policy. Where land are assets are to be transferred to the Council by agreement between parties, officers will use it as the basis for calculating the expected contribution.
- 1.5 It does not preclude any developer choosing alternative mechanisms for the long-term management and maintenance of land.

## Off-site contributions 'in lieu'

- 1.6 Where financial contributions towards off-site provision of open space and sports pitches are to be sought, the level of contribution will be agreed with the Council based on a proportionate approach.
- 1.7 The cost per square metre will be based on the following levels of provision<sup>1</sup> and indicative costs:

<b>Parks &amp; Amenity Open Space</b>	<b>Outdoor Sports Provision</b>
£10.20 per sq.m	£16.19 per sq.m

### Open Space<sup>2</sup> - 10,000 sq.m

<b>Description</b>	<b>Quantity</b>	<b>Cost per Ha</b>
Preparation	10,000 sq.m	£11,000
Footpath	380m	£28,880
Boundary Fence	150m	£8,126
Trees- Sapling	50	£13,543
Hedge	150m	£1,046
Shrub borders	256 sq.m	£11,456
Grass Rotary and Grass Meadow	8,500 sq.m	£22,270
Bench	4	£4,800
Litterbin	2	£926
<i>Indicative Cost per Ha for open space provision</i>		<i>£102,046 Ha</i>
<b>Indicative cost per sq.m</b>		<b>£10.20 sq.m</b>

<sup>1</sup> All costs indicative and to be agreed with the Council on case by case basis

<sup>2</sup> Costs derived from FBC Streetscene based actual service costs

### Playing Pitches (natural turf<sup>3</sup>)

<b>Description</b>	<b>Indicative cost</b>	<b>Indicative cost per sq.m</b>
<i>Cricket natural turf pitch (8 pitch square and 2 winter pitches)</i>	<i>£330,000</i>	<i>£15.90</i>
<i>Football natural turf pitches (senior)</i>	<i>£105,000</i>	<i>£14.15</i>
<i>Football natural turf pitches (mini)</i>	<i>£30,000</i>	<i>£21.14</i>
<i>Football natural turf pitches youth)</i>	<i>£85,000</i>	<i>£14.36</i>
<i>Rugby natural turf pitch (senior)</i>	<i>£160,000</i>	<i>£15.38</i>
<b>Indicative cost per sq.m for sport pitch provision</b>		<b>£16.19</b>

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<sup>3</sup> Costs derived from the Sport England Facility Costs [Facility Costs 3Q22 \(sportengland-production-files.s3.eu-west-2.amazonaws.com\)](#).

## Maintenance of open space, sports pitches, play areas and trees transferred to the Council.

- 1.8 The base figures in table 1 are April 2023 based and will need to be adjusted annually for indexation<sup>4</sup>, starting 1<sup>st</sup> April 2024 unless otherwise justified.
- 1.9 The cost per square metre calculation is based on the schedules of management and costs set out in Appendix 1.

Table 1: Calculating Maintenance Contributions

<b>Asset</b>	<b>30 year cost (per square metre)</b>
Open Space	£23.83
Sports Pitch	£35.12
LEAP/NEAP	£162.24
Trees	£976.05 (per tree)

- 1.10 The rate stated for Children’s Play Equipment is based on the maintenance scheme applied to the ‘standard’ Council delivered Locally Equipped Area of Play (as set out in appendix 1).
- 1.11 The specific make up of a play area will determine the precise maintenance rate (owing to the maintenance and replacement requirements of particular play equipment), but the rate in table 1 provides an indication of the likely level. For a Neighbourhood Equipped Area of Play, the maintenance cost will be based on the LEAP costs but increased to reflect the larger scale of the NEAP.

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<sup>4</sup> CPI (February annually)



## Appendix 1 – Schedule of Costs

### Open Space (10,000 m2)

Description	Frequency	Staff Cost	Vehicle Cost	Materials/ Contractor Cost	Waste Disposal Cost
Rotary Grass Cutting	12 per annum	£401.58	£64.80	£0.00	£0.00
Meadow Cut and Collect	1 per annum	£225.45	£60.25	£0.00	£81.22
Strimming	8 per annum	£173.68	£31.60	£0.00	£0.00
Hedge Maintenance	1 per annum	£90.18	£24.10	£0.00	£40.61
Shrub Maintenance	2 per annum	£521.04	£47.40	£60.00	£81.22
Empty Litter Bin	51 per annum	£553.60	£51.35	£8.16	£5.00
Furniture Inspection	1 per annum	£15.27	£4.00	£0.00	£0.00
Overlay Footpath	1 x 10 years	£0.00	£0.00	£3,040.00	£0.00
Fence Painting	1 x 10 years	£0.00	£0.00	£150.00	£0.00
Footpath Inspection	1 per annum	£30.54	£4.00	£0.00	£0.00
Full Litter Pick	51 per annum	£1,107.21	£51.35	£4.08	£5.00
Seat Bin Repair	1 x 5 years	£18.70	£1.58	£26.00	£0.00
Bin Replacement	1 x 10 years	£4.68	£0.67	£80.00	£7.50
Seat Replacement	1 x 10 years	£84.17	£12.15	£265.00	£30.00
		<b>£3,226.10</b>	<b>£353.25</b>	<b>£3,633.24</b>	<b>£250.55</b>

### Sports Pitch (10,000 m2)

Description	Frequency	Staff Cost	Vehicle Cost	Materials & Contractor Cost	Waste Disposal Cost
Building Maintenance	N/A	£0.00	£0.00	£0.00	£0.00
Rotary Grass Cutting	12 per annum	£210.42	£48.60	£0.00	£0.00
Fertiliser	annual	£23.38	£8.10	£227.40	£0.00
Deep Aeration	2 per annum	£175.35	£60.75	£0.00	£0.00
Sand Top Dressing	annual	£631.26	£168.70	£2,800.00	£0.00
Renovation Work	annual	£338.17	£90.37	£635.50	£0.00
Take down/Set Up Goal Posts	2x year	£90.18	£7.90	£0.00	£0.00
Over Marking for Grass Pitches	38 per annum	£666.33	£112.57	£114.00	£0.00
Initial Mark Grass Pitches	1 per annum	£81.83	£13.82	£7.00	£0.00
Empty Litter Bin	2x weekly	£564.46	£102.70	£16.32	£16.32
Footpath Inspection	annual	£30.54	£4.00	£0.00	£0.00
Full Litter Pick	weekly	£1,107.21	£51.35	£4.08	£5.00
Seat Replacement	1 per 10 years	£42.08	£6.07	£132.50	£132.50
Bin Replacement	1 per 10 years	£4.68	£0.67	£80.00	£7.50
Drainage Inspection	annual	£30.54	£4.00	£0.00	£0.00
Floodlight Running & Maintenance	N/A	£0.00	£0.00	£0.00	£0.00
Repair/Replace Football Equipment	Posts 1 per 5 years	£23.38	£0.00	£110.18	£0.00
Overlay Footpath	1 per 10 years	£0.00	£0.00	£2,400.00	£0.00
		<b>£4,019.81</b>	<b>£679.60</b>	<b>£6,526.98</b>	<b>£161.32</b>

## Local Equipped Area of Play (400 m2 active area plus 3200m2 buffer - age 5-11)

Description	Frequency	Staff Cost	Vehicle Cost	Materials & Contractor Cost	Waste Disposal Cost
Rotary Grass Cutting	12 per annum	£242.04	£32.40	£0.00	£0.00
Meadow Cut and Collect	1 per annum	£45.09	£12.05	£0.00	£40.61
Tree/ Maintenance		£0.00	£0.00	£520.48	£0.00
Shrub Maintenance	8 per annum	£694.72	£63.20	£210.00	£40.61
Furniture Maintenance	1 per annum	£23.38	£3.37	£10.00	£5.00
Empty Litter Bin	2x per week	£553.60	£51.35	£8.16	£5.00
Furniture Inspection	annual	£15.27	£4.00	£0.00	£0.00
Overlay Footpath/Hard surface	1x 10 years	£0.00	£0.00	£1,920.00	£0.00
Fence Painting	1x 10 years	£0.00	£0.00	£80.00	£0.00
Footpath Inspection	annual	£22.90	£4.00	£0.00	£0.00
Full Litter Pick	weekly	£1,107.21	£51.35	£4.08	£5.00
Play Equipment Inspection	weekly	£688.22	£102.70	£0.00	£0.00
Play Equipment Repair/Replace	12 per annum	£158.82	£23.70	£615.00	£150.00
Play Equipment Replacement	1x 10 years	£0.00	£0.00	£10,000.50	£0.00
Seat Replacement	1x 10 years	£42.08	£6.07	£132.50	£15.00
Bin Replacement	1x 5 years	£9.36	£1.34	£160.00	£15.00
Replace Impact Absorbing Surface	1x 10 year	£0.00	£0.00	£1,400.00	£0.00
		<b>£3,602.69</b>	<b>£355.53</b>	<b>£15,060.72</b>	<b>£276.22</b>

## **Screening Statement of the need for a Strategic Environmental Assessment (SEA) and Habitats Regulations Assessment (HRA) for the Fareham Borough Council Planning Obligations Supplementary Planning Document**

### **Introduction**

1. This screening statement has been prepared to determine whether the proposed Planning Obligations Supplementary Planning Document (SPD) should be subject to a Strategic Environmental Assessment (SEA) in accordance with the Environmental Assessment of Plans and Programmes Regulations 2004 (SEA Regulations).
2. The purpose of the Planning Obligations SPD is to aid the effective implementation of the Council's strategic planning objectives and the infrastructure delivery policies in the Fareham Local Plan 2037. The relevant policies are:
  - HP5: Provision of Affordable Housing
  - E1: Employment Land Provision
  - CC2: Managing Flood Risk and Sustainable Drainage Systems
  - NE1: Protection of Nature Conservation, Biodiversity and the Local Ecological Network
  - NE2: Biodiversity Net Gain
  - NE3: Recreational Disturbance on the Solent Special Protection Area SPAs
  - NE4: Water Quality Effects on the Special Protection Areas, Special Areas of Conservation and Ramsar Sites of the Solent
  - NE5: Solent Wader and Brent Goose Sites
  - NE6: Trees, Woodlands and Hedgerows
  - NE10: Protection and Provision of Open Space
  - TIN1: Sustainable Transport
  - TIN2: Highway Safety and Road Network
  - TIN4: Infrastructure Delivery
  - D3: Coordination of Development and Piecemeal Proposals
3. The SPD will provide further guidance on how to implement policies that are material considerations in the determination of planning applications and inform Development Management decisions. The SPD will provide further guidance to all parties seeking to comply with the Local Plan policies and will therefore be of particular use to developers, architects and agents looking to bring forward development.

### **Strategic Environmental Assessment – Regulatory Requirements**

4. The basis for Strategic Environmental Assessment legislation is the Environmental Assessment of Plans and Programmes Regulations 2004 (SEA Regulations) which was transposed from European Directive 2001/42/EC. Detailed guidance of these regulations can be found in the Government publication 'A Practical Guide to the Strategic Environmental Assessment Directive' (ODPM, 2005) and Paragraph 11-008 (Strategic Environmental Assessment and Sustainability Appraisal) of the Planning Practice Guidance (PPG). This states that "supplementary planning documents do not require sustainability appraisal but may in exceptional circumstances require a strategic

environmental assessment if they are likely to have significant environmental effects that have not already been assessed during the preparation of the local plan”.

5. Under the requirements of the Environmental Assessment of Plans and Programmes Regulations (2004), certain types of plans that set the framework for the consent of future development projects, must be subject to an environmental assessment.
6. The objective of a Strategic Environmental Assessment is to provide for a high level of protection of the environment and to contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development.

### **The Strategic Environmental Appraisal Process**

7. The first stage of the process is for the Council to determine whether the SPD is likely to have significant effects on the environment. This screening process includes assessing the SPD against a set of criteria (as set out in Schedule 1 of the SEA Regulations). The results of this are set out in table 2 of Appendix 1 of this statement. The aim of this statement is therefore to provide sufficient information to demonstrate whether the SPD is likely to have significant environmental effects.
8. Where the Council determines that a SEA is not required, Regulation 9(3) of the SEA Regulations states that the Council must prepare a statement setting out the reasons for this determination. This statement is Fareham Borough Council’s Regulation 9(3) statement. The Council has consulted the Environment Agency, Historic England and Natural England on this screening statement (Appendix 2).

### **Habitats Regulations Assessment**

9. In addition to the SEA, the Council is required to consider a Habitats Regulations Assessment (HRA). HRA is the process used to determine whether the plan or project would have significant adverse effects on the integrity of an internationally designated site of nature conservation importance, known as European sites. The need for an HRA is set out within the Conservation of Habitats and Species Regulations 2010, which transposed EC Habitats Directive 92/43/EEC into UK law.
10. The Fareham Local Plan 2037 was subject to a comprehensive HRA: [HRA Update Report September 2022.pdf \(fareham.gov.uk\)](https://www.fareham.gov.uk/media/1000000/hra-update-report-september-2022.pdf)
11. The HRA screened out the policies listed in paragraph 2 of this assessment at an early stage, concluding that they were unlikely to have a significant effect on the integrity of European Sites. The summary of that can be found in appendix 2 of the HRA (linked above). As the purpose of this SPD is only to provide guidance and clarity on these policies, the Council has determined that a HRA is not required.

### **Conclusion**

12. Based on the screening process, it is the Council’s opinion that the Planning Obligations SPD does not require a Strategic Environmental Assessment under the SEA regulations or an appropriate assessment under the Habitats Regulations. This is because there will be no significant environmental, social or economic effects arising from its implementation, as it seeks only to expand upon and provide guidance for the effective and consistent implementation of Local Plan policies.

## Appendix 1:

**Table 1: Establishing whether there is a need for an SEA (based on figure 2, ODPM guidance)**

Assessment Criteria	Yes/ no	Assessment
1. Is the PP subject to preparation and/or adoption by a national, regional or local authority OR prepared by an authority for adoption through a legislative procedure by Parliament or Government? (Art. 2 (a)).	Yes. Proceed to Q2	Supplementary Planning Documents are prepared by local planning authorities under the provisions of Regulations 11 to 16 of the Town and Country Planning (Local Planning) (England) Regulations 2012.
2. Is the PP required by legislative, regulatory or administrative provisions? (Art. 2 (a)).	Yes. Proceed to Q3	The SPD is consistent with and expands upon the Borough Council's Local Plan. It is therefore necessary to answer the following questions to determine further if an SEA is required.
3. Is the PP prepared for agriculture, forestry, fisheries, energy, industry, transport, water management, water management, telecommunications, tourism, town and country planning or land use, AND does it set a framework for future development consent of projects in Annexes I and II to the Environmental Impact Assessment Directive? (Art 3.2 (a))	No. Proceed to Q4	Whilst the SPD has been prepared for town and country planning purposes, it does not set policy or a framework as it only provides guidance on the policies within the Local Plan. The policies that the SPD supplements have been subject to SA/SEA.
4. Will the PP, in view of its likely effect on sites, require an assessment for future development under Article 6 or 7 of the Habitats Directive? (Art. 3.2 (b)).	No. Proceed to Q6	The policies that the SPD is supplementing have themselves been subject to Habitats Regulations Assessment. Refer to paragraph 12 in this document.
6. Does the PP set the framework for future development consent of projects (not just projects in Annexes to the EIA Directive)? (Art 3.4).	Yes. Proceed to Q8	The SPD provides further guidance to supplement policies related to developer contributions and infrastructure provision. The SPD does not allocate land and it does not set policy or a framework for future development, but it does provide guidance to policies in the local plan
8. Is it likely to have a significant effect on the environment? (Art. 3.5)	No	<b>Directive does not require SEA.</b>

**Table 2: Assessment of the likelihood of the Planning Obligations SPD having significant effects on the environment**

Significant effect criteria	Potential effects of the SPD
<i>The characteristics of the plan having regard to:</i>	
(a) The degree to which the plan or programme sets a framework for projects and other activities, either with regard to the location, nature, size and operating conditions or by allocating resources;	The SPD provides more detail on the policies and principles established in the Fareham Local Plan 2037, which has been subject to comprehensive SA incorporating SEA. The purpose of the SPD is to provide guidance on the effective and consistent implementation of the relevant policies in paragraph 2. The policies in the SPD must not and do not conflict with those in the Local Plan and as such are subservient and supplemental to those in the Local Plan.
(b) The degree to which the plan or programme influences other plans and programmes including those in a hierarchy;	The purpose of the SPD is to supplement the Local Plan policies and sits below the Local Plan in terms of the Development Plan hierarchy.
(c) The relevance of the plan or programme for the integration of environmental considerations in particular with a view to promoting sustainable development;	The SPD is relevant in terms of promoting sustainable development as it seeks to ensure the effective and consistent implementation of infrastructure policies in the Local Plan, the aim of which is to provide better places for local communities.
(d) Environmental problems relevant to the plan or programme;	There are no environmental problems relevant to the SPD. This SPD will result in social and economic benefits through the effective and consistent implementation of infrastructure policies.
(e) The relevance of the plan or programme for implementation of Community legislation on the environment (e.g. plans and programmes linked to waste management or water protection).	The purpose of the SPD is to provide guidance on the effective and consistent implementation of infrastructure policies. The Fareham Local Plan 2037 contains other policies relating to these objectives.

<i>Characteristics of the effects likely having regard, in particular, to:</i>		
SEA Directive Criteria	Response	Is there a likely significant environmental effect?
(a) The probability, duration, frequency and reversibility of the effects;	The SPD is not expected to give rise to any significant environmental effects. The SPD seeks to ensure the effective and consistent implementation of infrastructure policies, which in themselves should	No

	ensure positive effects relating environmental impact.	
(b) The cumulative nature of the effects;	The SPD is not considered to have any significant cumulative effects.	No
(c) The transboundary nature if the effects;	The SPD is not expected to give rise to any significant transboundary environmental effects. However, where strategic sites are in close proximity to neighbouring settlements, the provision of infrastructure will assist in mitigating any impacts from development and delivering sustainable new developments for residents from a wider area as well as from within Fareham's communities.	No
(d) The risks to human health or the environment (e.g. due to accidents);	There are no anticipated effects of the SPD on human health.	No
(e) The magnitude and spatial extent of the effects (geographical area and size of the population likely to be affected);	The effective and consistent implementation of infrastructure policies will have positive benefits for all Fareham residents and those who wish to move to Fareham.	No
(f) The value and vulnerability of the area likely to be affected due to – (i) Special natural characteristics or cultural heritage; (ii) Exceeded environmental quality standards or limit values; or (iii) Intensive land use;	The SPD is not anticipated to adversely affect any special natural characteristic or cultural heritage. Nor would the SPD be expected to lead to the exceedance of environmental standards or promote intensive land use. Matters relating to environmental standards and land use are contained in the Fareham Local Plan 2037.	No
(g) The effects on areas or landscapes which have a recognised national, Community or international protection status.	The SPD is not expected to have any adverse effect on areas with national, community or international protection.	No
<b>Part 2 Overall Conclusion</b>	<b>No Likely Significant Environmental Effect</b>	

## **Appendix 2: Screening Consultation Responses**



Date: 31 January 2023  
Our ref: 419185  
Your ref: Fareham Borough Council Planning Obligations SPD



Pete Drake  
Principal Planner (Strategy)  
Fareham Borough Council

Hornbeam House  
Crewe Business Park  
Electra Way  
Crewe  
Cheshire  
CW1 6GJ

**BY EMAIL ONLY**



T 

Dear Pete Drake,

**Screening Statement of the need for a Strategic Environmental Assessment (SEA) and Habitats Regulations Assessment (HRA) for the Fareham Borough Council Planning Obligations Supplementary Planning Document**

Thank you for your consultation on the above, dated and received by Natural England on 23 January 2023

Natural England is a non-departmental public body. Our statutory purpose is to ensure that the natural environment is conserved, enhanced, and managed for the benefit of present and future generations, thereby contributing to sustainable development.

**Screening Request: Strategic Environmental Assessment (SEA) Screening Assessment of the Fareham Borough Council Planning Obligations SPD.**

It is our advice, on the basis of the material supplied with the consultation, that, in so far as our strategic environmental interests (including but not limited to statutory designated sites, landscapes and protected species, geology and soils) are concerned, that there are unlikely to be significant environmental effects from the proposed plan.

**Neighbourhood Plan**

Guidance on the assessment of Neighbourhood Plans, in light of the Environmental Assessment of Plans and Programmes Regulations 2004 (as amended), is contained within the [National Planning Practice Guidance](#). The guidance highlights three triggers that may require the production of an SEA, for instance where:

- a neighbourhood plan allocates sites for development
- the neighbourhood area contains sensitive natural or heritage assets that may be affected by the proposals in the plan
- the neighbourhood plan may have significant environmental effects that have not already been considered and dealt with through a sustainability appraisal of the Local Plan.

We have checked our records and based on the information provided, we can confirm that in our view the proposals contained within the plan will not have significant effects on sensitive sites that Natural England has a statutory duty to protect.

We are not aware of significant populations of protected species which are likely to be affected by the policies / proposals within the plan. It remains the case, however, that the responsible authority should provide information supporting this screening decision, sufficient to assess whether protected species are likely to be affected.

Notwithstanding this advice, Natural England does not routinely maintain locally specific data on all potential environmental assets. As a result the responsible authority should raise environmental issues that we have not identified on local or national biodiversity action plan species and/or habitats, local wildlife sites or local landscape character, with its own ecological and/or landscape advisers, local record centre, recording society or wildlife body on the local landscape and biodiversity receptors that may be affected by this plan, before determining whether an SA/SEA is necessary.

Please note that Natural England reserves the right to provide further comments on the environmental assessment of the plan beyond this SEA/SA screening stage, should the responsible authority seek our views on the scoping or environmental report stages. This includes any third party appeal against any screening decision you may make.

For any new consultations, or to provide further information on this consultation please send your correspondences to [REDACTED]

Yours sincerely,

Elizabeth Ball  
Consultations Team



Historic England

Pete Drake  
Principal Planner (Strategy)  
Fareham Borough Council

Our ref: PL00016395

[REDACTED]  
by email only

3 February 2023

Dear Pete

**Fareham Borough Council Planning Obligations Supplementary Planning Document: Strategic Environmental Assessment (SEA) Screening Opinion**

Thank you for consulting Historic England about the above Screening Opinion.

In terms of our area of interest, given the nature of the SPD, we concur with your assessment that the document is unlikely to result in any significant environmental effects and will simply provide additional guidance on existing Policies contained within a Adopted Development Plan Document which has already been subject to a Sustainability Appraisal/SEA. As a result, subject to adoption of the Local Plan (which we understand is imminent), we endorse the Authority's conclusions that it is not necessary to undertake a SEA of this particular SPD.

The views of the other statutory consultation bodies should be taken into account before the overall decision on the need for an SEA is made.

**Considering heritage within the SPD**

Having noted the above, we encourage the Council to consider the potential role of planning obligations in conserving and enhancing the historic environment, which we believe inform the Council's adopted SPD on planning obligations. Therefore, we suggest adding relevant heritage policies to the list of relevant policies.

To explain our thinking a little further, NPPF paragraph 20 advises that: "Strategic policies should set out an overall strategy for the pattern, scale and design quality of places, and make sufficient provision for: ... c) community facilities (such as health, education and cultural infrastructure); ...".



Historic England, Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA  
Telephone 0370 333 0607 [HistoricEngland.org.uk](http://HistoricEngland.org.uk)

Please note that Historic England operates an access to information policy.

Correspondence or information which you send us may therefore become publicly available.



Historic England considers cultural infrastructure to include all heritage assets within the Borough. The importance of cultural infrastructure to the character, authenticity, creativity and general attractiveness is widely and increasingly recognised (e.g. London now has a [Cultural Infrastructure Plan](#)), as is the importance of cultural infrastructure to economic activity and the health and wellbeing of communities. A wealth of information on the value of heritage to our economy, society and environment has been published within [Heritage Counts](#).

While it is difficult to quantify a requirement for cultural infrastructure, given the importance of cultural infrastructure, as identified in the NPPF, Historic England asserts that it would be reasonable to expect the Council's approach to aim at least to maintain existing levels of cultural assets that exist within the Borough, and to seek improvements to secure the long term future of assets classed as 'at risk'.

Clearly, regimes for the protection of heritage assets are already in place. However, for heritage assets that are identified 'at risk', while a range of mechanisms may be used to save these assets, none of these is guaranteed. Therefore, Historic England is keen that any opportunity to save heritage assets is explored.

If you have any queries or would like to discuss anything further, please do not hesitate to contact me.

Yours sincerely,

Yours sincerely

Guy Robinson  
Historic Environment Planning Adviser  
Development Advice – London and the South East Region

[REDACTED]



Historic England, Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA  
Telephone 0370 333 0607 [HistoricEngland.org.uk](http://HistoricEngland.org.uk)

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Correspondence or information which you send us may therefore become publicly available.



## Pete Drake

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**From:** Lax, Laura [REDACTED]  
**Sent:** 10 February 2023 14:39  
**To:** Pete Drake  
**Cc:** Nick Cutler  
**Subject:** RE: Fareham Borough Council SPD Screening Assessment

Dear Peter

Thank you for consulting the Environment Agency on the SEA Screening for your planning obligations SPD. The Environment Agency agree with the conclusion within the screening statement that a SEA is not required as there will be no significant environment, social or economic effects arising from implementation of the SPD. We defer to the opinion of Natural England with regard to the requirement for an Appropriate Assessment.

If you have any queries regarding the above please do not hesitate to contact me.

Kind regards  
Laura

Laura Lax  
Sustainable Places  
Solent and South Downs

Tel: [REDACTED]  
Email: [REDACTED]

---

**From:** Pete Drake [REDACTED]  
**Sent:** 23 January 2023 15:22  
**To:** Lax, Laura [REDACTED]  
**Cc:** Nick Cutler [REDACTED]  
**Subject:** Fareham Borough Council SPD Screening Assessment  
**Importance:** High

You don't often get email from [REDACTED] [Learn why this is important](#)

Dear colleagues,

Please find attached an SEA Screening Assessment of the Fareham Borough Council Planning Obligations SPD for your consideration.

If you could please let me have your response by the 10<sup>th</sup> February, that would be much appreciated.

Kind regards

Pete

Pete Drake  
Principal Planner (Strategy)  
Fareham Borough Council  
[REDACTED]



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 05 February 2024

<b>Portfolio:</b>	Planning and Development
<b>Subject:</b>	<b>Affordable Housing Supplementary Planning Document for consultation</b>
<b>Report of:</b>	Director of Planning and Regeneration
<b>Corporate Priorities:</b>	Provides Housing Choices Responsive, Inclusive and Innovative Council

**Purpose:**

To seek approval to consult on the draft Affordable Housing Supplementary Planning Document (SPD) – setting out the Council’s approach to the delivery of affordable housing in the Borough.

**Executive summary:**

The Council’s Corporate Strategy 2023-2029 sets out the priority to provide housing choices for Borough residents. The strategy recognises that the ratio between average house prices and earnings is higher in Fareham than the national average.

To address this, the Corporate Strategy sets out that the Council will continue to provide high quality affordable housing that offers choice to residents. The Fareham Local Plan 2037 supports this priority through its Provision of Affordable Housing Policy, requiring development to include affordable housing in their delivery of homes.

The purpose of the Affordable Housing SPD is to enable the successful delivery of affordable homes through planning applications by way of providing further detailed advice and guidance on policy requirements in the adopted Fareham Local Plan 2037.

This report provides a draft of the Affordable Housing SPD and seeks approval to progress the draft document to statutory public consultation. It is the intention consult over a six-week period from 16<sup>th</sup> February 2024 following which the Executive’s approval to adopt the SPD will be sought.

**Recommendation:**

It is recommended that the Executive:

- (a) approves the Draft Affordable Housing Supplementary Planning Document, as set out at Appendix A to the report, for public consultation for a six-week period; and
- (b) agrees to delegate authority to the Director of Planning and Regeneration, following consultation with the Executive Member for Planning and Development, to make any minor amendments to the document prior to the consultation.

**Reason:**

To consult on an Affordable Housing SPD which sets out the Council's approach to affordable housing delivery in the Borough.

**Cost of proposals:**

The costs of the consultation will be met within existing budgets.

**Appendices:** A: Draft Affordable Housing Supplementary Planning Document

B: SEA/HRA Screening Assessment

C: EqIA Screening Assessment

**Background papers:** None

**Reference papers:** Fareham Corporate Strategy 2023-2029  
Fareham Local Plan 2037



# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	05 February 2024
<b>Subject:</b>	Affordable Housing Supplementary Planning Document for consultation
<b>Briefing by:</b>	Director of Planning and Regeneration
<b>Portfolio:</b>	Planning and Development

#### INTRODUCTION

1. Supplementary planning documents (SPDs) build upon and provide more detailed advice or guidance on policies in an adopted local plan. As they do not form part of the development plan, they cannot introduce new planning policies into the development plan. They are however a material consideration in decision-making and play a key role in describing and explaining how adopted planning policies should be interpreted and delivered through development management process.
2. The Council's Corporate Strategy 2023-2029 sets out the priority to provide housing choices for borough residents. The strategy recognises that the ratio between average house prices and earnings is higher in Fareham than the national average.
3. To address this, the Corporate Strategy sets out that the Council will continue to provide high quality affordable housing that offers choice to residents. The Fareham Local Plan 2037 supports this priority through its Provision of Affordable Housing Policy, requiring certain development to include affordable housing in their delivery of homes.
4. The preparation of an Affordable Housing Supplementary Planning Document (SPD) to replace the existing Affordable Housing SPD (2005) is included in the Local Development Scheme which was approved by the Executive on 3<sup>rd</sup> July 2023.
5. The existing Affordable Housing SPD was adopted in December 2005. There has been a significant change in housing affordability since 2005 and Government guidance on the provision of affordable housing has been updated. Therefore, it is necessary to update the Affordable Housing SPD to recognise this change in policy as well as to support the Council's updated affordable housing policy set out in the Fareham Local Plan 2037. Planning Strategy, Development Management and Fareham Housing have worked closely together in preparing the draft SPD to ensure it provides the information needed to guide applicants through the planning process to secure affordable housing provision which meets the needs of borough residents.
6. The SPD will provide guidance for developers, house builders and the public regarding the requirements of Policy HP5: Provision of Affordable Housing and Policy HP6: Exception Sites, in the Fareham Local Plan 2037. The SPD also draws attention to the

importance of design and placemaking, to ensure that development achieves consistent design quality and social inclusion. When the SPD is adopted, it will accompany the formal withdrawal of the 2005 Affordable Housing SPD.

7. Policy HP5 in the Fareham Local Plan 2037 provides support for the delivery of affordable homes. It sets out a requirement for all sites that can accommodate 10 or more dwellings, or sites with an area of 0.5 hectares or more to provide affordable housing. The required proportion of affordable home provision differs depending on the type of development site. On greenfield sites the proportion that should be delivered as affordable homes is 40%, however in the case of brownfield sites the proportion is 35% and for sites located within the defined Fareham Town Centre boundary, 20% of homes must be delivered as affordable housing. The threshold and percentages have been viability tested through the Local Plan process.

### **KEY CONTENT OF THE SPD**

8. The SPD sets out the planning policy context, from national requirements to understanding local need and provides information on the different types of affordable housing product. It guides developers on the Local Plan policy requirements and the planning application process in relation to delivering affordable units.
9. The main purpose of the SPD is to enable developers and planning applicants to understand how Policy HP5 (and HP6 - Rural and Entry Level Exception Sites or HP7 - Adaptable and Accessible Dwellings in certain circumstances) will apply to relevant planning applications in Fareham, as well as the wider Local Plan policies which should be considered, such as specialist housing and design.
10. The SPD sets out what is expected of applicants regarding the delivery of affordable units, including what the Council expect in terms of design, in line with guidance from the National Design Guide. This includes the highlighting of a series of common design issues which are encountered in relation to the delivery of affordable homes within housing developments and how the Council considers these can be addressed.
11. Throughout the SPD, there is an emphasis on the importance of engaging with the Council's Planning and Housing Teams early in the planning process to discuss considerations such as housing sizes and types and the appropriate tenure split for sites, recognising local need.
12. The SPD details the Council's approach to commuted sums in lieu of on-site affordable housing. As set out in Local Plan Policy, the Council expect that affordable housing will be delivered on site and will only accept a financial contribution, known as a commuted sum, in lieu of on-site provision where applicants can robustly justify why it is not possible to provide it on-site.
13. Commuted sums are also accepted as a contribution for a partial unit i.e. where the calculation of affordable housing requirement for a site results in a fraction of a dwelling. The Council's formula for calculating commuted sums has been reviewed by Three Dragons, an independent consultancy specialising in town planning, economics and development. This has resulted in a revised formula, which is consistent with methodology employed by other Councils to accurately reflect the financial burden of providing the required units elsewhere in the Borough.

## **EFFECT OF THE SPD**

14. The potential effect of the draft SPD has been considered through a series of screening assessments as follows:
  - Strategic Environmental Assessment (SEA) Screening Assessment: to consider whether the SPD is likely to have significant environmental effects that have not already been assessed during the preparation of the local plan.
  - Habitats Regulations Assessment (HRA) Screening Assessment: to consider whether the SPD likely to have significant adverse effects on the integrity of an internationally designated site of nature conservation importance, known as European sites.
  - Equalities Impact Screening Assessment: to consider the SPD's impact on any protected groups or characteristics that have not already been assessed during the preparation of the local plan.
15. As a result of these assessments, it is determined that no adverse effect would result from this SPD. Details of the assessments and their findings are included in appendices B & C of this report.

## **ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT**

16. The subject matter of this report is not anticipated to have an impact on the Council's carbon footprint, nor is it expected to have a detrimental or beneficial impact to the wider environment.

## **NEXT STEPS - CONSULTATION**

17. It is proposed to undertake public consultation on the draft SPD in line with the statutory requirements set out in the relevant planning regulations. A six-week consultation will take place from 16<sup>th</sup> February 2024.
18. It is proposed that the consultation is publicised on the Council's website and emails and letters are sent to all statutory consultees and other relevant individuals and organisations on the Council's Planning Strategy consultation database.
19. Following the public consultation, the Council will consider responses before moving forwards towards adoption of the new SPD.

## **CONCLUSION**

20. It is recommended, for the reasons set out in the above paragraphs, that the Executive approves the draft Affordable Housing SPD for public consultation and delegates authority to the Director of Planning and Regeneration, following consultation with the Executive Member for Planning and Development, to make any appropriate amendments to the document following consideration by the Executive, prior to the consultation.

### **Enquiries:**

For further information on this report please contact Lee Smith, Head of Planning (Tel. 01329 824427).





# Affordable Housing Supplementary Planning Document (SPD)

## January 2024

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## 1. PURPOSE

- 1.1. A supplementary planning document (SPD) builds upon and provides more detailed advice or guidance on policies in an adopted local plan. They do not form part of the development plan and cannot introduce new planning policies into the development plan. They are however a material consideration in decision-making and play a key role in describing and explaining how adopted planning policies should be considered and delivered through the development management process.
- 1.2. This Affordable Housing Supplementary Planning Document (SPD) sets out the Council's methodology for the securing of planning obligations and affordable housing from new development within the Borough and replaces the 2005 Affordable Housing SPD. It has been prepared to support the Fareham Local Plan 2037 which was adopted by the Council on 5<sup>th</sup> April 2023. The Fareham Local Plan 2037 promotes the delivery of new affordable housing in the borough, through policies relating to affordable housing targets and exception sites.
- 1.3. This SPD provides clarity on the requirements and processes around affordable housing provision to make the Council's expectations clear and transparent. It follows on from the adopted policies in the Local Plan, providing detailed guidance, advice and up-to-date information on matters relating to affordable housing provision in Fareham and will be of particular relevance to planners, affordable housing providers and applicants building 10 or more dwellings or developing a housing site with an area of 0.5 hectares or more, as well as residents who want to know more about how we deliver affordable housing.
- 1.4. The purpose of this SPD is to enable the successful delivery of affordable homes through planning applications, with specific detail on:
  - The adopted Fareham Local Plan 2037, including Policy HP5: Provision of Affordable Housing;
  - The mechanisms for delivering affordable housing in Fareham; and,
  - Site specific requirements for sites with affordable housing provision.
- 1.5. It is essential that developers of sites where the delivery of affordable housing would be a policy requirement consider at an early stage how this will be delivered.
- 1.6. This document applies to the whole of Fareham Borough excluding the area identified as the Welborne Garden Village where Local Plan Part 3: The Welborne Plan<sup>1</sup> (2015) applies.
- 1.7. This is a draft SPD and as such is subject to public consultation. A six-week consultation on the draft SPD will take place in February and March 2024. The consultation responses will then be considered, and changes made to the final version of the SPD where appropriate. Once adopted the SPD will be a

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<sup>1</sup> <http://www.fareham.gov.uk/PDF/planning/LP3WelborneAdopted.pdf>

material consideration in determining planning applications. This SPD will be updated as required to ensure it is in line with changes in national or local policy on affordable housing.

- 1.8. This SPD has been prepared in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012 and in accordance with the Council's Statement of Community Involvement. If you require further information, you can contact the Planning Strategy Team by email at [planningpolicy@fareham.gov.uk](mailto:planningpolicy@fareham.gov.uk) or by telephone on 01329 824601.

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## 2. WHAT IS AFFORDABLE HOUSING?

- 2.1. The Government intends that everyone should have access to a decent home. At the local level one of the six corporate priorities in the Council's Corporate Strategy<sup>2</sup> (2023 – 2029) is 'Providing Housing Choices'. Delivery of affordable housing is a key aspect of providing housing choices and a priority for the Council in its Housing and Planning functions.
- 2.2. There have been many changes around affordable housing in recent years. National planning policy has changed, new affordable products have been introduced, there have been changes to the affordability of housing locally and an improved understanding of affordable need at the local level. This SPD takes account of these changes and ultimately seeks to ensure that, through the planning system, affordable housing provision is best matched to the needs of those requiring it.
- 2.3. **Definition of affordable housing (NPPF 2023):**

Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions<sup>81</sup>:

Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

Discounted market sales housing is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

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<sup>2</sup> [http://www.fareham.gov.uk/pdf/about\\_the\\_council/CorpStrategy2023.pdf](http://www.fareham.gov.uk/pdf/about_the_council/CorpStrategy2023.pdf)

Other affordable routes to home ownership are housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision or refunded to Government or the relevant authority specified in the funding agreement.

81 This definition should be read in conjunction with relevant policy contained in the Affordable Homes Update Written Ministerial Statement published on 24 May 2021.

- 2.4. As defined in the NPPF affordable housing can broadly be split into two categories with different tenures within each – affordable housing for rent and affordable home ownership. A mix of the two categories and the different tenures within them will generally be required on sites to meet the needs of residents. The following section of the SPD provides further information on the types of tenures available. For information on the most suitable tenure types for the borough applicants should contact the Council's Housing Team.

#### **Affordable Housing for Rent**

- 2.5. Affordable housing for rent (Social Rent and Affordable Rent) should be provided and managed by a Registered Provider, which includes Housing Associations, community-led housing groups (where registered with the Regulator of Social Housing) and the Council. Affordable housing for rent is allocated based on housing need, identified via the Council's Housing Register.

#### Social Rent

- 2.6. Social rent is a key and important form of affordable housing provision. It offers the most affordable form of affordable housing, providing for those households most in need and who are on the Council's waiting list. These households are likely to have fewer alternative housing options available to them. The rent payable is calculated through a nationally specified rent formula. Recent examples suggest that this typically equates to 45-55% of market rental costs.

#### Affordable Rent

- 2.7. Affordable rented properties must provide a discount of 'at least 20%' (NPPF) from local market rents. Fareham Borough Council require that affordable rent is up to 80% of market rent and within local housing allowance rates<sup>3</sup> (including service charges), whichever is the lowest.

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<sup>3</sup> <https://www.fareham.gov.uk/benefits/lharates.aspx>

## Affordable Home Ownership

- 2.8. There are a number of routes to affordable home ownership including shared ownership and shared equity as well as discount market sale homes, rent to buy schemes and First Homes, as set out in Annex 2 of the NPPF.

### Shared Ownership

- 2.9. Shared ownership enables occupants to buy a share of a property, whilst paying rent on the remaining value. Shared ownership homes are valued at market value and applicants purchase the maximum % share they can afford (within parameters allowed).
- 2.10. The initial share available to purchase is between 10-75%. The occupant can then purchase additional shares as and when affordable to the occupant. Purchasers are able to staircase to 100% ownership. Further information on the operation of Shared Ownership, including eligibility criteria, can be viewed on the Government's shared ownership website<sup>4</sup>.
- 2.11. More information on affordable home ownership in Fareham can be found on the Council's website<sup>5</sup> along with the Affordable Home Ownership Register which allows households to express an interest in purchasing Council affordable home schemes.

### Shared Equity

- 2.12. Shared Equity enables homebuyers to pay a smaller deposit towards their home (usually 5%) while taking out an equity loan for the rest of the deposit (usually 20%). The equity loan is usually low, or no cost, meaning that little or no interest is payable, however the equity loan is repayable in full at the end of the loan period. Alongside this, the homebuyer would need to take out a mortgage for the rest of the property value.

### Discounted Home Ownership

- 2.13. Discounted home ownership / discounted market sales housing are terms describing housing which is sold at a discount of at least 20% of the local market value. The home is bought outright by purchasers who meet the eligibility criteria with any future re-sale restricted to a discount market price to ensure the home remains affordable.

### Rent to Buy

- 2.14. Rent to Buy enables eligible occupants to rent a property at a discount of 20% below the open market rent, in order to save for a deposit to purchase the home in the future. Rent to Buy is an affordable home ownership tenure rather than a rental tenure, as the purpose is to provide an opportunity ultimately for affordable home ownership.

### First Homes

- 2.15. Introduced in 2021, First Homes is designed to help first time buyers who wish to get onto the property ladder but are unable to afford a home at full market

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<sup>4</sup> <https://www.gov.uk/shared-ownership-scheme>

<sup>5</sup> <https://www.fareham.gov.uk/housing/affordablehomeownership.aspx>

value.

- 2.16. A First Home must be offered at a minimum of 30% discount on the market price, with the discount held in perpetuity. On the initial sale, the property should be no more than £250,000. First homes do not apply to some developments, including self-build, 100% affordable housing schemes and specialist accommodation such as sheltered schemes.
- 2.17. Fareham falls under the transitional arrangements for First Homes as the Council's Local Plan was submitted for examination before the policy took effect<sup>6</sup> and it is therefore confirmed this type of affordable housing is not a Local Plan Policy requirement.
- 2.18. However, should an applicant wish to include First Homes in a development proposal, this should be discussed with the Council at the earliest opportunity. The Council will consider the need and affordability of the product on a site-by-site basis using the Council's Affordable Home Ownership Register where Households can express an interest in accessing a First Home. The data will be used by the Council to have a better understanding of need and affordability in the borough for First Homes, to help inform planning applications.
- 2.19. For schemes where First Homes is accepted as meeting an affordable housing need, Fareham Borough Council's Interim First Homes policy<sup>7</sup> sets out the council's approach to delivering this tenure.

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<sup>6</sup> First Homes policy requirement, as per the Written Ministerial Statement 24 May 2021, whereby on new developments of 10 or more dwellings or sites of 0.5 hectares or more, 25% of the affordable homes should be First Homes.

<sup>7</sup> <https://www.fareham.gov.uk/PDF/housing/InterimFirstHomesPolicy.pdf>

### 3. PLANNING POLICY CONTEXT

#### National Policy and Guidance

- 3.1. The National Planning Policy Framework (NPPF) (updated December 2023) sets out the national planning policies for England. Paragraphs 63 to 66 address the delivery of sufficient housing including affordable housing. Paragraph 63 states that the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies including those who require affordable housing, while paragraph 64 highlights that planning policies should specify the type of affordable housing required and expect it to be met on-site other than in specific circumstances. Paragraph 65 identifies the site types for which affordable housing requirements should be reduced or not sought and the requirement for 10% of dwellings on major housing sites to be available for affordable home ownership is set out in paragraph 66, with various exceptions.
- 3.2. Planning Practice Guidance (NPPG) on Housing Needs of Different Groups (updated May 2021)<sup>8</sup> describes how to assess the need for affordable housing. There is also specific guidance in relation to First Homes<sup>9</sup>, a new type of affordable housing introduced in 2021. Build to Rent NPPG<sup>10</sup> sets out that this type of housing development should be required to provide affordable housing, specifically through the tenure of 'affordable private rent'.
- 3.3. The National Design Guide<sup>11</sup> is also of relevance and states that well designed places should include a mix of home tenures, types and sizes in order to provide homes that suit all needs and ages, including affordable housing. The design guide goes on to say that where different tenures are provided, they should be well-integrated and designed to the same high quality to create tenure neutral homes and spaces, where no tenure is disadvantaged. Good design promotes social inclusion by maximising the potential for social integration in the layout, form and appearance of types of development and providing a consistent level of design quality across tenures and utilises layouts that promote social interaction and integration.

#### Local Policy and Strategy

- 3.4. The Council's Affordable Housing Strategy<sup>12</sup> sets out the Council's approach for achieving the provision of suitable housing for the residents of the Borough. The main aim of the strategy is to marshal the resources of each relevant agency to ensure that all the residents of Fareham have access to a decent home which is affordable within their means. Three key objectives are set within this overall aim:
  - To deliver more affordable homes through the planning system.
  - To ensure those homes are the right homes in the right places and that they are truly affordable for those that need them.

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<sup>8</sup> <https://www.gov.uk/guidance/housing-needs-of-different-groups>

<sup>9</sup> <https://www.gov.uk/guidance/first-homes>

<sup>10</sup> <https://www.gov.uk/guidance/build-to-rent>

<sup>11</sup> <https://www.gov.uk/government/publications/national-design-guide>

<sup>12</sup> [https://www.fareham.gov.uk/PDF/housing/AHS\\_2019.pdf](https://www.fareham.gov.uk/PDF/housing/AHS_2019.pdf)

- To directly deliver more affordable homes by Registered Providers and Fareham Housing, especially targeting those in greater need.
- 3.5. The Fareham Local Plan 2037 adopted in April 2023 includes Policy HP5: Provision of Affordable Housing, which details how the Council expect new affordable housing will be delivered through the planning system in Fareham.

#### ***Policy HP5: Provision of Affordable Housing***

**Sites that can accommodate 10 or more dwellings or sites with an area of 0.5 hectares or more shall provide:**

- a) In the case of greenfield sites 40% of dwellings as affordable housing; and**
- b) In the case of brownfield sites 35% of dwellings as affordable housing; and**
- c) In the case of sites located within the defined Fareham town centre boundary, 20% of dwellings as affordable housing.**

**The affordable housing must be provided in accordance with the following proportions:**

- i. At least 10% as Social Rent; and**
- ii. At least 55% as Affordable Rent; and**
- iii. At least 10% of the overall housing provision on site to be provided as Affordable Home Ownership.**
- iv. The mix of property size and type should reflect the local need and the site characteristics.**

**The Council will only accept affordable housing provision off site or an appropriate financial contribution in lieu where it is robustly justified and where it contributes to the objective of mixed and balanced communities.**

**All Affordable Rent provision shall have rents and service charge at no more than 80% of market rent or the relevant Local Housing Allowance, whichever is the lower.**

**The Viability Study concludes that affordable housing is not viable for older persons and specialist housing. Therefore, Policy HP5 does not apply to specialist housing or older persons housing.**

- 3.6. Policy HP5 seeks to maximise the supply of affordable homes in terms of the proportion of affordable housing sought and the thresholds supplied. The policy also considers the need for the tenures with the greatest need, subject to viability considerations. The policy requires a provision of 20-40% affordable housing dependant on scheme size and location (excluding Welborne) with a tenure mix of at least 10% Social Rent, at least 55% as Affordable Rent and at least 10% of the overall housing provision on site to be provided as Affordable Home Ownership.

- 3.7. The Local Plan also contains a policy on exception sites, Policy HP6:

Exception Sites (see appendix 1). This seeks to address identified crucial affordable housing needs of rural communities by enabling the development of small sites that would not normally be used for housing, where it can be demonstrated that the need for such homes is not already being met elsewhere in the Borough. Such sites are specifically for the purposes of providing 100% affordable housing in perpetuity.

- 3.8. The Local Plan also includes policies relating to design which will be applicable to the provision of affordable housing. In particular, the supporting text to Policy D1: High Quality Design and Place Making (see appendix 1), references design principles including the provision of an integrated mix of housing tenures and types to suit people at all stages which should also be designed to be tenure neutral and socially inclusive.
- 3.9. A further Local Plan Policy for consideration in relation to the provision of affordable homes is Policy HP7: Adaptable and Accessible Dwellings (see appendix 1). This policy identifies the development proposals which are required to provide such dwellings in accordance with Part M, Categories 2 and 3 of Building Regulations<sup>13</sup>.
- 3.10. This SPD does not introduce any additional requirements but sets out the detail of how Policies HP5, HP6 and HP7 will be applied in practice. Applicants are advised to consider the requirements of Policy HP5, HP6 and HP7 (if applicable) in full in relation to their development proposal.

#### **Understanding Local Affordable Housing Need**

- 3.11. The Local Plan affordable housing need was established through the Affordable Housing Background Paper (Sept 2022)<sup>14</sup>. That assessment provided an analysis of the need and supply of affordable housing in the Borough at that time. This was informed by the Council's housing register for rented accommodation and the affordable home ownership register which provide data on local affordable housing need.
- 3.12. Alongside considering the affordable housing need in the Borough, the Council must also consider what is a reasonable and viable expectation for development in terms of the percentage of dwellings that should be provided as affordable housing in a scheme.

#### **Calculating the Affordable Housing Requirement**

- 3.13. When calculating the affordable housing requirement for a site, first the total number of affordable units required should be calculated. In accordance with Policy HP5, this is 35-40% of the total units depending on whether the site is brownfield or greenfield, or 20% if the site is located within the defined Fareham town centre.
- 3.14. Next the affordable provision must be split in accordance with points i-iii of the

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<sup>13</sup> <https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m>

<sup>14</sup> <https://modern.gov.fareham.gov.uk/documents/s32740/Appendix%209%20Revised%20Affordable%20Housing%20Topic%20Paper%20September%202022.pdf>

policy with **at least** 10% being Social Rent and 55% being affordable rent. The Affordable Home Ownership element should then be calculated as a proportion of the **overall number of homes on the site** as opposed to a proportion of the affordable housing element. In accordance with NPPF requirements, at least 10% of the total number of homes should be affordable home ownership.

- 3.15. It is recommended that applicants seek advice and engagement with the Housing team to understand the local need at the earliest opportunity so that the tenure, mix and size of affordable homes are reflective of local need. In addition, information on the Council's affordable housing need can be found on the Council's website<sup>15</sup>.
- 3.16. To help meet the need for Social Rent, developments which propose the delivery of Social Rent properties over and above the 10% requirement are likely to be encouraged and applicants should seek discussions with the Council in this regard.
- 3.17. The following examples demonstrate how the calculation will be applied by the Council.

**Example: 100 Home Scheme on Greenfield Site**

1. Affordable Housing Requirement: 40% of 100 homes = 40 homes
2. Social Rent: 10% of 40 homes = 4 homes (minimum)
3. Affordable Rent: 55% of 40 homes = 22 homes (minimum)
4. Affordable Home Ownership: 10% of 100 homes (total site) = 10 homes
5. Remaining minimum affordable housing requirement = 4 homes to be delivered in accordance with tenure need identified following liaison with Council's Housing Team.

**Example: 40 Home Scheme on Brownfield Site**

1. Affordable Housing Requirement: 35% of 40 homes = 14 homes
2. Social Rent: 10% of 14 homes = 2 homes (minimum - rounded up from 1.4)
3. Affordable Rent: 55% of 14 homes = 8 homes (minimum - rounded up from 7.7)
4. Affordable Home Ownership: 10% of 40 homes (total site) = 4 homes
5. Total minimum affordable housing requirement met.

<sup>15</sup> [https://www.fareham.gov.uk/housing/looking\\_for\\_a\\_home/affordablehousingneed.aspx](https://www.fareham.gov.uk/housing/looking_for_a_home/affordablehousingneed.aspx).



## 4. PLANNING PROCESS

- 4.1. The Council expects that, where required, affordable housing will be provided on site. A process chart to aid applicants through the process is included at Appendix 2. As set out in Policy HP5, off-site provision, or a financial contribution in lieu, will only be considered in circumstances where it can be robustly justified. More information can be found in section 6 of this SPD.

### Before Submission

- 4.2. The Council considers it is important that pre-application advice is sought where a development is likely to give rise to an affordable housing requirement. This helps to address any issues prior to submission of an application and applicants are strongly encouraged to make use of the Council's pre-application service.
- 4.3. The aim of this service is to ensure that applicants are informed of the likely works required for a proposed development at the earliest opportunity and allows issues such as local housing need and demand to be considered. The discussions will include an indication of the number, type, size, tenure and distribution of the affordable housing to be provided.
- 4.4. Before submitting a planning application (preferably to be discussed through the pre application process), the council will expect the applicant to have:
- Identified the affordable housing provider and discussed the delivery of the affordable housing element of the development.
  - Reached agreement with the chosen affordable housing provider in respect of the design and specification of the affordable housing units.
  - Agreed the arrangements for the provision of affordable housing with the affordable housing provider; and
  - Determined whether specialist providers (such as Adult Social Care) will need to be engaged in relation to the proposed development, to gain a better understanding of any requirements they might make in relation to the proposed development.

### Planning Application

- 4.5. It is the responsibility of the applicant to demonstrate how the affordable housing requirement of the scheme will be met. In line with the Local Information Requirements<sup>16</sup> list, any application required to deliver affordable housing will be required to submit an Affordable Housing Statement. The Affordable Housing Statement should include information about both the affordable housing and any market housing. If different tenures are proposed for different units, this should be clearly and fully explained.
- 4.6. The Affordable Housing Statement should include details of any registered social landlords acting as partners in the development. The statement should also include an affordable housing plan with the tenures and sizes of the units clearly indicated and an affordable housing schedule to detail the following:

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<sup>16</sup> [https://www.fareham.gov.uk/planning/applications\\_and\\_advice/localrequireddocs.aspx](https://www.fareham.gov.uk/planning/applications_and_advice/localrequireddocs.aspx)

- Location of units/plot numbers.
- Tenure (Social Rent, Affordable Rent, Shared Ownership, Open Market etc.).
- Type (flat, terraced house, detached house etc.).
- Height/number of storeys.
- Number of bedrooms.
- Number of persons (bedspaces).
- M4(2) and M4(3) units identified.
- Room sizes/storage requirements for Space Standards compliance (sq.m).
- Number of Parking spaces.
- Summary schedule to demonstrate compliance with tenure and bedroom/bedspaces requirements discussed at pre-application stage (template below).

	<b>SOCIAL RENT</b>	<b>AFFORDABLE RENT</b>	<b>SHARED OWNERSHIP</b>	<b>TOTAL</b>
<b>1 bed 1 person flat</b>				
<b>1 bed 2 person flat</b>				
<b>1 bed 2 person house</b>				
<b>2 bed 3 person flat</b>				
<b>2 bed 3 person house</b>				
<b>2 bed 4 person flat</b>				
<b>2 bed 4 person house</b>				
<b>3 bed 4 person house</b>				
<b>3 bed 5 person house</b>				
<b>3 bed 6 person house</b>				
<b>4 bed 5 person house</b>				
<b>4 bed 6 person house</b>				
<b>4 bed 7 person house</b>				
<b>4 bed 8 person house</b>				
<b>Total No.</b>				
<b>Total %</b>				

Table 1: Template affordable housing table

Viability

- 4.7. Proposals that are submitted without a policy compliant level of affordable housing must be accompanied by a sufficiently detailed viability assessment

as set out in national guidance<sup>17</sup> which will be reviewed by the Council (and a third party on its behalf). To allow this analysis to take place in an open and transparent manner a viability report, completed using a recognised toolkit<sup>18</sup>, should be provided as part of any pre-application discussion or the application submission, with the data and information available in an open-book format.

- 4.8. The assessment should clearly outline the maximum number of affordable dwellings which can be achieved on site. Costs associated with the assessment and third-party review should be met by the applicant. The assessment will be published on the Council's website upon submission of the planning application.

#### Legal Agreements

- 4.9. The delivery of affordable housing will be secured through a Section 106 legal agreement (S106) between the Council, the applicant and any other party with an interest in the land.
- 4.10. A S106 agreement will generally secure the affordable housing and will normally include:
- The number of affordable dwellings.
  - The type, tenure and size (number of bedrooms/bedspaces) of dwellings.
  - Requirement for units to be tenure blind and for integration of tenures to be maximised.
  - Arrangements for ensuring that the housing remains affordable in perpetuity.
  - Nomination arrangements for the rented affordable housing units
  - Phasing of the completion of dwellings.
  - How the affordable housing will be achieved e.g. through construction and transfer of units.
  - Occupancy criteria; and,
  - Mortgagee in possession clauses.

#### Vacant Building Credit

- 4.11. Vacant Building Credit is an incentive to develop brownfield sites by reducing affordable housing contribution requirements. The principle is set out in the NPPF paragraph 65, and guidance on eligibility set out in the Planning Obligations PPG at Paragraph 028 Reference ID: 23b-028-20190315. Applicants should refer to the PPG if it is considered Vacant Building Credit applies to the scheme and contact the Council's Planning Team to discuss at an early stage.

#### Schemes providing Affordable Housing 'Additionality'

- 4.12. If an applicant wishes to provide 'additionality', that is, affordable housing over and above the amount secured in the S106 legal agreement, this should be discussed with the Council at the earliest opportunity. The Council recognises that Strategic Partnerships with Homes England and the Affordable Homes

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<sup>17</sup> <https://www.gov.uk/guidance/viability>

<sup>18</sup> A recognised toolkit such as HCA Developers Appraisal Toolkit or the Communities Agency Economic Appraisal Toolkit. <https://www.gov.uk/government/publications/development-appraisal-tool>

Programme 2021-2026 are grant funding routes for additionality.

- 4.13. Where additionality is proposed, the Council would encourage the additional affordable housing units be provided in accordance with the agreed tenure mix, size and placement requirements of the site. It may be appropriate for the applicant to work with the Council to produce a Local/Community Lettings Plan<sup>19</sup> for any additional rented affordable units provided, to further facilitate the creation of a mixed and inclusive community.
- 4.14. For both policy compliant and any additional affordable housing units, it is expected that the registered provider contacts the Council's Housing Team for nominations to the new social and/or affordable rent properties as per the Council's nominations agreement with registered providers i.e., the Council will nominate individuals/ families from FBCs housing register who are suitable for the property.

#### Self and Custom Build Housing as Affordable

- 4.15. The NPPF (footnote 29) makes clear that self-build and custom build properties could provide affordable housing. The NPPG Self Build and Custom Housebuilding Guidance makes general reference to the link between self and custom build and affordable housing: 'More widely, relevant authorities can play a key role in brokering and facilitating relationships to help bring suitable land forward. This can include....:
- working with local partners, such as Housing Associations and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.'
- 4.16. The adopted Fareham Local Plan Policy HP9 Self and Custom Build Homes requires that on sites of 40 dwellings or more (gross), 10% of the overall dwellings shall be provided through the provision of plots for sale to address local self or custom build need.
- 4.17. The Council will not specifically require developments to offer the self/custom build element as affordable housing. Where a site of 40 or more dwellings comes forward, this will trigger both a requirement for affordable housing and a self and/or custom build element. Applicants may seek to provide for their affordable housing requirement via a Registered Provider and contractor in the normal way and provide the self/custom requirement as part of the open market provision.
- 4.18. However, the Council acknowledge that self/custom build plots could contribute toward affordable housing through the provision of affordable self/custom build plots. This combined approach would need to provide genuinely affordable housing to meet the identified affordable housing need for the site and must be considered as an integrated part of the overall affordable housing tenure mix.
- 4.19. To meet the statutory definition of affordable housing and in recognition that

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<sup>19</sup> A plan to respond to local circumstances when allocating social and affordable rented homes to achieve a balanced cohesive community.

self-building may not be a route open to those on lower incomes, the Council consider that custom build may generally be the most appropriate way to deliver affordable housing as part of self and custom build provision. It is important that any proposals for affordable self or custom build plots address an identified need, based on the evidence available.

4.20. Where an application seeks to provide affordable self or custom build, the Council will seek to secure the requirements through S106 or planning conditions, including:

- the method of affordable provision
- the discount applied (for discount market homes)
- the eligibility criteria of purchasers
- the dwellings will remain affordable in perpetuity, secured at a discounted rate for future occupants
- the marketing strategy requirements.

Applicants should also familiarise themselves with the application requirements set out in the Self and Custom Build SPD<sup>20</sup>, available on the Council's website.

4.21. The Council will be working proactively to gather data in respect of affordable self and custom build need and eligibility in the borough. Applicants are strongly encouraged to use the Planning Pre-Application service to discuss the provision of self/custom build plots as affordable housing to ensure the proposal meets identified need and the site is considered appropriate for this kind of provision.

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<sup>20</sup> [https://www.fareham.gov.uk/pdf/planning/local\\_plan/SelfCustomBuildSPD\\_Oct23.pdf](https://www.fareham.gov.uk/pdf/planning/local_plan/SelfCustomBuildSPD_Oct23.pdf)

## 5. DELIVERY OF AFFORDABLE HOUSING ON-SITE

### Thresholds and Amount of Affordable Housing

- 5.1. The number of affordable homes to be provided is set out in Policy HP5. Affordable housing will be sought on sites of 10 or more dwellings (or with a site area of 0.5 hectares or more). Should a site fall below the applicable threshold but is demonstrably part of a larger or potentially larger development site, then the Council will seek affordable housing on a pro-rata basis to achieve an overall affordable provision as if the site were a whole.
- 5.2. The policy basis for this approach is set out in Policy D3: Coordination of Development and Piecemeal Proposals, which states that applications that seek to evade infrastructure provision including affordable housing by not fully maximising the use of the site or by putting forward piecemeal development will not be supported. The Council will use planning conditions together with appropriately worded legal agreements, to secure all aspects of wider development.

### Identifying an Appropriate Mix of Affordable Housing

- 5.3. There is a need for a range of home types and sizes in the borough. The Council aims to ensure that the affordable housing delivery provides a range of property types, sizes, and tenures to meet these needs. The Council will seek a range of units to cater for different sized households, depending on the size, location and affordable housing requirement of a site. A mix of unit types, sizes and tenures can contribute to the social inclusivity of a site. These units should be delivered to provide for the maximum floorspace/occupancy when looking at the national technical standards to provide maximum flexibility in their future use. Therefore, all house types should be delivered to reflect the size as indicated in table 2:

<b>Unit Type</b>	<b>Expected Occupancy</b>
<b>1 bed flat</b>	<b>2 people</b>
<b>2 bed flat</b>	<b>4 people</b>
<b>1 bed house</b>	<b>2 people</b>
<b>2 bed house</b>	<b>4 people</b>
<b>3 bed house</b>	<b>6 people</b>
<b>4 bed house</b>	<b>8 people</b>

Table 2: Expected National Technical Standards Dwelling Occupancy and Size by unit type.

- 5.4. This approach provides flexibility in supply, providing for families with children who need such properties. Affordable homes should allow for a mix of household sizes, particularly in rented accommodation, to meet the needs of larger families on the housing register. 2 bed units for rent should be predominantly homes with their own front door and private outdoor space to reflect that the occupancy space of these units will be maximised and therefore likely to house families with children.
- 5.5. It is important that sites provide a balance of unit types, both market and affordable. This will ensure that identification of tenure is not through

development form, for example where large houses are market units and small houses or apartments are affordable. This approach is unlikely to be supported. The Council expects the mix to be delivered through balancing the form i.e. if there is a need for 1 and 2 bed affordable units, then the equivalent market provision will be expected.

- 5.6. The Council's Affordable Housing Need webpage<sup>21</sup> should form the starting point of understanding the local affordable housing need and what mix is likely to be required. In all instances the Council strongly encourages applicants to discuss their scheme with the Council, including the Housing Team through the pre-application process. Where schemes are submitted without the benefit of pre-application advice being received, there may be delays resolving issues around the proposed provision.

### **Design and Placemaking**

- 5.7. The Council's approach to the design and layout of Affordable Housing is drawn from the National Design Guide and Local Plan 2037 Policy D1: High Quality Design and Placemaking (Appendix 2).

### **Social Inclusivity**

- 5.8. The National Design Guide identifies that a guiding principle of development should be that it is socially inclusive. The Council will expect all proposals to adhere to the key principles of social inclusivity referenced in the National Design Guide<sup>22</sup> as set out below:

'Good design promotes social inclusion by:

- contributing to creating balanced and mixed neighbourhoods that are suitable and accessible for all.
- maximising the potential for social integration in the layout, form, and appearance of types of development.
- avoiding features that could create actual or perceived barriers, or contribute to segregation, both within the development and with its surroundings.
- providing a consistent level of design quality across tenures, to support social integration; and
- using local resources such as schools, nurseries, community facilities, parks, other open spaces, health, and religious or cultural facilities as destinations in layouts to promote social interaction and integration and help combat loneliness.'

- 5.9. The Council also expect the provision of affordable homes to achieve the National Design Guide principle of tenure neutrality:

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<sup>21</sup> [http://www.fareham.gov.uk/housing/looking\\_for\\_a\\_home/affordablehousingneed.aspx](http://www.fareham.gov.uk/housing/looking_for_a_home/affordablehousingneed.aspx)

<sup>22</sup> [https://assets.publishing.service.gov.uk/media/602cef1d8fa8f5038595091b/National\\_design\\_guide.pdf](https://assets.publishing.service.gov.uk/media/602cef1d8fa8f5038595091b/National_design_guide.pdf)

‘Tenure neutral:

- Housing where no group of residents is disadvantaged as a result of the tenure of their homes. There is no segregation or difference in quality between tenures by siting, accessibility, environmental conditions, external facade or materials. Homes of all tenures are represented in equally attractive and beneficial locations, and there is no differentiation in the positions of entrances. Shared open or play spaces are accessible to all residents around them, regardless of tenure.’

Layout Design Criteria

- 5.10. The affordable housing component of any site should be constituted of a mix of tenures, dwelling types, and sizes, and delivered to the same design, construction standards and external appearance as the market housing. However, it is common to see planning applications submitted with distinct differences in design, form and identity of groups of tenure and form specific properties.
- 5.11. The common overarching issue with many submitted proposals, is that the design approach seeks to minimise social integration rather than maximise the integration of affordable units within the siting, typology and layout of new housing.
- 5.12. Figure 1 identifies several of the common issues arising from the minimal approach. It also describes the design solution that the Council will expect to see to achieve the desired design standard.
- 5.13. Maximising the integration of affordable units into a scheme design can only be achieved by utilising a ‘pepper-pot’ distribution of tenures. This helps to not only support the creation of safe and attractive places for people to live in but also ensures that where separate enclaves of housing are developed within a layout as a result of spatial constraints, they are not exclusively single tenure, nor distinguishable by typology, form and external appearance. Maximising social integration is also delivered through ensuring other key design principles are followed such that places are connected within attractive walkable streets and spaces, encouraging healthy lifestyles and social interaction, and avoiding unit segregation caused by a focus on unconnected carriageways and their associated footway geometry and associated movement (for example see point 14, Figure 1).
- 5.14. An example scheme design is presented in Figure 2. This demonstrates how the solutions identified in Figure 1 and the principles identified in the National Design Guide and Local Plan Policy D1 which the Council will expect to see in scheme designs can be addressed. These principles will ensure an integrated and connected residential environment that is conducive to social interaction.

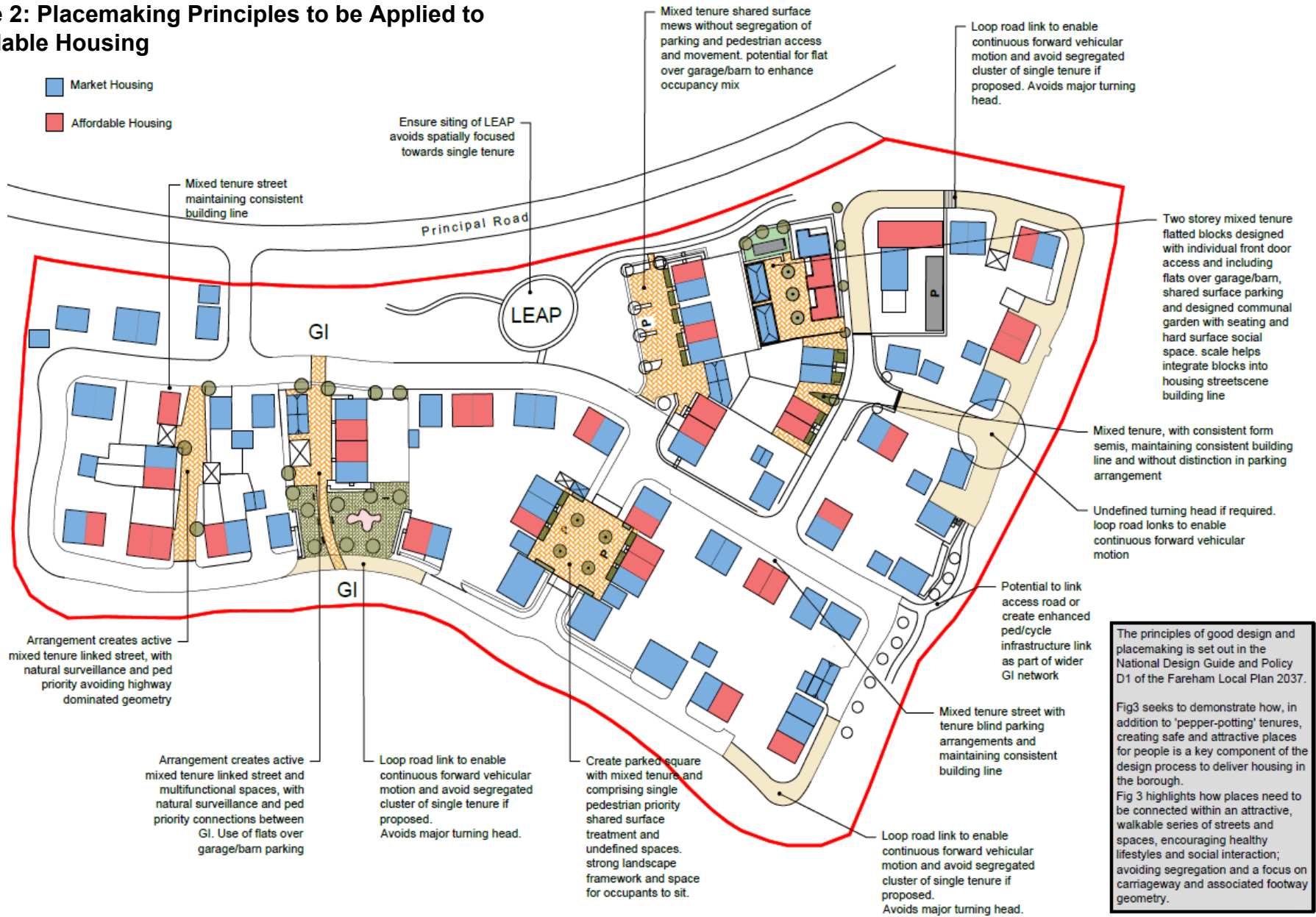


Figure 1: Common issues and solutions for layout and design

Common Issues		Design Solution
<p>Legend: <span style="color: blue;">■</span> Market housing <span style="color: red;">■</span> Affordable housing</p>	<p>1. Affordable units set out and segregated within separate enclaves without shared ped/cycle links. Units inward orientated and avoiding relationships to road or open space. Tree planting / landscape further erodes perception of separate rather than integrated relationship.</p>	<p>Enclave to include market houses to achieve a mix of tenures thus avoiding a sense of separation and distinctive treatment of parking and relationship to open space</p>
	<p>2. Only market units front public space within unconnected streets. Perception of separation of tenures.</p>	<p>Affordable units to front public space also thus avoiding a sense of separation and distinctive treatment of units that relate to open space.</p>
	<p>3. Affordable units set back from road with distinguishing frontage parking arrangement despite same unit form as market. Set back does not contribute to creating harmonious building line</p>	<p>Terrace to include market housing to avoid sense of separation by distinctive parking treatment</p>
	<p>4. Public open space footpath link accessed via private drive with no link to affordable units</p>	<p>Connect affordable units and cul-de-sacs with foot/cycle path and/or carriageway</p>
	<p>5. Through movement and interaction curtailed by lack of link and physical presence of market garage turning its back to flats.</p>	<p>Make connections to link development parcels. Include mix of tenure</p>
	<p>6. All flatted units are affordable without any corresponding market provision. This identifies a form of development that distinguishes affordable from private.</p>	<p>Design apartments with individual accesses from ground levels allowing for a mixed tenure block.</p>
	<p>7. Detached affordable units are segregated from market detached units and do not have the same parking arrangements or boundary treatments.</p>	<p>Integrate affordable detached units within the same development parcels using the same parking and boundary treatments.</p>
	<p>8. Access, parking, and boundary structures physically and visually segregate flatted form from houses. Scale of flatted blocks further distinguishes and separates form from integrating within the streetscene</p>	<p>Ensuring market flats are provided ensures more integration. Flat forms should be of a scale that links better with adjacent houses.</p>
	<p>9. Entry gateway features in the form of landscape and surface material changes reinforces segregation of tenure.</p>	<p>Utilise same surface carriageway materials with mix of tenures</p>

Common Issues (cont)		Design Solution
<p>Market housing Affordable housing</p>	<p>10. Local Equipped Area of Play (LEAP) located adjacent to and visually linked with affordable units.</p>	<p>Introduce a mix of tenures within terrace to avoid community facilities that appear to be focused towards one form of tenure.</p>
	<p>11. Affordable units parking and ped access to front doors sited within adjacent affordable enclave rather than part of its own terrace arrangement with market units.</p>	<p>Enclave to include market houses to achieve a mix of tenures. Market unit to have same footway and path linkages thus avoiding a sense of separation and distinctive treatment of parking.</p>
	<p>12. Affordable terraced units set back from road with distinguishing frontage parking organised as an enhanced 'square'. The 'square' distinguishes and highlights affordable from other market forms on site through surface materials, and unit set back.</p>	<p>Introduce market units to 'square' to avoid sense of separation and distinctive treatment of access and parking.</p>
	<p>13. Affordable units set back from road with distinguishing frontage parking despite same form as market semi-detached. Set back does not contribute to creating harmonious building line</p>	<p>Semis to include market housing to avoid sense of separation by distinctive parking treatment with parking designed to side.</p>
	<p>14. Affordable units located at the end of cul-de-sac without through links. Footpath link accessed via private drive with no link to affordable units.</p>	<p>Introduce market units to cul-de-sac and ensure through links that pick up surrounding path or introduce continuous carriageway through to market units.</p>

**Figure 2: Placemaking Principles to be Applied to Affordable Housing**



**5.15. The information in the following section of the SPD is supported through two exemplar developments set out in appendices 3 & 4 that demonstrate the various approaches and how they can be delivered in different contexts.**

Apartment Blocks

5.16. Appropriately designed apartments can provide valuable and suitable smaller accommodation for single or two person(s) and, with sufficient internal and external space, for 3 and 4 persons. Such accommodation lends itself to market housing and affordable housing, for purchasers starting on the housing ladder and persons downsizing or within sheltered arrangements.

5.17. The integration of apartments within residential developments is often poorly designed:

- Over-scaled blocks that do not sit comfortably within the streetscene.
- Isolation of blocks due to single tenure occupancy.
- Isolation of blocks due to the mix of unit typology within the development, whereby only the apartments are affordable tenure, and the houses are market properties.



*Figure 3: Historic example of lack of integration in both form, appearance, townscape and tenure*

5.18. Apartments blocks should be designed in a way that follows the principles set out in the National Design Guide:

- Maximising the potential for social integration in the layout, form and appearance of types of development.
- Avoiding features that could create actual or perceived barriers, or contribute to segregation, both within the development and with its surroundings.
- Providing a consistent level of design quality across tenures, to support social integration.
- There is no segregation or difference in quality between tenures by siting, accessibility, environmental conditions, external facade or materials.

- Homes of all tenures are represented in equally attractive and beneficial locations, and there is no differentiation in the positions of entrances.

5.19. In order to achieve the principles, the following attributes of apartment design and delivery will be required.

#### *Scale*

5.20. Within the different settlements of the borough, the scale of residential areas is predominantly 2 storeys, with occasional 2.5 and 3 storeys, even within the urban core of centres. Fareham town centre has a significantly greater proportion of 3 and occasional 4 storey buildings and is generally of a more compact and intense arrangement.

- **In order to integrate apartments successfully within a streetscene, the block structure should be no greater than 0.5 storeys higher than adjacent residential houses or other buildings.**
- **The number of apartments within a single block should be limited to between 4 and 6 to avoid a structure whose mass will be dominant in the streetscene and in its relationship to adjacent 2 storey houses. This unit limit will also reduce the amount of surrounding parking and communal space that can physically isolate the block within the streetscene.**

5.21. It is recognised that unit numbers and scale can be greater if the existing context is supportive. However, this can make mixed tenure arrangements more difficult to achieve. Sufficient supporting material will need to be provided within a Design and Access Statement to demonstrate suitability.

#### *Mixed Tenure*

5.22. Delivering mixed tenure to maximise social integration and avoid differentiation through unit type, as set out in the National Design Guide, can be achieved through mixed tenure block design that avoids communal areas where service charges and management of spaces can be prohibitive. Therefore:

- **The Council will require apartment blocks of up to 3 storeys to provide separate front door accesses for each unit from the ground floor space.**

5.23. The ground floor front door access typology can be employed to nearly all contexts within the borough. The Council has identified two exemplar developments that demonstrate the approach and how this can be delivered in different contexts.

### *Car Parking*

5.24. Car parking for apartments is generally provided within communal arrangements, whether allocated or non-allocated. Where mixed tenure blocks are provided with a shared parking area, the parking spaces must not be visually or physically segregated, nor have distinct pedestrian and vehicular routes from the accommodation or access road. In addition, the surface treatment and landscaping, together with the provision of cycle and bin storage, will be the same design.

### *Communal open space*

5.25. The Council's current residential design guidance<sup>23</sup> requires amenity space for apartments to be provided at a ratio of 25m<sup>2</sup> per unit.

5.26. This is usually designed as a single private communal space but allows for individual private spaces to serve ground floor units where the design is appropriate. Where mixed tenure blocks are designed, the garden space must not be visually or physically segregated between tenures, nor have distinct pedestrian and vehicular routes from the accommodation or access road.

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<sup>23</sup> [https://www.fareham.gov.uk/PDF/planning/local\\_plan/FBCDesignGuidanceSPD.pdf](https://www.fareham.gov.uk/PDF/planning/local_plan/FBCDesignGuidanceSPD.pdf)

## 6. DELIVERY OF AFFORDABLE HOUSING OFF-SITE

### Commuted Sums in Lieu of Affordable Housing On-Site

- 6.1. Local Plan Policy HP5 states that affordable housing provision is expected to be made on-site. However, in exceptional circumstances where it can be robustly demonstrated that affordable housing cannot be delivered on-site a commuted sum for the Council to deliver off site affordable housing may be agreed.
- 6.2. Where this is the case, a S106 will be used to secure the contribution in addition to specifying phasing of payments if that is appropriate.
- 6.3. In the event that an applicant proposes to provide the required affordable housing on an alternative site in the borough which is within their ownership, this should be discussed with the Council at the earliest opportunity.

#### What is a commuted sum?

- 6.4. A commuted sum (or payment in lieu) is an amount of money, paid by an applicant to the Council. Paragraph 64 of the NPPF enables the Council to accept a commuted sum, towards the provision of affordable housing on an alternative site where it is not possible to incorporate affordable housing within a scheme.

#### What is the Council's approach to the use of commuted sums?

- 6.5. In line with national policy set out in the NPPF, Policy HP5 enables the Council to require commuted sums where it is robustly justified that provision cannot be made on site and where it contributes to the objective of mixed and balanced communities.
- 6.6. As such there are two scenarios in which the Council will accept a financial contribution in lieu of on-site provision. They are:
  1. Where the overall requirement results in a partial unit, and the applicant does not wish to round up to provide a whole unit of affordable housing on site, a contribution will be sought for the equivalent of the decimal place of the affordable housing requirement (e.g. where the requirement is 6.3 units, 6 units will be sought on site, and a contribution equivalent to the 0.3 of a unit will be agreed.
  2. Where detailed evidence (agreed with the Council) demonstrates provision on site is not achievable, a contribution will be sought for the entire value of the requirement.

#### How will the money be used?

- 6.7. The Council directly delivers affordable housing on its own sites. All contributions collected from either route identified above will be put towards the provision of or regeneration of Affordable Housing in the borough.
- 6.8. The principles applied in the collection and use of these payments are very similar to those used for other planning obligations. They will generally be

dealt with through a legal agreement (under S106) related to the land.

How will this be monitored?

- 6.9. Financial contributions in lieu of onsite affordable housing delivery will be defined in the S106 agreements. S106 agreements are monitored through the Council's Infrastructure Funding Statements<sup>24</sup> and Authority Monitoring Reports<sup>25</sup> which record the planning applications permitted where an affordable housing contribution financial obligation has been agreed. The AMR also reports on the annual delivery of affordable homes in the borough, identifying those delivered directly by the Council.

**How is the commuted sum calculated?**

- 6.10. Where robustly justified, the council may agree that an affordable housing contribution can be made as a cash payment. Such a payment is known as a commuted sum. The commuted sum may represent the full affordable housing contribution for a site or be a partial financial contribution which brings the overall provision up to the agreed amount of affordable housing for the site.
- 6.11. For example, a 40% affordable housing requirement on a site of 24 units is 9.6 affordable housing units, translating into 9 units provided on site, with the remaining 0.6 unit provided as a commuted sum. Having decided that the Council is willing to collect a commuted sum, it is important that there is a consistent and transparent mechanism for calculating the commuted sum to be collected. The Council's Commuted Sum Calculator provides this mechanism.
- 6.12. The Calculator does not assess whether or not the scheme can afford a particular amount of affordable housing i.e. that the scheme is viable. Its specific purpose is to calculate the commuted sum when the payment of such is deemed acceptable by the council.

Principles of the Calculator

- 6.13. The principle underlying the Calculator is that the developer of a scheme should be no worse or better off financially, whether they provide the affordable housing on-site or as a commuted sum.
- 6.14. If an applicant has concerns over the viability of a scheme and believes the scheme is unable to meet the policy requirements for affordable housing, they should discuss this with the Housing Team. Substitution of on-site provision with a financial contribution is not a mechanism for dealing with any justifiable viability concern.
- 6.15. The 'contribution' made by a developer as a commuted sum is the assessed difference in residual value between a 100% market housing scheme and a scheme with the policy requirement for affordable housing (or a lesser percentage where this is justified by viability considerations).
- 6.16. Residual value is the difference between the total scheme revenue (of the

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<sup>24</sup> [https://www.fareham.gov.uk/planning/local\\_plan/ifs.aspx](https://www.fareham.gov.uk/planning/local_plan/ifs.aspx)

<sup>25</sup> [https://www.fareham.gov.uk/planning/local\\_plan/amp.aspx](https://www.fareham.gov.uk/planning/local_plan/amp.aspx)



market and affordable housing) and the cost of the scheme (including a return to the developer). For the purposes of assessing a commuted sum, the price paid for a site is not part of the calculation.

- 6.17. The Calculator calculates the difference between the revenue for a market unit (less an allowance for the developer return and marketing fees) and the revenue for an equivalent affordable housing unit, at the relevant % of affordable housing.
- 6.18. Underlying the calculation is the premise that the scheme is viable for the % of affordable housing being tested. Where detailed evidence (agreed with the Council) demonstrates this is not achievable, the % of affordable housing sought should be adjusted before any calculation of a commuted sum.

#### Using the Calculator

- 6.19. The Calculator is an Excel based model available to view on the Council's website. The Council will provide developers with guidance on the Calculator, what data is required, and step by step instructions on how to use it.
- 6.20. The Calculator requires various pieces of data to calculate the commuted sum to be paid, including the number and type of dwellings in a scheme, their market value and affordable housing rents and a range of other variables used to assess the value of affordable housing units. The user can provide their own scheme-specific values or rely on default values already set up in the Calculator. The preferred approach is to use scheme-specific data whenever possible and only rely on the Calculator values when there is no scheme-specific information available.

## 7. EXCEPTION SITES AND SPECIALIST HOUSING

### Rural Exception Sites and Entry-Level Exception Sites

- 7.1. As set out in section 2, The Fareham Local Plan includes Policy HP6: Rural Exception Sites. Rural exception sites help to address crucial affordable housing needs of rural communities by enabling the development of small sites that would not normally be used for housing because the site's development is constrained by other Local Plan policies. Hence an exception is made to normal planning policy to address proven local affordable housing need. However, other planning issues such as site suitability, scale, design, etc. must still be considered and appropriately addressed. Rural exception sites are specifically for the purpose of providing affordable housing in perpetuity to address evidenced local need.
- 7.2. Entry-level exception sites help facilitate affordable housing provision on the edge of towns and villages aimed at first-time buyers or first-time renters based on low- or middle-income households. Entry-level exception sites should be adjacent to existing urban area boundaries as identified on the Local Plan Policies Map<sup>26</sup>.
- 7.3. In both cases, applicants are strongly encouraged to engage with the Council's Housing and Planning Teams during pre-application discussions when considering these types of development. Where a scheme is being proposed under the auspices of HP6, the developer will need to make it clear through an affordable housing statement how the scheme meets local need.

### Specialist Housing

#### Adaptable and Accessible Dwellings

- 7.4. Local Plan Policy HP7: Adaptable and Accessible Dwellings requires at least 15% of new dwellings to meet the requirements of M4(2) of the Building Regulations 2010. It is important that this proportion should be the same in both market and affordable units i.e. 15% of the affordable units should meet M4(2) standards.
- 7.5. The Council welcomes affordable units that have this degree of adaptability as it provides greater flexibility in the affordable housing stock and therefore it is important to note that **15% is a minimum**. Furthermore, Policy HP7 requires that on schemes of over 100 dwellings (gross), at least 2% of market housing and **5% of affordable housing should be provide as M4(3) units**. Applicants should engage with the Council's Housing Team during pre-application discussions to establish which affordable unit types and sizes are required as M4(2) and M4(3) to meet recognised housing need. Any such provision should be identified as part of the affordable housing schedule at application.

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<https://farehamcouncil.maps.arcgis.com/apps/webappviewer/index.html?id=2b98ddf208a14da582bc42d64869f11a>

### Older Persons Accommodation

- 7.6. There is also a need for Specialist Accommodation for older people which could include, but is not limited to, sheltered housing, extra care units, retirement living schemes, care homes and nursing homes. These types of Specialist Accommodation will typically be designed and available exclusively for older persons. Details of the local need can be found in the Council's Specialist Housing Needs Background Paper.<sup>27</sup>
- 7.7. They could include both private and affordable tenures (including Older Person Shared Ownership). The Council will support schemes for affordable specialist housing and applicants are strongly encouraged to engage with the Council's Housing Team during pre-application discussions to determine appropriate mix in terms of tenure split and any needs of those on the Council's housing register.
- 7.8. Specialist accommodation for older people being provided as affordable housing by a relevant body shall include as a minimum the following aspects:
- Meet either the optional requirement of M4(2) of the Building Regulations 2010, or optional requirement M4(3) of the Building Regulations 2010 (to be secured by Planning Condition); and
  - To be grouped together for ease of management and the potential provision of support services by the Registered Provider, or other recognised support services.
- 7.9. Older person accommodation should include some variation in property type and avoid being limited to 1 and 2-bedroom flats with limited outside space.

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<sup>27</sup>

[https://www.fareham.gov.uk/PDF/planning/local\\_plan/HOP003\\_Background\\_Paper\\_Specialist\\_Housing\\_Needs.pdf](https://www.fareham.gov.uk/PDF/planning/local_plan/HOP003_Background_Paper_Specialist_Housing_Needs.pdf)

## APPENDIX 1

### Local Plan Policies

#### Policy HP6: Exception Sites

The development of Rural Exception Sites will be permitted where:

- a) All dwellings are affordable (as defined in the NPPF); and
- b) The affordable delivery is not meeting the affordable housing need and the development is relative in scale to the shortfall; and
- c) The development is located adjacent to, and well related to, the existing urban area boundaries; and
- d) The affordable rent products will be brought forward by, and will be managed by, a not for profit social housing provider who is regulated by Homes England; and
- e) The affordable housing meets the local needs of the adjacent settlement.

The development of Entry-Level Exception Sites suitable for first time buyers (or those looking to rent their first home) will be permitted where:

- i. The site is adjacent to existing settlements; and
- ii. All dwellings are affordable (as defined in the NPPF), and a range of affordable tenure types, including those that are suitable for first-time renters or buyers are provided; and
- iii. The site is less than 1 hectare or relative in scale (does not exceed 5% of the size of the adjacent settlement); and
- iv. It can be demonstrated, based on an up to date local housing needs assessment, that the need for the housing proposed will not be met through the allocations in the Plan or development with extant planning permission.

#### Policy HP7: Adaptable and Accessible Dwellings

Development proposals for all new dwellings shall provide:

- a) At least 15% of all new dwellings at Category 2 standard; and
- b) On schemes of over 100 dwellings (gross), at least 2% of market housing and 5% of affordable housing shall be provided as Category 3 properties.

#### Policy D1: High Quality Design and Place Making

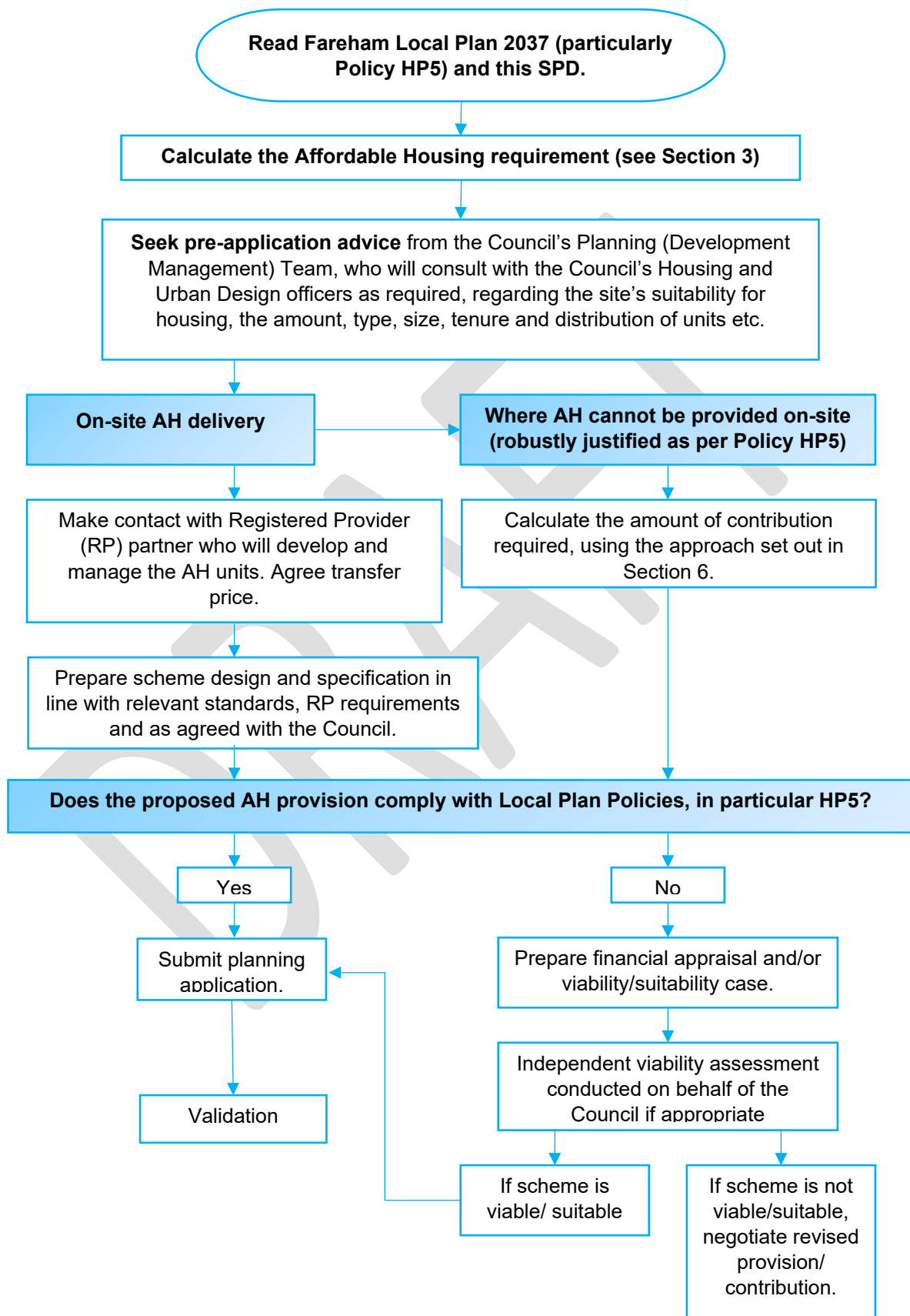
Development proposals and spaces will be of high quality, based on the principles of urban design and sustainability to ensure the creation of well designed, beautiful and safe quality places.

Development proposals will be permitted where compliance with the following key characteristics of high quality design, has been demonstrated:

- i. Context - where proposals appropriately respond to the positive elements of local character, ecology, history, culture and heritage; and

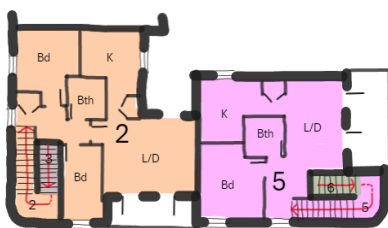
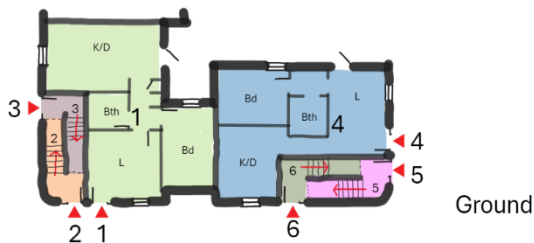
- ii. Identity - where proposals create places that are attractive, memorable, distinctive and of strong character; and**
- iii. Built form - where proposals create a three-dimensional pattern or arrangement and scale of development blocks, streets, buildings and open spaces, that are coherent, attractive and walkable; and**
- iv. Movement - where proposals create attractive, safe and accessible corridors that incorporate green infrastructure and link with key services and facilities along existing and future desire lines, which promote social interaction and activity; and**
- v. Nature - where proposals positively integrate existing and new habitats and biodiversity within a coherent and well managed, connected structure; and**
- vi. Public spaces - where proposals create public spaces that are attractive, safe, accessible and provide a focus for social interaction, and promote healthy activity and well-being; and**
- vii. Uses - where proposals provide or are well related and connected with, a mix of uses that provide the day to day needs of users; and**
- viii. Homes and buildings - where proposals provide a variety of dwelling sizes and tenures, have sufficient space and are well related to public space; and**
- ix. Resources - where proposals reduce the use of natural resources, conserve and enhance and integrate habitats and ecosystems and are adaptable over time, minimising waste; and**
- x. Lifespan - where proposals are designed and constructed to create enduring high-quality buildings, spaces and places that are attractive and functional, which weather well and can be adapted to users' needs with efficient management and maintenance.**

## APPENDIX 2 Affordable housing process chart

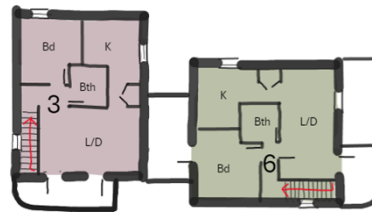


## APPENDIX 3 Exemplar Scheme - Goldsmith Street, Norwich (Mikhail Riches Architects)

Goldsmith Street comprises a mix of terraced 2 storey houses bookended by apartment blocks of No 4 or 6 x 1 and 2 bed units. Each flat has its own front door from the street together with balcony spaces.



First



Second

### Urban context

The development was delivered within a context of Victorian and mid/late C20th compact terraces and apartment blocks of 2,3 and 4 storeys.



- Terraced compact forms with limited frontages and small rear gardens.
- Tree lined unallocated on-street parking or in rear courts.
- Flatted blocks to corners for flexibility and visual interest.
- Balconies and/or roof terraces. Potential for small communal entrance space.

### Sub-Urban context

This typology can be delivered within a more sub-urban context typical of Fareham Borough

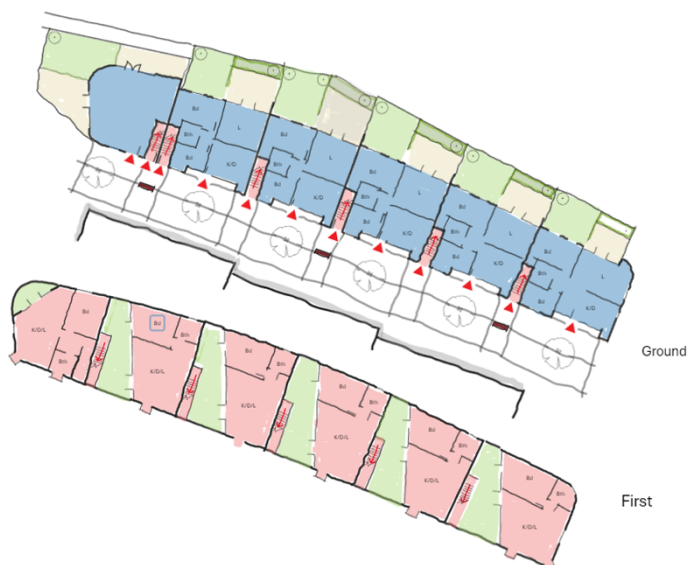


- Semi-detached and detached dwellings with occasional terrace forms.
- Frontage landscape and gardens of 1-5m.
- Tree lined unallocated on-street parking with on-plot dedicated parking to standard or in on-plot courts.
- Flatted blocks to corners for flexibility and visual interest, but not a requirement.
- Balconies and/or roof terraces with standard 25m<sup>2</sup>/unit communal garden space for flats.

## APPENDIX 4

### Exemplar Scheme - Duckworth Terrace, London (Peter Barber Architects)

Duckworth Terrace comprises a 2-storey terrace of 1 and 2 bed units within a car free social street. Each flat has its own front door from the street together with a rear garden (2 bed) and an upper roof terrace (1 bed).



#### Urban context

The development was delivered within a context of Victorian and early C20th compact terraces and mid/late C20th apartment and maisonette blocks of 3 and 4 storeys within spacious landscaped communal and private spaces.



- Terraced social; street with threshold frontage and small rear gardens for ground floor units.
- Unallocated on-street parking.
- End units address both streets.
- Roof terrace for upper apartment.
- No private communal space.

#### Sub-Urban context

This typology can be delivered within a more sub-urban context typical of Fareham Borough.



- Unit typology utilised as a corner block. Set back to building line with private gardens and frontage landscape.
- Allocated on-plot parking with visitor spaces on-street.
- Block turns corner to address both streets.
- Roof terrace for upper apartment.
- No private communal space, but potential for small semi private entrance space.



DRAFT



**Appendix B****Screening Statement of the need for a Strategic Environmental Assessment (SEA) and Habitats Regulations Assessment (HRA) for the Fareham Borough Council Affordable Housing Supplementary Planning Document (SPD)****Introduction**

1. This screening statement has been prepared to determine whether the proposed Affordable Housing Supplementary Planning Document (SPD) should be subject to a Strategic Environmental Assessment (SEA) in accordance with the Environmental Assessment of Plans and Programmes Regulations 2004 (SEA Regulations).
2. The purpose of the Affordable Housing SPD is to aid the effective implementation of the Council's strategic planning objectives and the Affordable Housing policies in the Fareham Local Plan 2037. The relevant policies are:
  - HP5: Provision of Affordable Housing
  - HP6: Exception Sites
3. The SPD contains:
  - Policy context based upon the Fareham Local Plan 2037 regarding Affordable Housing;
  - Reference to the policy requirements for Affordable Housing and thresholds for developments;
  - Approaches and advice on:
    - Affordable housing in the planning process;
    - Design considerations for on-site affordable housing;
    - Commuted sums for Affordable Housing in lieu of on-site provision;
    - Exception sites.
4. The SPD provides guidance on how to implement policies that are material considerations in the determination of planning applications and inform Development Management decisions. The SPD provides further guidance to all parties seeking to comply with the Local Plan policies and will therefore be of particular use to developers and agents looking to bring forward development.

**Strategic Environmental Assessment – Regulatory Requirements**

5. The basis for Strategic Environmental Assessment legislation is the Environmental Assessment of Plans and Programmes Regulations 2004 (SEA Regulations) which was transposed from European Directive 2001/42/EC. Detailed guidance of these regulations can be found in the Government publication 'A Practical Guide to the Strategic Environmental Assessment Directive' (ODPM, 2005) and Paragraph 11-008 (Strategic Environmental Assessment and Sustainability Appraisal) of the Planning Practice Guidance (PPG). This states that "supplementary planning documents do not require sustainability appraisal but may in exceptional circumstances require a strategic environmental assessment if they are likely to have significant environmental effects that have not already been assessed during the preparation of the local plan".
6. Under the requirements of the Environmental Assessment of Plans and Programmes Regulations (2004), certain types of plans that set the framework for the consent of future development projects, must be subject to an environmental assessment.

7. The objective of a Strategic Environmental Assessment is to provide for a high level of protection of the environment and to contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development.

### **The Strategic Environmental Appraisal Process**

8. The first stage of the process is for the Council to determine whether the SPD is likely to have significant effects on the environment. This screening process includes assessing the SPD against a set of criteria (as set out in Schedule 1 of the SEA Regulations). The results of this are set out in table 2 of Appendix 1 of this statement. The aim of this statement is therefore to provide sufficient information to demonstrate whether the SPD is likely to have significant environmental effects.
9. Where the Council determines that a SEA is not required, Regulation 9(3) of the SEA Regulations states that the Council must prepare a statement setting out the reasons for this determination. This statement is Fareham Borough Council's Regulation 9(3) statement. The Council has consulted the Environment Agency, Historic England and Natural England on this screening statement. Their responses are included at Appendix 2.

### **Habitats Regulations Assessment**

10. In addition to the SEA, the Council is required to consider a Habitats Regulations Assessment (HRA). HRA is the process used to determine whether the plan or project would have significant adverse effects on the integrity of an internationally designated site of nature conservation importance, known as European sites. The need for an HRA is set out within the Conservation of Habitats and Species Regulations 2010, which transposed EC Habitats Directive 92/43/EEC into UK law.
11. The Fareham Local Plan 2037 was subject to a comprehensive HRA: [HRA Update Report September 2022.pdf \(fareham.gov.uk\)](#)
12. The HRA screened out the policies listed in paragraph 2 of this assessment at an early stage, concluding that they were unlikely to have a significant effect on the integrity of European Sites. The summary of that can be found in appendix 2 of the HRA (linked above). As the purpose of this SPD is only to provide guidance and clarity on these policies, the Council has determined that a HRA is not required.

### **Conclusion**

13. Based on the screening process, it is the Council's opinion that the Affordable Housing SPD does not require a Strategic Environmental Assessment under the SEA regulations or an Appropriate Assessment under the Habitats Regulations. This is because there will be no significant environmental, social or economic effects arising from its implementation, as it seeks only to expand upon and provide guidance for the effective and consistent implementation of Local Plan policies.

## Appendix 1:

**Table 1: Establishing whether there is a need for an SEA (based on figure 2, ODPM guidance)**

Assessment Criteria	Yes/ no	Assessment
1. Is the PP subject to preparation and/or adoption by a national, regional or local authority OR prepared by an authority for adoption through a legislative procedure by Parliament or Government? (Art. 2 (a)).	Yes. Proceed to Q2	Supplementary Planning Documents are prepared by local planning authorities under the provisions of Regulations 11 to 16 of the Town and Country Planning (Local Planning) (England) Regulations 2012.
2. Is the PP required by legislative, regulatory or administrative provisions? (Art. 2 (a)).	Yes. Proceed to Q3	The SPD is consistent with and expands upon the Borough Council's Local Plan. It is therefore necessary to answer the following questions to determine further if an SEA is required.
3. Is the PP prepared for agriculture, forestry, fisheries, energy, industry, transport, water management, water management, telecommunications, tourism, town and country planning or land use, AND does it set a framework for future development consent of projects in Annexes I and II to the Environmental Impact Assessment Directive? (Art 3.2 (a))	No. Proceed to Q4	Whilst the SPD has been prepared for town and country planning purposes, it does not set policy or a framework as it only provides guidance on the policies within the Local Plan. The policies that the SPD supplements have been subject to SA/SEA.
4. Will the PP, in view of its likely effect on sites, require an assessment for future development under Article 6 or 7 of the Habitats Directive? (Art. 3.2 (b)).	No. Proceed to Q6	The policies that the SPD is supplementing have themselves been subject to Habitats Regulations Assessment. Refer to paragraph 12 in this document.
6. Does the PP set the framework for future development consent of projects (not just projects in Annexes to the EIA Directive)? (Art 3.4).	Yes. Proceed to Q8	The SPD provides further guidance to supplement policies related to developer contributions and infrastructure provision. The SPD does not allocate land and it does not set policy or a framework for future development, but it does provide guidance to policies in the local plan
8. Is it likely to have a significant effect on the environment? (Art. 3.5)	No	<b>Directive does not require SEA.</b>

**Table 2: Assessment of the likelihood of the Affordable Housing SPD having significant effects on the environment.**

Significant effect criteria	Potential effects of the SPD
<i>The characteristics of the plan having regard to:</i>	
(a) The degree to which the plan or programme sets a framework for projects and other activities, either with regard to the location, nature, size and operating conditions or by allocating resources;	The SPD provides more detail on the policies and principles established in the Fareham Local Plan 2037, which has been subject to comprehensive SA incorporating SEA. The purpose of the SPD is to provide guidance on the effective and consistent implementation of the relevant policies in paragraph 2. The policies in the SPD must not and do not conflict with those in the Local Plan and as such are subservient and supplemental to those in the Local Plan.
(b) The degree to which the plan or programme influences other plans and programmes including those in a hierarchy;	The purpose of the SPD is to supplement the Local Plan policies and sits below the Local Plan in terms of the Development Plan hierarchy.
(c) The relevance of the plan or programme for the integration of environmental considerations in particular with a view to promoting sustainable development;	The SPD is relevant in terms of promoting sustainable development as it seeks to ensure the effective and consistent implementation of infrastructure policies in the Local Plan, the aim of which is to provide better places for local communities.
(d) Environmental problems relevant to the plan or programme;	There are no environmental problems relevant to the SPD. This SPD will result in social and economic benefits through the effective and consistent implementation of infrastructure policies.
(e) The relevance of the plan or programme for implementation of Community legislation on the environment (e.g. plans and programmes linked to waste management or water protection).	The purpose of the SPD is to provide guidance on the effective and consistent implementation of infrastructure policies. The Fareham Local Plan 2037 contains other policies relating to these objectives.

<i>Characteristics of the effects likely having regard, in particular, to:</i>		
SEA Directive Criteria	Response	Is there a likely significant environmental effect?
(a) The probability, duration, frequency and reversibility of the effects;	The SPD is not expected to give rise to any significant environmental effects. The SPD seeks to ensure the effective and consistent implementation of infrastructure policies, which in themselves should	No

	ensure positive effects relating environmental impact.	
(b) The cumulative nature of the effects;	The SPD is not considered to have any significant cumulative effects.	No
(c) The transboundary nature if the effects;	The SPD is not expected to give rise to any significant transboundary environmental effects. However, where strategic sites are in close proximity to neighbouring settlements, the provision of infrastructure will assist in mitigating any impacts from development and delivering sustainable new developments for residents from a wider area as well as from within Fareham's communities.	No
(d) The risks to human health or the environment (e.g. due to accidents);	There are no anticipated effects of the SPD on human health.	No
(e) The magnitude and spatial extent of the effects (geographical area and size of the population likely to be affected);	The effective and consistent implementation of infrastructure policies will have positive benefits for all Fareham residents and those who wish to move to Fareham.	No
(f) The value and vulnerability of the area likely to be affected due to – (i) Special natural characteristics or cultural heritage; (ii) Exceeded environmental quality standards or limit values; or (iii) Intensive land use;	The SPD is not anticipated to adversely affect any special natural characteristic or cultural heritage. Nor would the SPD be expected to lead to the exceedance of environmental standards or promote intensive land use. Matters relating to environmental standards and land use are contained in the Fareham Local Plan 2037.	No
(g) The effects on areas or landscapes which have a recognised national, Community or international protection status.	The SPD is not expected to have any adverse effect on areas with national, community or international protection.	No
<b>Part 2 Overall Conclusion</b>	<b>No Likely Significant Environmental Effect</b>	

## Appendix 2: Statutory Consultee Responses

### Natural England:

Date: 12th January 2024  
Our ref: 461955  
Your ref: Affordable Housing SPD SEA/HRA Screening Assessments



Ms Emma Younger  
Senior Planner (Strategy)  
Fareham Borough Council  
Civic Offices  
Civic Way  
Hampshire  
PO16 7AZ

Hombeam House  
Crewe Business Park  
Electra Way  
Crewe  
Cheshire  
CW1 6GJ

T 0300 060 3900

BY EMAIL ONLY - [EYounger@Fareham.Gov.UK](mailto:EYounger@Fareham.Gov.UK)

Dear Ms Younger

**draft Fareham Borough Council Affordable Housing Supplementary Planning Document (SPD)  
SEA/HRA Screening Assessments**

Thank you for your consultation request on the above dated and received by Natural England on 21st December 2023.

Natural England is a non-departmental public body. Our statutory purpose is to ensure that the natural environment is conserved, enhanced, and managed for the benefit of present and future generations, thereby contributing to sustainable development.

#### **Strategic Environmental Assessment**

It is our advice, on the basis of the material supplied with the consultation, that, in so far as our strategic environmental interests (including but not limited to statutory designated sites, landscapes and protected species, geology and soils) are concerned, that there are unlikely to be significant environmental effects from the proposed plan.

**Natural England have no comments to make on the SEA/HRA however we agree with your opinion that the Affordable Housing SPD does not require a Strategic Environmental Assessment**

We have checked our records and based on the information provided, we can confirm that in our view the proposals contained within the plan will not have significant effects on sensitive sites that Natural England has a statutory duty to protect.

We are not aware of significant populations of protected species which are likely to be affected by the policies / proposals within the plan. It remains the case, however, that the responsible authority should provide information supporting this screening decision, sufficient to assess whether protected species are likely to be affected.

Notwithstanding this advice, Natural England does not routinely maintain locally specific data on all potential environmental assets. As a result the responsible authority should raise environmental issues that we have not identified on local or national biodiversity action plan species and/or habitats, local wildlife sites or local landscape character, with its own ecological and/or landscape advisers, local record centre, recording society or wildlife body on the local landscape and biodiversity receptors that may be affected by this plan, before determining whether an SA/SEA is necessary.



Please note that Natural England reserves the right to provide further comments on the environmental assessment of the plan beyond this SEA/SA screening stage, should the responsible authority seek our views on the scoping or environmental report stages.  
This includes any third party appeal against any screening decision you may make.

For any new consultations, or to provide further information on this consultation please send your correspondences to [consultations@naturalengland.org.uk](mailto:consultations@naturalengland.org.uk)

Yours sincerely

Sharon Jenkins  
Operations Delivery  
Consultations Team  
Natural England

## **Environment Agency:**

**From:** [Lax, Laura](#)  
**To:** [Emma Younger](#)  
**Subject:** RE: Fareham Borough Council SPD SEA/HRA Screening Assessments  
**Date:** 15 January 2024 13:58:01

Having considered issues within our remit I can confirm that the Environment Agency agree with Fareham BC's screening opinion that the Affordable Housing SPD does not require a SEA under the SEA Regulations. We would defer to Natural England in relation to the Appropriate Assessment under the Habitats Regulations.

Kind regards  
Laura

Laura Lax  
Sustainable Places  
Solent and South Downs

## Historic England:



FAO: Emma Younger  
Senior Planner (Strategy)  
Fareham Borough Council

PL00794964

[EYounger@Fareham.Gov.UK](mailto:EYounger@Fareham.Gov.UK)  
by email only

12 January 2024

Dear Emma

**Strategic Environmental Assessment (SEA) screening statement for a draft supplementary planning document (SPD) on affordable housing**

Thank you for consulting Historic England on the above screening statement.

In terms of our area of interest, given the nature of the SPD, we concur with your assessment that the document is unlikely to result in significant environmental effects and will simply provide additional guidance on existing policies contained within an adopted Development Plan Document which has already been subject to a Sustainability Appraisal/SEA. As a result, we endorse the Authority's conclusions that it is not necessary to undertake SEA of this particular SPD.

The views of the other statutory consultation bodies should be taken into account before the overall decision on the need for an SEA is made.

Please let me know if you have any queries.

Yours sincerely

Guy Robinson, BSc, MRTPI  
Historic Environment Planning Adviser  
Development Advice – London and the South East Region  
[guy.robinson@historicengland.org.uk](mailto:guy.robinson@historicengland.org.uk)



Historic England, Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA  
Telephone 0370 333 0607 [HistoricEngland.org.uk](http://HistoricEngland.org.uk)

Please note that Historic England operates an access to information policy.

Correspondence or information which you send us may therefore become publicly available.





# Equality Impact Assessment Screening

Appendix C

## EQUALITY IMPACT ASSESSMENT – INITIAL SCREENING

Initial screening needs to take place for all new/revised Council policies. The word ‘policy’, in this context, includes the different things that the Council does. It includes any policy, procedure or practice - both in employment and service delivery. It also includes proposals for restructuring, redundancies and changes to service provision. This stage must be completed at the earliest opportunity to determine whether it is necessary to undertake an EIA for this activity.

Name of Policy:	Affordable Housing Supplementary Planning Document (SPD)
Lead Officer (responsible for assessment):	Emma Younger
Department:	Planning (Strategy)
Date Initial Screening Completed:	December 2023

### **(a) What is the policy trying to achieve?**

*i.e. What is the aim/purpose of the policy? Is it affected by external drivers for change? What outcomes do we want to achieve from the policy? How will the policy be put into practice?*

The SPD is a supplementary document, in support of policy contained in the Local Plan and in support of national policy. It does not set new policy, but rather gives clarity on how to interpret existing policy and sets out what information is needed by applicants in order to help them to deliver development.

### **(b) Who are its main beneficiaries? i.e. who will be affected by the policy?**

It is primarily aimed at developers and people interested in understanding the requirements of Affordable Housing provision on proposed housing developments. Developers will be helped by the clarity provided in the SPD as to how policies in the Local Plan should be considered and implemented.

### **(c) Is this assessment informed by any information or background data?**

*i.e. consultations, complaints, applications received, allocations/take-up, satisfaction rates, performance indicators, access audits, census data, benchmarking, workforce profile etc.*

Before adoption, the draft SPD will be subject to public consultation for 6 weeks in February and March 2024.

### **(d) Does this policy have the potential to cause a positive or negative impact on different groups in the community, on the grounds of any of the protected characteristics:**

Age	No
Disability	No
Gender Reassignment	No

Marriage & Civil Partnership	No
Pregnancy & Maternity	No
Race	No
Religion or Belief	No
Sex	No
Sexual Orientation	No

**Please explain any impact identified:**

*i.e. What do you already know about equality impact or need? Is there any evidence that there is a higher or lower take-up by particular groups? Have there been any demographic changes or trends locally? Are there any barriers to accessing the policy or service?*

The Fareham Local Plan 2037 was adopted in April 2023 and the policies contained in plan were subject to Equality Impact Assessment (EqIA) throughout the preparation of the Local Plan, including Policy HP5 Provision of Affordable Housing and HP6 Exception Sites. The EqIA for the Local Plan concluded that ‘overall the Local Plan policies in the adopted version of the Local Plan have been designed to improve the relevant protected characteristics where possible and to have a neutral impact.

It is not anticipated that there will be any direct impact on equality issues related to the nine protected characteristics as a result of the policies and development proposed in the Fareham Local Plan 2037.’ As the SPD is not setting out new policy but is providing guidance on the implementation of the adopted Local Plan policies, the SPD will therefore not have any further impact than those already assessed.

- (e) Does the policy affect service users or the wider community?** NO
- (f) Does the policy have a significant effect on how services are delivered?** NO
- (g) Will it have a significant effect on how other organisations operate?** NO
- (h) Does it involve a significant commitment of resources?** NO
- (i) Does it relate to an area where there are known inequalities, e.g. disabled people’s access to public transport etc?** NO

If you have answered YES to any of the questions above, then it is necessary to proceed with a full equality impact assessment (EIA).

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 05 February 2024

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Finance Strategy, Capital Programme, Revenue Budget &amp; Council Tax 2024/25</b>
<b>Report of:</b>	Chief Executive Officer
<b>Corporate Priorities:</b>	Responsive, Inclusive and Innovative Council

**Purpose:**

This report seeks final confirmation of the recommendations to be made to Council, on 23 February 2024, in respect of the revenue budget, capital programme and council tax for 2024/25.

**Executive summary:**

On 8 January 2024, the Executive reviewed the Council's overall finance strategy and considered proposals relating to the revenue budgets and the council tax for 2024/25. This report updates the Council's budgets to reflect the decisions taken and other known changes since 8 January 2024, including the provisional local government finance settlement.

The capital programme for the years 2023/24 to 2027/28 will be £58,678,500.

The net revenue budget for 2024/25 will be £13,292,600. With core funding estimated to be £5,079,839 and no payment from the collection fund, the total amount due from the council taxpayers will be £8,212,761.

Taking these changes into consideration, the council tax for 2024/25 will be £185.86 per Band D property. This represents an increase of £5.40 per year from the council tax set for 2023/24 and is within the 2.99% referendum threshold set by the Government.

**Recommendation/Recommended Option:**

It is recommended that the Executive approves and recommends to the meeting of the Council to be held on 23<sup>rd</sup> February 2024:

- (a) the capital programme and financing of £58,678,500;
- (b) an overall revised net revenue budget for 2023/24 of £12,376,100;

- (c) a net revenue budget for 2024/25 of £13,292,600;
- (d) a council tax for Fareham Borough Council for 2024/25 of £185.86 per band D property, which represents a £5.40 per year increase when compared to the current year and is within referendum limits;
- (e) an unchanged Council Tax Support scheme for 2024/25; and
- (f) that the Council continues to disregard the whole of any incomes prescribed in the Housing Benefit (War Pensions Disregards) Regulations 2007 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.

**Reason:**

To allow the Council to approve the Council Tax for 2024/25.

**Cost of proposals:**

Not Applicable

**Appendices:**                    **A: Overall Total Budget for 2024/25**

**Background papers:**   **None**

**Reference papers:**        Report to the Executive – 9 January 2023 Finance Strategy,  
Revenue Budget and Council Tax 2023-24

Report to the Executive – 8 January 2024 Finance Strategy,  
Revenue Budget and Council Tax 2024-2



# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	05 February 2024
<b>Subject:</b>	Finance Strategy, Capital Programme, Revenue Budget & Council Tax 2024/25
<b>Briefing by:</b>	Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. On 8 January 2024 the Executive reviewed the Council's overall finance strategy and considered proposals relating to:
  - The revised revenue budget for 2023/24;
  - Fees and charges for 2024/25;
  - The revenue budget for 2024/25; and
  - The council tax for 2024/25.
2. The purpose of this report is to update the Council's spending plans to take account of the decisions taken by the Executive in relation to these various issues and any know changes that arisen since.

#### THE CAPITAL PROGRAMME 2023/24 TO 2027/28

3. The capital programme for the General Fund for the period 2023/24 to 2027/28 was reported to the January Executive as part of the Capital Strategy Report and totalled £54,709,000.
4. At the January Executive, additional capital budgets were approved for Emergency and Temporary Accommodation and the purchase of Strategic Land at Faraday Business Park, Daedalus.
5. In addition, £769,800 has been added to the Disabled Facilities Grants budget to reflect an increase in demand and the cost of demand in 2023/24, to be met by grant funding.

6. The updated programme is shown in the following table:

	<b>£000s</b>
Streetscene	805
Leisure and Community	17,274
Housing	8,054
Planning and Development	323
Policy and Resources	32,223
<b>TOTAL</b>	<b>58,679</b>

7. It is anticipated that the programme will be financed from the following sources:

	<b>£000s</b>
Capital Receipts	9,252
Grants and Contributions	24,612
Capital Reserves	4,662
Revenue	3,404
Borrowing	16,749
<b>TOTAL</b>	<b>58,679</b>

8. The programme and projected resources indicate that, by 31 March 2028, there could be a small surplus of capital resources of £3.1 million, which represents a contingency of 5% on the overall capital programme.

9. Importantly, the surplus assumes an estimate of future capital receipts and grants as well as continued revenue contributions towards capital investment, totalling £29 million. In the event that these resources do not materialise, the programme will become partly unfunded.

#### **REVISED BUDGET 2023/24**

10. In January, the Executive considered in detail the revised net budget for 2023/24, which now shows a better forecast position and instead of having to draw from reserves to balance the budget, includes a forecast contribution to general fund reserves of £58,800.

#### **SERVICE BUDGETS 2024/25**

11. The following table shows the service budgets resulting from the report that was submitted to the Executive on 8 January 2024. At the meeting there were no changes made to the services budgets so the figures remain the same as that report.

	<b>Base Budget 2024/25</b>
<b>Committees</b>	<b>£</b>
Licensing and Regulatory Affairs	699,100
Planning	578,100
<b>Executive - Portfolio Budgets</b>	
- Leisure and Community	148,600
- Housing	3,435,900
- Planning and Development	1,221,200
- Policy and Resources	<b>-958,900</b>
- Health and Public Protection	373,500
- Streetscene	6,706,800
Depreciation Adjustments in Service Portfolios	3,891,400
<b>SERVICE BUDGETS</b>	<b>16,095,700</b>

## OTHER BUDGETS 2024/25

- Since the January report was drafted, the Government has announced the provisional Local Government Finance Settlement, as detailed further below. This has improved the Council's position by an amount of £194,000, reducing the amount that needs to be drawn from reserves to fund the budget, by the same amount.
- The revenue contribution to funding the capital programme has been maintained at £1,125,000. The "Other Budgets" total will therefore now be -£2,803,100.

## THE OVERALL BUDGET POSITION FOR 2024/25

- Taking account of the information referred to in the preceding paragraphs, the overall total net budget for 2024/25, detailed in Appendix A, is confirmed as £13,292,600 which is £1,395,500 above the base budget for 2023/24. This includes a contribution from general fund reserves to balance the budget of £404,200.
- Although the situation with the cost of living crisis appears to have stabilised the overall economic position remains unclear going into the new financial year it is and it is anticipated that there will be no further support from central government to councils relating to this crisis.

## THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25 AND GOVERNMENT CORE FUNDING SUPPORT

- The Local Government Finance Settlement was announced on 18 December 2023 and confirmed that it would again be a one-year settlement for 2024/25 with limited indications about funding for 2025/26.

17. The statement also announced there would be a 3% Funding Guarantee for Local Authorities. This grant along with the Services Grant and Revenue Support Grant is worth £507,200 to Fareham.
18. A further announcement was made on 24 January to increase the 3% Funding Guarantee to 4% which would mean a further £100,000 grant would be paid to Fareham.
19. In the Local Government Finance Settlement 2024/25 the referendum limits for local authorities were set out and council tax increases that exceed 2.99% would trigger a referendum. However, the government has also allowed shire districts to raise their council tax by the higher of 2.99% or a maximum of £5 when compared to the previous level, before a referendum is triggered.
20. As this settlement was for one year only there remains the details of the Fair Funding Review which has been delayed further until at least 2025/26. With the outcome of this review unclear, it is important that the Council continues to identify and secure cash-releasing efficiencies each year in order to maintain the high level of service currently provided and continue to achieve its corporate priority to minimise council tax increases.

## **SPENDING RESERVE**

21. The spending reserve exists to cover unforeseen changes in revenue expenditure and is important to prudent financial management.
22. The current balance on the reserve stands at £5,901,800 which is £2,149,300 over the current policy of maintaining a minimum balance of 7.5% of Gross Expenditure.
23. However, as well as the requirement to use reserves to balance the budget for 2024/25, the Medium-Term Finance Strategy covers the period through to 2027/28 and is showing a projected shortfall of £1.9m in 2025/26 and a further shortfall in the final 2 years of the strategy. There are also some additional future pressures which have not yet been accounted for in the forecasts, and a current high level of international volatility which may affect future costs.
24. In light of this it would be prudent to increase the balance on the spending reserve to £5,003,400 (10% of gross revenue expenditure) for the period covered by the strategy. This would leave a balance of £898,400 which would be further reduced by the £404,200 required to balance the 2024/25 budget.
25. There also remains the unknown financial implications of the outcome of the Fair Funding Review which is due at the earliest in 2025/26, so any further use of all reserves must be carefully considered.

## **COUNCIL TAX AND NATIONAL NON-DOMETIC RATE BASE**

26. The council tax base for 2024/25 is 44,188.90 Band D equivalent properties.
27. The net rates payable from National Non-Domestic Rates for 2024/25 (after Transitional arrangements, empty property rate, mandatory and discretionary reliefs) is £47,092,496.

## COUNCIL TAX FOR 2024/25

28. With a net budget for 2024/25 of £13,292,600 and government funding of £5,079,839 along with a zero contribution from the collection fund, this will leave an amount due from council tax payers of £8,212,761. This is shown in the following table:

	Base Budget 2023/24	Base Budget 2024/25	Variation
	£	£	£
<b>Total Budget</b>	<b>11,897,100</b>	<b>13,292,600</b>	1,395,500
Less:			
Government Funding and Retained Business Rates	-3,931,745	-5,079,839	-1,148,094
Collection Fund deficit	0	0	0
<b>Total due from Council Tax Payers</b>	<b>7,965,355</b>	<b>8,212,761</b>	+247,406
Council Tax base	44,139.4	44,188.9	
Council Tax (Band D)	£180.46	£185.86	
Cash Increase (per year)	+ £5.24	+ £5.40	
Percentage Increase (per year)	+2.99%	+2.99%	

29. The proposed council tax increase is within government referendum limits.
30. The proposed council tax of £185.86 is for Band D properties only and the Fareham element of the council tax for all bands is shown in the table below:

	2023/24	2024/25	Increase	Number of Dwellings
Band A	£120.31	£123.91	£3.60	3,645
Band B	£140.36	£144.56	£4.20	7,301
Band C	£160.41	£165.21	£4.80	15,580
<b>Band D</b>	<b>£180.46</b>	<b>£185.86</b>	<b>£5.40</b>	<b>10,773</b>
Band E	£220.56	£227.16	£6.60	8,054
Band F	£260.66	£268.46	£7.80	3,645
Band G	£300.77	£309.77	£9.00	1,517
Band H	£360.92	£371.72	£10.80	129

31. The overall income from taxpayers of £8,212,761 represents approximately 16% of the gross revenue budget for the council for 2024/25 of £52.9million.

### **ASSURANCE STATEMENT BY THE CHIEF FINANCIAL OFFICER (CFO)**

32. Section 25 of the Local Government Act 2003 states that when the Council sets a budget for the forthcoming financial year, the CFO must report to the authority on the robustness of the budgets and the adequacy of the financial reserves.
33. The CFO is able to confirm that the Council's co-ordinated finance strategy allows the availability of resources to finance both capital and revenue expenditure to be considered at the same time. It provides the necessary flexibility to allow resources to be allocated to both capital and revenue and this has enabled the delivery of balanced budgets for both capital and revenue.
34. The CFO can also confirm the robustness of the approved budgets and therefore major variations in expenditure and income are not anticipated. However, a risk assessment has been carried out to highlight the impact of possible variations in the level of expenditure and income and by maintaining the spending reserve at a minimum of 10% of gross expenditure, resources should be in place to meet any variations that cannot be met from within the Council's overall budget.

### **COUNCIL TAX SUPPORT 2024/25**

35. Legislation requires that Local Council Tax Support schemes are considered by Full Council on an annual basis even if no major changes are to be made. In previous years and following public consultation, the Council has agreed and implemented a scheme based on the following principles:
- Every working-age claimant should pay something towards their council tax
  - The amount of Council Tax Support to be capped to a Band C for those claimants living in larger properties
  - All non-dependents (such as adult sons or daughters living in the claimant's property) should pay something towards the household's council tax bill
  - Provide additional financial support to the most vulnerable claimants (such as those receiving a War Pension or who are severely disabled)
36. For 2024/25, it is proposed to retain these key principles and to administer an unchanged scheme.
37. There are currently 3,664 households in the borough receiving Council Tax Support. The caseload and expenditure for the current financial year can be seen below:

	Number of claimants	Cost of Council Tax Support
Pension-age caseload	1,763	£2,024,805
Working-age caseload (vulnerable group)	1,141	£1,389,057
Working-age caseload (employed)	92	£46,626
Working-age caseload (not employed*)	668	£585,392
<b>Total</b>	<b>3,664</b>	<b>£4,045,880</b>

\*In receipt of an out-of-work benefit such as Job Seekers Allowance, Income Support or Universal Credit

38. It is anticipated that an unchanged Council Tax Support scheme for 2024/25, which provides the same level of assistance and protection to claimants as the current scheme, will continue to be contained within available resources.

#### **DISREGARDING OF PRESCRIBED WAR DISABLEMENT PENSIONS OR WAR WIDOW'S PENSIONS IN THE CALCULATION OF HOUSING BENEFIT AND COUNCIL TAX SUPPORT**

39. The Housing Benefit Regulations 2006 prescribe a standard weekly disregard of £10 from the incomes prescribed in the Housing Benefit (War Pensions Disregards) Regulations 2007. However, any residual balance from these incomes is included in the aggregated assessment of means in an applicant's entitlement, thereby affecting their total award.
40. The Social Security Administration Act 1992 (SSAA) entitles Local Authorities to locally design adjustments to the scheme to satisfy the needs of their community but with a percentage of the cost for such a scheme falling on the authorities' own finances.
41. The Council has operated a local scheme that disregards 100% of this income since the introduction of the SSAA and has copied this scheme design to its Local Council Tax Support Scheme upon its introduction in 2013. This ensures financial support for low-income households who are in receipt of a disablement or widow's/widower's pension payable as a consequence of service as members of the armed forces.
42. Subsidy arrangements mean that where a local amendment to the scheme is in operation, the local authority will only be compensated with 75% of any expenditure incurred up to a maximum of 0.2% of the total subsidy claimed in the relevant year.
43. In 2022-23, the full cost to the Council was £2,742 as £8,226 of the total expenditure of £10,968 was met through subsidy.
44. In exercising the function of administering the Housing Benefit scheme, local authorities are subject to external reporting on the efficacy of their processes and procedures. The Housing Benefit Assurance Process (HBAP) specifies the

requirement for the appointment of reporting accountants; theirs and the local authorities' responsibilities; and the potential consequences arising from the HBAP report.

45. Ernst & Young were appointed as the Council's reporting accountant in August 2022 and gave guidance at that time as to what evidential requirements we would need to adhere to in order to satisfy the HBAP Audit guidelines.
46. The need to have a resolution in respect of a local scheme was identified as a matter for attention. Prior to this, the Benefits Service had relied upon the resolution made at the original lying down of legislation and had not reviewed or renewed the scheme formally in some considerable time.
47. However, the financial impact of the scheme is routinely taken into account when preparing financial estimates for the Benefits Service, as it is built into the Housing Benefit subsidy regime. It therefore forms part of the financial planning for the service and formulating the scheme now will not make any additional financial demand on the Council.
48. The latest estimate was produced in August 2023 and indicates that from a total spend of £13,338, £10,004 will be subsidised, with the total cost to the Council being £3,334.

#### **ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT**

49. The subject matter of this report is not anticipated to have an impact on the Council's carbon footprint, nor is it expected to have a detrimental or beneficial impact to the wider environment.

#### **LEGAL CONSIDERATIONS**

50. Members have a legal duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. This duty includes consideration of future local taxpayers as well as current local taxpayers.
51. The Council has a duty under the Local Government Finance Act 1992 to consult about proposals for expenditure and set a balanced budget. The consultation process is currently underway, and an update will be provided to members at the February meeting of the Council.
52. Failure to set a lawful Council Tax could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a council tax. Information must be published and included in the council tax demand notice, in a form that complies with the regulations made by the Secretary of State.
53. Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
54. The Assurance Statement from the Chief Finance Officer is included in the report in accordance with Section 25 of the Local Government Act 2003.



## **RISK ASSESSMENT**

55. While all spending plans can be met from within existing resources, including use of reserves, growing financial pressures increase the risk that spending plans exceed desirable levels.
56. With the Fair Funding review being delayed until at least the 2025/26 financial year the future funding support for Fareham remains uncertain. Any changes as a result of the review and the Business Rate Reset are very likely to affect the Council's finances and it remains an important part of the overall Medium Term Finance Strategy to retain sufficient balances to cater for the unexpected in these uncertain times.
57. The council will continue to explore opportunities to increase income sources for the Council as well as review other opportunity plans in order that balanced budgets can be made in future years.

## **CONCLUSION**

58. In making a recommendation to Council on the council tax for 2024/25, the Executive has evaluated the Council's overall financial position in relation to existing commitments, the level of resources (including reserves) and the projected financial position in the future; not just the overall budget position for next year.

### **Enquiries:**

For further information on this report please contact Neil Wood on 01329 824506

## ACTUAL REVENUE BUDGET

	<b>Budget 2023/24 £</b>	<b>Revised 2023/24 £</b>	<b>Budget 2024/25 £</b>
Committees			
Licensing and Regulatory Affairs	540,400	495,700	699,100
Planning	694,300	580,400	578,100
Executive - Portfolio Budgets			
- Leisure and Community	-38,600	-260,400	148,600
- Housing	2,270,800	3,394,800	3,435,900
- Planning and Development	1,246,100	1,209,000	1,221,200
- Policy and Resources	541,800	-220,100	-958,900
- Health and Public Protection	765,800	352,600	373,500
- Streetscene	5,592,200	6,174,000	6,706,800
Accounting Adjustments in Service Portfolios	4,101,900	3,492,800	3,891,400
<b>SERVICE BUDGETS</b>	<b>15,714,700</b>	<b>15,218,800</b>	<b>16,095,700</b>
Capital Charges	-4,320,000	-4,094,400	-4,094,400
Direct Revenue Funding	1,125,000	1,125,000	1,125,000
Minimum Revenue Position	1,490,900	1,545,700	1,756,700
Interest on Balances	-612,000	-430,200	-468,400
Portchester Crematorium Contribution	-80,000	-100,000	-100,000
New Homes Bonus	-17,900	-17,900	-65,200
Contribution from Earmarked Reserves	-1,002,700	-929,700	-552,600
Contribution to(+)/from(-) General Reserves	-400,900	58,800	-404,200
<b>OTHER BUDGETS</b>	<b>-3,817,600</b>	<b>-2,842,700</b>	<b>-2,803,100</b>
<b>NET BUDGET</b>	<b>11,897,100</b>	<b>12,376,100</b>	<b>13,292,600</b>

	<b>Budget 2023/24 £</b>	<b>Revised 2023/24 £</b>	<b>Budget 2024/25 £</b>
<b>NET BUDGET</b>	<b>11,897,100</b>	<b>12,376,100</b>	<b>13,292,600</b>
<b>CORE FUNDING</b>			
Government Grant	340,000	440,000	607,200
Non-Domestic Rates	3,591,745	3,970,745	4,472,639
	<u><b>3,931,745</b></u>	<u><b>4,410,745</b></u>	<u><b>5,079,839</b></u>
 COLLECTION FUND BALANCE	 0	 0	 0
 <b>AMOUNT DUE FROM COUNCIL TAX PAYERS</b>	 <b>7,965,355</b>	 <b>7,965,355</b>	 <b>8,212,761</b>
 <b>COUNCIL TAX BASE</b>	 <b>44,139.4</b>		 <b>44,188.9</b>
 <b>COUNCIL TAX PER BAND D PROPERTY</b>	 <b>£180.46</b>		 <b>£185.86</b>
 <b>CASH INCREASE</b>	 <b>£5.24</b>		 <b>£5.40</b>
 <b>PERCENTAGE INCREASE</b>	 <b>2.99%</b>		 <b>2.99%</b>



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 05 February 2024

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Housing Revenue Account 2024/25</b>
<b>Report of:</b>	Assistant Chief Executive Officer
<b>Corporate Priorities:</b>	Provides Housing Choices

**Purpose:**

This report seeks Executive approval for the revised budget for the Housing Revenue Account for 2023/24, the base budgets and rent increases for 2024/25.

**Executive summary:**

The Executive recommended, and the Council approved, in February 2023, the base budget and rent increase for 2023/24, for Housing Revenue Account (HRA) services.

This report sets out some revisions to the Housing Revenue Account revised budget for 2023/24 and base budget for 2024/25 along with the capital programme and financing for the years 2023/24 to 2027/28. The report examines the issues affecting the Housing Revenue Account including rent changes with effect from 1 April 2024. In particular it highlights the increased expenditure needed to maintain the Council's housing stock in the next 2 years, and meet the LAHF commitments to deliver three homes for Afghan families and one home for temporary accommodation to be held in the Housing Revenue Account. This will mean that we will not be able to fully continue with our debt repayment put aside in these years. However, any surpluses that do arise will be considered for this purpose.

Council budgets are susceptible to change in the level of expenditure and income caused by factors inside and outside the Council's control. A risk assessment has been carried out to indicate the effect on housing balances of changes in the level of expenditure and income. This can be used to estimate the account balances needed to provide a prudent level of reserves and a working balance. Actions continue to be taken by officers to reduce expenditure where possible. There will also be increased budget monitoring introduced for this period.

**Recommendation/Recommended Option:**

It is recommended that the Executive approves and recommends to the meeting of the Council to be held on 23 February 2024 that:

- (a) rents be approved for Council Dwellings as set out in paragraph 27 with effect from 1 April 2024;
- (b) rents for Council garages be increased by 7.7% with effect from 1 April 2024;
- (c) the revised budget for 2023/24 be approved;
- (d) the base budget for 2024/25 be approved; and
- (e) the Fees and Service Charges at Appendix E be approved.

**Reason:**

To allow the Council to approve the Housing Revenue Account budgets for 2024/25.

**Cost of proposals:**

As detailed in the report.

**Appendices:**

- A: Capital Programme and Financing**
- B: Detailed Revenue Budgets**
- C: Examples of Rent**
- D: Published Housing Fees and Charges**
- E: Confidential Fees and Charges 2024/25\*\***

\*\* Fees and Charges 2024/25 Appendix E (Confidential) – By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person and category 7A (information which is subject to an obligation of confidentiality) of Schedule 12A Local Government Act 1972 and the Council's Access to Information Procedure Rules. It is not in the public interest to publish this information as it would harm the Council's ability to achieve best value by way of negotiations where there may also be an obligation of confidence in relation to the financial and technical content for any procurement exercise. Disclosure could adversely affect competitive bids and remove the necessary element of market competition that drives best value principles.

**Background papers: None**

### Reference papers:

- (a) Executive 6 February 2023 – Housing Revenue Account 2023/24
- (b) Executive 3 July 2023 – General Fund and Housing Revenue Account Outturn 2022/23
- (c) Executive 8 January 2024 – Finance Strategy, Capital Programme, Revenue Budget and Council Tax – Appendix A Medium Term Finance Strategy
- (d) Executive 7 March 2022 -Assheton Court redevelopment
- (e) Executive 9 January 2023 – Fareham Housing Development of Ophelia Court, Montefiore Drive, Park Gate
- (f) Executive 9 October 2023 – Town Centre property acquisition
- (g) Executive 9 October 2023 – Facilitating the use of the Local Authority Housing Fund
- (h) [The Direction on the Rent Standard 2023](#), Department for Levelling Up, Housing & Communities
- (i) [Policy Statement on rents for social housing](#), Department for Levelling Up, Housing & Communities

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	05 February 2024
<b>Subject:</b>	Housing Revenue Account 2024/25
<b>Briefing by:</b>	Assistant Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. This report brings together the revenue and capital spending plans for the Housing Revenue Account for 2023/24 and 2024/25 for the Executive to consider. On 8 January 2024 the Executive approved the Council's Finance Strategy for 2024/25 and later years. The budget guidelines contained within the Strategy have been used as a basis for the Housing Revenue Account (HRA) spending plans along with the Government's Direction on the Rent Standard 2023 and their Policy Statement on rents for social housing from 1 April 2020.
2. Together these have informed revisions to the 2024/25 revenue and capital budgets and those for future financial years as part of Business Planning for the HRA.

#### HOUSING CAPITAL PROGRAMME

3. The five-year Housing capital programme has been updated and is summarised in the following table.

<b>Year</b>	<b>£'000</b>
2023/24	7,800
2024/25	6,107
2025/26	4,870
2026/27	4,740
2027/28	4,840
<b>Total</b>	<b>28,357</b>

4. More details of the capital schemes and their financing can be found in Appendix A, with the highlights given below. The Housing capital programme was included in the Council's Capital Strategy presented for approval at the 8 January 2024 Executive.

#### Affordable Housing Delivery

5. During the current financial year, the major schemes of 2 new social rent houses at Queens Road, Fareham; 16 new sheltered housing flats at Sir Randal Cremer House,



Portchester; and 11 houses for Shared Ownership at Capella Close, Stubbington; have been completed.

6. Work commenced on site for 9 new affordable shared ownership flats at Ophelia Court, the Executive having approved a report updating the funding arrangements to deliver the scheme in January 2023.
7. Work is anticipated to start in March 2024 for a new social rent house at Bellfield. A tender process has been completed with prices for design and build coming in within the original budget of £350,000 for the scheme. However, if final on costs such as consultancy and utility matters are as high as 15%, these would exceed that budget approval. These costs will be monitored and if necessary, a further report will be presented to the Executive if the budget is likely to be significantly exceeded.
8. On 7 March 2022 a report was presented to the Executive on the funding arrangements for the redevelopment of Assheton Court in Portchester, including the demolition of the existing building and a new building comprising of up to 60 sheltered housing apartments. Technical work has continued on this scheme, with a full planning application approved on 14 December 2022, containing detailed technical designs produced by the Architect/Engineers and demolition of the existing building. A tender process is currently underway for design and build of the scheme which will then further inform the budget setting needed within the Capital Programme.
9. The Affordable Housing Delivery Team have secured Homes England grant funding for the Ophelia Court development and are also working closely with Homes England on securing significant grant funding for the Assheton Court development, both as part of the Affordable Homes Programme 2021-26. To secure the funds development needs to be completed by March 2026.
10. There are currently further development / acquisition sites as set out in the table below. These have been reported to the Executive and approved in principle for further feasibility and preliminary actions to be undertaken before final schemes and the appropriate funding sources are presented for approval. Future capital projects and regeneration opportunities are likely to include council owned sites allocated within the Local Plan.

<b>Site</b>
Town centre acquisition (Fareham East)
Wynton Way (Fareham North West)
Menin House regeneration (Fareham North West)

### **Improvements to Existing Housing Stock**

11. The budget for component planned maintenance and improvements to existing properties has been increased for the current and future financial years covered by the capital programme. The Capital Strategy has been increased to reflect this revised figure of £4million (previously £3million). This is due to this being an area of significant cost pressures that have not been at this level for many years. Contributory factors include continually increasing costs of materials and labour, an ageing stock profile and a need to make the stock greener, along with increased regulation whilst maintaining service standards. A Stock Condition Survey is currently underway to inform future years required budget and spending pressures, with full stock coverage over a 5 year

period (20% of stock per year).

### **Financing Options**

12. The financing of the Housing capital programme is from the Major Repairs Reserve, Housing Capital Receipts, HRA Revenue Contributions to Capital Outlay (RCCO and 1-4-1 capital receipts from Right to Buy sales and borrowing. The HRA must be a ring-fenced account, this means that it must, in general, balance on a year-to-year basis, so that the costs of running the service, which include debt charges, administration costs and maintenance expenditure must be met from HRA income. The ringfencing of the HRA ensures that all the income and expenditure in relation to managing the council housing stock is separate to the General Fund and there is no cross subsidy between either fund (tenants and the taxpayer and vice versa).
13. In addition to these internal and borrowed resources, grant bids will be sought wherever possible.
14. New build Fareham Housing homes could be funded from a combination of the following: -
  - a) Right to Buy initial receipts and Right to Buy 1-4-1 receipts;
  - b) Other Housing Capital receipts (not combined with Right to Buy 1-4-1 receipts)
  - c) Section 106 monies for the purpose of affordable housing provision; (not combined with Right to Buy 1-4-1 receipts)
  - d) Homes England grant funding (not combined with Right to Buy 1-4-1 receipts); and/or
  - e) Additional borrowing on the Housing Revenue Account.
15. Additional borrowing for large schemes would come from the Public Works Loan Board (PWLB). A new discounted PWLB rate is currently available until the end of June 2025 for authorities borrowing for the HRA.
16. Although the opportunity for borrowing to enable future development is positive there needs to be caution highlighted. Any additional debt will need to be serviced without undermining the financial stability of the Council's HRA. Careful consideration of the borrowing implications along with flexibility in how the various funding sources are used will be required.
17. The most appropriate form of borrowing will be established by the Council's Finance Team in consultation with the Chief Executive Officer in order to fund the development schemes at Ophelia and Assheton Court and similar schemes.
18. Future reports are being developed which will detail estimated cost and funding arrangements along with the progress toward the appointment of an appropriate contractor.

### **REVENUE BUDGETS**

19. The following table summarises the Housing Revenue Account base and revised budgets for 2023/24, and the base budget for 2024/25. A more detailed breakdown is provided in Appendix B.

	<b>Base Budget 2023/24 £'000</b>	<b>Revised Budget 2023/24 £'000</b>	<b>Base Budget 2024/25 £'000</b>
<b>HOUSING REVENUE ACCOUNT</b>			
Income	-14,228	-14,391	-15,316
Tenancy Management & Running Costs	4,730	4,740	4,972
Net Interest	1,679	1,650	1,650
Transfer to Debt Repayment Fund	1,025	0	542
	<b>-6,794</b>	<b>-8,001</b>	<b>-8,152</b>
Revenue Repairs Expenditure	3,444	3,636	3,747
Depreciation set aside into the Major Repairs Reserve	3,050	3,130	3,205
Revenue Contribution to Capital Programme	300	1,235	1,200
<b>Transfer to(-)/from HRA Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>

20. The income budget has been uplifted to reflect proposed increases in rent and service charges. Changes in circumstances and financial stability for some tenants continue to impact on rent being paid, and with the impact of the cost of living crisis still being experienced, arrears are increasing through the current financial year. The housing Rent Recovery Officer continues to work closely with customers and reports regularly from the housing management system.
21. The provision made for bad debts was increased significantly in the 2022/23 financial year. Assessing current debt levels, the provision will not need such a high increase for 2023/24 and 2024/25 and so this budget has been revised downwards.
22. Within Tenancy Management and Running Costs increases have been made for employee costs, impacting General Administration, Sheltered Housing, Grounds Maintenance and Communal Cleaning areas. An increase has been allowed for Council Tax incurred against void properties. The budgets for Communal Heating and Lighting have been reduced, recognising the reduction in gas costs being charged from October 2023 to October 2024.
23. A budget increase for the property repairs and maintenance and materials area is proposed to reflect the employment costs of the building maintenance team as well as higher costs that suppliers face and that are inevitably passed on to the Council. Leaseholder Service Charge actuals have been completed for 2022/23, income was higher than originally anticipated with repairs arising from the external decoration programme, this is also reflected in the income budget.
24. The Revenue Contribution to Capital programme budget has been increased significantly to fund the higher value of Capital Improvements work and former council homes being bought back in the current financial year to deliver the LAHF programme commitments. This is a government initiative that supports the government's humanitarian obligations to provide safe and suitable housing to those fleeing Afghanistan, alongside helping to deliver DLUHC's commitment to help those who are homeless to secure accommodation. The Council has secured matched funding to provide three 2 – 4 bed properties for the resettlement of Afghan families and one temporary accommodation home. In order to meet the criteria of the funding, the properties must be in the ownership of the Council by 29 March 2024.

25. This increase has a direct impact on the set aside of reserves for repayment of debt, the budget provision of £1.025 million for this has therefore had to be removed for 2023/24. However, if any budget surplus does arise for the year this may be considered for this use. Increased budget monitoring will be introduced to try and achieve this position.
26. The proposed budgets do include a clear, albeit reduced, set aside of reserves in 2024/25 towards repayment of the £49 million housing debt taken on in 2012 when the government changed the national subsidy scheme to a self-financing scheme. These loans become repayable in 28 to 37 years and to date there has been approximately £7 million put aside for this purpose.
27. A summary of all the reserves projected to the end of 2023/24 is set out below:

<b>Reserve</b>	<b>Purpose of Reserve</b>	<b>2022/23 Closing Balance £'000</b>	<b>2023/24 Transfers In £'000</b>	<b>2023/24 Transfers Out £'000</b>	<b>2023/24 Closing Balance £'000</b>
HRA Revenue Reserve	To fund unexpected operating costs	1,337	0	0	1,337
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	0	0	1,500
Debt Repayment Fund	To repay debt	6,840	0	0	6,840
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	620	0	0	620
<b>Total Revenue Reserves</b>		<b>10,297</b>	<b>0</b>	<b>0</b>	<b>10,297</b>
Major Repairs Reserve	To fund capital expenditure on HRA assets	157	3,125	-3,230	52
1:4:1 Receipts	To fund 40% of costs of new acquisitions and Station Road development	1,703	250	-105	1,848
<b>Total Reserves</b>		<b>12,157</b>	<b>3,375</b>	<b>-3,335</b>	<b>12,197</b>

## **RENTS**

28. In November 2022 as part of the Government Autumn Statement, it was announced that social housing rent increases would be capped at 7% for 2023/24. A new Direction on the rent standard 2023 was issued along with an updated Policy statement on rents for social housing from April 2023. This was a temporary cap applying from the 1 April 2023 to 31 March 2024. For 2024/25, an increase of 7.7% is proposed, in line with allowed increases of up to CPI + 1% (using the September 2023 CPI rate of 6.7%).
29. A recent change in policy from the Department for Levelling Up, Housing & Communities (DLUHC) came into effect from 12 October 2023 changing the basis of the annual rent review for relevant Shared Ownership leases from a maximum of RPI + 0.5% to CPI + 1.0%, thereby aligning Shared Ownership rents with the maximum annual rent increase for Social and Affordable rented homes. For 2024/25, an

increase of 7.7% is proposed, in line with allowed increases of up to CPI + 1% (using the September 2023 CPI rate of 6.7%).

30. Rents for Council garages are not covered by the Government's Direction applying to dwellings, but a similar principle is applied. It is proposed that garage rents for 2024/25 increase by 7.5% (£1.10 per week) in line with that of rent increases.
31. Examples of proposed rents can be seen in Appendix C.

### **FEES AND CHARGES**

32. The current published fees and charges for housing and the charges for 2024/25, approved at the 8 January 2024 Executive, are set out in Appendix D. The statutory charge is subject to the control and advice of Government. The current level of charge has been set at the maximum allowed.
33. Service Charges for the HRA and Careline customers for 2024/25 are set out in confidential Appendix E for Executive approval. These are mainly set to recover the costs the Council incurs. In some cases, it has been possible to reduce the charges this year due to costs going down.

### **RISK ASSESSMENT**

34. The following list of potential risks indicates that it is essential to preserve the account balance held for the Housing Revenue Account. Reserves are held so the Council can:
  - Continue to manage and maintain homes
  - Improve and redevelop estates
  - Cover any unexpected expenditure
  - Take advantage of new opportunities to meet housing needs
  - Repay the debt
  - Meet the challenges of any change in Government policy
35. Key risks include future changes to the rent policy, an increase in arrears, other increases in void properties and in the cost of repairs, and in utility costs. In particular, if the Government amend their current rent policy so that rents will reduce post 2024/25, this will put further pressure on the HRA finances. Costs from the Regulator of Social Housing are also likely to increase with expenses relating to Tenant Satisfaction Measures along with costs of carrying out the required surveys.
36. Stock maintenance, both revenue and capital areas of spend are also experiencing significant cost pressures that have not been at this level for many years. Contributory factors include continually increasing costs, an ageing stock profile and a need to make the stock greener along with increased regulation whilst maintaining service standards. A Stock Condition Survey is currently underway to inform future years required budget and spend prioritisation with full stock coverage over a 5 year period (20% of stock per year).

<b>Examples of Potential and Actual Changes</b>	<b>Effect on Expenditure in Year £'000</b>	<b>Effect on Income in Year £'000</b>
Change in rent policy to decrease rents by 1% beyond 2024		130
Loss of income if void rate rises by 1%		130
Increase of 10% on employees, and supplies and service costs	494	
Increase of 10% in the depreciation charge	320	
Increase on rent arrears by 10%		80
Increase of 20% in cost of responsive repairs	760	

37. Mitigating actions continue to be taken by the service to try to reduce costs where they can. Particular projects currently underway are reviewing the responsive repair framework of suppliers and also the voids process to reduce the periods that properties are vacant leading to reduced income and increased costs.
38. However, there remains considerable pressure on the Housing Revenue Account. Increased budget monitoring is therefore to be introduced for the foreseeable future.

#### **ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT**

39. The subject matter of this report is not anticipated to have an impact on the Council's carbon footprint, nor is it expected to have a detrimental or beneficial impact to the wider environment.

#### **Enquiries:**

For further information on this report please contact Caroline Hancock, 01329 824589

## HOUSING CAPITAL PROGRAMME AND FINANCING

	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
<b>Improvements to Existing Stock</b>					
Improvements	1,500,000	1,600,000	1,600,000	1,700,000	1,800,000
Voids	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Modifications	500,000	500,000	500,000	500,000	500,000
Vehicles	130,000	100,000	40,000	40,000	40,000
<b>Acquisitions and New Builds</b>					
Acquisitions	1,400,000	500,000	500,000	500,000	500,000
New Build – Sir Randal Cremer House	227,000				
New Build – Assheton Court	500,000				
New Build – Capella Close	393,000				
New Build – Queens Road	115,000				
New Build - 51 Bellfield	35,000	270,000	30,000		
New Build – Ophelia Court	1,000,000	1,137,000	200,000		
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>7,800,000</b>	<b>6,107,000</b>	<b>4,870,000</b>	<b>4,740,000</b>	<b>4,840,000</b>
<b>Funded by:</b>					
<b>Improvements to Existing Stock</b>					
Major Repairs Reserve	-3,230,000	-3,300,000	-3,300,000	-3,400,000	-3,500,000
RCCO	-770,000	-800,000	-800,000	-800,000	-800,000
<b>Other Assets</b>					
RCCO - Vehicles	-130,000	-100,000	-40,000	-40,000	-40,000
<b>Acquisitions and New Builds</b>					
RCCO	-335,000	-300,000	-300,000	-300,000	-300,000
1-4-1 Capital Receipts	-105,000	-308,000	-212,000	-200,000	-200,000
Capital Receipts	-500,000				
Homes England Grants	-372,000		-200,000		
Other Grants and Contributions	-946,000				
Borrowing	-1,412,000	-1,299,000	-18,000		
<b>TOTAL FUNDING</b>	<b>-7,800,000</b>	<b>-6,107,000</b>	<b>-4,870,000</b>	<b>-4,740,000</b>	<b>-4,840,000</b>

## DETAILED REVENUE BUDGET

	<b>Base 2023/24 £'000s</b>	<b>Revised 2023/24 £'000s</b>	<b>Base 2024/25 £'000s</b>
<b>Income</b>			
Rents - Dwellings	-12,475	-12,430	-13,371
Rents - Garages	-388	-388	-410
Rents - Other	-21	-5	-5
Service Charges (Wardens, extra assistance, heating)	-687	-816	-795
Cleaning	-198	-198	-215
Grounds Maintenance	-137	-137	-150
Other Fees and Charges	-37	-35	-35
Leaseholder Service Charges & Insurance	-285	-371	-323
Government Grant	0	-11	-12
	<b>-14,228</b>	<b>-14,391</b>	<b>-15,316</b>
<b>Expenditure</b>			
<b>Tenancy Management and Running Costs</b>			
General Administrative Expenses	2,581	2,600	2,745
Corporate & Democratic Core	90	90	90
Corporate Management	75	75	75
Unapportioned Overhead	0	10	10
Communal Heating Services	350	270	270
Communal Lighting	88	80	80
Rents, Rates & Other Taxes	200	254	279
Communal Cleaning	272	269	289
Grounds Maintenance	280	310	323
Sheltered Housing Service	604	612	641
Bad Debts Provision	125	100	100
Bad Debts Written off	35	35	35
Debt Management Expenses	30	35	35
Sub-total of management costs	<b>4,730</b>	<b>4,740</b>	<b>4,972</b>
<b>Long Term Debt Management</b>			
Interest Payable	1,879	1,900	1,900
Interest Earned on Internal Balances	-200	-250	-250
Transfer to Debt Repayment Fund	1,025	0	542
<b>Property Repairs and Maintenance</b>			
Revenue Repairs Expenditure	3,444	3,636	3,747
Depreciation	3,050	3,130	3,205
Revenue Contribution to Capital Programme	300	1,235	1,200
<b>Surplus(-)/Deficit for Year</b>	<b>0</b>	<b>0</b>	<b>0</b>



## HRA EXAMPLES OF RENT

	<b>Property Type</b>	<b>2023/24 Actual Rent £</b>	<b>2024/25 Proposed Rent £</b>	<b>Change per week £</b>	<b>Change per week %</b>
Rose Court	1 Bed Flat	94.51	101.79	7.28	7.7
Grebe Close	2 Bed Bungalow	122.76	132.21	9.45	7.7
Collingwood Court	1 Bed Flat	115.36	124.24	8.88	7.7
Foxbury Grove	2 Bed Flat	102.96	110.89	7.93	7.7
Garden Court	1 Bed Maisonette	82.23	88.56	6.33	7.7
Sicity House	2 Bed Maisonette	99.88	107.57	7.69	7.7
Fairfield Avenue	3 Bed House	119.64	128.85	9.21	7.7
Churchill Close	3 Bed House (shared owner)	104.29	112.32	8.03	7.7
Jubilee Court	4 Bed House	136.71	147.24	10.53	7.7
Average for total stock		111.79	120.40	8.61	7.7
Garages		14.65	15.75	1.10	7.5



## HOUSING FEES & CHARGES

	Notes	Fee 2023/24 £	Fee 2024/25 £	% Increase
<b>Sales of Council Houses</b>				
Maximum legal and administration fees in connection with granting a service charge loan	Statutory Charge	100.00	100.00	NIL
Recharge of Officer time in agreeing any consent to freeholders	Fee per occurrence	100.00	110.00	10.0
<b>Repairs to Council Houses</b>				
Abortive visit by Officer, Surveyor or Tradesman	Charge per visit	55.00	58.00	5.5
Rechargeable works	These will be assessed individually at the time the work is carried out.			
<b>Sheltered Accommodation for the Elderly – Guest Room Charges</b>				
Single occupancy per night	Inclusive of VAT	15.00	16.00	6.7
Per couple per night	Inclusive of VAT	20.00	21.00	5.0
Collingwood Court per room	Inclusive of VAT	30.00	32.00	6.7
Sylvan Court per room	Inclusive of VAT	30.00	32.00	6.7
<b>Sheltered Accommodation for the Elderly – Other Charges</b>				
Keys – Key	Inclusive of VAT	5.90	6.30	6.7
Keys – Fob		9.50	10.10	6.3
Wash Cards (where applicable)	Inclusive of VAT			
Wash		0.80	0.85	6.3
Dry		0.70	0.75	7.1

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted



# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 05 February 2024

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Treasury Management Strategy 2024/25</b>
<b>Report of:</b>	Chief Executive Officer
<b>Corporate Priorities:</b>	Responsive, Inclusive and Innovative Council

**Purpose:**

This report considers the draft Treasury Management Strategy and Investment Strategy for 2024/25, prior to its submission to the Council for approval.

**Executive summary:**

Regulations require the Council to prepare and formally approve both an annual Treasury Management Strategy and Investment Strategy. The document for 2024/25 is attached as Appendix A to this report for consideration by the Executive before being submitted to Council for approval.

In the past 12 months, the Council's **investment** balance has ranged between £18 million and £38 million, lower levels are expected in the forthcoming year due to capital programme expenditure. The Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

**Borrowing** levels are expected to be £74.3 million at the end of 2024/25. The Council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.

**Recommendation:**

It is recommended that the Executive:

- (a) endorses the draft Treasury Management Strategy and Investment Strategy for 2024/25, attached as Appendix A to this report; and
- (b) agrees to submit the Strategy to Council for approval.

**Reason:**

In accordance with the Code of Practice for Treasury Management in the Public Services and guidance from the Ministry for Housing Communities and Local Government (MHCLG), the Treasury Management Strategy and Investment Strategy have to be approved by full Council.

**Cost of proposals:**

Not applicable

**Appendices:**                    **A:** Treasury Management Strategy and Investment Strategy 2024/25

**Background papers:** None

**Reference papers:**

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services 2021

CIPFA The Prudential Code 2021

Statutory Guidance on Local Government Investments issued under section 15(1)(a) of the Local Government Act 2003 from the Ministry of Housing, Communities and Local Government (MHCLG)

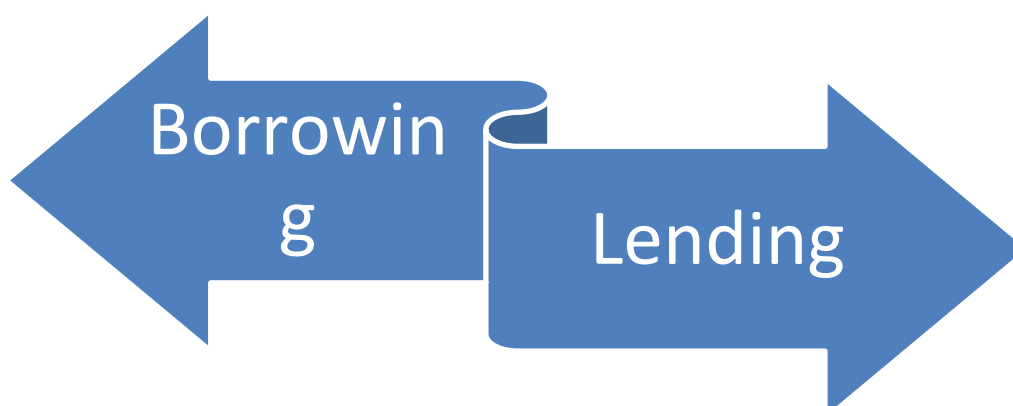
Template for Treasury Management Strategy and Investment Strategy 2024/25 provided by Arlingclose (the Council's Treasury Advisers)

**Enquiries:**

For further information on this report please contact Caroline Hancock (01329 824589)

**FAREHAM**  
BOROUGH COUNCIL

**TREASURY MANAGEMENT  
STRATEGY  
AND  
INVESTMENT STRATEGY  
2024/25**







# INTRODUCTION

## WHAT IS TREASURY MANAGEMENT?

1. Treasury Management is defined as:

*The management of the organisation’s cash flows, its banking, money market and capital market transactions;*

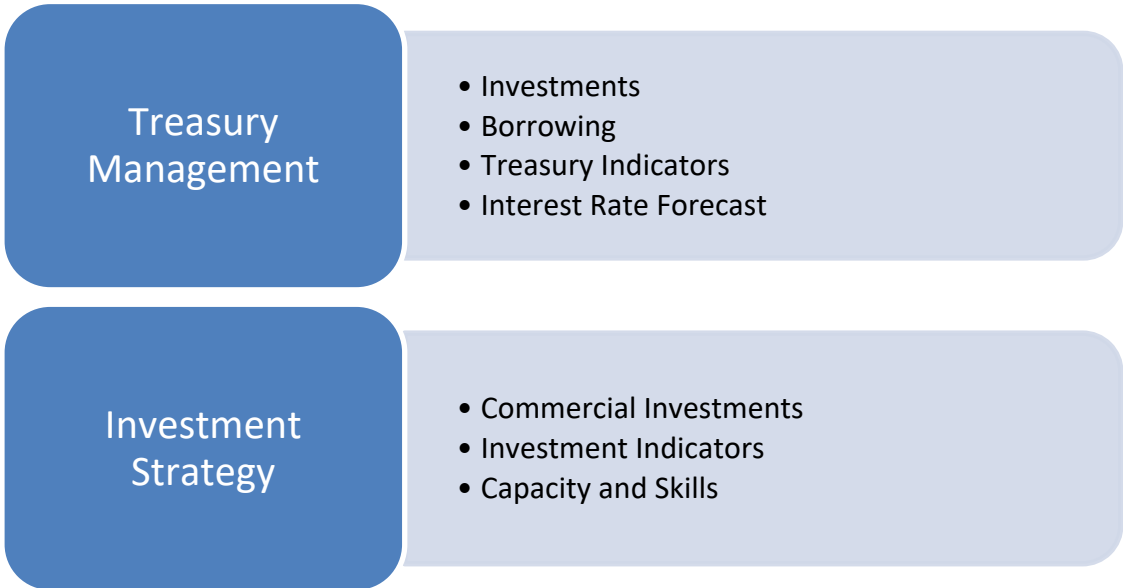
*the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*

2. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. There are two aspects to the treasury management service:

- a) To ensure the cash flow is adequately planned, with **cash being available when it is needed**. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.
- b) To ensure the cash flow meets the Council’s **capital plans**. These capital plans provide a guide to the **borrowing need** of the Council. Essentially this is the longer term cash flow planning to ensure that the Council can meet its capital spending requirements. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

## CONTENT OF THE TREASURY MANAGEMENT AND INVESTMENT STRATEGIES

3. These strategies set out the expected approach to treasury management and investment activities for 2024/25. It covers two main areas:



4. The content of the Strategies is designed to cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

## REPORTING REQUIREMENTS

5. The Council receives and approves three main reports each year in relation to Treasury Management, which incorporate a variety of policies, estimates and actuals. The three reports are:



6. The Executive Committee is responsible for the implementation and monitoring of these reports whilst the Audit and Governance Committee is responsible for the effective scrutiny of the treasury management strategy and policies.

# TREASURY MANAGEMENT STRATEGY

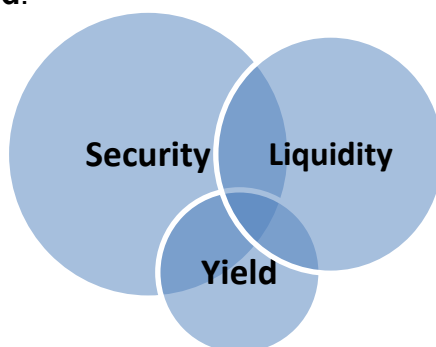
## INVESTMENTS

### Current Portfolio Position

7. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £18 million and £38 million, lower levels are expected in the forthcoming year due to capital programme expenditure.

### Treasury Investment Strategy

8. The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.



9. The Council's objective when investing money is to strike an appropriate balance between **risk and return**, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
10. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
11. The Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.
12. Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's **business model** for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### Approved Counterparties

13. The Council may invest its surplus funds with any of the counterparty types in the

table below, subject to the limits shown.

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	50 years	Unlimited	n/a
Local authorities and other government entities	25 years	£4m	Unlimited
Secured investments*	25 years	£4m	Unlimited
Banks (unsecured)*	13 months	£2m	Unlimited
Building Societies (unsecured)*	13 months	£2m	£4m
Money market funds*	n/a	£4m	Unlimited
Strategic pooled funds	n/a	£5m	£20m

14. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published **long-term credit rating is no lower than A-**. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
15. For entities without published credit ratings, investments may be either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £2 million per counterparty as part of a diversified pool.
16. Summary of counterparty types:
  - a) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
  - b) **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
  - c) **Banks and Building Societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

- d) **Money Market Funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- e) **Strategic Pooled Funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
17. The Council may also invest its surplus funds in corporates (loans, bonds and commercial paper issued by companies other than banks), registered providers (loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations) and real estate investment trusts, subject to meeting the minimum credit rating criteria and time limits recommended by the Council's treasury advisers.

## **Operational Bank Accounts**

18. The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £4 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

## **Risk Assessment and Credit Ratings**

19. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
20. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not

apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

## Other Information on the Security of Investments

21. The Council understands that credit ratings are good, but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above credit rating criteria.
22. Reputational aspects: The Council is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.
23. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
24. The following **internal measures** are also in place:
  - Investment and borrowing decisions formally recorded and endorsed using a Counterparty Decision Document.
  - Monthly officer reviews of the investment and borrowing portfolio and quarterly reviews with the Chief Executive Officer.

## Investment Limits

25. The Council's revenue reserves available to cover investment losses are forecast to be £5 million on 31st March 2024. In order to minimise risk, in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be **£5 million**. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
26. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries as in the table below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	<b>Cash limit</b>
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£4m per country

## Liquidity Management

27. The Council uses a purpose-built cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.
28. The Council will spread its liquid cash over at least **four providers** (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## Environmental, Social and Governance Policy

29. Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.
30. The Council will seek to move towards investments that improve the environment, bring wider social benefits, and are with organisations with good governance.
31. The Council will give weight to the environmental, social and governance elements of credit ratings in making investment decisions, provided that the overall risk profile of the investment portfolio (including liquidity risk) is not compromised, and that decisions remain consistent with responsible financial management and stewardship.

## BORROWING

### Current Portfolio Position

32. The Council's borrowing position at 31 March 2023, with forward projections are summarised below.

<b>£'000</b>	<b>2023/24 Revised</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>
Debt at 1 April	61,300	74,300	74,300	72,300	70,300
Expected change in debt	13,000	0	(2,000)	(2,000)	(2,000)
<b>Gross Debt at 31 March</b>	<b>74,300</b>	<b>74,300</b>	<b>72,300</b>	<b>70,300</b>	<b>68,300</b>

33. Debt at 31 March 2024 is projected to be higher than originally estimated due to

borrowing short-term externally to fund the capital programme.

## **Borrowing Strategy**

34. The Council's main objective when borrowing money is to strike an appropriately low risk balance between **securing low interest costs** and achieving **certainty of those costs** over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
35. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
36. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium term to either **use internal resources**, or to **borrow short-term** loans instead.
37. By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and **reduce overall treasury risk**. The benefits of internal borrowing or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.
38. Our treasury advisers will assist the Council with this '**cost of carry**' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
39. The Council has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
40. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield.
41. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
42. In addition, the Council may borrow further short-term loans to cover unexpected cash flow shortages.

## **Sources of Borrowing**

43. The approved sources of long-term and short-term borrowing are:
  - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board).
  - UK Infrastructure Bank Ltd



- Any institution approved for investments.
  - Any other bank or building society authorised to operate in the UK.
  - Any other UK public sector body.
  - UK public and private sector pension funds (except the Hampshire County Council Pension Fund).
  - Capital market bond investors.
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
44. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- Leasing
  - Hire purchase
  - Private Finance Initiative
  - Sale and leaseback
  - Similar asset based finance
45. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.
46. **Short-Term and Variable Rate Loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
47. **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

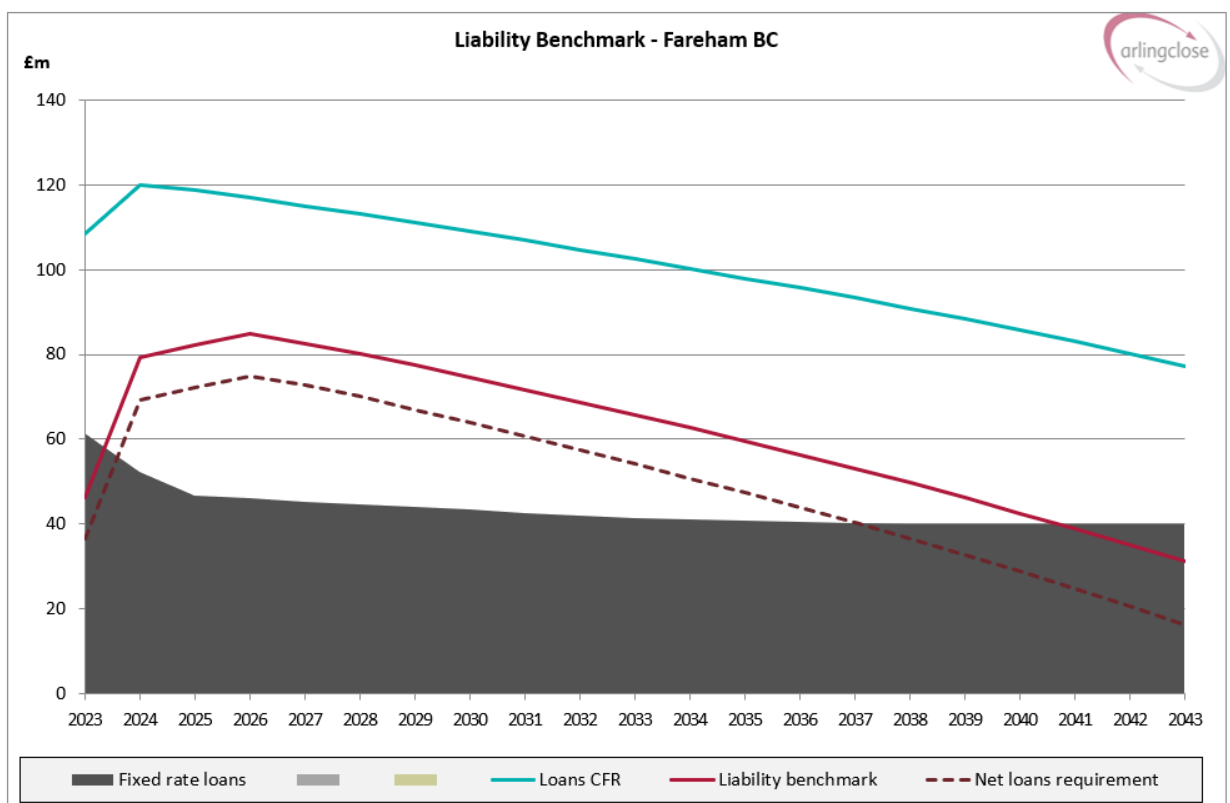
## TREASURY MANAGEMENT PRUDENTIAL INDICATORS

48. The Council measures and manages its exposures to treasury management risks using the following three treasury management indicators.
49. *Treasury Management Prudential Indicator 1 – Liability Benchmark:* To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.
50. The liability benchmark is an important tool to help establish whether the Council

is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

£'000	31/03/23 Actual	31/03/24 Estimate	31/03/25 Estimate	31/03/26 Estimate	31/03/27 Estimate
Capital Financing Requirement	108,246	121,826	120,368	116,684	112,785
Less: Balance sheet resources	(72,000)	(50,900)	(46,500)	(42,000)	(42,400)
<b>Net loans requirement</b>	<b>36,246</b>	<b>70,926</b>	<b>73,868</b>	<b>74,684</b>	<b>70,385</b>
Plus: Liquidity allowance	10,000	10,000	10,000	10,000	10,000
<b>Liability benchmark</b>	<b>46,246</b>	<b>80,926</b>	<b>83,868</b>	<b>84,684</b>	<b>80,385</b>

51. The long-term liability benchmark is shown in the chart below together with the maturity profile of the Council's existing borrowing:



52. If cash flows occur as forecast, the Council's level of existing borrowing remains below the liability benchmark for the next 17-18 years. This indicates a need for further external borrowing over this period, peaking at approximately an additional £39m by 2026 and then reducing over time.

53. *Treasury Management Prudential Indicator 2 – Long-term treasury management investments:* The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

£'000	2023/24 Revised	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Limit on principal invested beyond year end	12,000	12,000	12,000	12,000	12,000

54. *Treasury Management Prudential Indicator 3 - Maturity structure of borrowing*: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Maturity structure of borrowing	Upper Limit %	Lower Limit %
- Loans maturing within 1 year	50	0
- Loans maturing within 1 - 2 years	50	0
- Loans maturing within 2 - 5 years	50	0
- Loans maturing within 5 - 10 years	50	0
- Loans maturing in over 10 years	100	100

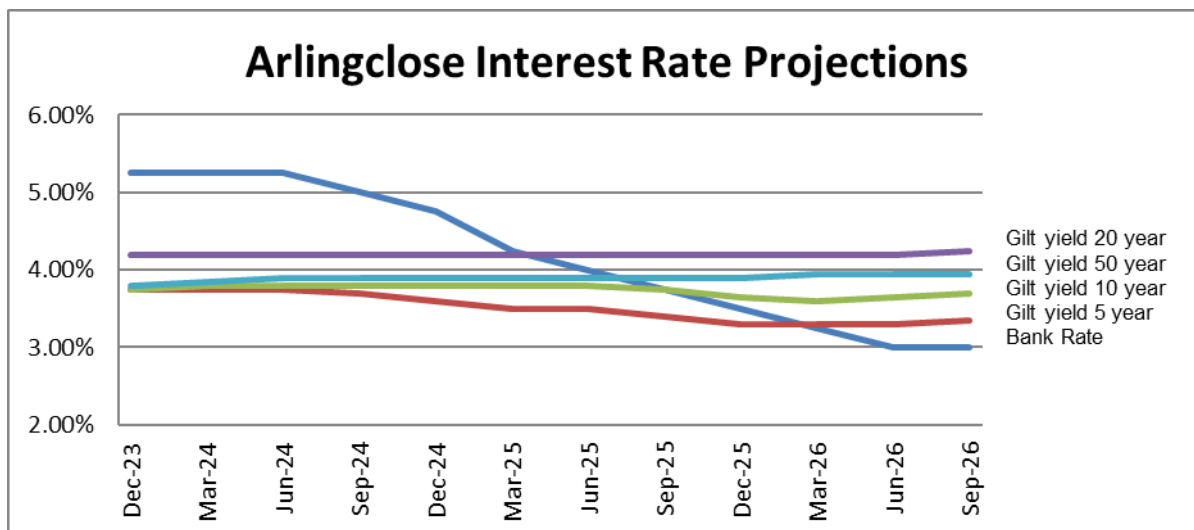
55. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
56. *Treasury Management Prudential Indicator 4 - Housing Revenue Account (HRA) ratios*: As a result of the HRA Reforms in 2012, the Council moved from a subsidy system to self-financing and was required to take on **£49.3 million** of debt. The table below shows additional local indicators relating to the HRA in respect of this debt.

	2023/24 Revised	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
HRA debt £'000	49,268	49,268	49,268	49,268	40,000
HRA revenues £'000	14,392	15,286	16,258	17,008	17,452
Number of HRA dwellings	2,410	2,408	2,455	2,443	2,431
Ratio of debt to revenues	3.42:1	3.22:1	3.03:1	2.90:1	2.29:1
Debt per dwelling £	20,445	20,462	20,070	20,169	16,683
Debt repayment fund £'000	6,840	7,382	8,403	9,543	10,683

57. The HRA is due to repay borrowing from the General Fund of £9.268 million in 2027/28.

## INTEREST RATE FORECAST

58. The Council's treasury management adviser, Arlingclose, assist the Council to formulate a view on interest rates. The latest detailed economic and interest rate forecast provided by Arlingclose is attached at Annex 1.
59. The following graph and commentary gives the Arlingclose's central view on interest rates.



60. Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
61. Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

## Other Items

62. The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.
63. **Policy on Apportioning Interest to the HRA:** On 28 March 2012, the Council borrowed £40 million from the Public Works Loan Board (PWLB) to buy itself out of the HRA subsidy System. The monies were borrowed by the General Fund on behalf of the HRA. The interest on these loans is charged to the HRA on a half-yearly basis at the rate charged by PWLB. A further £9.268 million was lent by the General Fund to the HRA to complete the buyout. Interest on this element is charged at the average weighted rate of the PWLB loans.
64. The unfunded HRA capital financing requirement is also charged to the HRA at the average weighted rate of the PWLB loans.
65. The General Fund credits the HRA with interest earned on HRA credit balances calculated on the reserve balances at year end. The rate used is the weighted interest rate on General Fund investments and cash balances.
66. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and

small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

## Financial Implications

67. The budget for net interest received in 2024/25 for the General Fund is £468,400 and the budget for net interest paid in 2024/25 for the HRA is £1,650,400. If actual levels of investments and borrowing, and actual interest rates differ from that forecast, performance against budget will be correspondingly different.

## Other Options Considered

68. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

# INVESTMENT STRATEGY

- 69. The Council invests its money for three broad purposes:
  - because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
  - to support local public services by lending to or buying shares in other organisations (**service investments**), and
  - to earn investment income (known as **commercial investments** where this is the main purpose).
- 70. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and focuses on the third of these categories.
- 71. The Council does not currently have any service investments.

## COMMERCIAL INVESTMENTS

- 72. The Council invests in local and some regional UK commercial property with the intention of making a profit that will be spent on local public services.
- 73. Since the Executive approval of a Commercial Property Investment Acquisition Strategy in January 2013, the Council has purchased commercial investment properties currently valued at **£35.5 million** and expected to generate rental income of £2.3 million during 2023/24.

Property Type	Current Value £'000
Retail	21,785
Commercial (Industrial)	11,740
Other (Healthcare)	1,960
<b>Total</b>	<b>35,485</b>

- 74. The Council’s total Commercial property portfolio, shown below, is valued at **£70 million** and includes Faretec and industrial estates at Palmerston Business Park and Newgate Lane. The Council purchased the leasehold of Fareham Shopping Centre at the end of September 2023. The table includes the freehold value only.

Property Type	Current Value £'000
Retail	33,790
Commercial	25,245
Other	4,109
Office	5,370
Leisure	1,492
<b>Total</b>	<b>70,006</b>

75. A fair value assessment of the Council's more recent commercial property purchases has been made within the past twelve months, and the underlying assets provide security for capital investment.
76. The Council assesses the risk of loss before entering into and whilst holding property investments. These risks are managed by ensuring:
- funds available for new purchases are disaggregated to limit the overall impact that any single investment would have on the Council's finances;
  - there is a mix of property types in the portfolio e.g. retail, industrial, etc.;
  - new purchases are only considered with existing tenants of "high quality" and sufficiently long tenancy term;
  - appropriate checks are carried out to ascertain the tenant's reliability;
  - other "due diligence" is undertaken to protect the Council's investment as far as possible such as checks on planning conditions, land contamination issues and planning policy issues.

## Proportionality

77. The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Strategy.

£'000	2022/23 Actual	2023/24 Revised	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Gross service expenditure	46,245	51,190	52,945	52,440	52,742	52,893
Investment income	5,688	5,063	5,702	5,705	5,650	5,440
<b>Proportion</b>	<b>12.3%</b>	<b>9.9%</b>	<b>10.8%</b>	<b>10.9%</b>	<b>10.7%</b>	<b>10.3%</b>

## INVESTMENT INDICATORS

78. The Council has set the following three investment indicators to assess the Council's total risk exposure as a result of its investment decisions.
79. *Investment Indicator 1 - Total risk exposure:* The first indicator shows the Council's total exposure to potential investment losses.

£'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate
Treasury Management Investments	24,832	15,000	15,000
Commercial Investments	70,006	82,506	82,506
<b>Total</b>	<b>94,838</b>	<b>97,506</b>	<b>97,506</b>

80. *Investment Indicator 2 - How investments are funded:* Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

<b>£'000</b>	<b>2022/23 Actual</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Treasury Management Investments	0	0	0
Commercial Investments	29,479	41,965	40,951
<b>Total</b>	<b>29,479</b>	<b>41,965</b>	<b>40,951</b>

81. *Investment Indicator 3 - Rate of return received:* This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

	<b>2022/23 Actual</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>
Treasury Management Investments	4.4%	7.3%	7.3%
Commercial Investments	5.3%	4.6%	4.8%
<b>Total</b>	<b>5.1%</b>	<b>5.1%</b>	<b>5.3%</b>

## **CAPACITY AND SKILLS**

### **Training**

82. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
83. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.
84. Property services officers also regularly attend training courses, seminars and conferences provided RICS (Royal Institution of Chartered Surveyors) accredited/approved providers.

### **Use of Treasury Management Consultants**

85. The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues.
86. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
87. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.



## ARLINCLOSE ECONOMIC AND INTEREST RATE FORECAST

### Economic Background – January 2024

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.

ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak, and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

### **Credit outlook:**

Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.

On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

### **Underlying assumptions:**

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the

more timely PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.

- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

## **Forecast:**

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.



By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

