

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 8 April 2024

Portfolio:	Planning and Development
Subject:	Community Infrastructure Levy Charging Schedule
Report of:	Director of Planning and Regeneration
Corporate Priorities:	Provides Housing Choices Respond to Climate Change and Protect the Environment Leisure Opportunities for Wellbeing and Fun Responsive, Inclusive and Innovative Council

Purpose:

To seek a recommendation to Full Council that it approve the Fareham Borough Council Community Infrastructure Levy (CIL) Charging Schedule.

Executive summary:

The Council has recently concluded an examination process on the Fareham Borough Council Community Infrastructure Levy Draft Charging Schedule. This involved consultation and an examination by an independent Examiner. This charging schedule is intended to replace the current adopted schedule.

The Examiner recommended that the council make two modifications to the Charging Schedule following the examination. The first a relatively minor wording change regarding older people development to assist with clarity. The second modification was that a £0 per square metre rate should be applied to the Land South of Longfield Avenue (Housing Allocation 55 - HA55).

It is recommended that the minor wording change is made to the charging schedule. However, for reasons set out in this report it is recommended that the Council does not accept the Examiner's recommended modification to apply £0 per square metre for HA55. The Council has considered the reasoning for the Examiner's recommendation and following the completion of additional evidence assessment and further consultation, it is recommended that Council approve the Charging Schedule in Appendix A with an additional separate CIL rate of £166 per square metre applicable to residential development within HA55 and the same charge for retail and retirement living as for the rest of the borough.

This report together with appendices constitute the Council's report in accordance with section 213(3B) of the Planning Act 2008 setting out how the charging schedule remedies the non-compliance specified by the Examiner under section 212A(4)(a) of the Planning Act 2008.

Approval of the Charging Schedule requires a decision of Council. The Executive Briefing Paper sets out the CIL Examiner's findings and the subsequent actions taken by the Council. It concludes with a draft Charging Schedule set out in Appendix A) which the Executive is recommended to ask Council to Approve.

Recommendation:

It is recommended that the Executive:

- (a) Notes the process and approach taken towards preparing the Charging Schedule including the further focused consultation on the proposed rate for HA55 Land South of Longfield Avenue.
- (b) That the Executive recommends to Council that the Community Infrastructure Levy Draft Charging Schedule as set out in Appendix A to this report be approved; and
- (c) That the proposed Community Infrastructure Levy Charging Schedule will be implemented with effect from 1st May 2024

Reason:

To enable the Community Infrastructure Levy Charging Schedule to be approved by Council as required by Section 213 (2) (a) of the Planning Act 2008.

Cost of proposals:

All costs associated with the work are met from existing budgets. The new CIL charging scheme will generally increase the contributions available to the Council to help fund the infrastructure delivery plan requirements of the local plan. In particular, the recommended approach would generate approximately £9.5million of CIL receipts from site HA55.

Appendices:

A: Draft Community Infrastructure Levy Charging Schedule

B: Regulation 19 Representation Statement and Statement of Modifications

C: Examiner's Final Report

D: Fareham Consultation Letter

E: Three Dragons HA55 Viability Report

F: Consultation Response from Hallam Land Management Ltd

G: Response and Consideration of Hallam Land Management Ltd Representations

H: Confidential Appendix*

* It is not in the public interest to disclose the contents of Appendix H in accordance with Paragraph 5, Schedule 12A, 1972 Local Government Act.

Background papers: None

Executive Briefing Paper

Date:	08 April 2024
Subject:	Community Infrastructure Levy Charging Schedule
Briefing by:	Director of Planning and Regeneration
Portfolio:	Planning and Development

INTRODUCTION

1. The Community Infrastructure Levy (CIL) is a planning charge on many forms of new development that generally involves a net increase in building floorspace, to fund infrastructure. The ability for a local planning authority to charge the levy came into effect in April 2010, and the Council approved its first CIL Charging Schedule in 2013. The existing Fareham Borough Council Charging Schedule was approved in 2021.
2. Following the completion of the viability evidence prepared for the Local Plan examination (March 2022), which identified positive viability returns, the Council committed to reviewing the existing CIL Charging Schedule. Three Dragons were commissioned to undertake a further CIL Viability Assessment at a strategic level to assess typical development sites across the borough to inform the possible setting of new CIL rates.
3. The viability testing for the CIL Viability Assessment was designed to assess the amount of CIL that residential and non-residential development can reasonably support, including whether there are differences in viability across the borough or between different types of development that are sufficient to justify different CIL rates. The assessment considered a range of typologies¹. The result of the residential testing showed that all the typologies tested are viable, with significant headroom.
4. The headroom in viability is the margin per square metre of between the total value and the total cost. Where this is positive, it is considered that a CIL charge is viable. There is no method prescribed to setting the CIL rate, however guidance does suggest that the rate should not be at the margin of viability. In other words, the CIL rate should not generally be set the same as the total headroom available – a buffer should be incorporated.
5. It is a common approach, and one adopted by the Council in developing the Charging

¹Typologies represent typical forms of development that are likely to come forward over the plan period. They are not intended as site specific detailed viability assessments.

Schedule that a 50% buffer be applied to the headroom, to determine a suitable level for CIL. This approach led to the proposed £195 per square metre for residential development (excluding flats within the town centre and older person housing, where different rates were proposed). The results of the testing showed that in Fareham, viability headroom was so significant, that a CIL rate at that level would be, acceptable across all typologies and unlikely to put development at risk. It is that approach which has led the Council to its proposed charge.

CONSULTATION ON DRAFT CHARGING SCHEDULE

6. The Executive approved the Charging Schedule for consultation at March 2023 Executive.
7. The Council consulted on the revised charging schedule for a 6-week period from Friday 17th March to Monday 1st May 2023. Electronic and written notifications were sent to consultees and every organisation and individual on the Planning Strategy consultation database, and paper copies deposited in libraries. The consultation was also published on the Council's 'Have Your Say' and Planning Strategy website consultation pages. A total of 8 representations were received from organisations and individuals; requests were received from Miller Homes and Hallam Land Management Ltd (hereto referred to as Hallam) to take part in the Examination.
8. Following the consultation, the Council produced a Representation Statement and Statement of Modifications. This statement sets out the responses received, the Council's response to those to comments, and the proposed alterations to the Charging Schedule as a result. This was then submitted to the Examiner as part of the examination process.

EXAMINATION

9. The proposed Charging Schedule was submitted (including modifications) for examination in July 2023. The proposed Charging Schedule submitted was as follows:

Type of Development	CIL charge per m ²	
	Rest of Fareham Borough	Welborne
Residential falling within Class C3 and C4 with excepting:	£195	£0
Residential development consisting of flats in Fareham town centre as shown on figure 2 in the maps annexed to this schedule.	£0	£0
Development comprising retirement living (sheltered) on greenfield sites.	£28	£0
All retail falling within Class E(a) excepting:	£80	£0
Comparison retail falling within Class E(a) in the centres as shown on figure 3 in the maps annexed to this schedule.	£0	£0
Standard Charge (applies to all development not separately defined above, for example: offices, warehouses and leisure and educational facilities extra-	£0	£0

care/assisted housing on greenfield and brownfield sites, sheltered housing on brownfield sites and care homes.)		
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10. The examination itself was held in the form of an in-person hearing on 6th September 2023. The council was represented by planning strategy officers, the Council's solicitor and Three Dragons, the Council's viability consultants. The hearing was also attended by representatives of Miller Homes and Hallam.
11. Unlike the Local Plan process where the Planning Inspectorate allocates a government appointed Inspector to examine the Plan, the Community Infrastructure Levy Regulations require an independent Examiner to be appointed by the Council. The Council appointed Intelligent Plans and Examinations to undertake the examination, with the same Examiner appointed who undertook the last Charging Schedule Review in 2021.
12. Consistent with the Local Plan, the Charging Schedule was accompanied by a thorough evidence base in the form of a CIL Viability Assessment. This demonstrated the viability of sites across the Borough and the positive margins in development that would support the increase in the CIL rate. This approach was consistent with and built on the viability work that was found sound at the Local Plan examination and as advocated in national planning guidance. The Council was confident that its position was backed by relevant published evidence submitted to the examination.
13. The existing CIL Charging Schedule applies to all residential development within the borough. On that basis, the site HA55 is liable for the full existing CIL charge. As of March 2024, this is now £179.94 per square metre. The promoter/applicant for the majority of the HA55 site (Hallam) responded to the consultation raising a number of points regarding the increasing burden of section 106 costs, notably in the form of the education contributions which are being sought by Hampshire County Council. They concluded in their submission that the site HA55 was similar to Welborne and so warranted a zero charge.
14. However, the response was not supported by a viability assessment and associated evidence base, but instead centred on the section 106 requests made through consultation responses to the ongoing planning application, importantly though, not agreed by any parties through the planning application process stage.
15. Following the submission of the charging schedule and evidence base to the Examiner, the Council asked whether additional information or evidence would be required in the form of written statements, given that up to that point only the Council had submitted a viability position. The Examiner informed the Council that no further evidence was required.

EXAMINER'S FINAL REPORT

16. The Council received the Examiner's Final Report on 26th October 2023. The Examiner recommended the schedule be approved subject to two modifications.
17. The first recommended modification relates to changes made by the Council through the modifications process. The Examiner recommended a slight addition to provide improved clarity to the 'Standard Charge' by inserting "on all sites" after "care homes"

in the final sentence (see appendix A for the full wording). It is recommended that the Council accepts this change.

18. The second recommended modification is to change the rate that would apply to the site HA55: Land South of Longfield Avenue from £195 per square metre to £0 per square metre. The rest of this Executive Briefing Paper summarises the steps taken since the receipt of Examiner's Report and proposes a revised draft Charging Schedule to be recommended to Council for approval.

LAND SOUTH OF LONGFIELD AVENUE (HA55) RECOMMENDATION

19. The Examiner in paragraph 40 of his Final Report made the following recommendation in regard to site HA55 Land South of Longfield Avenue:

“It is noted that HA55 is the subject of a live planning application which is proposing a policy compliant level of affordable housing, alongside a CIL liability at the current rate. However, s106 is still being negotiated. At the hearing, the vulnerability of affordable housing policy in the context of the s106 negotiations was discussed. There was agreement that if viability becomes an issue, the casualty was likely to be affordable housing. Therefore, even if the application is affordable housing policy compliant, given a CIL charge would be non-negotiable there is a danger that policy requirements, particularly affordable housing, could be compromised in circumstances where the developer is able to demonstrate that the delivery of the site is threatened by the level of the s106 charges. On the other hand, adopting a zero CIL for HA55, as has been done for the other large strategic site in the Borough at Welborne, should considerably strengthen the Council’s hand in the s106 negotiations and could go some way to eliminating the danger to the delivery of HA55. Three Dragons were mindful of this issue when alerting the Council to the need to consider whether it would be appropriate to require CIL to be paid on strategic sites. I consider that if CIL is charged on the development of HA55, there is a material danger to the delivery of HA55 in a form that fully meets the Council’s policy requirements. If no CIL is charged on HA55, the Council would be in a stronger position to negotiate a s106 agreement based on the full range of policy requirements that apply to HA55. It is therefore recommended that the draft Charging Schedule be amended to apply a zero charge to HA55.”

20. The Council considers that, with no site-specific viability for HA55 considered as part of the examination process, applying a £0 charge to the allocation is not justified as a response to the Examiner's concerns. The evidence did not identify or test any alternative charge nor consider the need to apply a separate charge to HA55 given the positive margins identified through the viability work. No additional evidence or justification was presented by the site promoter at the examination hearing other than a reiteration of their earlier written comments.
21. The Examiner suggests that the recommendation gives the Council a stronger negotiating position with regards to the Section 106 and affordable housing provision. Section 106 and CIL are not interchangeable. CIL is a top sliced levy that contributes to wider infrastructure across the borough. It is collected and spent by the Borough Council. Section 106 contributions are site specific requirements to mitigate the direct impact of the development on the immediate local area. The majority of Section 106 contributions are for highways and education, services provided by the County Council. They are not interchangeable as they contribute towards different services provided by

different authorities. It is also recognised that the current planning application been progressed to date by the site promoter, with the assumption of full CIL liability under the current charging schedule, and a policy compliant 40% affordable housing component.

FURTHER CONSULTATION

22. The Council acknowledges that the Examiner's non-compliance is the recommended modification related to deliverability (specifically viability) and not any other drafting requirement. He states in paragraph 39 of his report that *"there is substantial uncertainty about the quantum of the anticipated section 106 charges that will need to be imposed if the site specific requirements set out in the adopted Local Plan are to be met in full"*. However, he considered the assumptions regarding market values, benchmark land values and development costs and concluded in paragraph 43 of his report that he considered the viability assessment *"to be robust"*.
23. On that basis, officers decided to test a HA55 policy compliant typology having regard for updated Section 106 costs. The Council commissioned a further viability assessment for HA55 to consider what an appropriate, evidence based, CIL charge could be, based on a fuller assessment of section 106 requirements.
24. Three Dragons were asked to prepare a specific viability review of HA55 for 1,250 dwellings, based on the underlying values and costs found sound through the Local Plan and CIL examinations². The HA55 viability review included further work undertaken by the Council on the site-specific characteristics and planning mitigation set out in both Housing Allocation Policy HA55, and the planning application process, to address the CIL Examiner's concerns around the full site specific requirements that had not been fully considered within the generic typology testing used for the CIL rate setting recommendations.
25. Whilst the Section 106 negotiations for the application are ongoing and there remains uncertainty around the level of some of the potential mitigation required (with discussions ongoing with Hampshire County Council and other statutory consultees) the information on likely Section 106 costs specific to HA55 are based on best available information drawn from consultation responses and informed estimates based on examples and methodologies from elsewhere. Appendix A of the Three Dragons HA55 Viability Report (Appendix E of this report) specified the specific costs used in the assessment as well as the metric used in their calculation. These are different to the generic allowances used in the CIL viability evidence, whereby a buffer is utilised to account for circumstances whereby site specific costs are higher than those identified in the generic testing.
26. By way of illustration, paragraph 39 of the Examiner's report states *"... For example, the*

² The Examiner comments - the approach used by Three Dragons is one that is commonly used in CIL viability work; -the approach used in the VA is logical given the nature of the area and the anticipated forms of development; - much of the data and the assumptions relating to residential values took advantage of viability evidence that was presented to the relatively recent Local Plan examination. No convincing contrary evidence has been presented to this examination. The Examiner concludes in paragraph 27 that: *"On this basis, the evidence which has been used to inform the Charging Schedule is robust, proportionate, and appropriate."*

£5,500 per dwelling allowance used in the VA for what is described as “education and transport etc” does not reflect the education mitigation package being sought by Hampshire County Council. The developer of HA55 puts the education figure at £15,000”. The HA55 specific figure used in the further viability assessment is equivalent to £22,291 per dwelling (£17,076 for education, £5,215 for transport), which clearly accounts for the discrepancy in costs identified by the applicant.

27. The further viability assessment was based on the dwelling numbers and land take set out in the Housing Allocation Policy HA55. This was for 1,250 dwellings. A sensitivity assessment was also undertaken to reflect the planning application (1,200 dwellings), as well as another scenario with higher transport costs. The results for the planning application area sensitivity test are very similar, due to the majority of assumptions being proportionate (to those used for HA55 test) to the number of dwellings.
28. This new work therefore draws together the previously accepted viability values and costs with a HA55 policy compliance assessment of the site-specific Section 106 mitigation measures sought by the CIL Examiner. This found that the examined CIL rate of £195 square metre would continue to be viable, but with a lower headroom and thus reduced buffer. To maintain the 50% buffer it recommended that the Council should consider a HA55 rate of £166 per square metre.
29. As set out in section 213 of the Planning Act 2008, it is for the Council to be satisfied that this modification is sufficient and necessary to remedy the non-compliance specified by the Examiner. However, as this approach is not one that is covered by Planning Guidance, there is no prescribed process for conducting the consultation or how the responses are considered and there is no further requirement for examination.
30. A six-week consultation period was undertaken between 8th December 2023 and 18th January 2024 on the revised residential charge of £166 per square metre for allocation HA55. A consultation letter (appendix D) setting out the approach and what was being consulted upon and the Three Dragons HA55 Viability Report (appendix E) were sent to the 8 previous respondents, published on the CIL examination library website, and paper copies put in libraries. Hallam were invited to meet with officers during the consultation period to discuss the assumptions.
31. A request was received from Hallam on 15th December requesting an extension to the consultation period, given the festive holiday period. This correspondence also included a decline to the offer for a meeting, Hallam informed the Council that it would submit duly made comments by the deadline, after which a discussion could take place.
32. The Council agreed to the extension, and the consultation period was extended by one week to the 25th of January. Subsequently a further request was received from the consultants acting on behalf of Hallam for additional detailed modelling information concerning cashflows and build costs. This was provided to Hallam, and agreement was made to extend the deadline until 31 January to allow time for their consideration of the information.

HALLAM LAND MANAGEMENT LIMITED CONSULTATION RESPONSE

33. Hallam submitted a response to the consultation on the 31st of January (copy attached at Appendix F). The submission itself included two commissioned studies that provided a critique of the Three Dragons viability assessment for Longfield Avenue:
- Assessment of Open market Revenues – MCC Consultancy.
 - Viability Report HA55 Land South of Longfield Avenue – Turner Morum LLP.
34. Hallam's main assertion is that the assessment does not provide the credible detailed viability evidence to enable the Council to consider the implications for CIL on HA55. It states that the assessment does not interrogate the HA55 proposals in any detail; it fails to recognise that HA55 is not a traditional housing development; it does not take account of the specifics of the market area, and it relies on out-of-date information on costs. They conclude:
- The assessment significantly over states revenues (for all forms of housing);
 - It makes an insufficient allowance for developer profit given the risk involved in this instance.
 - It has insufficient build and infrastructure costs.
 - It has underestimated the whole site benchmark land value.
 - It has adopted a flawed approach to calculating the scheme finance costs.
35. The response includes references to a detailed cost plan produced by Brookbanks and transport work undertaken by Markides Associates, but those reports were not provided as part of the submission. Hallam maintain that as per the Examiner's recommendation, HA55 should remain zero rated.
36. The Council, with input from Three Dragons, have undertaken a review of the submission made by Hallam and responded to the points made (copy attached at Appendix G). The Council is of the opinion that the basis of Hallam's objection is primarily on matters already accepted as sound by the CIL Examiner. In particular, Hallam's response:
- Does not question the approach taken by the Council in continuing to seek a new CIL on HA55.
 - Questions the values and costs already accepted by the CIL Examiner.
 - Does not provide significant supporting evidence for alternative costs for HA55 specific Section 106 planning mitigation that is included within the November 2023 viability review that informs the new HA55 recommended CIL rate.
 - Provides no alternative viability assessment.
37. The guidance on CIL (PPG CIL para 20) is clear that a charging authority should use an area based approach, involving a broad test of viability across the area, as the evidence base to underpin their charge. A sample of an appropriate range of types of sites across its area should be used to demonstrate the potential effects of the rates proposed, balanced against the need to avoid excessive detail. This is the broad approach taken by the Council. PPG also allows for a different rate to be set for strategic sites (para 26). The Council has taken this approach for Welborne which is clearly identified as a strategic site given its critical importance in delivering the strategic

priorities of the plan. Whilst the Council considers that it has tested its strategic sites (Welborne) and an appropriate range (that are representative of plan allocations and future development), it is recognised that in order to address the Examiner's concerns that the range of typologies should be widened to specifically consider HA55 as a separate typology. However, it is not a site-specific viability assessment. This is highlighted by the absence of detailed cost information from Hallam which would be required if such an assessment were to be made. Instead, the response provides a critique of inputs already agreed as acceptable by the Examiner. The further viability assessment is therefore considered robust and appropriate for a CIL charge setting process.

CONCLUSION ON FURTHER CONSULTATION

38. The Examiner was clear in his judgement that his concerns regarding viability related to the 'unknown' policy costs, and not the methodology of the viability assessment. He states in paragraph 39 *"The Council's points are noted, but there is substantial uncertainty about the quantum of the anticipated s106 charges that will need to be imposed if the site-specific requirements set out in the adopted Local Plan are to be met in full. Based on current knowledge, it is likely that some of the broad cost assumptions used by Three Dragons to test the large green field site typology do not adequately reflect what the Council will require through the s106 mechanism"*.
39. The Council has therefore undertaken an appropriate level of further analysis to provide clarity on those points to ensure a robust CIL charge setting process. It is therefore proposed that in relation to the Examiner's second recommendation in relation to site HA55: Land South of Longfield Avenue, that the Council does not accept the Examiner's recommended modification but approve the schedule with a £166 per square metre charge on HA55 for residential uses [and the same rates for retail and retirement living as for the rest of the borough].
40. Considering that conclusion, officers did not feel it appropriate to meet with Hallam, as any further discussion regarding costs and values would be more relevant to the planning application process where any discussion regarding viability will be supported by a detailed assessment provided by the applicant, including all costs including land. Officers are also aware that viability has never been highlighted to the Council as a concern ahead of the CIL review process with the site CIL liable at existing rates. It is also noted that as of March 2024, the existing indexed rate has now increased to approximately £180 per square metre.

OPTIONS FOR CONSIDERATION

41. Following receipt of the Examiner's report, the Council undertook further viability work and consultation as set out in the report above. There are five potential options to consider at this stage:
 - Approve the draft Charging Schedule with the Examiner's recommendation for a £0 per square metre CIL rate to apply to HA55;
 - Not to approve the draft Charging Schedule and to withdraw it, thus keeping the current charging schedule, which would have a current CIL of £180 per square

metre³ (approx.) applied to HA55;

- Approve the draft charging schedule with a new revised CIL rate for HA55 based on addressing the Examiner's concerns (£166 per square metre for residential and the same rates for retail and retirement living as for the rest of the borough, as discussed below);
 - Adopt the Charging Schedule as submitted for examination (£195 per square metre for residential at HA55); or
 - Adopt the charging schedule as per the recommendations of the Examiner and then proceed with an immediate review for HA55.
42. Approving a £0 charge for residential development at HA55 would have a significant and detrimental impact on the overall infrastructure funding gap for the borough. It represents a potential loss of CIL receipts of approximately £9.5 million based on the existing adopted (2023) rate even though the Council's viability work demonstrates the site is viable with the proposed charge. It is not recommended that this option is pursued.
43. If the Council chose to stop the current CIL review process and continue with the existing CIL Charging Schedule and rates, it would mean that other charges such as the increase in residential rates across the borough and those that would apply to the town centre would not be amended and could potentially harm delivery prospects in the future. It is not recommended that this option is pursued.
44. If the Council chose to adopt the Charging Schedule as submitted, ignoring the Examiners recommendations, it would not be considered legally sound or in accordance with the Planning Act 2008, the CIL Regulations (2010) or the Planning Practice Guidance as the issue of non-compliance (identified by the examiner) would not have been dealt with by the council. Of all the options, this option presents the greatest procedural risk as the council will have made no attempt to satisfy the requirements of the Planning 2008 Act. It is not recommended that this option is pursued.
45. If the Council chose to undertake an immediate review of the rate for HA55 following approval of the Charging Schedule as per the Examiner's recommendation, an entirely new examination process would be needed, including evidence gathering, periods of consultation, submission, and a new examination (possibly including a hearing). This process would be time and resource intensive, but the Council considers that an appropriate CIL rate can be satisfactorily approved through this current CIL review process. It is not recommended that this option is pursued.
46. Based on the viability evidence the recommended approach is a new residential CIL rate for HA55, which considers and addresses the non-compliance specified by the Examiner but still balances infrastructure funding with delivery of new housing. The Council has undertaken further work to demonstrate that this is achievable and undertaken further consultation as set out above.
47. Section 213 of the Planning Act 2008 states:

³ CIL rates are indexed on a standard basis each year, based on changes in build costs

“(1A) A charging authority may approve a charging schedule only if—

(a) the Examiner makes recommendations under section 212A(4) or (5), and

(b) the charging authority has had regard to those recommendations and the Examiner's reasons for them.”

(1B) If the Examiner makes recommendations under section 212A(4), the charging authority may approve the charging schedule only if it does so with modifications that are sufficient and necessary to remedy the non-compliance specified under section 212A(4)(a) (although those modifications need not be the ones recommended under section 212A(4)(b))”

48. Accordingly, the Council has the power to approve a charging schedule with modifications different to those recommended by the Examiner, provided they are “*sufficient and necessary to remedy the non-compliance specified*” by the Examiner. This is not the usual approach that most authorities would take. However, providing the modification is considered by the Council (acting reasonably) to be sufficient and necessary to remedy the non-compliance i.e. the issue of viability concerns at HA55, then the Council can approve the charging schedule.

RECOMMENDED PROPOSED CHARGING SCHEDULE RATES

49. The draft Charging Schedule at Appendix A of this report is presented to Executive for recommendation to Council for approval.
50. The schedule now proposes three distinct charging zones for which the different charges apply in those areas. They are Welborne, HA55/Longfield Avenue and Rest of Borough. It includes modifications proposed through the examination process and incorporates the Examiner's recommendation in relation to care homes.
51. This report together with appendices constitutes the Council's report in accordance with section 213(3B) of the Planning Act 2008 setting out how the charging schedule remedies the non-compliance specified by the Examiner under section 212A(4)(a) of the Planning Act 2008, and as such following the consultation process, officers are satisfied that the proposed modification (the rate of £166 for HA55) is *sufficient and necessary to remedy the non-compliance specified*” by the Examiner.
52. Section 213 (2) of the Planning Act 2008 requires a charging authority to approve a charging schedule at a meeting of the authority. The Executive is invited to recommend that Council approve the Community Infrastructure Levy Draft Charging Schedule, attached at Appendix A.

ENVIRONMENTAL CONSIDERATIONS/CARBON IMPACT ASSESSMENT

53. 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
(1329) 824427

Community Infrastructure Levy Charging Schedule

Purpose

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

Date of Approval and Effective Date

This Charging Schedule was approved by Fareham Borough Council on 9 April 2024 and shall take effect on 1 May 2024.

Charging Rates

Type of Development ¹	CIL charge per sq.m		
	Rest of Fareham Borough	HA55 Land South of Longfield Avenue ²	Welborne ³
Residential falling within Class C3 and C4 excepting:	£195	£166	£0
Residential development consisting of flats in Fareham town centre as shown on figure 2 in the maps annexed to this schedule.	£0	£0	£0
Development comprising retirement living (sheltered ⁴) on greenfield sites.	£28	£28	£0
All retail falling within Class E (a) excepting:	£80	£80	£0
Comparison retail ⁵ falling within Class E(a) in the centres as shown on figure 3 in the maps annexed to this schedule.	£0	£0	£0
Standard Charge (applies to all development not separately defined above, for example: offices, warehouses and leisure and educational facilities extra-care/assisted housing on greenfield and brownfield sites, sheltered housing on brownfield sites and care homes on all sites.)	£0	£0	£0

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

² For the purposes of this Schedule, the area defined as HA55 Land South of Longfield Avenue is that as set out by the Fareham Borough Local Plan 2037. See Figure 1

³ For the purposes of this Schedule, the area defined as Welborne is that as set out by Welborne Plan, Part 3 of the Fareham Borough Local Plan. See Figure 1

⁴ Sheltered housing is self-contained housing, normally developed as flats or other small units, with the provision of facilities not associated with independent accommodation (main entrance, warden, residents lounge, emergency alarm service).

⁵ Floorspace used to store or sell retail items that tend to be purchased at infrequent intervals, whereby purchasers will 'compare' similar products on the basis of price and quality before making a purchase. Includes, for example, clothing, household goods, leisure goods and personal goods. Sometimes termed durable or non-food goods. See Figure 3.

Indexation

The Community Infrastructure Levy Regulations apply a form of indexation to the relevant rate in the charging schedule. National All-in Tender Price Index published from time to time by the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors; and the figure for a given year is the figure for 1st November of the preceding year. In the event that the National All-in Tender Price Index ceases to be published, the index to use will be The Retail Prices Index.

Calculating the Chargeable amount of CIL

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

Figure 1: Welborne and Rest of Borough

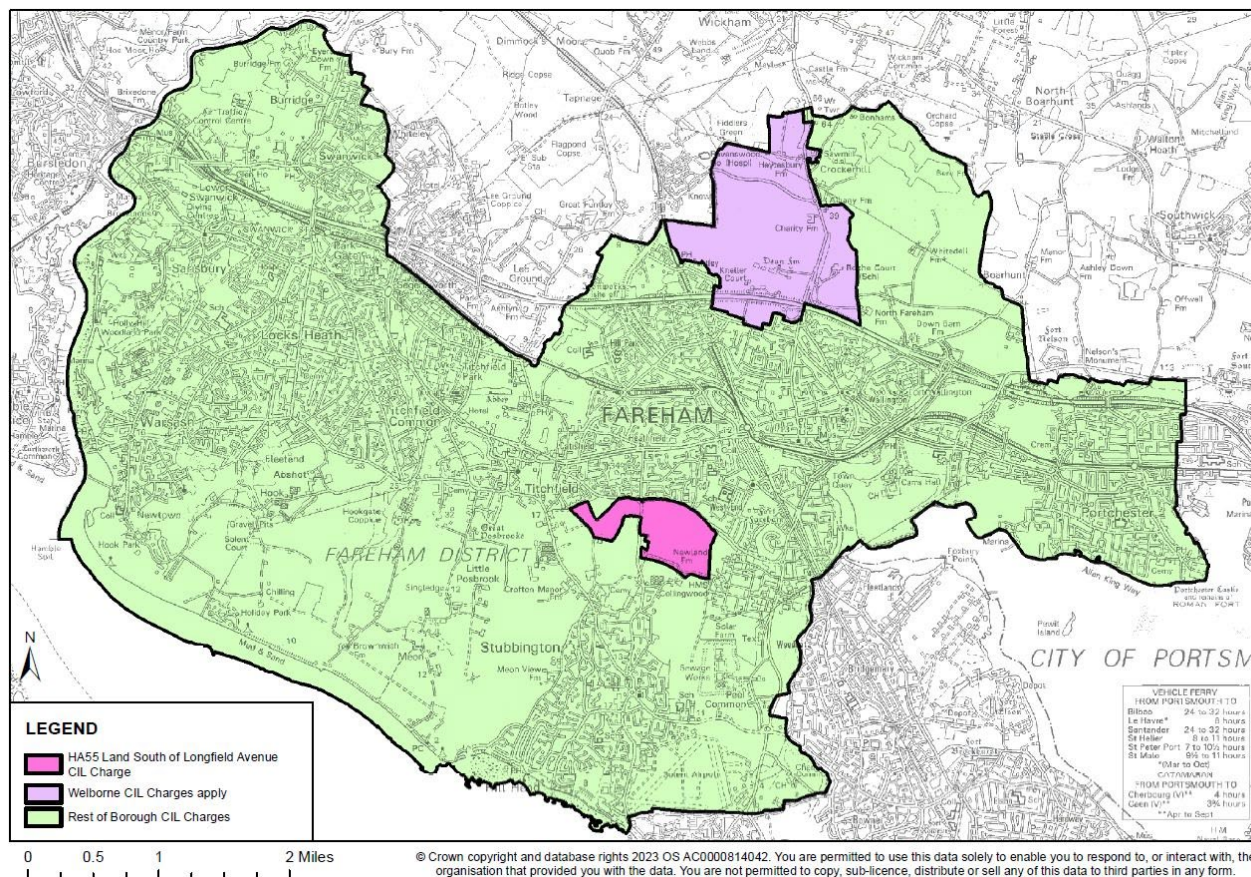


Figure 2: Fareham Town Centre Flatted Development Area

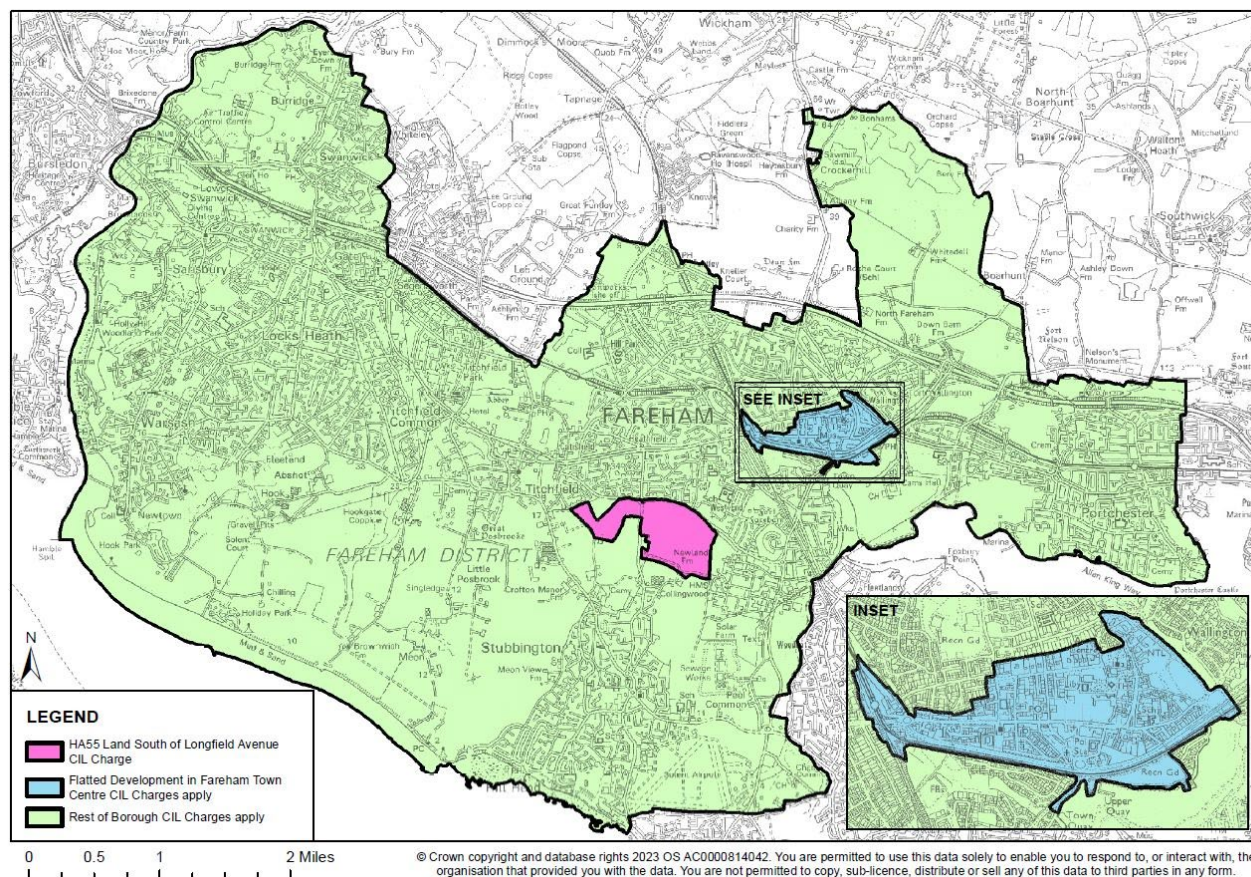
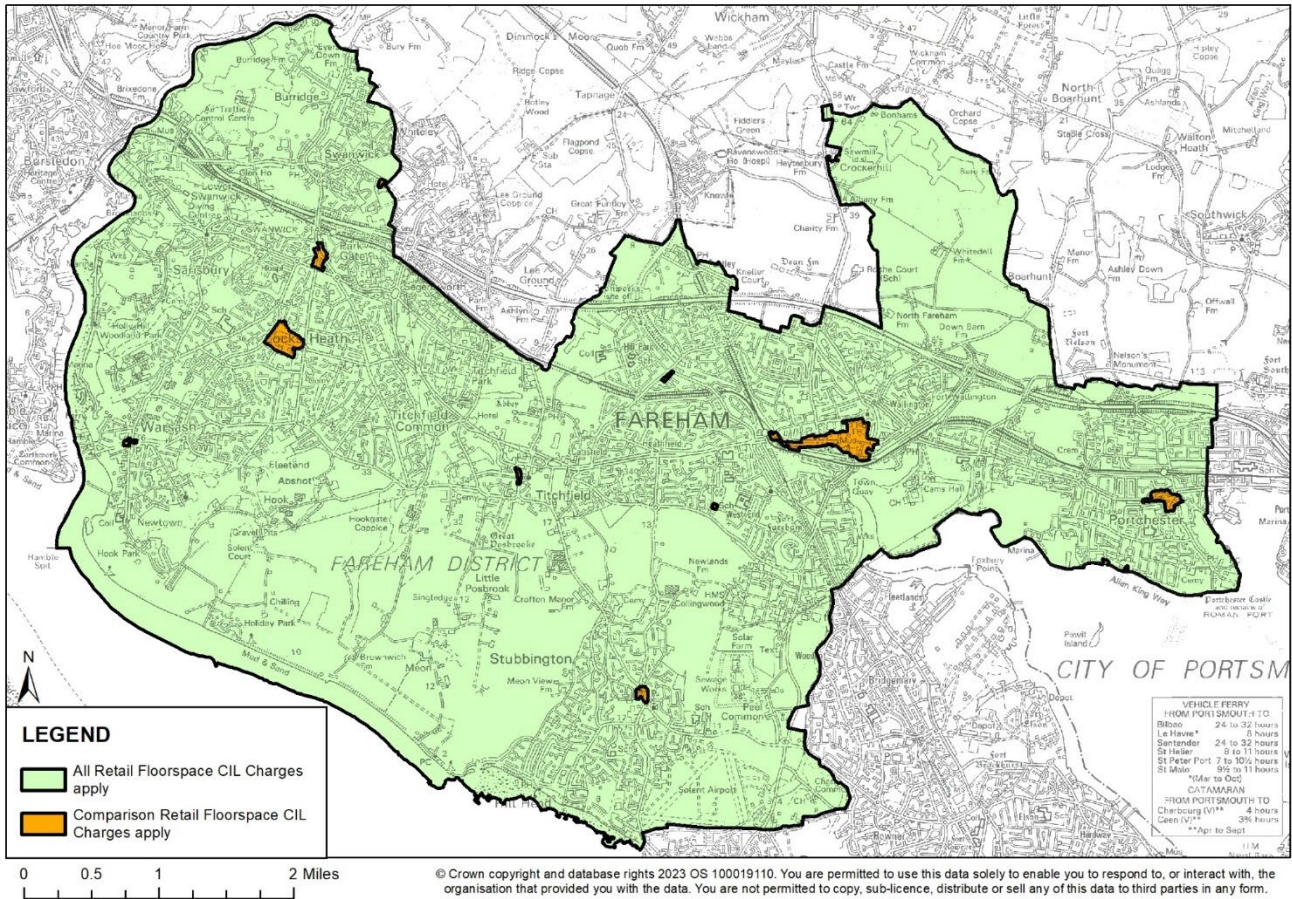
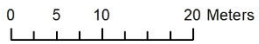
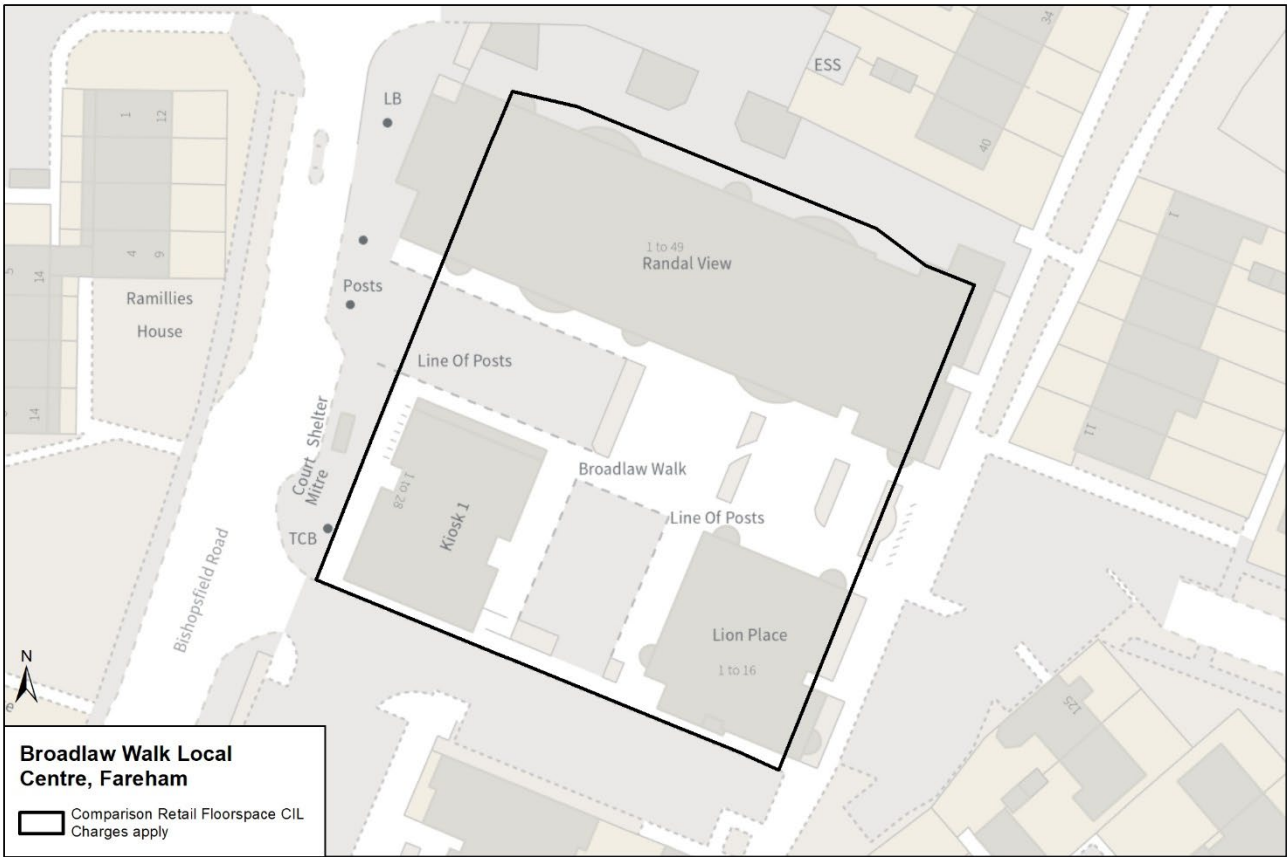
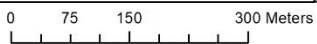
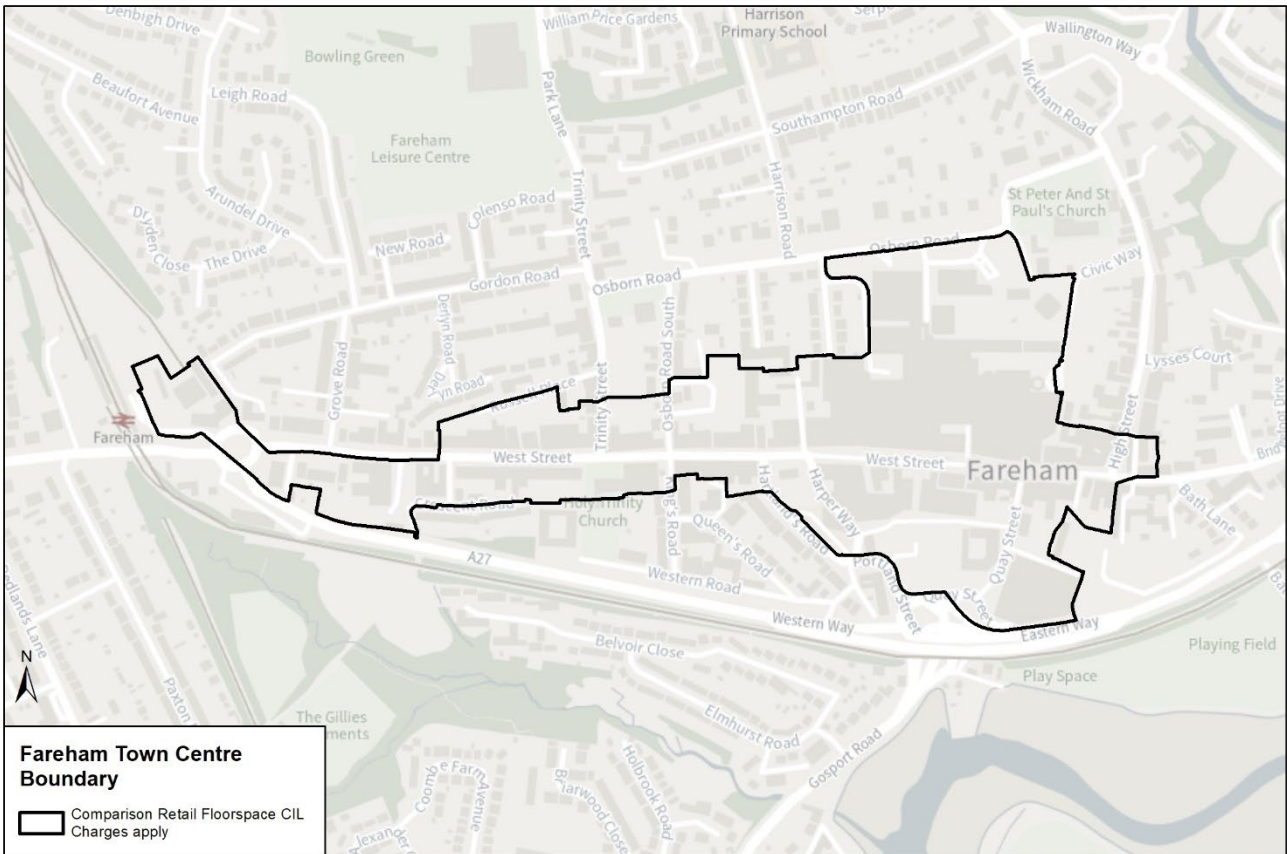


Figure 3: Comparison Retail Charging Zones

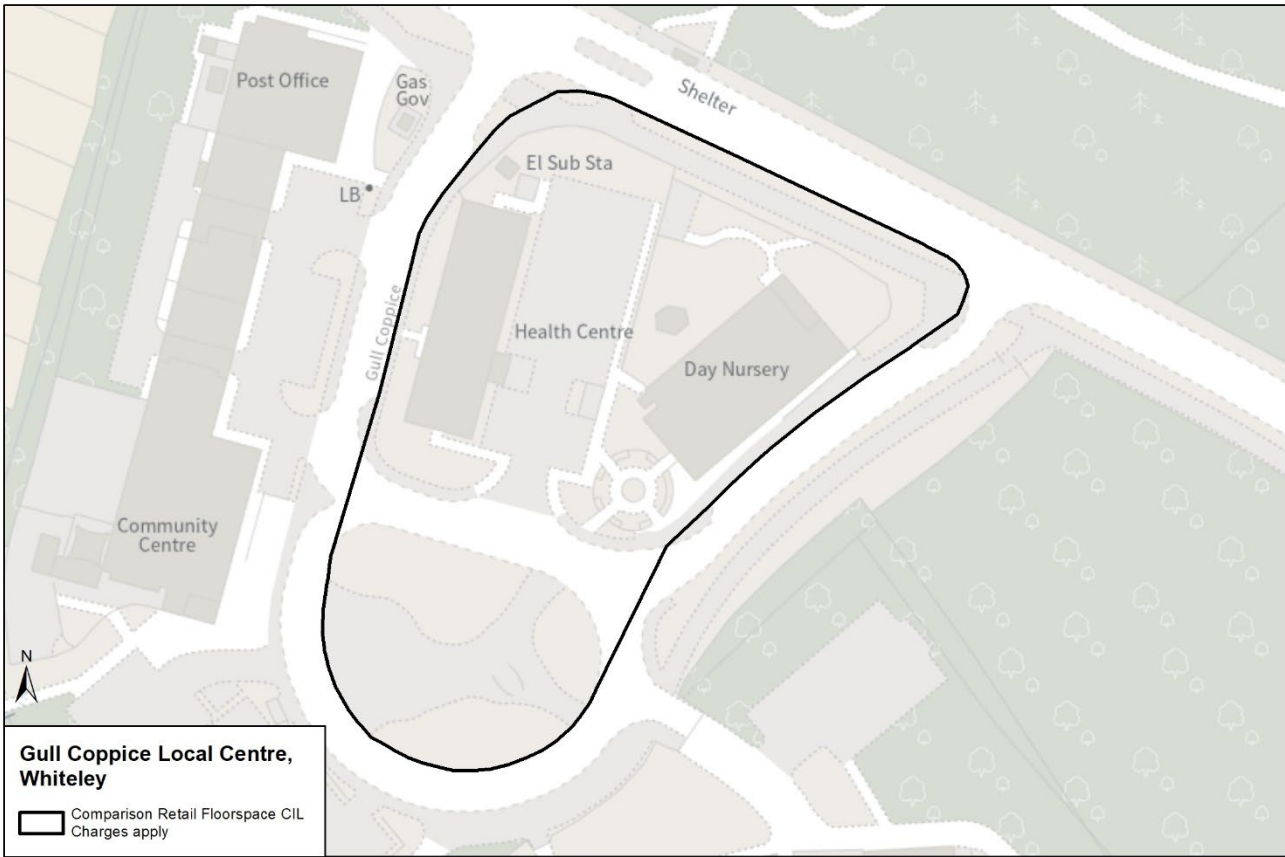




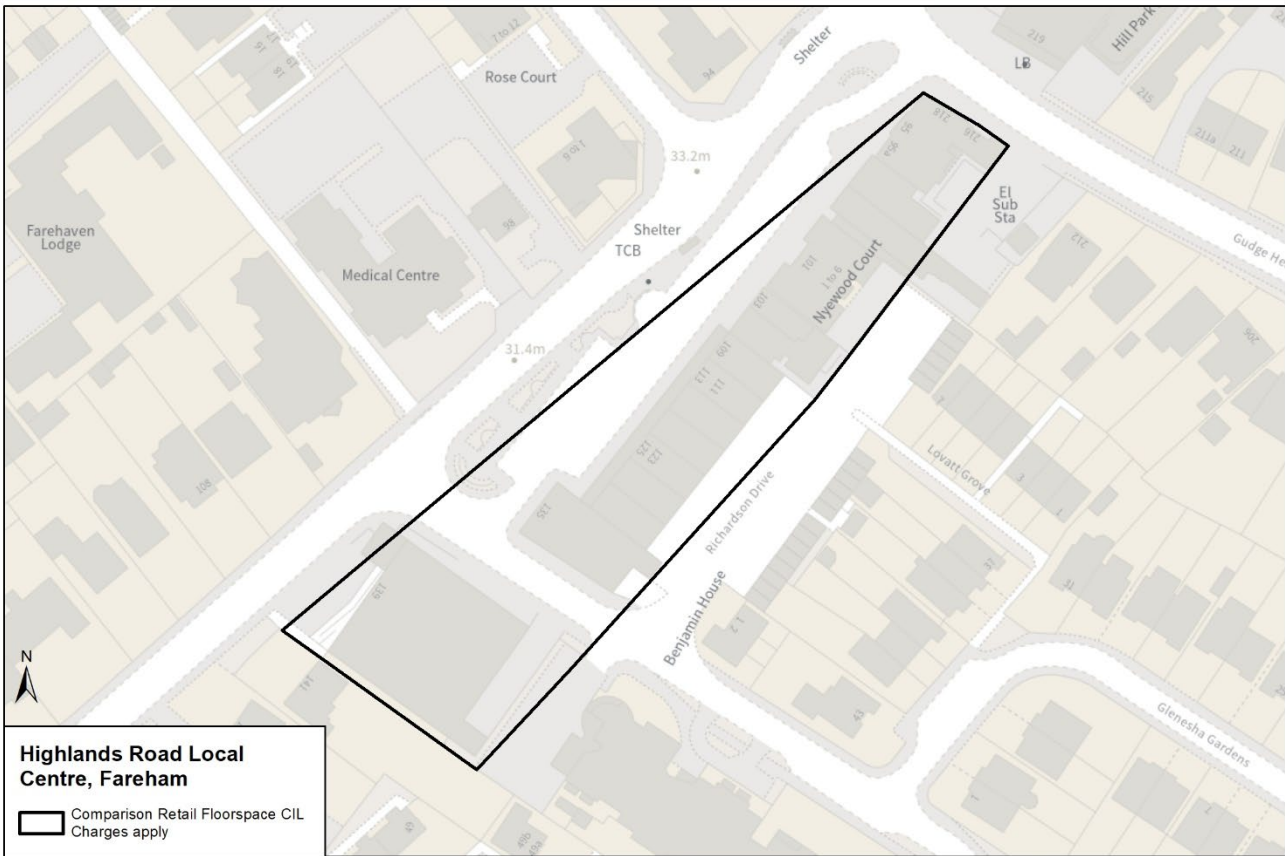
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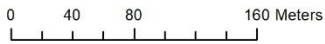
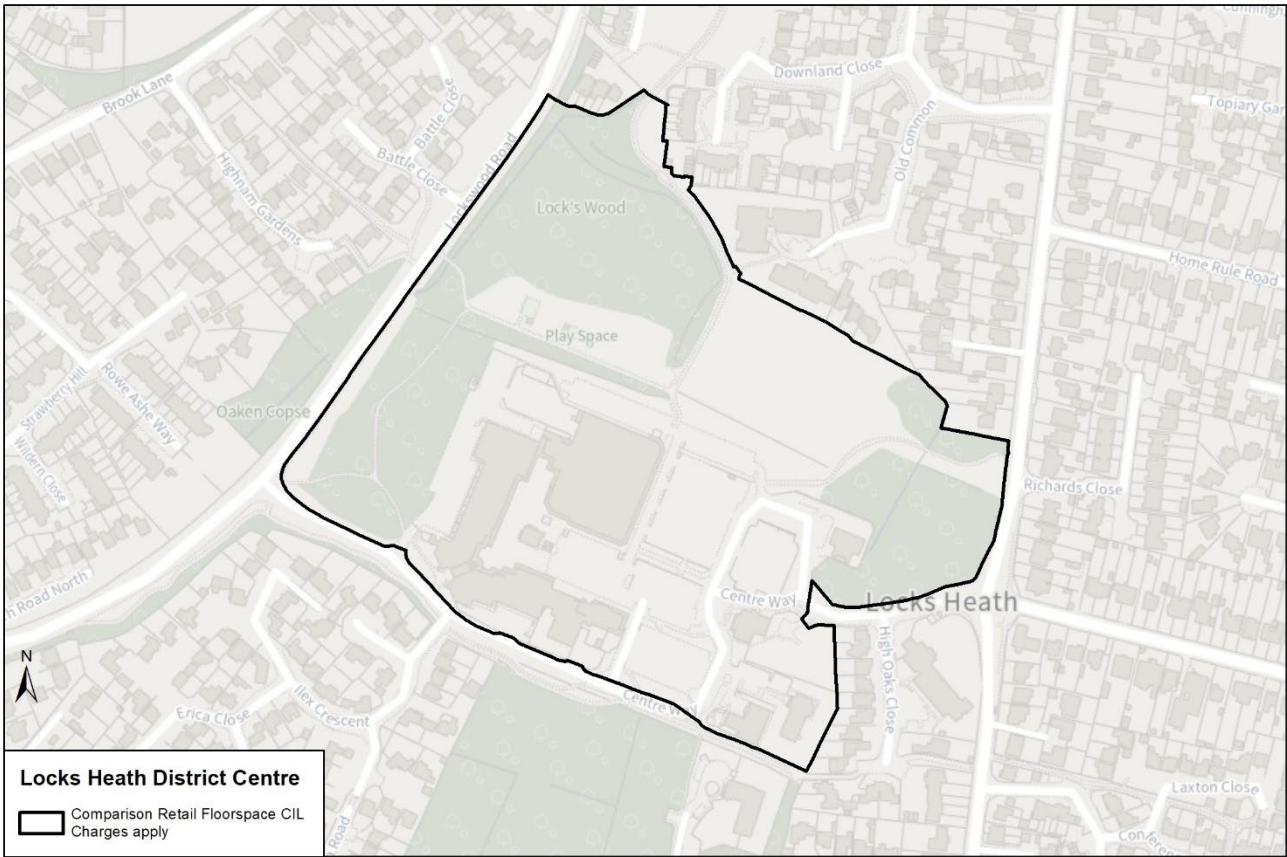
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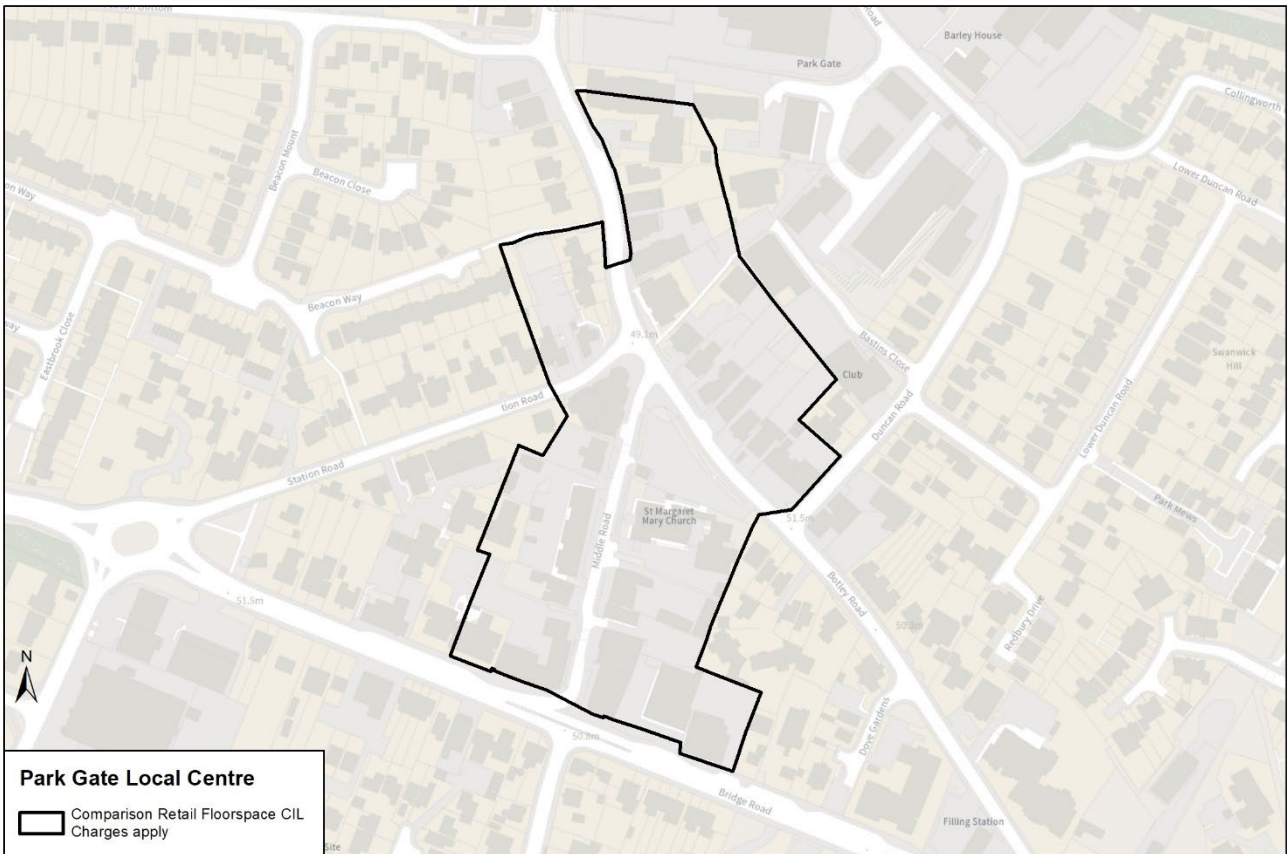
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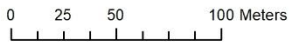
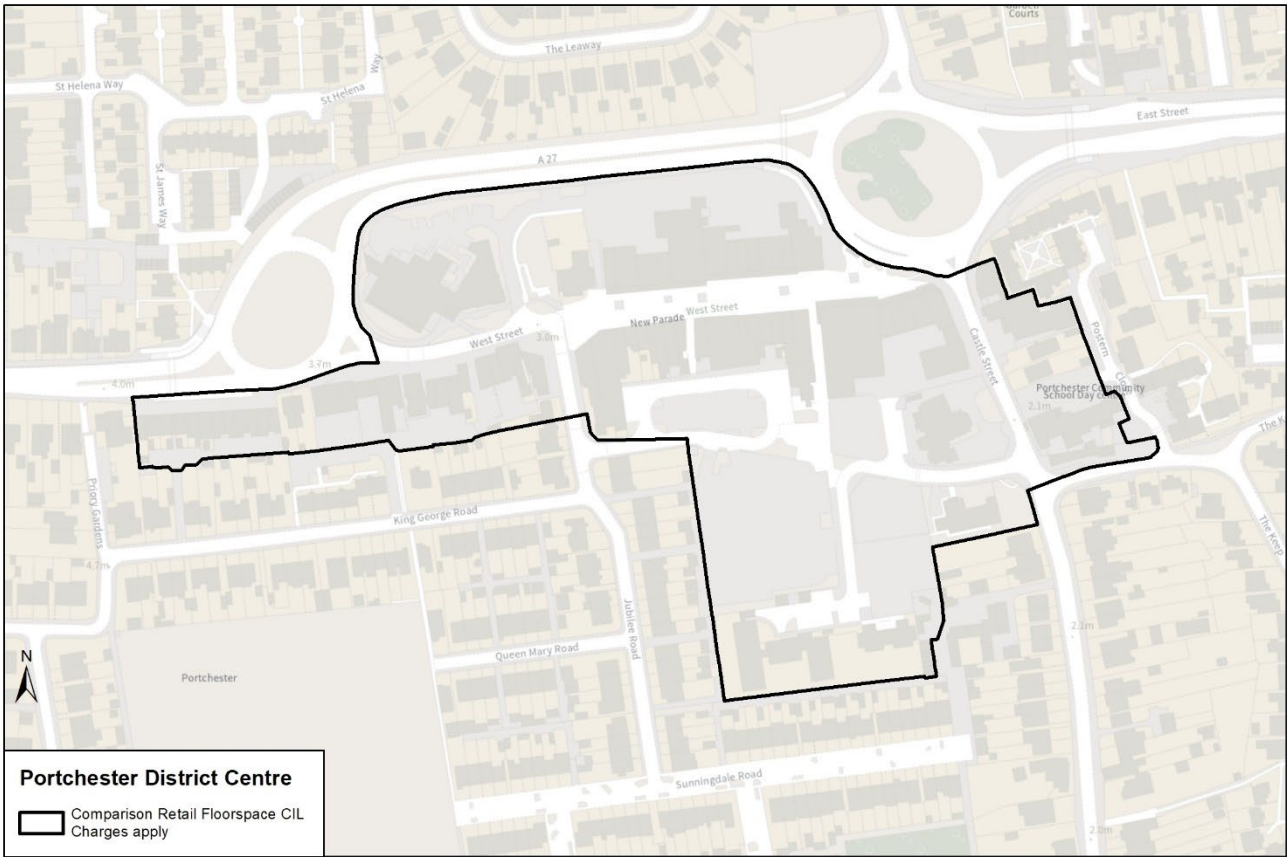
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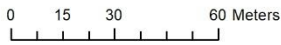
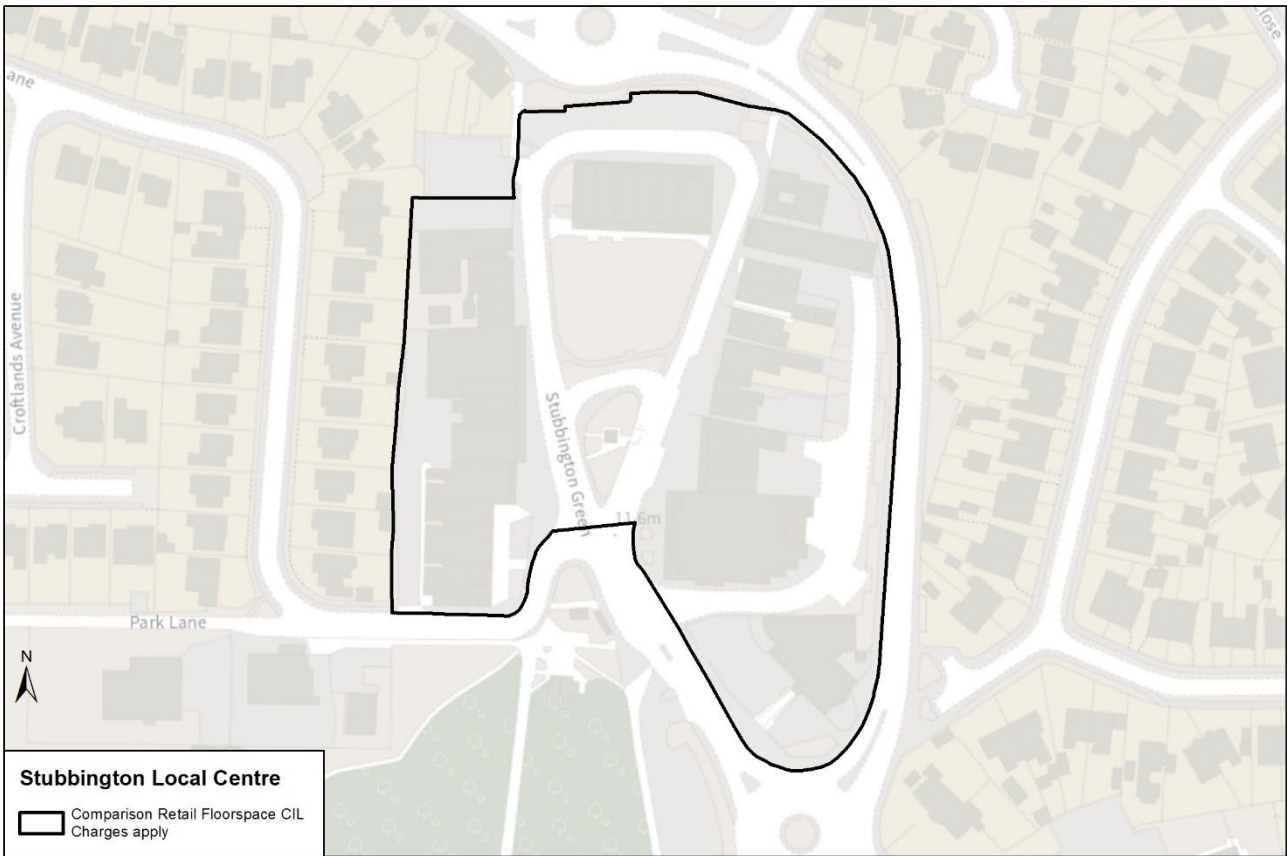
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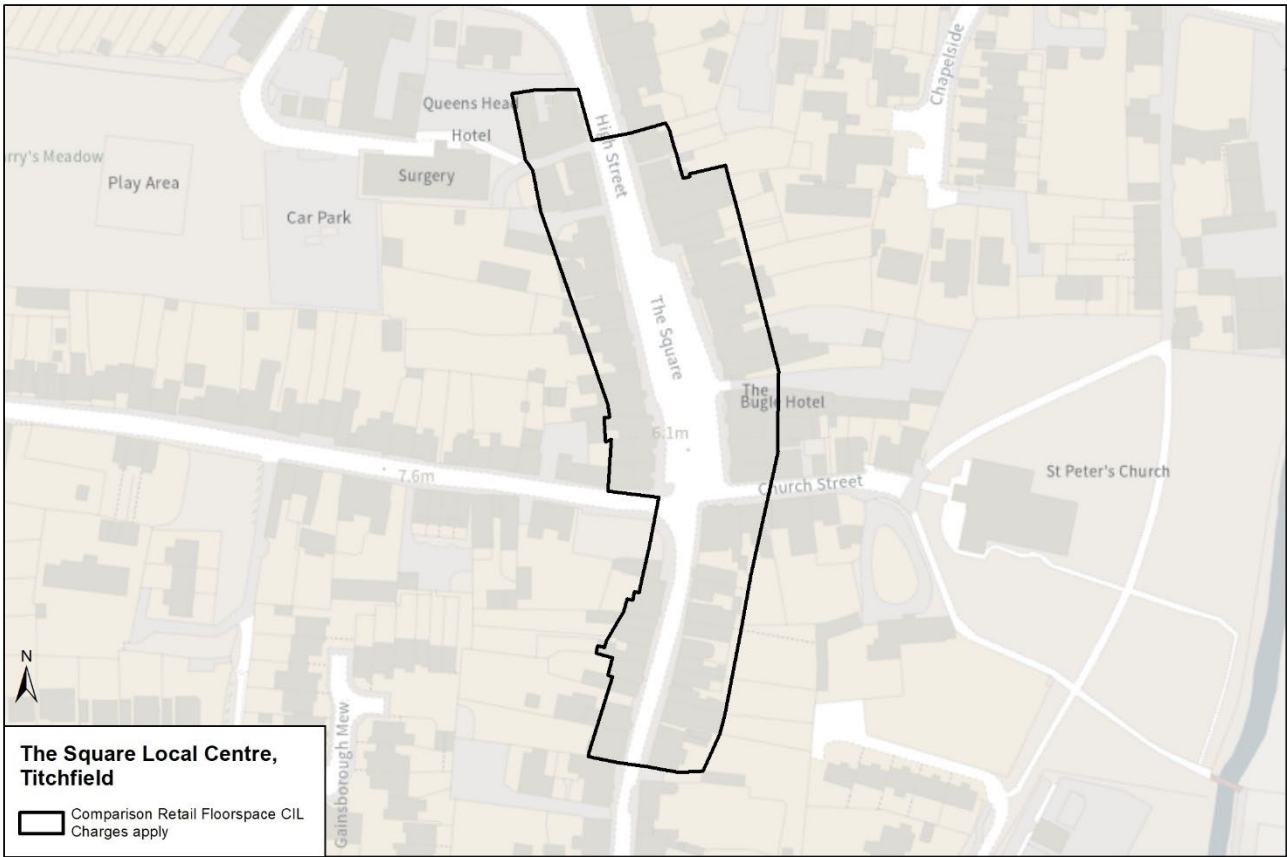
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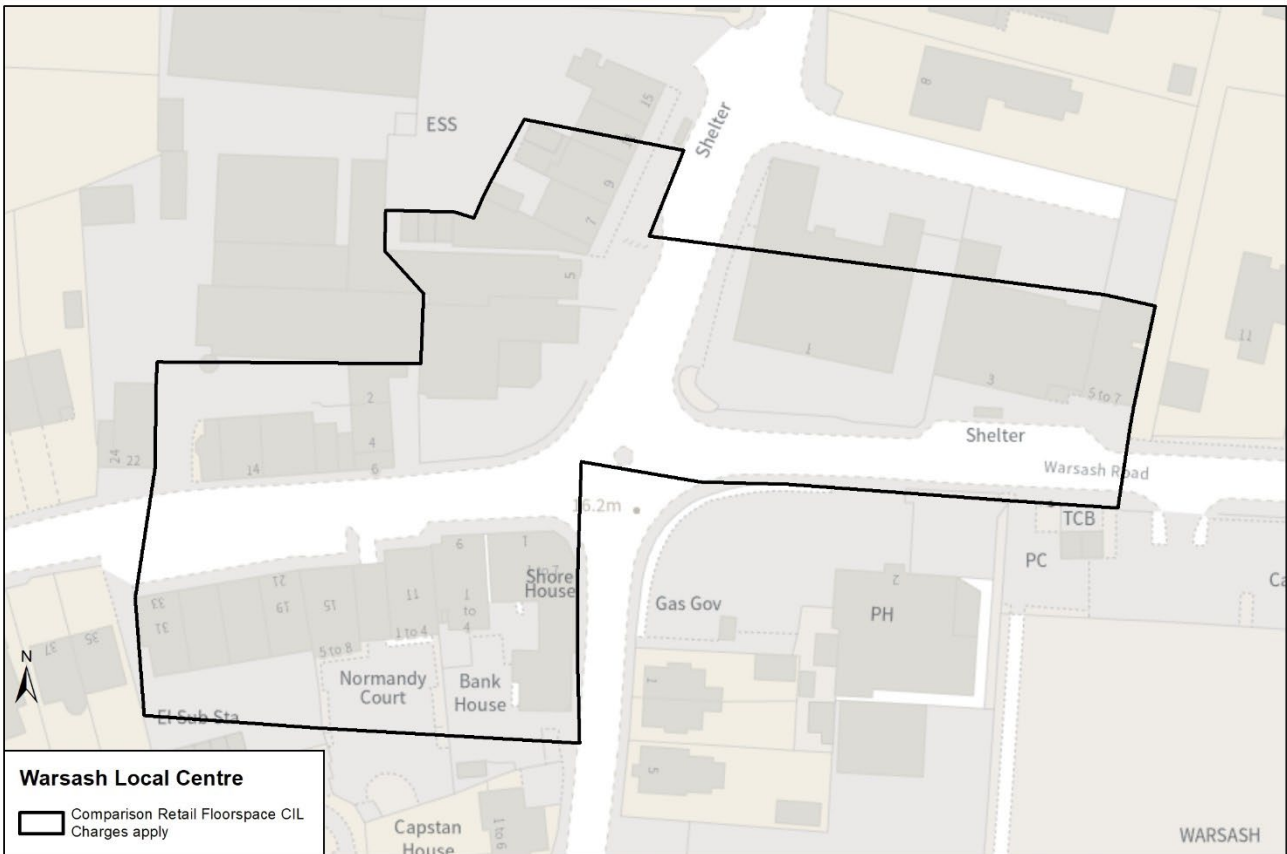


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Fareham Borough Council

**Community Infrastructure Levy Charging Schedule
Review**

**Regulation 19 Representation Statement
And
Statement of Modifications**

June 2023

Regulation 19 Representation Statement

1. Fareham Borough Council consulted on a revised charging schedule for 6 weeks from Friday 17th March to Monday 1st May 2023. Electronic and written notifications were sent to consultees and every organisation and individual on the Planning Strategy consultation database, and paper copies deposited in libraries. The announcement was also on the Council's 'Have Your Say' and Planning Strategy website consultation pages.
2. A total of 8 representations were made from organisations and individuals. The following sets out the representations made along with the response from the council.
3. The council has received two requests from representors to take part in the Examination:
 - Miller Homes
 - Hallam Land Management

Statement of Modifications

4. Under the provisions of the CIL Regulations 2010 (as amended), the Council is able to modify the CIL Draft Charging Schedule following publication and consultation. Where changes are proposed, the Council is required to produce a Statement of Modifications, inform consultation bodies invited to make representations on the Draft Charging Schedule, and provide an opportunity to request a right to be heard by the Examiner in relation to the proposed changes.
5. The Council is proposing one modification which is set out following the Responses and Council Response section.

Representations and Council Response

Name / organisation	
Southern Water	
Summary of the main issues raised	Fareham Borough Council response
No comments.	Noted.

Name / organisation	
Hampshire and Isle of Wight Fire and Rescue Service	
Summary of the main issues raised	Fareham Borough Council response
There is no specific reference to emergency services in the consultation document but lists the increase of traffic and people to the area. HIWFRS enquires how emergency services can request CIL funding to invest in facilities to prepare for the influx.	<p>Comments noted but no changes considered necessary.</p> <p>The Council currently determines how it spends CIL money through the Executive process. The Council does not invite requests for projects to be funded.</p> <p>The Local Plan Infrastructure Delivery Plan identified HIWFRS requirements, and the Council has been in discussions with the Service as to how it can help facilitate new infrastructure development.</p>

Name / organisation	
Resident 1	
Summary of the main issues raised	Fareham Borough Council response
<p>It seems right and proper that developers pay for the infrastructure which facilitates them making vast profits on new builds.</p> <p>1) Developers should absolutely pay CIL on older persons retirement accommodation on Green Field sites. These units are sold on the open market to the over 55's with good resources</p> <p>2) It would have been helpful if you'd referenced why Welborne is rated 0% for CIL. I'm sure there was a deal done some while ago (possibly as Government funding was procured to cover it?) but just showing it as exempt leaves a question as to why that is.... otherwise the comment would be that Welborne will require vast amounts of infrastructure (not least a new M27 junction) and so why should the developers not pay for that?!</p>	<p>Comments noted and support welcomed but no changes considered necessary.</p> <p>The Charging Schedule sets a charge for older persons housing schemes on greenfield land. The charge is set lower than traditional residential however, as there are a lot more costs involved in these schemes, therefore making viability more marginal.</p> <p>Welborne was the subject of a separate viability study and CIL examination in 2020. The process concluded that due to the substantial developer contributions being sought from the site to pay for the infrastructure including the new motorway junction, 3 new schools (likely to be in excess of £300 million total value) that any additional CIL liability would detrimentally impact the viability of the scheme.</p>

Name / organisation	
Historic England	
Summary of the main issues raised	Fareham Borough Council response
<p><u>Funding through CIL.</u> The CIL covers a wide definition of infrastructure in terms of what can be funded by the levy and is needed for supporting the development of an area. This can include:</p> <ul style="list-style-type: none"> • open space: as well as parks and gardens, this might also include 	<p>Comments noted but no changes considered necessary.</p> <p>The Council currently determines how it spends CIL money through the Executive process and publishes how it has spent CIL, and how it</p>

<p>wider public realm improvements, possibly linked to a National Lottery Heritage Fund scheme, and green infrastructure;</p> <ul style="list-style-type: none"> • ‘In kind’ payments, including land transfers; this could include the transfer of an ‘at risk’ building; • Repairs and improvements to and the maintenance of heritage assets where they are an infrastructure item as defined by the Planning Act 2008, such as cultural or recreational facilities. <p>The Localism Act 2011 also allows CIL to be used for maintenance and ongoing costs, which may be relevant for a range of heritage assets, for example, transport infrastructure such as historic bridges or green and social infrastructure such as parks and gardens. Historic buildings may offer opportunities for business or employment use – infrastructure to support economic development. Investment in heritage assets and the wider historic character of an area may stimulate and support the tourism offer and attractiveness of a place to retain and attract economic development. For example, this may entail work on listed buildings at risk, noting too a local Building at Risk Survey was organised by the Council in 2006 (we’re unaware if this has been refreshed). Conversely, vacant or underused heritage assets not only fail to make a full contribution to the economy of the area, but they also give rise to negative perceptions about an area and discourage inward investment. We therefore suggest that the Council consider if any heritage-related projects in the Borough would be appropriate for CIL funding. The Local Plan’s evidence base may demonstrate the specific opportunities for CIL to help deliver growth and in so doing meet the Plan’s objectives for the historic environment.</p>	<p>intends to spend future CIL through the published Infrastructure Funding Statements.</p>
<p><u>Impacts on viability</u> The Council should also be aware of the implications of any CIL</p>	<p>Comments noted but no changes considered necessary.</p>

rate on the viability and effective conservation of the historic environment and heritage assets in development proposals. For example, there could be circumstances where the viability of a scheme designed to respect the setting of a heritage asset in terms of its quantum of development could be threatened by the application of CIL. There could equally be issues for schemes which are designed to secure the long-term viability of the historic environment (either through re-using a heritage asset or through enabling development). Paragraph 190 of the National Planning Policy Framework requires plans to set out a positive strategy for the conservation and enjoyment of the historic environment, including heritage assets most at risk through neglect, decay or other threats. In relation to CIL, this means ensuring that the conservation of heritage assets is taken into account when considering the level of the CIL to be imposed so as to safeguard and encourage appropriate and viable uses for the historic environment. We consider it essential, therefore, that the rates proposed in areas where there are groups of heritage assets at risk are not at a level that would be likely to discourage schemes being brought forward for their reuse or associated heritage-led regeneration. In such areas, there may be a case for lowering the rates charged.

In addition, we encourage local authorities to assert in their CIL Charging Schedules their right to offer discretionary CIL relief in exceptional circumstances e.g. where development which affects heritage assets and their settings and/or their significance, may become unviable if it was subject to CIL. In such circumstances, we urge local authorities to offer CIL relief and for the conditions and procedures for CIL relief to be set out in a separate statement following the Charging Schedule. The statement could set out the criteria to define exceptional circumstances and provide a clear rationale for their use, including the justification in terms of the

The Council notes the concerns regarding the impact on historically sensitive development of a potential CIL charge. The Council has previously taken the decision to not include Discretionary relief for exceptional circumstances as it was not considered that there are merits for this within the borough given that exceptional circumstances can only be granted where a) there is a section 106 in place, and b) the cost of complying with the s106 is greater than the chargeable amount in respect of CIL. This is still unlikely to be the case where heritage assets are concerned given the small scale nature of the schemes involved. However, flattened development within the town centre (which includes the historic assets along the high street) is zero rated as set out in the Charging Schedule.

<p>public benefit (for example, where CIL relief would enable the restoration of heritage assets identified on Historic England's Heritage at Risk Register). The statement could also reiterate the need for appropriate notification and consultation.</p>	
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Name / organisation	
The Planning Bureau Limited on behalf of McCarthy and Stone	
Summary of the main issues raised	Fareham Borough Council response
<p>We have reviewed the Viability Assessment (VA), November 2022 by Three Dragons with respect of older person's housing. We support the Council on their decision to test the viability of a number of forms of specialist accommodation for the elderly including sheltered (retirement living), extra care (supported living) and care homes on both brownfield and greenfield sites.</p> <p>As an outcome of the testing of these typologies the Council are providing a separate reduced levy rate of £28 per m2 for Sheltered housing on greenfield sites in line with the conclusion of the VA at para 5.34 that states 'If the Council is minded to have a charge on just the retirement (sheltered) form of accommodation then with a reasonable buffer (at 50% of the headroom), the CIL rate could be £28/sq m. This would represent just under 1% of GDV for the tested scheme, so would be reasonable rate of CIL to apply.'</p> <p>We note that all of the other older persons housing typologies tested resulted in a negative headroom. This is identified at para 5.31 and 5.32 of the VA that confirms: '5.31 In terms of the retirement (sheltered) homes it is noted that</p>	<p>Comments noted and support welcomed.</p> <p>The Council agrees that the wording of the Charging Schedule consulted upon is ambiguous and could be improved. The Council is therefore proposing a revised description of development as a proposed modification to the Charging Schedule. The footnote to the Charging rates table sets out the definition of sheltered housing for further clarity and this will remain.</p>

<p>on greenfield sites these show a small headroom but not at a level that would be able to accommodate the standard residential proposed rate of £195/sq m. However, for sheltered homes on higher value brownfield land the headroom is negative.</p> <p>5.32 The assisted (extra care) homes are less viable than sheltered homes due to the higher development costs for this form of older person homes. It would not be viable on the basis of this testing approach with any CIL rate for either greenfield or brownfield sites.'</p> <p>Given the reduced rate for sheltered housing (greenfield) that has been detailed within the charging schedule, we would recommend that the conclusion of the VA with respect to other forms of older person's housing is clarified within the charging schedule. This is in order for the schedule to be clear that proposals for older person's housing other than for sheltered (greenfield), are exempt from the CIL charge.</p> <p>We therefore recommend that the following wording is added to the 'Standard Charge' box: 'Standard charge (applies to all development not separately defined above, for example, offices, warehouses, leisure, education facilities, extra-care housing on greenfield and brownfield sites, sheltered housing on brownfield sites and care homes'.</p> <p>This would provide clarity to the draft CIL charging schedule and ensure that the schedule is consistent with its own evidence and therefore with national policy.</p>	
<p>Notwithstanding the above support and recommended amendment, it is noted that the Council also have updated draft</p>	<p>Comments noted but no changes considered necessary.</p>

<p>Planning Obligations SPD (draft SPD) out for consultation. The Council should note that some elements of the draft SPD have not been included in the VA, e.g. tree maintenance, or have been included, but the financial contribution in the VA is not as great as that expressed within the draft Planning Obligations SPD e.g. open Space provision and maintenance. The Council should therefore either incorporate the requirements expressed within the draft SPD within the VA and make corresponding changes to the CIL charging schedule and reconsult or delete the requirements from the draft Planning Obligations SPD. This would ensure that the draft Planning Obligations SPD is consistent with the PPG on Planning Obligations Paragraph: 004 Reference ID: 23b-004-20190901 which states: ‘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’</p>	<p>The Viability study undertook a sensitivity test to reflect the potential cost increase based on figures proposed in the Planning Obligations SPD. The process for this is included in paragraph 5.15 onwards in the Viability Study. The result of this sensitivity test was that the headroom reduced. However, when including the cumulative impact of the other sensitivity tests, the results suggest that the headroom is still comfortably within the headroom buffer, meaning a positive CIL rate proposed remains viable. Noting that the cumulative impact is presenting a worst case scenario in terms of costs.</p>
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Name / organisation	
Terrence O’Rourke on behalf of Miller Homes	
Summary of the main issues raised	Fareham Borough Council response
<p>MH key concern is that the scale of change proposed on residential CIL rates is considerable. The proposed increase in rates is c. 85% (from the current £105 to £195 per sqm), therefore it is likely that development sites that have been procured or agreed to purchase under the existing CIL regime and will be delivered under the new regime will be those most affected. This includes many sites that have taken the time to progress through the Council’s preferred system of promotion for allocation and</p>	<p>Comments noted but no changes considered necessary.</p> <p>The proposed CIL rates are an increase on the currently adopted rates (set in 2013) and whilst the base rate is currently £105, the rate has increased as a result of indexation as per the CIL regulations, with the current charge (2023) being £167.50. The new charge reflects a range of considerations including the significant increase in market sales values since the adoption of the current Charging</p>

<p>allocation in the Plan, before making a planning application. For these sites in particular, there is a risk that if after factoring in updated CIL costs those schemes are no longer able to deliver policy compliant sums for contributions sought (under the obligations SPD) and a policy compliant amount of affordable housing. It is understood that in developing a borough wide CIL study the Council is required to consider generic development. However, on a site-specific basis we would highlight the following considerations;</p>	<p>Schedule in 2013. The Council is comfortable therefore that viability of schemes will not be unduly affected by the increase in the levy, given the increase in values across the borough.</p>
<p>A single £/sqft rate to calculate residential gross development value (GDV) applicable to all development sites across the borough is likely to overestimate value in some parts of the borough. Where this is the case, it should be expected that affordable housing will be reduced on site specific applications to balance the additional CIL requirement.</p>	<p>Comments noted but no changes considered necessary.</p> <p>Paragraph 4.7 onwards of the viability study explains why a single value area has been used across the borough and is consistent with the recently found sound approach supporting the Local Plan. Whilst accepting that there will always be localised variances on any single scheme, the assumptions around values, which are based on Land Registry sales values evidence, are considered to be realistic. The significant headroom in the results mean that even when values are under the average there is still sufficient scope for CIL and the s106 requirements.</p>
<p>The adoption of reduced Building Cost Information Service (BCIS) build rates for larger sites assuming economies of scale is only relevant if an entire development site is delivered by a single developer. It is very common on large sites that several developers will build out phases and sell from multiple outlets, thereby making it impossible to achieve the economies of scale assumed (supporting lower build costs) as the delivery is not carried out by a single entity. This point is recognised in the sales timing section to speed up delivery from 100 unit sites, therefore no further</p>	<p>Comments noted but no changes considered necessary.</p> <p>The Council disagrees with the assertion in regard to economies of scale. As indicated in para 4.21 CIL VA, research by BCIS and evidence from other viability studies shows that economies of scale from larger sites is a common approach underpinned by reality. Please note that the lowest rate of build costs only applies to sites of over 250 dwellings (Table 4.8 CIL VA).</p>

<p>reduction to BCIS rates should apply from this point (100 units) onwards.</p>	
<p>A 10% allowance for external works and contingency for schemes over 10 units is too low. The 15% allowance should be used to a much greater threshold, if not throughout.</p>	<p>Comments noted but no changes considered necessary.</p> <p>The 10% allowance for external works and contingency for schemes over 10 units is considered appropriate as these sites also include a separate further allowance for site infrastructure as well as a separate additional allowance for garages (100% 4 beds & 50% 3 beds). In combination this amounts to a substantial cumulative allowance for larger sites.</p>
<p>A 6% finance rate is not representative of the current market. It should be 7% as an all in equivalent rate now. It is much higher than this for SME developers.</p>	<p>Comments noted but no changes considered necessary.</p> <p>A sensitivity test was carried out to reflect a notional increase in finance rates at 10%. This is set out in para 5.9 CIL VA. Greenfield typologies see a reduction in headroom but are still considered to be viable. The significance is less than the brownfield typologies.</p>
<p>Based on the above, and after factoring in the updated proposed CIL costs as well as the updated planning obligation contributions sought, 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 (with regard to the actual and expected cost of infrastructure, viability of development, other actual or expected sources of funding for infrastructure and administrative expenses in connection with the levy), ensuring that changes do not undermine the deliverability of the Local Plan, in accordance with paragraph 34 of the National Planning Policy Framework (2021) and the National Planning Practice Guidance (Paragraph: 005 Reference ID: 23b-005-</p>	<p>Comments noted but no changes considered necessary.</p> <p>The Viability study undertook a sensitivity test to reflect the potential increase based on figures proposed in the Planning Obligations SPD. The process for this is included in paragraph 5.15 onwards in the Viability Study. The result of this sensitivity test was that the headroom reduced. However, when including the cumulative impact of the other sensitivity tests, the results suggest that the headroom is still comfortably within the headroom buffer, meaning a positive CIL rate proposed remains viable. Noting that the cumulative impact is presenting a worst case scenario in terms of costs.</p>

<p>20190315, Paragraph: 010 Reference ID: 25-010-20190901, Paragraph: 016 Reference ID: 25-016-20190901).</p> <p>MH would also request the 'right to be heard' at the examination if necessary.</p>	
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Name / organisation	
LRM Planning on behalf of Hallam Land Management	
Summary of the main issues raised	Fareham Borough Council response
<p><u>Viability assumptions</u> Amongst the typologies considered in the Viability Assessment is a large greenfield site – allocation R14. This represents 1000 new homes on a greenfield site. This is the closest comparable to HA55, albeit HA55 is some 25% larger and, as described, has specific policy requirements and prescriptions that are not accounted for in this typology's assumptions. Table 3.1 suggests a density of 35 dwellings per hectare, whereas the Supporting Masterplan Principles document requires an average of 43 dwellings per hectare across the allocation. Table 3.1 also suggests a gross to net ratio of 60:40, whereas the policy prescriptions result in a gross to net ration of 75:25 for HA55</p>	<p>Comments noted but no changes considered necessary.</p> <p>The PPG guidance on Viability emphasises the need for proportionate evidence, and states at paragraph 004 that</p> <p><i>'A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.'</i></p> <p>In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan. The Council is confident that what has been tested broadly reflects the type of development, and that the sensitivity tests undertaken provide headroom that will account for some of the issues raised.</p>

'Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology'.

The viability study, whilst not mentioning HA55 in paragraph 2.6 does consider a greenfield large mixed scheme of 1,000 dwellings as a typology. This was an approach agreed for the Local Plan and CIL Review Viability Assessment at the development industry workshop in 2019, in which Hallam Land Management took part, as an appropriate typology (Appendix G of the CIL Viability Assessment).

This approach was used and tested through the Local Plan examination and found to be appropriate and continued for the CIL review. The assessment uses a set of assumptions and costs that are applied to all typologies and are therefore a standard set of assumptions that are based on accepted and examined practice, both local and national. The viability testing therefore uses a suitable set of generic typologies for large sites whereas some of the points made in the representation refer to specific characteristics being currently discussed as part of a planning application.

It is not possible to pre judge the outcome of these planning application discussions which is why the assessment relies on suitable and reasonable typologies. Should the deviations from the standard assumptions lead to viability considerations then these will be considered through the application process, however the Council is firmly of the belief that there is sufficient headroom within the modelling to account for those changes and that this is highlighted in

	table 5.8 of the report that shows an 85% buffer for the £195 charge, and 3.1% of GDV for the typology.
<p><u>Viability assumptions Housing Mix</u></p> <p>The form of development set out in the Masterplanning Principles associated with HA55 requires not just a higher density of development than assumed in the equivalent typology, but also a housing mix that has a disproportionate amount of one and two bedroom and flatted accommodation in comparison to a conventional greenfield development. These two factors are interrelated. By their very nature the values associated with these types of dwellings are less.</p>	<p>Comments noted but no changes considered necessary.</p> <p>The viability testing uses a suitable set of generic typologies for large sites whereas some of the points made in the representation refer to specific characteristics being currently discussed as part of a planning application.</p> <p>It is not possible to pre judge the outcome of these planning application discussions which is why the assessment relies on suitable and reasonable typologies.</p>
<p><u>Viability assumptions values and development costs</u></p> <p>We infer from the Viability Assessment that the data sets employed are derived from a desk-based assessment over the past five years. During this time, we have experienced the depths of the pandemic which artificially enhanced market values, particularly in areas by the coast such as Fareham. The market is clearly less buoyant today but that will not have been factored into the evidence collated to support the Viability Assessment. Moreover, there has been a marked increase in inflation both in terms of build and labour costs, far in excess of longer term economic position that preceded 2020. It would be reasonable to describe the economic outlook as most uncertain at the present time and the prospect of a recession is ever present at the current time. Over the development lifecycle of HA55, a stagnant economy and market absorbing increasing in costs is very much a possibility.</p> <p>The extent to which HA55 can absorb additional development costs via CIL without any commensurate off-setting of obligations</p>	<p>Comments noted but no changes considered necessary.</p> <p>The VA is a point in time, and it is recognised that costs and values will vary over the intended lifetime of charging schedule, which is why a buffer is used in setting the recommended rates. Furthermore, the results of the sensitivity testing (Table 5.7 CIL VA) which include a cumulative range of higher cost factors shows that there remains a substantial viability headroom for the larger sites.</p> <p>We note that some of the points raised in the representation are related to wider housing market delivery issues rather than viability.</p>

<p>is highly questionable. The base data is set out in Appendix D. This data set is that which was used in 2021 adjusted by a House Price Index and undertaking a sensitivity check in Summer 2022 based on asking prices. That data will have been distorted by the impacts on the market during the pandemic where conditions were exceptionally buoyant. It does not take account of the post covid situation and the increase in interest rate scenario which is now causing the market to readjust. Build Costs have and are continuing to increase dramatically due to shortage of supply and inflation even since the BCIS data taken from August 2022. We believe build costs are too low.</p>	
<p><u>Viability assumptions development costs</u> Moreover, flatted development which is significantly more costly to build (see table 4.8) and this has contributed to flatted development in Fareham Town Centre being Zero rated. HA55, because of the nature of the development, will comprise a significant proportion of flatted development (20%), which is greater than the assumption in RF14 typology.</p>	<p>Comments noted but no changes considered necessary.</p> <p>RF14 typology includes 189 flats across market and affordable tenures equivalent to c19%.</p>
<p><u>Viability assumptions development costs</u> Finance at 6% is too low particularly when considering current prevailing conditions.</p>	<p>Comments noted but no changes considered necessary.</p> <p>A sensitivity test was carried out to reflect a notional increase in finance rates at 10%. This is set out in para 5.9 CIL VA. Greenfield typologies see a reduction in headroom but are still considered viable.</p>
<p><u>Viability assumptions development costs</u> Similarly, agent and Legal fees can be expected to be 3% not 1.75%</p>	<p>Comments noted but no changes considered necessary.</p> <p>Table 4.9 CIL VA sets out marketing/legal/sale costs at 3% (nominally set at 1.5%/0.5%/1% respectively) of GDV as well as a further legal allowance of £500 per affordable unit. Table 4.9 also identifies an allowance for costs associated with land purchase of 1.75%</p>

	(nominally set at 1% agents and 0.75 for legal). Both these allowances are within the range of CIL and Local Plan viability studies found sound at examination.
<u>Viability assumptions development costs</u> Benchmark Land Values, based on 2019 figures are now out of date	Comments noted but no changes considered necessary. Paras 4.39 – 4.48 and Appendix F CIL VA set out the sources and estimates of existing use and the premium applied in order to estimate an EUV plus approach to benchmark land values.
<u>Viability assumptions policy and mitigation costs</u> For Solent Mitigation, HA55 is required to provide accessible greenspace as part of the development to accord with Criterion (g). This is provided for as part of the Illustrative Masterplan on land to the north of Tanners Lane and West of Peak Lane – accessible greenspace measures approximately 25 hectares in size, equivalent to 8ha per 1000 population and significantly in excess of the reference in the Local Plan to 2 ha per 1000 population for alternative natural greenspace (paragraph 9.135 refers). Irrespective of this, Natural England has expressed a view that, in addition to the proposed quantum of accessible greenspace, the full financial contribution to the Solent Recreational Mitigation Strategy is sought. Plainly the sums of £390 - £864 per dwelling in Table 4.9 bear no relationship to the actual costs of meeting Criterion (g). Natural England are also seeking financial contributions towards the Council's New Forest Interim Mitigation Strategy. Whilst Criterion (g) intends that the accessible greenspace mitigates the potential recreational disturbance at the New Forest, these financial contributions are not reflected in Table 4.9, and is only treated as a Sensitivity Test.	Comments noted but no changes considered necessary. The viability testing uses a suitable set of generic typologies for large sites whereas some of the points made in the representation refer to specific characteristics (such as the alternative natural greenspace) being currently discussed as part of a planning application. It is not possible to pre judge the outcome of these planning application discussions which is why the assessment relies on suitable and reasonable typologies. However, there is an allowance to meet the Solent Recreational Mitigation Strategy (£390 to £864 – dependant on size of unit). A sensitivity test was carried out to reflect the potential introduction of the New Forest Interim Mitigation Strategy. This is set out in paras 5.15-5.18 CIL VA. Greenfield typologies see a reduction in headroom but are still viable.
<u>Viability assumptions policy and mitigation costs</u>	Comments noted but no changes considered necessary.

<p>Under the heading “other non-affordable homes Section 106 requirements”, the total s106 allowances range from £8,200 to £8,700 with general housing at the higher end of the range. The broad split is referred to as:</p> <ul style="list-style-type: none"> • £3,500 towards education requirements; • £2,000 towards transport related requirements; and • £3,200 towards open space including management and maintenance. In the previous Section it has been illustrated how, simply for education alone, this range is exceeded; the education contribution in isolation is twice the total allowance proposed. Plainly these costs in Table 4.9 bear no relationship to the actual costs of meeting Policy HA55. 	<p>The viability testing uses a suitable set of generic typologies for large sites whereas some of the points made in the representation refer to specific characteristics being currently discussed as part of a planning application.</p> <p>It is not possible to pre judge the outcome of these planning application discussions which is why the assessment relies on suitable and reasonable typologies.</p> <p>As stated in para 4.32 CIL VA s106 allowances were based on a review of recent agreements, an approach supported by PPG which states ‘Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology’</p>
<p><u>Viability assumptions - Sales and build cash flow</u> Paragraph 4.36 indicates a build/sales rate of 150 dwellings per annum for a scheme of more than 500 units. This is different to that in the Borough Council’s trajectory at Local Plan Examination document FBC001, where the assumption is that the development will average a little more than 100 completions per annum. This has to be considered alongside site infrastructure costs in order to appreciate cash flow. Natural England has indicated that it requires the phases of green infrastructure to be laid out before first occupations; these are therefore upfront costs relative to each phase and have a negative effect on cash flow. Similarly, the education contributions are likely to be required early in the</p>	<p>Comments noted but no changes considered necessary.</p> <p>The viability testing uses a suitable set of generic typologies for large sites whereas some of the points made in the representation refer to specific characteristics being currently discussed as part of a planning application.</p> <p>It is not possible to pre judge the outcome of these planning application discussions which is why the assessment relies on suitable and reasonable typologies.</p>

<p>development programme to allow that infrastructure to be available in a timely manner; this too will have a negative effect on cash flow. The greater the negative effect on cash flow, the greater the financing requirement and the greater the financial cost of the scheme. The suggestion that a) site infrastructure and preparation are incurred at 25% upfront and the remainder spread in line with sales period; and b) policy and mitigation costs will be spread evenly in line with build costs do not appear to hold true in the instance of HA55. To achieve this would require other obligations to be off set later in the development programme to mitigate the negative effect on cash flow.</p>	<p>Para 4.35-4.37 confirms that the approach to build and sales rates was found sound at the recent Local Plan examination.</p>
<p><u>Infrastructure Delivery Plan</u> The most recent Infrastructure Delivery Plan is dated September 2020. At paragraph 2.10 it states: “The Community Infrastructure Levy (CIL) is a planning charge on new development introduced by the Planning Act 2008 as a tool for local authorities to help deliver infrastructure to support the development of their area. All new development comprising one dwelling or more or net additional floorspace of 100m2 or more may be liable for a charge under the CIL. The charge must not be set at a rate which would render development unviable but should also have regard to the actual and expected cost of infrastructure. The IDP will play an important role in providing that assessment of the total cost of the required infrastructure.” It is not clear from the consultation what, if any, role this IDP has played in assessing the actual and expected cost of infrastructure.</p>	<p>Comments noted but no changes considered necessary.</p> <p>The Additional Modifications to the Local Plan¹ agreed with the Inspector, included an addendum to the 2020 Infrastructure Delivery Plan by way of an update. This update includes both allocation HA55 and the commitment to fund Fareham Live through CIL.</p> <p>The amended IDP, as included in the Additional Modifications to the Local Plan) in combination with the latest Infrastructure Funding Statement form part of the basis for demonstrating the funding gap as required by PPG.</p>

¹ <https://moderngov.fareham.gov.uk/documents/s32974/Appendix%205%20Schedule%20of%20Additional%20Modifications%20to%20the%20Local%20Plan.pdf>

<p>HA55 is not referred to in the IDP because it predates its inclusion within the Local Plan. That said, the infrastructure requirements associated with that development are specified in the Policy itself where on site provision is required. The previous sections have shown how these measures, and those where funding is sought pursuant to Policy TIN4 exceed the assumptions that have been employed in the Viability Assessment. In some instances, the infrastructure elements required are to address existing deficiencies and meet needs of the existing communities.</p> <p>The absence of a consolidated IDP does not assist determining whether it would be more appropriate for HA55 to be excluded from CIL or alternatively how CIL will result in reduced Section 106 Obligations on the development. This is a matter that requires attention by the Council as was acknowledged by its consultants. Plainly, this has not happened.</p>	
<p><u>Use of CIL Funds</u> We understand that CIL funds are presently being used for the construction of a new arts venue to replace Ferneham Hall as part of the town centre regeneration area identified in the Local Plan. A Report to the Council’s Executive in May 2022 indicates that the construction costs, totalling 16.9m, will be funded by its CIL reserves and future receipts.</p> <p>There is no reference to this project in the Local Plan’s Infrastructure Delivery Plan, indicating no actual or perceived link between this project and the identified critical, important, or desirable infrastructure needed to support development in Fareham.</p>	<p>Comments noted but no changes considered necessary.</p> <p>The Additional Modifications to the Local Plan agreed with the Inspector, included an updated addendum to the 2020 Infrastructure Delivery Plan. This update includes both allocation HA55 and the commitment to fund Fareham Live through CIL.</p> <p>The Council currently determines how it spends CIL money through the Executive process and publishes how it has spent CIL, and how it intends to spend future CIL through the published Infrastructure Funding Statements.</p>

<p>This is an important point in that the Planning Practice Guidance indicates that Local authorities must spend the levy on infrastructure needed to support the development of their area.</p>	
<p>The development at Welborne is exempt from CIL and it is helpful to consider the reasons for this. In introducing CIL in April 2013, the Council recognised the substantial site-wide infrastructure costs associated with the Welborne Garden Village and committed to an early review of the charging schedule to respond to evidence that was emerging in line with the preparation of the Welborne Plan (Part 3 of the Fareham Borough Local Plan).</p> <p>HA55 and Welborne are similar in having specific infrastructure requirements that are specified, albeit in a Policy rather than a Plan, namely on and off-site pedestrian and cycle links, off-site highway improvements, bus based public transport infrastructure, travel planning and associated costs, surface water drainage and water quality mitigation measures, early years, primary and secondary school education provision, community facility and health care, elderly persons accommodation, solent waders and brent goose mitigation, Solent and New Forest SPA recreation disturbance mitigation, sports hub, and allotments. This is comparable in nature to those measures identified in the Welborne Infrastructure Delivery Plan.</p> <p>When considering the Welborne Infrastructure Delivery Plan, it identified the total infrastructure and enable costs for 6,000 new homes to be £250,000,000. This equates to circa 40k per plot. Already we know that the education requirement alone on HA55 will equate to almost 40% of that sum. It would not be unreasonable to assume that the per plot infrastructure and enabling costs are similar to Welborne.</p>	<p>Comments noted but no changes considered necessary.</p> <p>The allocation does not compare to Welborne. Welborne is a development of 6,000 new dwellings, which requires significant infrastructure requirements such as a new motorway junction and 3 new schools (1 secondary, 2 primary). The decision to zero rate Welborne was established through significant viability work that showed the impact the additional CIL liability (in the region of £70million) would have on viability.</p> <p>It is the view of the Council that there is no evidence to the contrary of the viability study that the site in question at HA55 is not viable as a result of this proposed charge, and therefore does not warrant anything but the full charge.</p>

<p>That proposition must then be viewed through the lens of Welborne providing only 10% affordable housing. In other words, the infrastructure costs at Welborne are absorbed to a far greater extent by market housing.</p> <p>In the event, Welborne was zero rated for CIL, yet it provides at best a comparable situation to HA55 and if considered in the context of the proportion of affordable housing, a more advantageous position.</p>	
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Name / organisation	
Natural England	
Summary of the main issues raised	Fareham Borough Council response
<p>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.</p> <p>Natural England does not consider that this Community Infrastructure draft Charging Schedule poses any likely risk or opportunity in relation to our statutory purpose, and so does not wish to comment on this consultation.</p>	<p>Comments noted but no changes considered necessary.</p>

Statement of Modifications

7. The Council has decided to amend the ‘types of development’ definitions set out in the Draft Charging Schedule, and as such have prepared this Statement of Modifications.
8. Under the provisions of the CIL Regulations 2010 (as amended), the Council is able to modify the CIL Draft Charging Schedule following publication and consultation. Where changes are proposed, the Council is required to produce a Statement of Modifications, inform consultation bodies invited to make representations on the Draft Charging Schedule, and provide an opportunity to request a right to be heard by the Examiner in relation to the proposed changes.
9. This Statement of Modifications sets out the modifications which have been made to Fareham Borough Council’s Revised Draft Charging Schedule.
10. The Draft Charging Schedule was published for consultation on Friday 17th March 2023 for six weeks. The Council received representations from 8 respondents to the Revised Draft Charging Schedule within this consultation period, which ended on Monday 1st May 2023. There were two requests to be heard at the examination.
11. As required under Regulation 19 of the Regulations, a copy of this Statement of Modifications has been sent to each of the persons that made a representation under Regulation 15 and it has been published on the Council’s website at: [Community Infrastructure Levy Charging Schedule \(fareham.gov.uk\)](https://fareham.gov.uk/community-infrastructure-levy-charging-schedule).
12. Any person may further request to be heard by the Draft Charging Schedule’s Examiner in relation to the modifications set out in this document. Any request must be made to the Council within four weeks beginning with the day on which the Draft Charging Schedule is submitted to the Examiner in accordance with Regulation 19 (1). Any representation requests must only be in relation to the modifications set out in this document.
13. The Charging Schedule and supporting document was submitted for examination on **Wednesday 14th June 2023**.
14. Any request to be heard by the Examiner in relation to these modifications must be:
 - Submitted to Fareham Borough Council in writing before **5pm Wednesday 12th July 2023**.
 - Include details of the modifications (by reference to this Statement of Modifications) on which the person wishes to be heard.
15. Persons requesting to be heard should indicate whether they support or oppose the modifications and explain why. In accordance with the Regulations, a copy of each request to be heard in relation to these modifications will be forwarded to the Examiner.
16. Requests to be heard may be withdrawn at any time before the opening of the Examination by giving notice in writing to Fareham Borough Council.

17. A request to be heard by the Examiner in relation to these modifications must be made in writing by post or email to:

Planning Strategy
Fareham Borough Council
Civic Offices
Civic Way
Fareham
PO16 7AZ
Email: planningpolicy@fareham.gov.uk

Proposed Modifications:

18. The proposed modifications relate to two distinct areas. Firstly, clarity around Sheltered Housing schemes, and secondly in relation to retail uses.

19. In relation to sheltered housing schemes, three alterations have been made to the 'type of development' definition, identified as M1a,b and c. These changes are intended to provide further clarity on what is included and not included in the charge on Sheltered retirement living schemes.

20. In relation to retail uses, As consulted upon, the charging schedule does not directly refer to 'other' retail uses in town centre, which the viability evidence shows is viable in terms of supporting a CIL charge. This proposed change would apply to new build convenience retail within Town Centres as identified in Figure 3 of the Charging Schedule.

21. The majority of planning applications in the town/district centres for retail uses are usually change of use, or very rarely, redevelopment and replacement floorspace. Planning records from the past 5 years indicate this change would not have applied to any planning permissions issued. The modification is proposed for completeness and would likely have no or very limited impact in CIL receipts going forward.

Mod id.	Type of Development ²	CIL charge per m ²	
		Rest of Fareham Borough	Welborne ³
M1a	Residential falling within Class C3(a) & (e) and C4 with the exception of older person sheltered housing <u>excepting:</u>	£195	£0
	Residential development consisting of flats in Fareham town centre as shown on figure 2 in the maps annexed to this schedule.	£0	£0
M1b	Development falling within Class C3 comprising retirement living (sheltered ⁴) on greenfield sites.	£28	£0
M2	All retail falling within Class E outside of centres as shown on figure 3 in the maps annexed to this schedule <u>(a) excepting:</u>	£80	£0
	Comparison retail ⁵ falling within Class E(a) in the centres as shown on figure 3 in the maps annexed to this schedule.	£0	£0
M1c	Standard Charge (applies to all development not separately defined above, for example: offices, warehouses and leisure and educational facilities <u>extra-care/assisted housing on greenfield and brownfield sites, sheltered housing on brownfield sites and care homes.</u>)	£0	£0

² References above to Classes are to the Use Classes as set out in the Town and Country Planning (Use Classes) Order 1987 (as amended).

³ For the purposes of this Schedule, the area defined as Welborne is that as set out by Welborne Plan, Part 3 of the Fareham Borough Local Plan. See Figure 1

⁴ Sheltered housing is self-contained housing, normally developed as flats or other small units, with the provision of facilities not associated with independent accommodation (main entrance, warden, residents lounge, emergency alarm service).

⁵ ~~Reference to "comparison retail" means the selling of clothing and fashion accessories, footwear, household appliances (electric or gas), carpets and other floor coverings, furniture, household textiles, glassware, tableware and household utensils, computers, books, stationery and art materials, recorded music/videos, recording media and equipment, audio-visual equipment, musical instruments and accessories, games and toys, photographic, video and optical equipment, DIY equipment for the maintenance and repair of dwellings, tools, jewellery, clocks and watches, sports equipment, goods for outdoor recreation, telephony equipment and bicycles and accessories~~ **Floorspace used to store or sell retail items that tend to be purchased at infrequent intervals, whereby purchasers will 'compare' similar products on the basis of price and quality before making a purchase. Includes, for example, clothing, household goods, leisure goods and personal goods. Sometimes termed durable or non-food goods.** See Figure 3.



AN EXAMINATION UNDER SECTION 212
OF THE PLANNING ACT 2008 (AS AMENDED)

**REPORT ON THE DRAFT FAREHAM BOROUGH COUNCIL
COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE**

Independent Examiner (appointed by the Council):
Keith Holland BA (Hons) Dip TP MRTPI ARICS

Charging Schedule Submitted for Examination: **14 June 2023**

Date of Report: 26 October 2023

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Main Findings - Executive Summary

In this report I have concluded that, subject to modifications, the draft Fareham Borough Council Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area.

Two modifications are necessary to meet the drafting requirements. These can be summarised as follows:

1. Clarification about the type of sites on which care homes will have a £0 charge (**EM1**).
2. Exclude the allocation site HA55 from the Rest of Fareham Borough charge (**EM2**).

The specified modifications recommended in this report do not alter the basis of Fareham Borough Council's overall approach or the appropriate balance achieved.

Introduction

1. I have been appointed by Fareham Borough Council (the Council), the charging authority, to examine the draft Fareham Community Infrastructure Levy (CIL) Charging Schedule.¹ I am a chartered town planner with more than 20 years' experience inspecting and examining Development Plans and CIL Charging Schedules as a former Government Planning Inspector.
2. This report contains my assessment of the Charging Schedule in terms of compliance with the requirements in Part 11 of the Planning Act 2008 as amended ('the Act') and the Community Infrastructure Regulations 2010 as amended ('the Regulations').² Section 212(4) of the Act terms these collectively as the "drafting requirements". I have also had regard to the National Planning Policy Framework (NPPF)³ and the CIL section of the Planning Practice Guidance (PPG).⁴
3. To comply with the relevant legislation, the submitted Charging Schedule must strike what appears to the charging authority to be an appropriate balance between helping to fund necessary new infrastructure and the

¹ View the examination documents: [Community Infrastructure Levy Charging Schedule \(fareham.gov.uk\)](https://fareham.gov.uk)

² The Regulations have been updated through numerous statutory instruments since 2010, most notably through the Community Infrastructure Levy (Amendment) (England)(No. 2) Regulations 2019, which came into force on 1 September 2019.

³ A new version of the NPPF was published during the examination on 5 September 2023. It sets out focused revisions (to the previously published version of 20 July 2021) only to the extent that it updates national planning policy for onshore wind development. As such, all references in this report read across to the latest 5 September 2023 version.

⁴ The CIL section of the PPG was substantially updated on 1 September 2019 (and last updated on 4 January 2023).

potential effects on the economic viability of development across the district. The PPG states⁵ that the examiner should establish that:

- the charging authority has complied with the legislative requirements set out in the Act and the Regulations;
- the draft charging schedule is supported by background documents containing appropriate available evidence;
- the charging authority has undertaken an appropriate level of consultation;
- the proposed rate or rates are informed by, and consistent with, the evidence on viability across the charging authority's area; and
- evidence has been provided that shows the proposed rate or rates would not undermine the deliverability of the plan (see NPPF paragraph 34).

4. The draft Charging Schedule was consulted on between 17 March 2023 and 1 May 2023. For the sake of clarity, the Council subsequently amended some of the residential development definitions and the areas within which retail development within Class E (with a specified exception) would be charged. The statement of modifications was subject to four weeks consultation in June/July 2023, albeit no representors wished to comment. Accordingly, the basis for the examination, on which a hearing session was held on 6 September 2023, is the submitted schedule⁶ and schedule of modifications⁷ (dated June 2023).⁸
5. The Council propose rates for the area known as Welborne and rates for the Rest of Fareham Borough. All types of development in Welborne would have a zero charge. The Welborne rates were established in 2021 at a partial review of the Council's adopted CIL. The zero Welborne rate is being carried forward unaltered and is not being considered in this examination. Figure 1 in the Charging Schedule defines the two areas. For residential development falling within Class C3 and C4, excepting flats in Fareham Town Centre, (shown in Figure 2) the proposed rate is £195 per square meter (sqm) in the Rest of Fareham Borough. Flats in the Fareham Town Centre would have a zero charge per sqm. Development comprising retirement living (including sheltered housing) on green field sites would be charged at £28 per sqm. All retail falling in Class E, excepting comparison retailing falling in Class E(a) in centres shown in Figure 3 of the Charging Schedule, would be charged at £80 per sqm. Class E(a) retail in the defined centres would have a zero

⁵ See PPG Reference ID: 25-040-20190901.

⁶ View at: <https://www.fareham.gov.uk/pdf/planning/CIL/CILChargingSchedule.pdf>

⁷ View at:

<https://www.fareham.gov.uk/pdf/planning/CIL/CILRepresentationAndModificationStatement.pdf>

⁸ This is the combined effect of the process set out in Regulation 19 and the definition of a 'statement of modifications' in Regulation 11.

charge. All other development including extra-care/assisted housing on all types of site, care homes and sheltered housing on brown field sites would have a zero charge.

Has the charging authority complied with the legislative requirements set out in the Act and the Regulations, including undertaking an appropriate level of consultation?

6. Electronic and written notifications were sent to consultees and every organisation and individual on the Council's Planning Strategy consultation data base. Paper copies were deposited in libraries. The CIL proposals were advertised in the Council's "Have Your Say" publication and included on the Planning Strategy website consultation page. Six weeks from 17 March 2023 was allowed for the initial consultation process. This initial consultation stage attracted eight representations. There were no representations to the subsequent modifications consultation.
7. The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the adopted Local Plan and the Infrastructure Delivery Plan, and is supported by an adequate financial appraisal. I also consider it compliant with the national policy and guidance contained in the NPPF and PPG respectively.

Is the draft charging schedule supported by background documents containing appropriate available evidence?

Infrastructure planning evidence

8. The Fareham Local Plan 2037 was adopted on 5 April 2023.⁹ This plan sets out the main elements of growth that will need to be supported by further infrastructure in Fareham. The Local Plan provides for at least 9,556 new homes between 2021 and 2037, including some 900 homes to help meet the needs of neighbouring authorities. Provision is made for 122,000 sqm of new employment floor space and a further 77,200 sqm of employment development on a strategic site in the Solent Enterprise Zone.
9. The Infrastructure Delivery Plan (March 2023) identifies a need for funding of more than £122,500,000 to support the anticipated development in the Borough. Significant funding is required for a number of projects including flood defences, education and strategic highway schemes. Taking into account identified sources of funding, the Council estimates a funding gap of about £42,500,000. In the light of the information provided, the proposed charge would make only a modest contribution towards filling the likely funding gap. The figures therefore demonstrate the need for a CIL.

⁹ View at: [Fareham Borough Local Plan](#)

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Economic viability evidence

10. The Council commissioned Three Dragons to undertake a CIL Viability Assessment (VA). The Three Dragons VA is dated November 2022 and draws on policies in the recently adopted Local Plan and also on the viability work done to support the Local Plan. The assessment uses a residual valuation approach and compares the residual values for various types of development to a benchmark land value. A typology approach is used with the typologies selected on the basis of discussions with the Council and a development industry workshop. The typologies selected are those that are expected to be typical of the sort of development that is anticipated in Fareham. The typologies do not represent specific development proposals. There are three broad groups of development types – residential, specialist homes and non-residential. The approach used by Three Dragons is one that is commonly used in CIL viability work.
11. Most of the 22 residential typologies are tested on both brown field and green field sites. Flatted development not exceeding five storeys is only tested on brown field land and the two large site typologies are only tested on green field sites. A town centre build-to-rent (BtR) typology is included, as this form of development may become a feature of the Fareham housing market in the foreseeable future. Three forms of specialist housing are tested - care-homes, extra-care homes and retirement homes. For retail development, convenience and comparison schemes in and out of town centre locations are tested, as are office developments in town centres and in fringe/transport node locations. Industrial and warehouse development on the edge of settlements/transport nodes are included. A 70-room budget hotel is also tested. The approach used in the VA is logical given the nature of the area and the anticipated forms of development.
12. The VA has taken into account tenures and affordable housing requirements based on discussions with the Council and the policy requirements in the Local Plan. In the BtR typology, the affordable housing element is represented by a discounted market rent in accordance with national guidance. Assumptions about the mix of homes in the various typologies are based on the evidence from the Local Plan examination, discussions with the Council, the development industry workshop discussion and current planning applications. Home size assumptions are based on nationally described space standards, averages derived from past transactions and earlier viability work. Where relevant, the assumptions include allowances for considerations such as circulation space, communal areas and service areas.
13. Residential market values were derived from an analysis of new build land registry data for the past five years. Values per sqm was based on a match between Land Registry and Energy Performance Certificates data. Sales data was indexed to build cost data to align the evidence. Information from Right Move (summer 2022) was used to sense check the evidence. For sheltered and extra care values, the Retirement Housing Group guidance was used with selling prices for sheltered schemes based on information from providers and 2022 selling prices. Given a relative lack of active schemes on the

market, the values were checked against semi-detached values in the area. For care homes, trade press and market commentary data was used resulting in an assumed capital value of £75,000 per bedroom.

14. Build-to-rent values were based on higher quality apartments on the market within a 5 mile radius of Fareham Town Centre. The result is a blended rate of £1,230 per month with a capitalised value of £230,000.
15. For shared ownership homes, transfer values at 70% of market value were used. For affordable rent and social rent units, the figures used were 57.5% and 42.5% of market value.
16. Much of the data and the assumptions relating to residential values took advantage of viability evidence that was presented to the relatively recent Local Plan examination. No convincing contrary evidence has been presented to this examination.
17. Nine non-residential typologies are tested. Values are based on historical comparable evidence provided by trade reports and Three Dragons knowledge of the market. For office, retail, industrial and warehouse development, rents and yields have been capitalised in the standard way to get to Gross Development Value (GDV). For the hotel typology the assumption is a value of £105,000 per room. As is the case with residential values the commercial value assumptions have not been robustly challenged.
18. For benchmark land values, the VA notes that the evidence presented to the Local Plan examination was not challenged and thus this evidence is continued in this assessment. The VA also references work done on land values for the Welborne Garden Village scheme and the residential land values discussed at the June 2019 developer workshop. Three Dragons also undertook a review of market land transactions in Fareham and the wider Hampshire area. The market transactions showed a wide spread of values. Land titles evidence showed that it was not unusual for land to be worth less than the benchmark figures discussed at the developers' workshop. MHCLG¹⁰ land value estimates for the Solent area is also referred to in the VA. On the basis of this range of evidence, the VA concludes that a suitable benchmark for large green field sites is £250,000 per hectare.
19. Benchmark land values for brown field sites is related to the existing use value. Using the results of the developers' workshop, previous evidence and figures from MHCLG, the assumption in the VA is a benchmark figure outside the town centres of £2.25m per hectare on small sites and £1.25m per hectare on large sites. Within town centres, the benchmark value for brown field land is estimated at £2.0m per hectare. A premium of 20% on brown field land for older persons housing is included based on the views of developers working in this field.
20. For non-residential benchmark values, Three Dragons adopt what they call a

¹⁰ The former Ministry of Housing, Communities & Local Government (MHCLG) is now called Department for Levelling Up, Housing and Communities (DLUHC).

pragmatic approach. A pragmatic approach is justified in the VA on the grounds that a wide range of site/owner specific variables affect the benchmark value of any given site. The VA uses the residential values as a starting point, with the qualification that the benchmark for some retail uses is likely to be higher given the shortage of suitable sites for some schemes. The commercial benchmark values per hectare assumed by Three Dragons range from £360,000 to £2,000,000 with the highest being for town centre comparison retail.

21. The validity of the green field benchmark values has been challenged on the grounds that the figures are dated and that there has been a material increase in farmland prices since 2019. Three Dragons contend that even if farmland prices have increased by over 30% between 2019 and mid 2022, the figures they have used still allow for a reasonable premium. I agree with this contention.
22. Residential development costs in the VA include build costs and a range of other standard costs. Build costs derive largely from data from the RICS¹¹ Build Cost Information Service adjusted for the location, and for residential development tender prices for new build over a 5 year period rebased to Q2 of 2022. Adjustments have been made for higher build costs for smaller housing schemes that do not benefit from economies of scale and for the variation in build costs for flats depending on height. The VA includes allowances for external works and contingencies and for site infrastructure costs on larger schemes. An allowance for garages is included for 3 and 4 bedroom houses and for the cost of podium parking spaces in some flat developments.
23. A standard range of cost for fees and finance is included. Given the current trend in interest rates, the VA has included a sensitivity test based on a finance rate of 10% for the typologies with the longest build out rates.
24. A range of additional costs flowing from national and local policy requirements is included. These costs include biodiversity net gain, Part S EV charging, Part M Accessibility, custom/self-build policy requirements, Solent Habitat mitigation, nitrate neutrality and Part L Building standards. A cost of £274 per dwelling to meet the requirement of Natural England in relation to the New Forest protected sites is not included as this is a short-term interim measure set to apply until March 2025. The VA deals with this matter by including it in a sensitivity test. Non-affordable housing s106 costs are allowed for based on evidence of past s106 agreements presented to the Local Plan examination.
25. The residential sales and cash-flow evidence is the same as that presented unchallenged to the Local Plan examination.
26. For non-residential development costs, information from the RICS Build Cost Information Service is used together with a range of other costs including professional/agent fees, external costs, biodiversity net gain, stamp duty and

¹¹ Royal Institution of Chartered Surveyors (RICS).

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s106. Allowance is made for voids and rent free periods. A developer's return of 15% of GDV is assumed.

27. The draft Charging Schedule is supported by detailed evidence of community infrastructure needs. On this basis, the evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate.

Are the proposed rates informed by and consistent with the evidence on viability across the charging authority's area?

Residential development

28. Conventional residential schemes on both green field and brown field sites outside the town centres show headroom for CIL of between £465 and £1,619 per sqm. The smallest headroom applies to a 3 dwelling scheme on a brown field site and the largest to a 120 dwelling mixed scheme on a green field site. Within town centres, the 80 flats typology has the highest headroom (£514 per sqm) and the BtR scheme the lowest (£0 per sqm). For older persons housing, the only typology that has any headroom (£55 per sqm) is the 60 unit retirement scheme on a green field site.

29. For residential development, four sensitivity tests are provided by Three Dragons. The first shows the effect of a rise in the cost of finance from 6% to 10% for typologies with the longest build out rates. The resultant reduction in CIL headroom is relatively small in all instances. The second test shows the impact of the First Homes policy. As with finance costs, there is only a limited impact on viability. Future Homes 2025 is the third test. Requirements of the Future Homes Standard 2025 have yet to be finalised by the Government, but Three Dragons have assumed that the costs will amount to £12,000 per house and £8,000 per flat. On the basis of current knowledge, these figures do not suggest that the VA is under-estimating Future Homes costs. Other authorities' estimates are referred to in the VA. These range from about £4,000 to £16,000 per house. Increased costs at the scale proposed for Fareham would have a more significant impact on viability, especially in the town centre. CIL headroom in the town centre for the 20 unit flat scheme would, for example, fall from £268 to £157 per sqm. Sensitivity test four relates to open space mitigation and recreation including New Forest Mitigation. As exact figures are not certain, a broad allowance of £6,400 per house and £5,600 per flat is provided by Three Dragons. This represents roughly a doubling of the open space and recreation costs used in the base case testing. The consequence for CIL headroom is not as significant as the Future Homes scenario. For comparison purposes, the reduction in CIL headroom for the 20 unit town centre flat scheme would be from £268 to £216 per sqm.

30. To test the cumulative impact of the sensitivity scenarios, a situation that Three Dragons considers unlikely to occur, three typologies are selected by Three Dragons. For a brown field 50 unit mixed scheme outside the town centre, the CIL headroom reduces from £817 to £500 per sqm. Within the town centre, for a 20 unit flat scheme it reduces the headroom to £74 per

sqm from £268. For a green field large mixed scheme of 1000 units, it reduces the headroom from £1,326 per sqm to £988.

Commercial rate

31. For commercial rates, the VA notes that development cost rises have not been matched by increases in value. Consequently, Three Dragons note that it is unlikely that a current proposed rate would be as high as the present rate. The VA concludes that the majority of non-residential forms of development would be unable to support a CIL. Three types of retail have headroom for a CIL charge – small local convenience stores, supermarkets, and out of centre comparison stores.

Has evidence been provided that shows the proposed rate or rates would not undermine the deliverability of the plan (see National Planning Policy Framework paragraph 34)?

32. There is a representation arguing that, in general terms, the proposed residential charge is too high as it is an 85% increase from the current charge. This is a misleading claim as the proposed rate for conventional residential development (excluding flats in the Fareham Town Centre) is just over 16% higher than the current charge of £167.50, once indexing of the original base charge of £105 is taken into account. The proposed charge of £195 for all residential typologies outside the town centre would be less than 5% of GDV and the smallest viability buffer would be 58% for a small three house brown field scheme. In most cases the viability buffer would be over 70%. Using a weighted average of 5% of GDV, the residential charge for all development would be £198 per sqm. Using this level of charge, the VA shows that the viability buffer would still be well above 50% for most typologies other than two of the town centre typologies.
33. For town centre typologies, the evidence is that there is less scope for CIL to be charged, particularly if the results of the sensitivity tests are taken into account. The town centre BtR typology has no scope for a CIL even without the inclusion of the cumulative sensitivity test results. Three Dragons note that town centre regeneration is an important policy aim for the Council and recommend a zero charge for flat led sites in Fareham Town Centre. This cautious approach, accepted by the Council, is justified given the reduced viability headroom identified for town centre flat-led schemes.
34. For retirement living (sheltered) on green field sites, there is limited scope for CIL and the modest proposed charge of £28 per sqm would allow for a 50% buffer. This level of charge would represent less than 1% of the GDV of the tested scheme. The evidence justifies the proposed charge and does not point to any problems with delivery with this form of development. The modifications proposed by the Council in relation to care homes/extra-care/assisted housing on all types of site and sheltered housing on brown field sites, meet the request from a specialist housing provider although improved clarity should be provided in relation to the types of site on which

care homes would attract a nil charge. This point is clarified in a recommendation **(EM1)**.

35. An argument is advanced by a representor that in assessing build costs, Three Dragons have not taken into account the point that large sites may be developed by more than one developer thereby eliminating the assumed economies of scale. This contention is not supported as, even if a large site is built out by more than one developer, it is unlikely that participating developers would be the sort of small scale developers who are unable to benefit from economies of scale. On the basis of their experience, Three Dragons confirmed at the hearing that this is a reasonable counter to the argument advanced.
36. An argument is made by some objecting to the proposed residential rate on the grounds that the viability of development has changed significantly because of cumulative changes in circumstances, including increased construction/finance costs and uncertainty in the current property market. Three Dragons accept that what some refer to as a "perfect storm" has recently had a negative impact on the viability of development. However, Three Dragons point to the substantial viability buffers that they have used and the low percentage of GDV that would be represented by the proposed CIL. The concept of a viability buffer is contained in the CIL PPG and is intended to allow for changes in economic circumstances. In my view, the buffer levels proposed in the draft CIL Charging Schedule are substantial enough to accommodate the changed economic circumstances relating to the viability of development.
37. The question of whether site allocation HA55 should, like Welborne, be treated as a strategic site which is excluded from the CIL is strongly made on behalf of Hallam Land Management. The contention is that HA55 is materially different from other allocated sites and is subject to a number of bespoke mitigation or infrastructure measures which mean that the required s106 for HA55, in addition to the proposed CIL, would threaten the delivery of this large development site. The representor points out that in the VA Three Dragons recommends that the Council considers this point in relation to what Three Dragons describe as "very large sites". Three Dragons note that there is uncertainty regarding the s106 requirements on very large sites and that the s106 package could be higher than the one used in their viability testing. No detailed viability evidence was provided or considered in relation to any other level of charge, including a zero charge.
38. The Council counters the case made by Hallam Land Management on the grounds that it is clear that within the viability assessment that HA55 is considered a 'large site', as per the R14 typology, and that the VA has tested a large site and any material deviations from the standard assumptions can be considered through the planning application process. In addition, the Council point to the substantial 85% buffer and the 3.1% of GDV calculated in the VA on the basis of a £195 per sqm charge.
39. The Council's points are noted, but there is substantial uncertainty about the quantum of the anticipated s106 charges that will need to be imposed if the

site specific requirements set out in the adopted Local Plan are to be met in full. Based on current knowledge, it is likely that some of the broad cost assumptions used by Three Dragons to test the large green field site typology do not adequately reflect what the Council will require through the s106 mechanism. For example, the £5,500 per dwelling allowance used in the VA for what is described as "education and transport etc" does not reflect the education mitigation package being sought by Hampshire County Council. The developer of HA55 puts the education figure at £15,000, excluding the cost of local cycling and walking infrastructure being sought by the County Council. The developer also points to Local Plan policy requirements, for example community and health facilities, that are not included in the cost assumptions shown in Table 4.9 of the VA.

40. It is noted that HA55 is the subject of a live planning application which is proposing a policy compliant level of affordable housing, alongside a CIL liability at the current rate. However, s106 is still being negotiated. At the hearing, the vulnerability of affordable housing policy in the context of the s106 negotiations was discussed. There was agreement that if viability becomes an issue, the casualty was likely to be affordable housing. Therefore, even if the application is affordable housing policy compliant, given a CIL charge would be non-negotiable there is a danger that policy requirements, particularly affordable housing, could be compromised in circumstances where the developer is able to demonstrate that the delivery of the site is threatened by the level of the s106 charges. On the other hand, adopting a zero CIL for HA55, as has been done for the other large strategic site in the Borough at Welborne, should considerably strengthen the Council's hand in the s106 negotiations and could go some way to eliminating the danger to the delivery of HA55. Three Dragons were mindful of this issue when alerting the Council to the need to consider whether it would be appropriate to require CIL to be paid on strategic sites. I consider that if CIL is charged on the development of HA55, there is a material danger to the delivery of HA55 in a form that fully meets the Council's policy requirements. If no CIL is charged on HA55, the Council would be in a stronger position to negotiate a s106 agreement based on the full range of policy requirements that apply to HA55. It is therefore recommended that the draft Charging Schedule be amended to apply a zero charge to HA55 **(EM2)**.

41. For retail development, excluding comparison retail in town centres, the proposed rate would represent three or less percent of GDV. The evidence does not point to the proposed charge threatening the delivery of retail development, especially as comparison retail in town centres would have a nil charge.

42. In setting the CIL charging rates, the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in Fareham. The Council has tried to be realistic in terms of achieving a reasonable level of income to address an acknowledged gap in infrastructure funding, while ensuring that a range of development remains viable across the authority area.

43. I consider the viability assessment to be robust and conclude that, other than in the case of HA55, the residential and retail rates proposed would not threaten delivery of the recently adopted Local Plan.

Overall Conclusion

44. I conclude that the draft Fareham Community Infrastructure Levy Charging Schedule, subject to the making of the modifications set out in **EM1** and **EM2** satisfies the drafting requirements. I therefore recommend that with the recommended modifications the draft Charging Schedule be approved.

Keith Holland

Examiner

Appendix Modifications

Examiner Modifications (EM) recommended in order that the charging schedule may be approved.

Examiner Modification (EM)	Document/other reference	Modification
EM1	Statement of Modifications Mod id. M1c	Add: "on all sites" after "care homes".
EM2	Statement of Modifications Charging Rates table	Add: "and allocation site HA55" to the Welborne (fourth) column. Amend footnote 3 to include the words "site HA55 as shown in the adopted Local Plan".

FAREHAM

BOROUGH COUNCIL

Director of Planning & Regeneration
Richard Jolley

By email only

Contact: Richard Jolley

Ext.: 4388

Date: 8 December 2023

Dear Sir/Madam

Fareham Borough Council Community Infrastructure Levy – Consultation on the proposed modification to the Draft Charging Schedule in respect of site HA55 (Land South of Longfield Avenue) allocated in the adopted Local Plan (“HA55”)

I am writing to you as you requested to be kept informed of progress on the draft CIL Charging Schedule and who previously responded to the formal consultation.

As you may be aware, the Council received the Examiner’s Report on the 26th October 2023. The report can be found here:

http://www.fareham.gov.uk/pdf/planning/local_plan/FINAL_Examiners_Report_Oct23.pdf

The Examiner recommended that with two recommended modifications the draft Charging Schedule be approved. This letter relates to the Council’s proposed response to the Examiner’s recommendation (EM2) that the draft Charging Schedule be amended to apply a zero charge to HA55. It sets out the Council’s provisional view as to how to deal with that aspect of the Examiner’s recommendations but this is subject to consultation, as explained below.

The Council has now considered the Examiner’s report alongside sections 211, 212 and 213 of the Planning Act 2008 (“the Act”), Part 3 of the Community Infrastructure Levy Regulations 2010 (“the CIL Regulations”) and National Planning Practice Guidance.

The council may approve a charging schedule with modifications that it considers are sufficient and necessary to remedy the non-compliance specified by the Examiner, having regard to the modifications recommended by the Examiner.

The Examination

The Council submitted the Charging Schedule to be examined in June 2023. The Examiner held a half day hearing in September 2023 and provided his report to the Council in late October 2023. The submitted Charging Schedule was accompanied by a thorough evidence background which demonstrated the viability of sites across the borough, and the positive margins in development that would support the increase in the CIL charge. This approach was consistent with and built on the viability work found to be sound at the recent Local Plan examination.

The Council's position was therefore backed by published evidence submitted to the examination which showed the appropriateness of a £195 charge. The evidence did not identify or test any alternative charge nor consider the need to apply a separate charge to HA55 given the positive margins identified through the viability work.

The responses received by the Council during the consultation were not supported by any form of evidence such as a viability assessment and following submission of the Charging Schedule and evidence base to the Examiner, the Council asked whether additional information or evidence would be required in the form of written statements, given that only the Council had submitted a viability position. The Examiner informed the Council that "*I do not expect any further written submissions from anybody as I have sufficient in the stuff already provided*". Therefore, no additional evidence or justification was presented by any party at the examination hearing other than a verbal reiteration of earlier written comments.

On that basis, the Council considers that the Examiner had no viability evidence in front of him to consider whether an alternative charge to a zero charge would address his concern of deliverability of HA55 in a form that meets policy requirements (in s. 211(2)).

Furthermore, the Council considers that approving a zero charge for HA55 has a significant and detrimental impact on the overall infrastructure funding gap. The Examiner suggests that the recommendation gives the Council a stronger negotiating position with regards to the section 106 and affordable housing provision. Section 106 and CIL are not interchangeable. CIL is a top sliced levy that contributes to wider infrastructure across the borough. It is collected and spent by the Borough Council. Section 106 contributions are site specific requirements to mitigate the direct impact of the development on the immediate local area. The majority of 106 contributions are for highways and education, services provided by the County Council. They are not interchangeable as they contribute towards different services provided by different authorities. It is the Council's view that the delivery of a 40% affordable housing compliant scheme is not in doubt as the applicant has been working on the basis of delivering that level.

Further viability work

The Council considers that, with no site specific viability for HA55 considered as part of the examination process, applying a zero charge to the allocation is not justified as a response to the Examiner's concerns. The Council acknowledges that the Examiner's recommendation related to deliverability (specifically viability) and not any other drafting requirements and, on that basis, has commissioned a further viability assessment for HA55 to consider what an appropriate, evidence based, CIL charge could be and which

meets the Examiner's concerns. This work uses the detailed information regarding the site and includes the methodology for calculating and a detailed justification for the figures used for the section 106 costs, given that this was the main focus of the Examiner's concerns.

The viability assessment considers both the site allocation (1,250 dwellings) and the submitted application (1,200 dwellings), using the same assumptions as the CIL viability evidence submitted to the Examination. However, it includes a more detailed and robust assessment taking into account the likely section 106 requirements identified through the planning application process to satisfy the Examiner's concerns.

This additional, site specific, viability report supports a CIL charge at HA55. There is no difference between the allocation and the application on a £ per sq m basis. Based on a 50% buffer, £166 per square metre can be supported. The results are similar because all the costs except the local centre/community facility are scaled according to the number of dwellings.

Revised charge for HA55

CIL is considered to support the development identified through the Local Plan, and for that reason it usually considers allocation sites. However, in this instance, given the Examiner's recommendations and the requirement for the Council to show it has addressed any concerns raised, the Council considers that a charge of £166 per square metre for the HA55 allocation is appropriate and justified having regard to the latest viability assessment.

Consultation Arrangements

The Council provisionally intends to approve a Charging Schedule with a revised charge for site HA55, subject to consultation. The Council considers this revised charge is justified and evidence based which takes account the concerns raised by the Examiner regarding deliverability.

The Council wishes to seek your views on a revised charge for HA55 as set out in the draft charging schedule below and the accompanying evidence base, and has opened a consultation for a **six week period from 8th December 2023 to midnight on the 18th January 2024.**

The Council **only wishes to receive and consider comments and evidence in relation to the modification proposed for HA55**, which is the only proposed departure from the Examiner's recommendations. These additions are identified by the relevant text being underlined on the revised Draft Charging Schedule attached to this letter for comment.

The additional viability report is attached to this letter and should be considered to form part of the consultation. Comments relating to the report will also be considered, on the above basis.

Following the conclusion of the consultation, the Council will consider all representations received and ensure that the key points are addressed before a final decision is made.

Yours sincerely

Richard Jolley
Director of Planning & Regeneration

Attachments – Longfield Avenue Viability Review (Three Dragons)

FAREHAM

BOROUGH COUNCIL

Community Infrastructure Levy Charging Schedule

Purpose

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

Date of Approval and Effective Date

This Charging Schedule was approved by Fareham Borough Council on xxxx and shall take effect on xxxx.

Charging RatesType of Development ⁱ	<i>CIL charge per sq.m</i>		
	Rest of Fareham Borough	<u>HA55 Land South of Longfield Avenueⁱⁱ</u>	Welborne ⁱⁱⁱ
Residential falling within Class C3 and C4 excepting:	£195	<u>£166</u>	£0
Residential development consisting of flats in Fareham town centre as shown on figure 2 in the maps annexed to this schedule.	£0	<u>£0</u>	£0
Development comprising retirement living (sheltered ^{iv}) on greenfield sites.	£28	<u>£28</u>	£0
All retail falling within Class E (a) excepting:	£80	<u>£80</u>	£0
Comparison retail ^v falling within Class E(a) in the centres as shown on figure 3 in the maps annexed to this schedule.	£0	<u>£0</u>	£0
Standard Charge (applies to all development not separately defined above, for example: offices, warehouses and leisure and educational facilities extra-care/assisted housing on greenfield and brownfield sites, sheltered housing on brownfield sites and care homes on all sites.)	£0	<u>£0</u>	£0

Indexation

The Community Infrastructure Levy Regulations apply a form of indexation to the relevant rate in the charging schedule. National All-in Tender Price Index published from time to time by the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors; and the figure for a given year is the figure for 1st November of the preceding year. In the event that the National All-in Tender Price Index ceases to be published, the index to use will be The Retail Prices Index.

Calculating the Chargeable amount of CIL

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

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

ⁱⁱ For the purposes of this Schedule, the area defined as HA55 Land South of Longfield Avenue is that as set out by the Fareham Borough Local Plan 2037. See Figure 1

ⁱⁱⁱ For the purposes of this Schedule, the area defined as Welborne is that as set out by Welborne Plan, Part 3 of the Fareham Borough Local Plan. See Figure 1

^{iv} Sheltered housing is self-contained housing, normally developed as flats or other small units, with the provision of facilities not associated with independent accommodation (main entrance, warden, residents lounge, emergency alarm service).

^v Floorspace used to store or sell retail items that tend to be purchased at infrequent intervals, whereby purchasers will 'compare' similar products on the basis of price and quality before making a purchase. Includes, for example, clothing, household goods, leisure goods and personal goods. Sometimes termed durable or non-food goods. See Figure 3.

Figure 1: Welborne and Rest of Borough

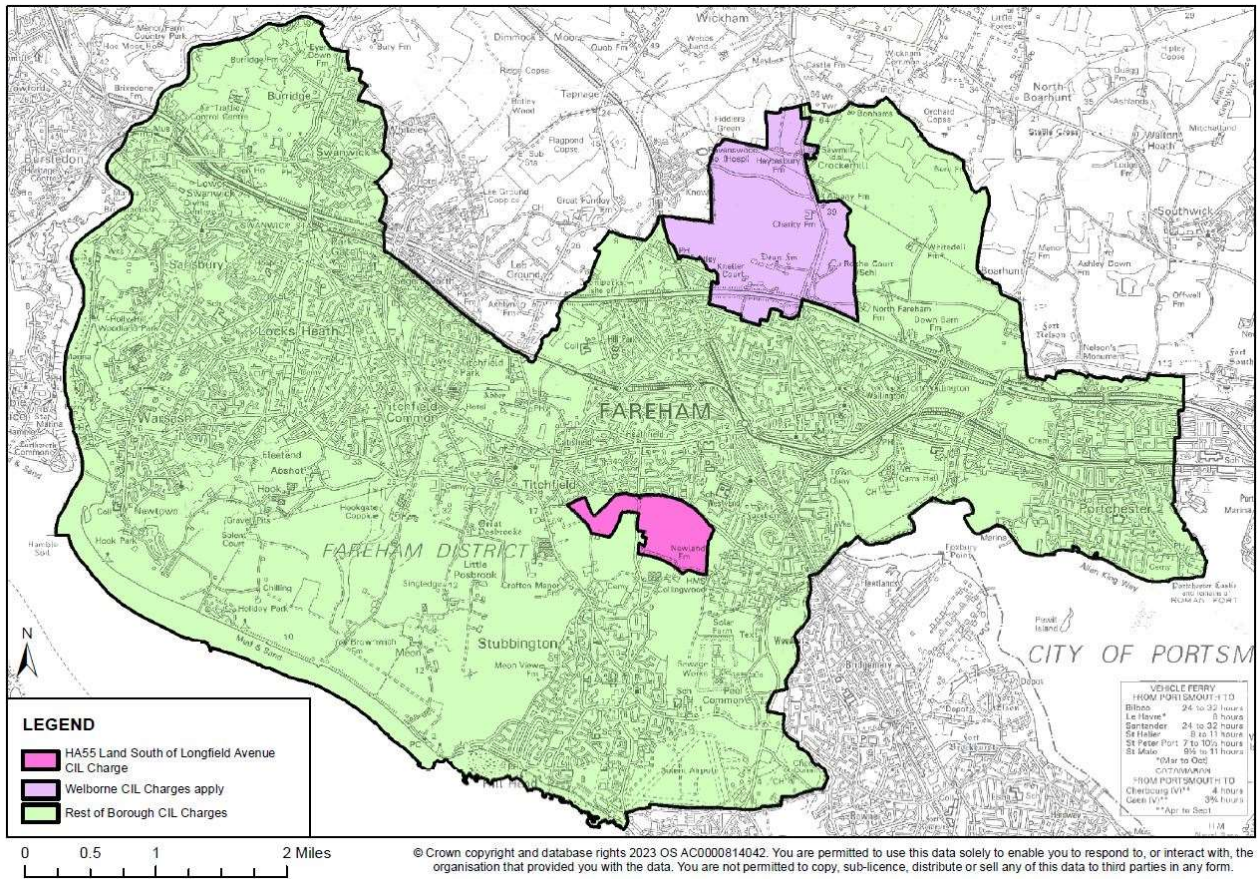


Figure 2: Fareham Town Centre Flatted Development Area

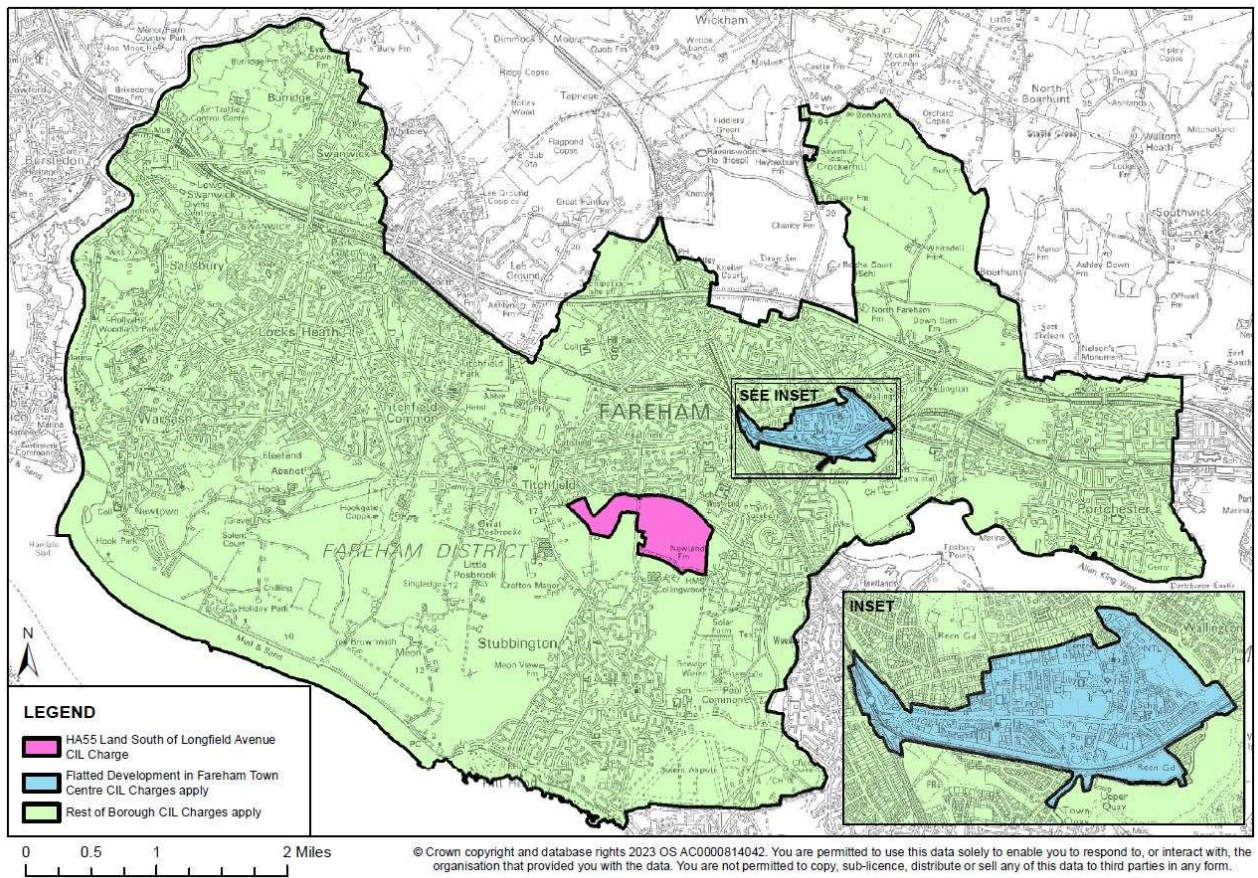
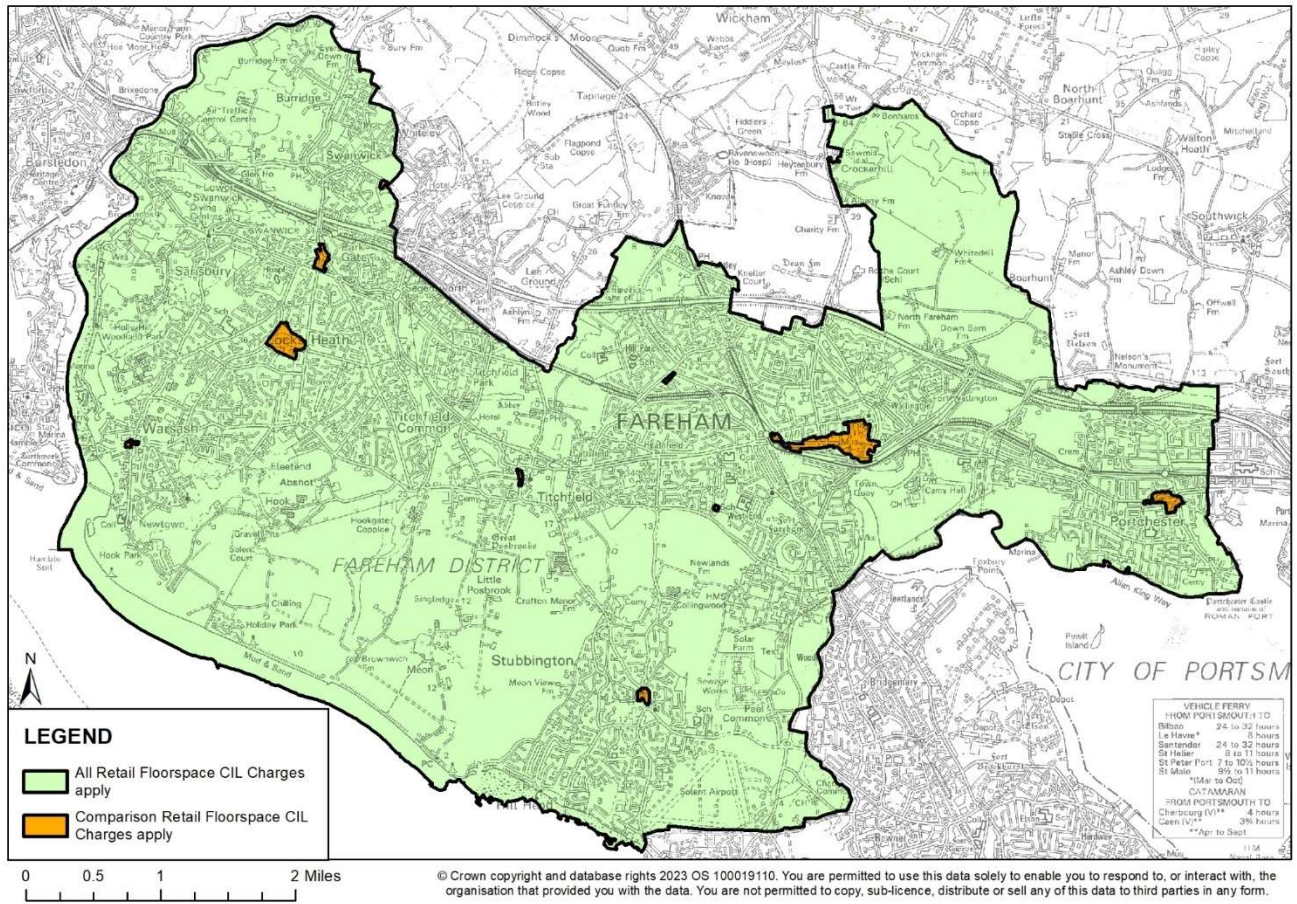
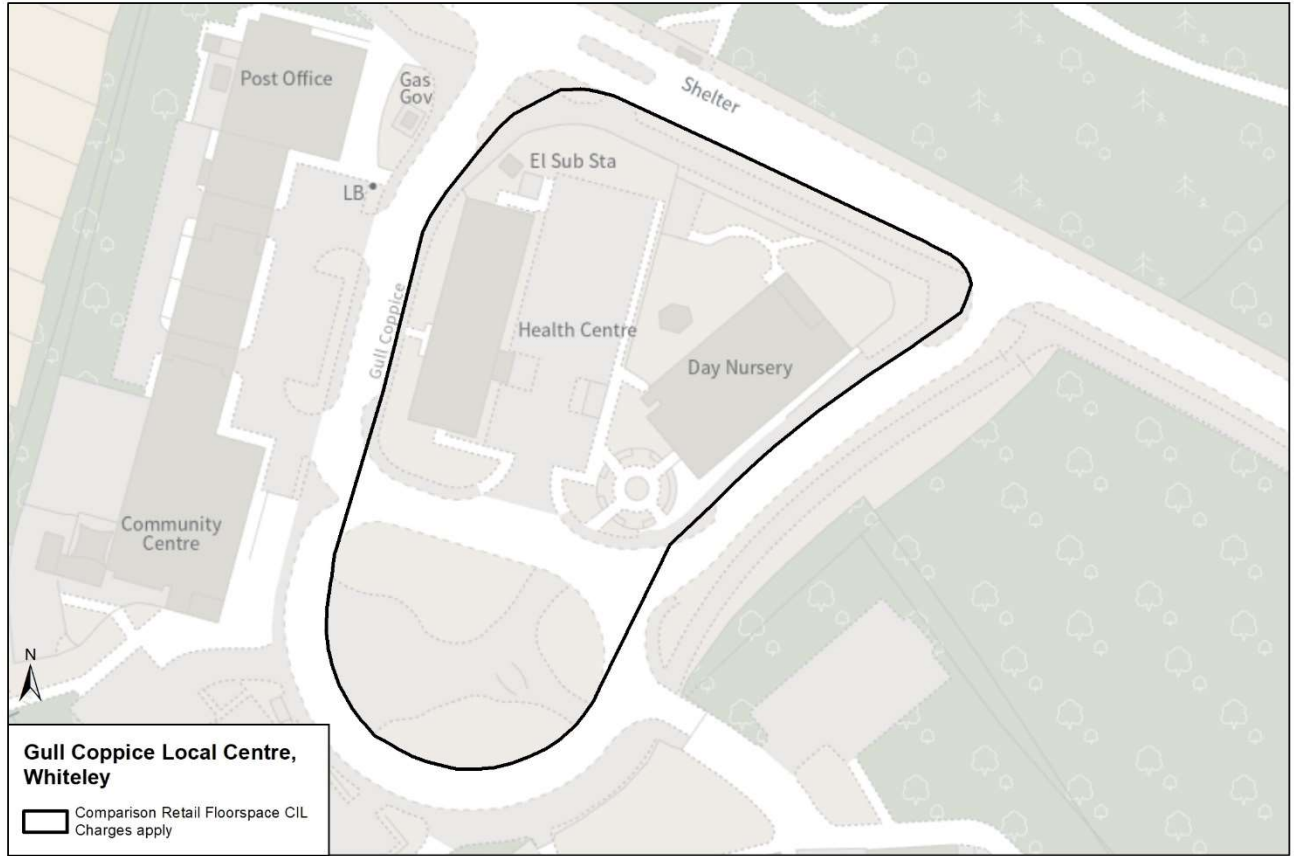
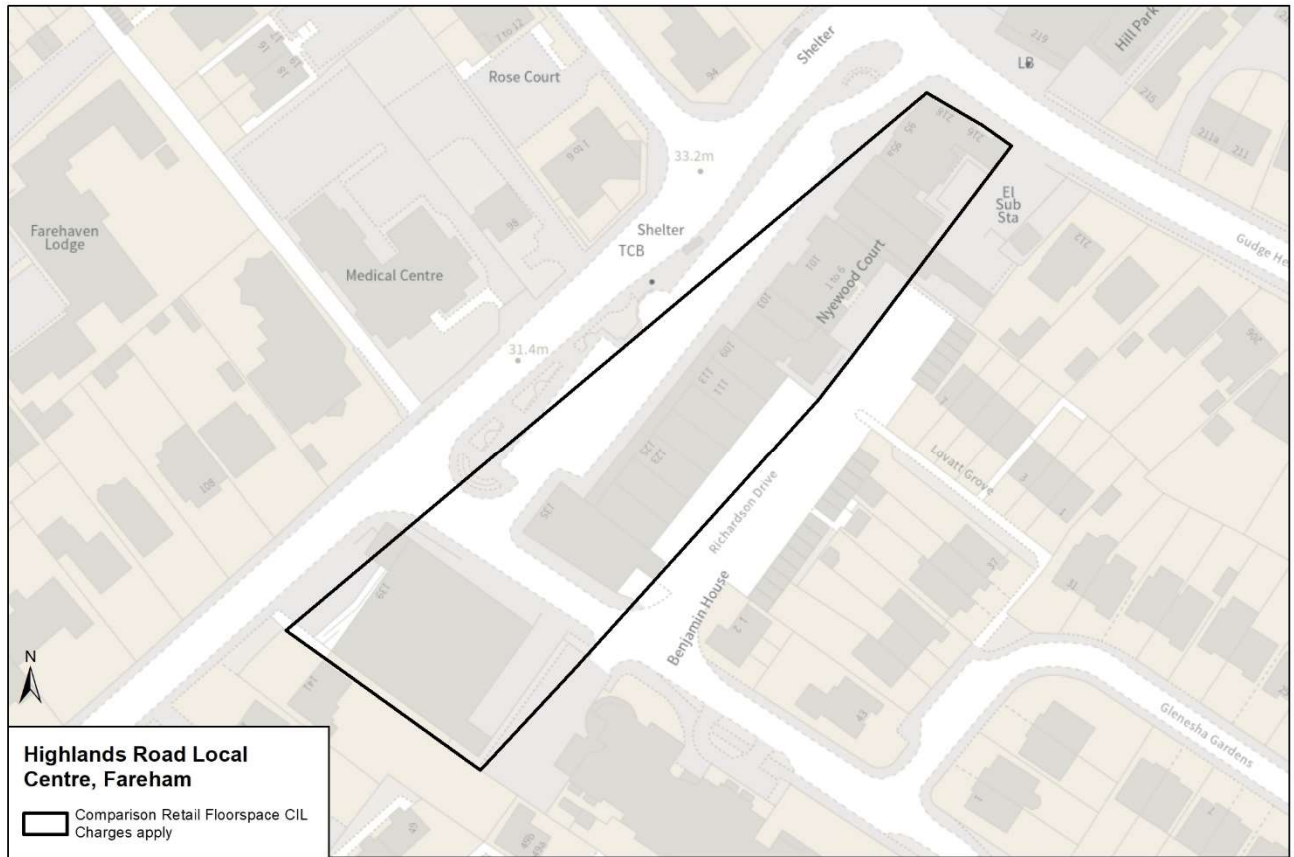


Figure 3: Comparison Retail Charging Zones

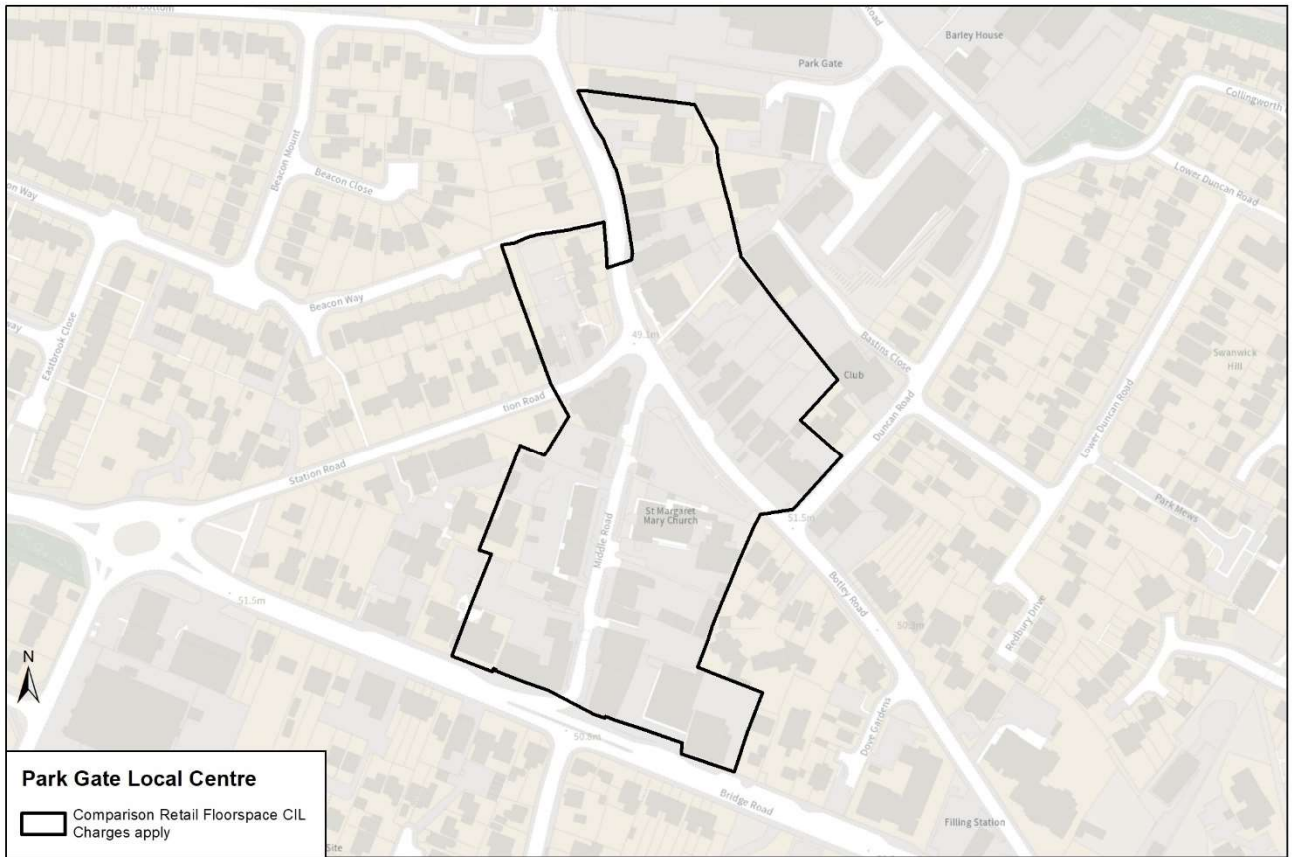
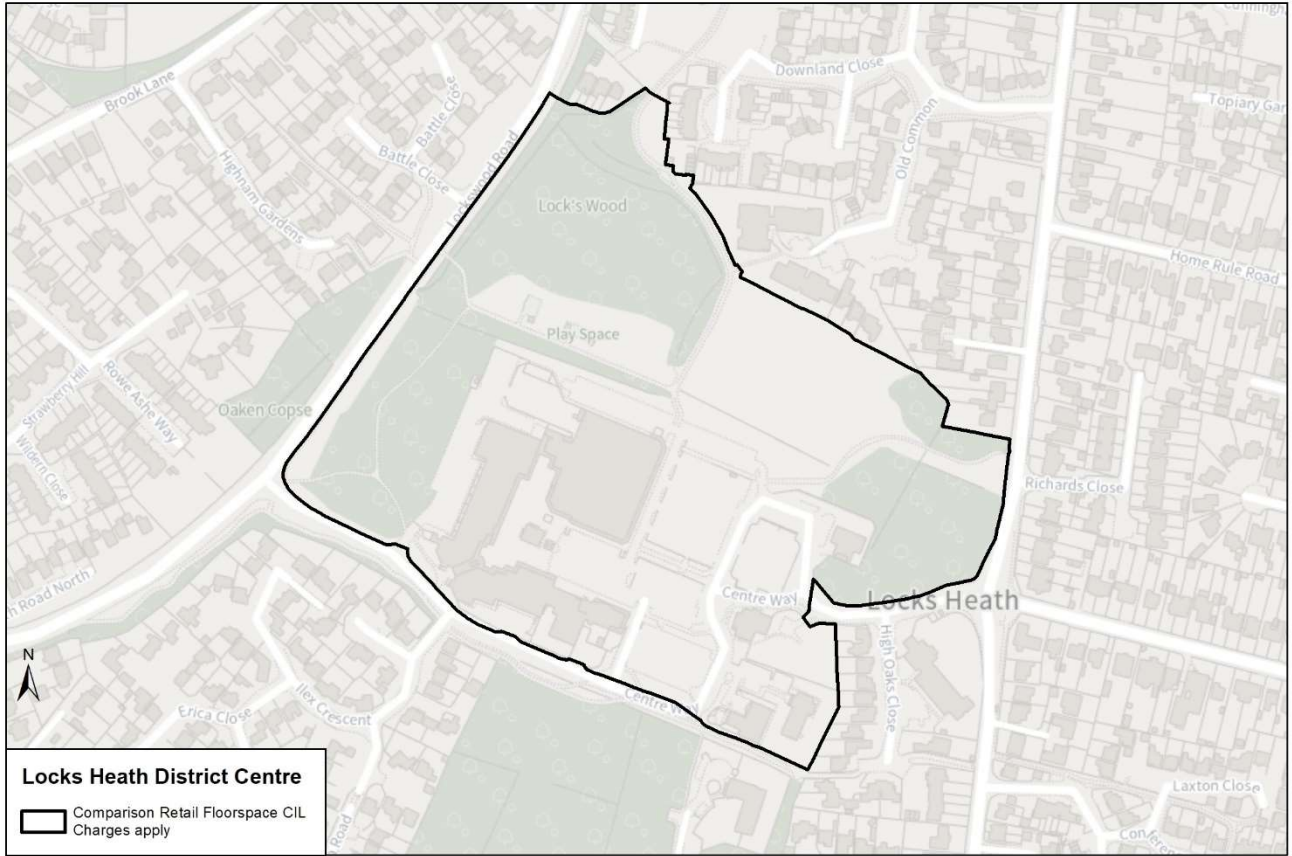


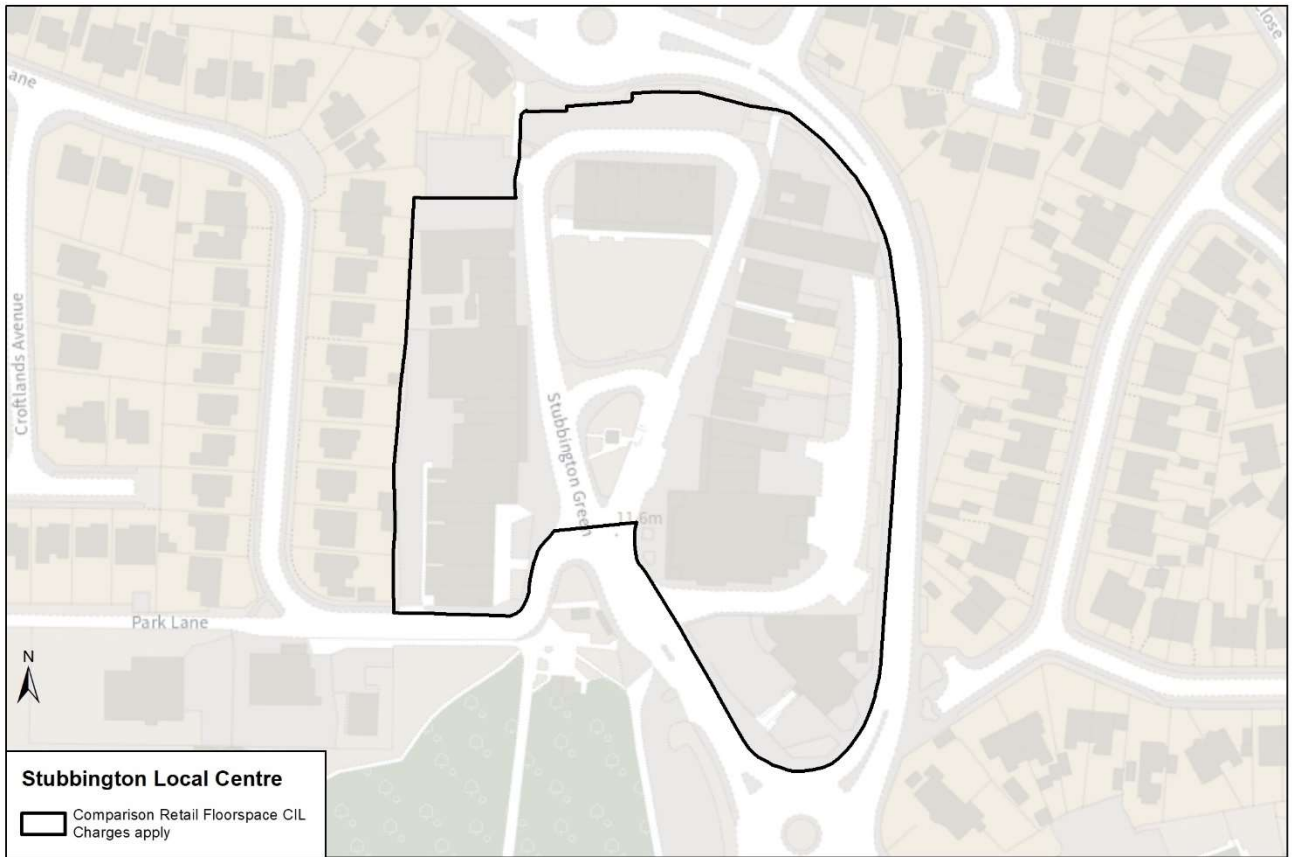
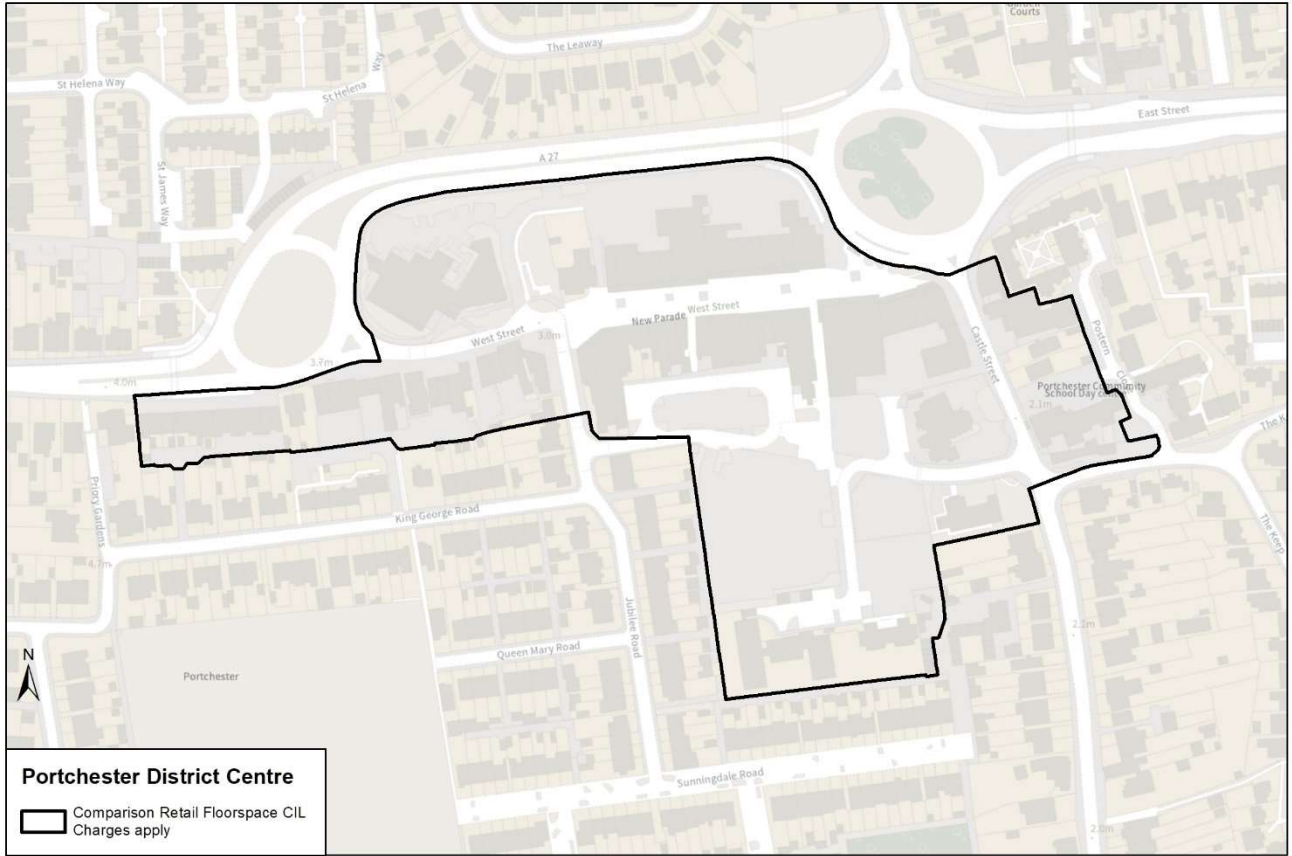


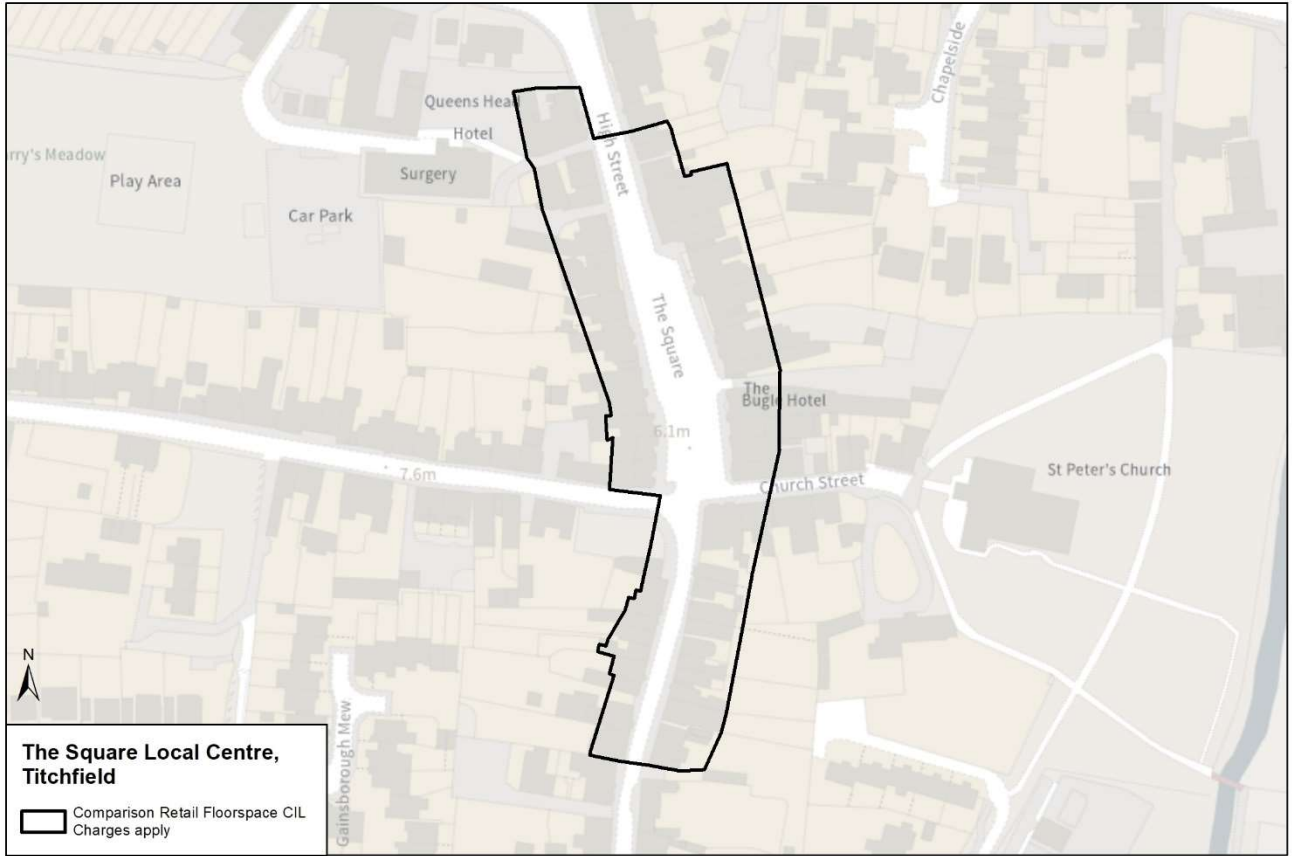
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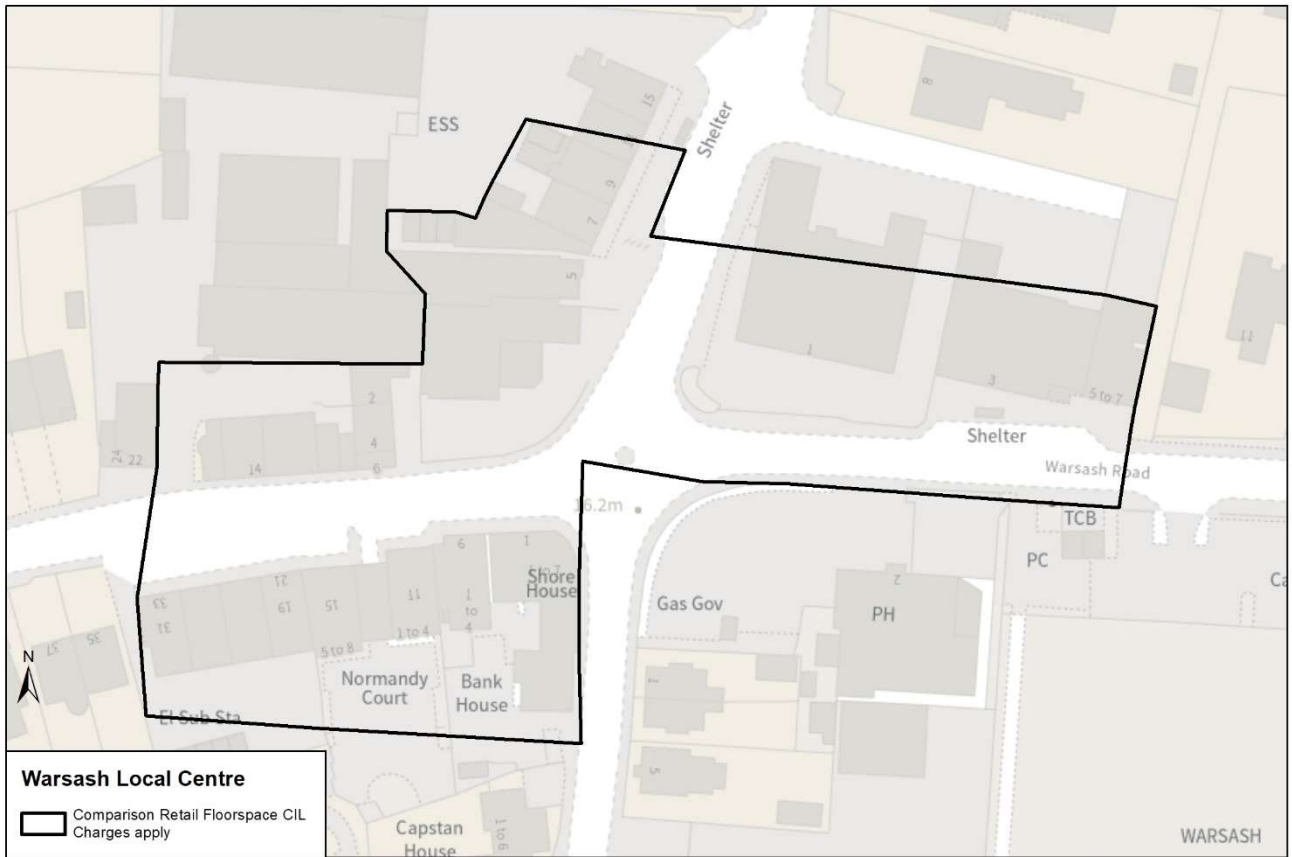
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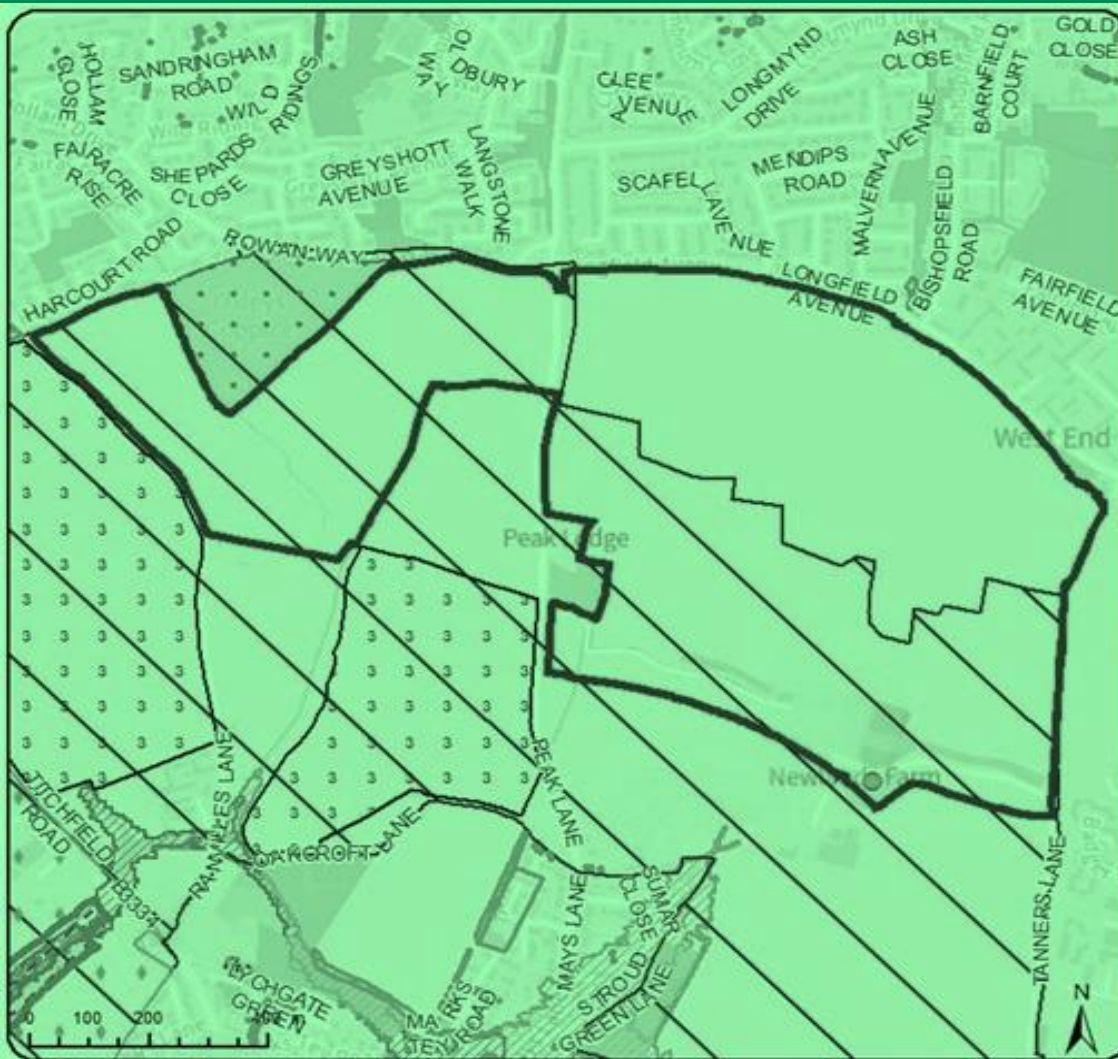




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Report for Fareham Borough Council

HA55 Land South of Longfield Avenue

CIL viability review – November 2023

Three Dragons



Document control sheet	
Project name	Fareham Community Infrastructure Levy
Project reference	CIL viability review
Report title	HA55 Land South of Longfield Avenue
Doc ref	Final
Date	November 2023
Prepared by	Mark Felgate
Reviewed by	Dominic Houston
Quality statement	In preparing this report, the authors have followed national and professional standards, acted with objectivity, impartially, without interference and with reference to appropriate available sources of information. No performance-related or contingent fees have been agreed and there is no known conflict of interest in advising the client group.
Use of this report	This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons Toolkit and is based on council data and information supplied by the applicant and quoted published data sources. The toolkit provides a review of the development economics of illustrative schemes and the results depend on the data inputs provided. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

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Chapter 1 Context

Introduction

- 1.1** Three Dragons has prepared this viability review to inform Community Infrastructure Levy (CIL) rate setting for HA55 Land South of Longfield Avenue. The policy area of HA55 is made up of two separate land interests. The majority of the allocation in terms of land area and dwellings (1,200) is being promoted through a scheme submitted for outline approval reference P/20/0646/OA. Other development land within the allocation, suitable for c.50 dwellings, is wholly surrounded by P/20/0646/O in an area of land to the east of Peak Lane (see figure 2.1).
- 1.2** The CIL draft Charging Schedule for FBC proposes a range of rates:
- £195 per square metre for all standard residential development apart from:
 - Welborne Plan area with a rate of £0 per square metre
 - Flats in Fareham Town Centre with a rate of £0 per square metre
 - £28 per square metre for older persons sheltered accommodation (greenfield)
 - £80 per square metre for Class E(a) retail outside of town centres
 - £0 per square metre for all other forms of development not specified above
- 1.3** With the exception of Welborne Plan area there are no site-specific allocation CIL rates proposed in the draft Charging Schedule. Therefore, any standard residential development within HA55 (or any other allocation) would be charged at £195 per square metre should FBC bring forward the draft Charging Schedule. If FBC were minded not to bring forward the draft Charging Schedule then the current CIL Charging Schedule with a rate of £167.15/sq m will remain in place, including for any standard residential development permitted at HA55.

Preparation of supplementary evidence

- 1.4** The evidence within this report has been produced at the request of Fareham Borough Council (FBC) in response to the CIL draft Charging Schedule Examination Report¹ and to supplement the viability assessment submitted for examination. In summary, it provides viability evidence for HA55 as part of the following consideration:
- The draft Charging Schedule was submitted in June and examined in September 2023.
 - The CIL viability evidence, which followed the same generic typology format as the recent Local Plan viability evidence, was considered generally robust.
 - The examiner recommended that a separate charge was appropriate for HA55 and that this should be £0/sq m - but this proposed new rate was not based on any form of detailed viability evidence for HA55.

¹ https://www.fareham.gov.uk/pdf/planning/local_plan/FINAL_Examiners_Report_Oct23.pdf

- A HA55 specific assessment will fill the gap in the viability evidence and inform the Council’s decision about a separate CIL charge for HA55.
- For thoroughness and completeness, FBC has also requested that as well as testing the HA55 allocation (1,250 dwellings), that a separate viability test on the same basis is undertaken for the planning application P/20/0646/OA for the proposed 1,200 dwellings to also help inform a suitable CIL rate.

Response to the examination report

- 1.5** Whilst the Examiner found the “*viability assessment to be robust*” (para 43) and in respect to infrastructure “*the evidence which has been used to inform the Charging Schedule is robust, proportionate and appropriate*” (para 27) and (in terms of value assumptions) that “*no convincing contrary evidence has been presented to this examination*” (para16), a recommendation was made to separately identify the HA55 policy area, with a £0 CIL rate.
- 1.6** However, in considering whether the HA55 should, like Welbourne Plan area “*be treated as a strategic site which is excluded from the CIL*”² (para 37), the Examiner notes that “*No detailed viability evidence was provided or considered in relation to any other level of charge, including a zero charge*” (para 37).
- 1.7** Neither FBC nor Three Dragons consider that the circumstances at the Welborne Plan area are the same as those at HA55. HA55 is not considered, at 1250 dwellings, to be a strategic allocation on the same scale as Welborne (6,000 dwellings, a new motorway junction and other infrastructure).
- 1.8** The CIL viability evidence, as per PPG, followed the approach used for the Local Plan. The Local Plan, which was examined in 2022, relied on a generic viability assessment based on typologies as advocated in PPG – in respect of the HA55 it was considered that RES14, a large mixed scheme of 1,000 residential units, was sufficiently reflective to demonstrate the site was deliverable. This assessment included the existing CIL (at that time £149.73/sqm rate) and a range of other policy requirements proportionate for the size of development. At no time did FBC indicate that they were intending to reduce the CIL rate that would apply at HA55. There was no concern expressed at this approach (using a typology to demonstrate that delivery was not put at risk by either the CIL rate or other policies within the plan) through representations or by the Local Plan Inspector. Therefore, effectively a CIL rate of c£150/sqm was accepted at the Local Plan Examination in 2022 as reasonable at HA55, with potential to increase (as suggested in the viability evidence) following a CIL review.

² Welborne Plan Area has a £0/sq m CIL rate

- 1.9** In preparing for the CIL Examination FBC was not asked to produce any site-specific testing for HA55 allocation, with the Examiner expressly advising no further evidence was required. As set out in para 37 of the Examination report it is acknowledged that no site-specific viability evidence has been provided (by either FBC or HA55 site promoters) or considered by the Examiner in relation to any other level of CIL charge. On this basis FBC concludes that there is no site-specific viability evidence to support a different CIL charge, including the £0/sq m charge recommended in the Examination Report.
- 1.10** The objective of this report is therefore to provide detailed evidence to enable FBC to consider the implications for CIL on HA55 taking into account site-specific requirements, including the site-specific mitigation and s106 costs highlighted by the Examination Report (para 39) and whether an alternative CIL rate could be supported and should therefore be proposed.

Viability evidence and testing

- 1.11** Whilst site specific, this is a high-level review based on information submitted by the HA55 site promoter as part of the planning application, provided by FBC or drawn from the Local Plan/CIL viability assessments evidence base. Please note that costs are based on broad estimates taken from the named sources above but have not been subject to any consideration by quantity surveyors appointed by FBC – therefore the review has not been informed by any detailed cost plan. This viability review has been undertaken on behalf of FBC to inform their understanding of any viability issues to assist in setting an appropriate level of CIL.
- 1.12** The proposals for the scheme include affordable housing and a range of required environmental mitigation, community benefits and aspirations to ensure long term security of management and maintenance of the environmental and community assets arising from the proposals. The viability review is intended to help determine whether it is reasonable in viability terms to seek the proposed levels of mitigation and community betterment alongside a site-specific CIL rate. FBC has requested that application P/20/0646/OA is separately tested as it forms the majority of the HA55 allocation.
- 1.13** The viability assessment has been undertaken using the Three Dragons Toolkit 2023. For this assessment, land value is an input to the modelling and the residual or headroom is what is potentially available for CIL. The review has been undertaken with objectivity, impartially,

without interference and with reference to all appropriate available sources of information. No performance related or contingent fees have been sought.

Planning guidance

1.14 This assessment has been undertaken in accordance with National Planning Practice Guidance on viability which was updated 1st September 2019 and can be found at <https://www.gov.uk/guidance/viability>.

1.15 Abridged versions of key components of the guidance relevant to decision taking are shown below, with some Three Dragons commentary on their applicability to setting a CIL rate:

- Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage (para 007 Reference ID: 10-007-20190509). The Fareham Local Plan (and its associated evidence base) is up to date having been found sound and adopted in 2023.
- Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. (para 010 Reference ID: 10-010-20180724). Engagement was undertaken as part of the Local Plan process, the planning application submission and through the CIL consultation and Examination.
- Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments... (abridged) and (abridged) ...For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. (para 011 Reference ID: 10-011-20180724). The data and its source are described later in this report;
- Assessment of costs should be based on evidence which is reflective of local market conditions (012 Reference ID: 10-012-20180724) to include:
 - build costs based on appropriate data, for example that of the Building Cost Information Service;
 - abnormal costs;
 - site-specific infrastructure costs;
 - the total cost of all relevant policy requirements including contributions towards affordable housing and the Community Infrastructure Levy (noting that CIL is an output in the process);
 - general finance costs;
 - professional, project management, sales, marketing and legal costs;
 - contingency costs with a justification for contingency relative to project risk and developers return;

- 1.16** We note that abnormal costs should be taken into account when identifying a benchmark land value – this would include for example the provision of significant open space such as the new nature reserve;
- A benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. (para 013 Reference ID: 10-013-20190509). We note that there is no guidance on the scale of the premium.
 - Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. (para 014 Reference ID: 10-014-20190509).
- 1.17** For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. (Para 018 Reference ID: 10-018-20190509). We discuss this further in relation to the viability findings.
- 1.18** Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances. Even in those circumstances an executive summary should be made publicly available. (para 021 Reference ID: 10-021-20190509).
- 1.19** PPG also states that, “Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then”.(para 008 Reference ID: 10-008-20190509). We take the same approach in terms of this site-specific assessment and how it relates back to the Local Plan and more recent CIL viability evidence, noting that both were found to be sound and robust.

Local planning policy requirements

- 1.20** Longfield Avenue has its own specific policy HA55 Land South of Longfield Avenue in the recently adopted Fareham Local Plan. The allocation is described as residential and mixed use including primary school, local centre, natural spaces and sports hub, with an indicative yield of 1,250 dwellings.
- 1.21** Key requirements of the policy include:
- the need for development to maximise the open nature of the existing landscape between the settlements of Fareham and Stubbington
 - no development to take place west of Peak Lane as this is the land set aside for the new nature reserve for Solent waders and Brent Goose habitat
 - provision of a compact, walkable, landscaped, low speed and low trafficked neighbourhood
 - primary access from Longfield Avenue and Peak Lane
 - connectivity with Fareham
 - accessible and managed green infrastructure

- provision of open space to provide alternative recreational areas
- contribution to health, education and transport requirements including:
 - 2 form entry primary school
 - Local centre (commercial, residential, community and health space)
 - Sports hub
 - Extra care scheme of between 50 – 100 units

1.22 Policy HP5 Provision of Affordable Housing requires greenfield sites such as Longfield Avenue to provide 40% of dwellings as affordable housing, with at least 10% as social rent, 55% as affordable rent and with the remainder providing a minimum of 10% affordable home ownership. Policy HP9 requires that on sites of 40 dwellings or more, 10% of the overall dwellings shall be the provision of plots for sale to address local self or custom build need.

Chapter 2 Assumptions

Introduction

2.1 This section summarises information about the application site and the proposed scheme. This is based upon the information provided by the applicant as part of the planning application submission, Fareham Borough Council and the Local Plan/CIL viability studies. HA55 Land at Longfield Avenue comprises of 1,250 dwellings on c.91ha land. At the request of FBC, planning application P/20/0646/OA (1,200 dwellings) has also been tested. The assumptions set out below apply to both tests as appropriate and with the exception of the local centre are proportionate in terms of values and costs attributed to mix, floorspace and dwellings.

Site area and land budget

2.2 The largest land interest at HA55 Land South of Longfield Avenue is 77.77ha greenfield site, planning application P/20/0646/OA (please note that 1.5ha of this is outside the HA55 allocation). The outline application proposes up to 1,200 New Homes, 80 bed care home, primary school, local centre (up to 800 sqm), community centre, health care facility, access onto Longfield Avenue and Peak Lane, new open space including country park, nature reserve and sports facilities and associated infrastructure works.

2.3 Other land interests within the H55 allocation include 6.02ha on land east of Peak Lane which FBC considers for the remaining 50 dwellings, associated open space requirements and some land which will remain in existing use. There is also a further 8.3ha on land south of Stroud Green, which FBC considers will remain in existing use.

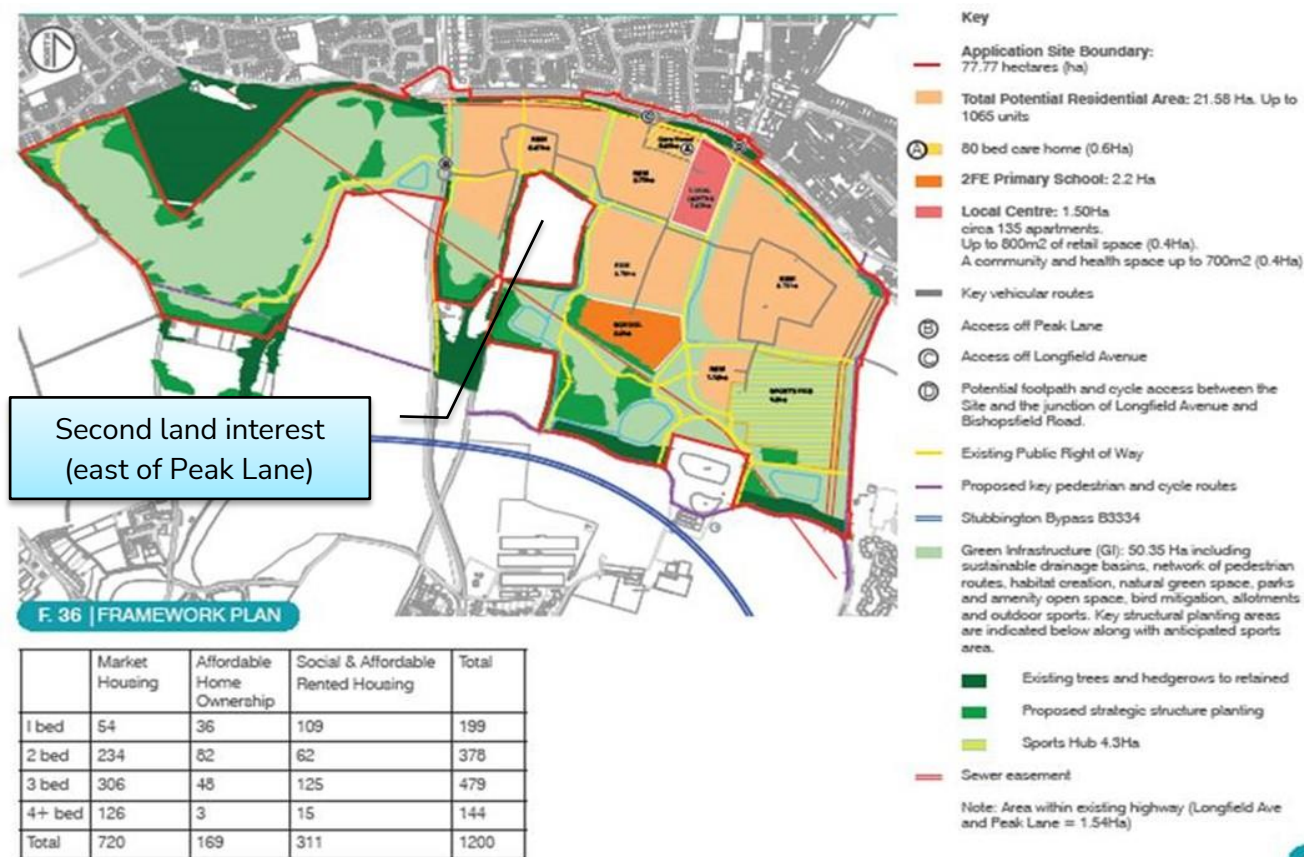
Table 2.1 proposed scheme land budget

2.4 Table 2.1 below, draws upon information set out in Figure 2.1 framework plan as well as clarifications provided by FBC as to the breakdown of some of the green/recreation infrastructure.

Table 2.1 Allocation land budget

Land South of Longfield Avenue	Planning Application P/20/0646/OA (x-highway works outside allocation) ha	Land east of Peak Lane ha	South of Stroud Green Lane/other ha	Allocation total ha	Planning Application P/20/0646/OA (highway works outside allocation) ha
Allocation boundary	76.2	6.0	8.3	90.6	1.5
Developable area	44.0	2.4	0.0	46.5	0.0
Non-developable (excluding highway)	32.2	0.0	0.0	32.2	0.0
Highways land	0.0	0.0	0.0	0.0	1.5
Land budget breakdown					
Gross residential area (ha)*	21.6	1.3	0.0	22.9	0.0
Care home (ha)*	0.6	0.0	0.0	0.6	0.0
Local centre (ha)*	1.5	0.0	0.0	1.5	0.0
Primary school*	2.2	0.0	0.0	2.2	0.0
Existing highway land and unchanged land***	0.0	3.6	8.3	11.9	1.5
Green/recreation infrastructure breakdown	50.4	1.2	0.0	51.6	0.0
General open space (ha)*	13.9	1.2	0.0	15.0	0.0
Alternative recreational open space/habitat creation area (ha)**	16.7	0.0	0.0	16.7	0.0
Parkland/Nature reserve (Brent Geese)**	15.5	0.0	0.0	15.5	0.0
Sports Hub*	4.3	0.0	0.0	4.3	0.0
* Residential land value					
** Alternative recreational open space/habitat land value					
*** No land value					

Figure 2.1 Planning application framework plan



Housing mix and floor area

2.5 The housing mix and floor areas shown below are based on the table in Figure 2.1, the Local Plan policy and the viability evidence base. The dwelling numbers include the area covered by planning application P/20/0646/OA as well as the land east of Peak Lane.

Table 2.2 Housing mix and floor area

	Tenure	Floor area sqm (net)	Number
Market housing			
	Flats 1 bed	61	56.3
	Flats 2 bed	70	28.1
	House 2 bed	70	215.6
	House 3 bed	98	230.2
	House 4 bed	124	94.8
	CSB 3 bed	98	88.5
	CSB 4 bed	124	36.5
Social rent			
	Flats 1 bed	56	17.5
	Flats 2 bed	-	-
	House 2 bed	70	9.9

Tenure	Floor area sqm (net)	Number
House 3 bed	84	20.0
House 4 bed	106	2.4
Affordable rent		
Flats 1 bed	56	96.0
Flats 2 bed	-	-
House 2 bed	70	54.7
House 3 bed	84	110.2
House 4 bed	106	13.2
Intermediate		
Flats 1 bed	56	37.5
Flats 2 bed	61	27.1
House 2 bed	70	58.3
House 3 bed	84	50.0
House 4 bed	106	3.1
Total flats		262.5
Total houses		987.5
Total dwellings		1,250.0

Market homes values

2.6 Dwelling sales values have been estimated using evidence from the Fareham CIL viability assessment. The summary sales values are shown in Table 2.3.

Table 2.3 Residential sales values (rounded)

Transaction type	Flats	Houses
New build transactions £/sq m (£ unit value)	£4,140/sq m (1 bed - £253,000; 2 bed - £290,000)	£4,283/sq m (2 bed £300,000, 3 bed £418,000, 4 bed £531,000)
Custom build £/sq m (£ unit value)		£4,845/sq m (3 bed £472,000, 4 bed £601,000)

Source: Land Registry/EPC

2.7 The viability work that supported the local plan and the proposed CIL rates both used one value area for residential sales. It is accepted that there may be localised variances on any single scheme but for this initial review the standard Fareham wide figure is used. A premium of 5% is added to the standard open market values for custom build, in line with previous viability work.

Affordable homes values

2.8 For the previous viability study that informed the revised local plan, discussion with the council's housing team, a review of schemes and a survey of local Registered Providers identified a range of transfer values for affordable homes as a percentage of full market value (i.e. an estimate of how much the RPs may pay for the affordable units). These transfer values are used for this

assessment.

- 2.9** In terms of **shared ownership**, the transfer values agreed were 70% of market value. For rented the **affordable rent** is at 57.5% of market value and for **social rent** it is 42.5% of market value.

Table 2.4 Affordable homes values³

Home type	Affordable rent	Social rent	Shared ownership
1 bed flat	£132,000 per unit	£98,000 per unit	£161,000 per unit
2 bed flat			£177,000 per unit
2 bed house	£172,000 per unit	£127,000 per unit	£210,000 per unit
3 bed house	£207,000 per unit	£153,000 per unit	£252,000 per unit
4 bed house	£261,000 per unit	£193,000 per unit	£318,000 per unit

- 2.10** Retail values have been drawn from the Fareham CIL viability assessment. Whilst potentially there could be value in the health provision for the purpose of this assessment, only the cost of provision is included (as a separate cost within the s106). For care homes values are bespoke and linked to the care home provider and their investment model, therefore only the value associated with the sale of a serviced plot is assumed for the viability review. Summary values are shown in Table 2.5.

Table 2.5 Non-residential sales values

Type	Rent £/sq m	Yield %
Retail (800 sqm)	£190	6.88%
Community and health (700 sqm)	£0	0%
Care home	Serviced site – cost neutral, assumes no return	

Development costs

- 2.11** Development costs are either drawn from the CIL viability assessment, FBC or specific research from published data applicable to this site-specific test. It should be noted that many of the cost assumptions are standard figures used for these types of reviews and have previously been found acceptable.

Table 2.5 Development costs

Cost item	Cost £	Metric
Build costs		
Flats 1-2 storey	£1,822.70	per sqm (BCIS+10% plot costs)
Flats 3-5 storey (local centre) ⁴	£1,835.90	per sqm (BCIS+10% plot costs)
House	£1,357.40	per sqm (BCIS+10% plot costs)
Self-build	£1,732.76	per sqm (BCIS+10% plot costs)
Garages ⁵	£7,750.00	per single garage (18sqm)

³ Figures shown in the table are rounded

⁴ Build costs for flats with 1-2 storeys include circulation space and non-saleable space (10%) and higher for 3-5 storeys (15%)

⁵ Garages are included 50% 3 bed and 100% 4 bed for all market and CSB dwellings

Cost item	Cost £	Metric
Sprinklers (local centre flats only)*	£1,500.00	per flats (135 flats total)
Future homes (houses)*	£12,000.00	per house
Future homes (flats)*	£8,000.00	per flat
Accessibility M4 Cat 2*	£1,400	per dwelling
Accessibility M4 Cat 3*	£1,661,584	total – breakdown varies between £17k-£56k/dwelling depending on dwelling types and tenure
Electric charging vehicle*	£865	per dwelling
Biodiversity Net Gain	£948	per dwelling
Other development costs		
Plot costs	10.00%	of build costs
Professional Fees	6.00%	of build costs
Finance Rate	8.00%	
Marketing Fees	3.00%	of market GDV for mkt and custom
Affordable legal costs	£500.00	per AH dwelling
Agents & Legals	1.75%	of land value
SDLT	prevailing rate	
Contingency	3.00%	of build costs
	10.00%	of infrastructure costs
Developer & Contractor Return	17.5%	market/custom GDV
	6%	affordable GDV
Infrastructure costs		
Site infrastructure (General)	£25,000	per dwelling
Site preparation for alternative recreational open space & nature reserve	£35,000	per ha
Local policy costs		
Transport	£6,537,687	Indexed FBC estimate based on HCC Developer contributions 2007
Education	£20,891,928	Indexed FBC estimate based on HCC response to P/20/0646/OA
Open space/recreation/alternative recreational set up	£3,559,183	Indexed FBC estimate based on Open Space and Sports Provision draft SPD
Nature reserve & geese reserve set up	£271,628	Indexed FBC estimate based on DEFRA habitat creation costs 2015
Open space/recreation/alternative recreational plus nature reserve & geese reserve management & maintenance	£7,114,391	Indexed FBC estimate based on various
Habitats mitigation	£1,107,666	Solent and New Forest mitigation strategies
Health facilities	£682,279	Indexed FBC estimate based on ICB response to P/20/0646/OA
Care home serviced land	£214,680	P/20/0646/OA & 3D estimates
Local centre /community facility	£3,395,238	P/20/0646/OA & 3D estimates

Cost item	Cost £	Metric
* These figures are incorporated within 'Build Cost (£) (inc garages)' in the summary appraisals within the Appendix to this report. Within this, the blended combined EV and accessibility cost for AH units is £4,428/dwg (£5,928/dwg with sprinklers); and £3,038/dwg for market units (£4,538 with sprinklers).		

- 2.12** The transport costs are understood to be in advance of detailed transport plans and it is acknowledged that these may be subject to change. The testing includes a sensitivity test with higher transport costs of £9,414,269 to explore what the viability impact might be. This reflects less certainty about these costs and uses the suggested infrastructure optimism bias upper adjustment of 44% set out in the supplementary Green Book guidance⁶.
- 2.13** The local centre and health facilities cost estimates are based on a local centre comprising of retail floorspace of 800sq. m and a community building of c507sq. m – the remaining c193sq.m is accounted for as the 'health' cost in table 2.5 as per the response to the planning application by the ICB.
- 2.14** Three benchmark land values are used for this assessment and are applied to the land budget as set out in table 2.1, with the following figures:
- Developable land (including general open space) - £250,000/ha
 - Alternative recreation open space/nature reserve - £25,000/ha
 - Highway land and unchanged use land - £0/ha
- 2.15** The developable land benchmark value is that used within both the local plan and CIL viability assessment prepared for FBC. The alternative recreation open space/nature reserve figure is based on similar (and accepted at Examination) figures for such land in other areas⁷. The highway land is part of the application red line as there are changes to road layout, but within these there is no change of use as per the other areas where land use is unchanged – hence the £0 land value within this assessment.

Development programme

- 2.16** A twelve-year development programme has been used for the viability assessment (as agreed at the local plan Examination). This includes initial site works in year 1 as well as building some of the houses in the first development parcel in year 2. House sales are assumed to commence in year 2, with a lag of 9 months between the start of house construction and completion.

⁶ <https://www.gov.uk/government/publications/green-book-supplementary-guidance-optimism-bias>

⁷ <https://eastdevon.gov.uk/planning/planning-policy/cranbrook-plan/cranbrook-plan-inspector-s-report/#article-content>

Chapter 3 Viability testing results

Introduction

- 3.1** The viability testing uses the values and costs in the previous section as the basis for the viability test. The testing includes an allowance for Future Homes 2025, finance costs at 8% and a substantial policy and mitigation packaging including relatively high contributions towards education and transport provision as well as a substantial allowance for long term management and maintenance of the open space including the nature reserve.
- 3.2** As well as the base case, the testing includes a sensitivity scenario with higher transport costs. The higher transport cost in the sensitivity test is £9.4m (compared to the base estimate of £6.5m).

Assessment results

- 3.3** The headline finding is that it is viable to develop this site and deliver the extensive package of mitigation and policy costs - whether statutory, national or local including the policy compliant affordable housing and a CIL contribution at the proposed draft charging schedule rate of £195/sq. m - as can be seen in base test column (4) in Table 3.1 below where the £195/sq m is below the available headroom of £333/sq m. This HA55 specific test result indicates that the generic test in the November 2022 assessment remains broadly suitable for recommending a CIL rate that could be applied to HA55.
- 3.4** As set out in the Fareham CIL viability assessment (November 2022), guidance does not include a method for setting CIL rates. The recommended approach to setting CIL rates in the November 2022 assessment was to maintain at least a 50% buffer⁸ for the CIL rate or a CIL rate that is less than 5% of GDV and therefore unlikely to a significant effect on delivery. In the November 2022 assessment, the proposed £195/sq m met both of these 'tests' for the generic R14 typology, which is the most similar to HA55.
- 3.5** Were FBC mindful to continue with the proposed £195/sq m rate that would apply HA55, this would result in a lower buffer of c.41% and as a proportion of GDV it would be at 3% (i.e. within the 5% of GDV threshold). This scale of buffer has been accepted when setting CIL rates elsewhere.
- 3.6** However, a lower rate with an increase in the buffer may be preferable given the timescale for the development, the current rate that would apply in absence of not taking forward the proposed rates, the FBC desire for delivery and consistency with the other rate setting in the November 2022 assessment.
- 3.7** Table 3.1 below shows the residual value or total headroom (3), headroom expressed as £/sq m of CIL liable floorspace (4), the CIL rate if a 50% buffer is assumed (5) and CIL rate as a percentage of GDV.

Table 3.1 viability results

Scenario (1)	GDV (2)	Residual value (3)	CIL Headroom/ sq m (4)	CIL rate/ sq m with 50% buffer (5)	CIL rate as % GDV (6)
HA55 base test	£386,303,753	£19,770,937	£333	£166	2.6%
HA55 sensitivity test	£386,303,753	£15,510,581	£261	-	-
P/20/0646/OA ONLY base test	£370,938,856	£18,893,720	£331	£166	2.5%
P/20/0646/OA ONLY sensitivity test	£370,938,856	£14,837,304	£260	-	-

- 3.8** The HA55 base viability test shows that a CIL rate of £166/sq m, assuming a 50% buffer and based on the specific assumptions set out in this report would be both viable and not pose a risk to delivery of allocation HA55. FBC could consider this £166/sq m as a separate CIL rate for HA55 which addresses the concerns set out in the CIL Examination Report (October 2023) about specific viability evidence for this allocation⁹.
- 3.9** The sensitivity test with higher transport costs has a reduced residual value and this lowers the headroom for a CIL rate to £261/sq m. However, this headroom remains above both the proposed standard CIL rate of £195/sq m as well as the reduced rate of £166/sq m discussed above for the base test. With the higher transport costs, at £166/ sq m there would be a reduced buffer of 36%, which is within the acceptable range of minimum buffers (30% to 50%).
- 3.10** In terms of the planning application P/20/0646/OA, the results are very similar in terms of the £/ sq m headroom due to the majority of assumptions being proportionate (to those used for HA55 test) to the number of dwellings.
- 3.11** The viability assessment set out in this report shows that a rate of £166/ sq m is viable and consistent in both terms of the setting of other CIL rates and the current CIL rate. However, £195/sq m could also be supported, albeit at a lower buffer. Whilst this viability assessment provides a framework for setting a CIL for HA55, ultimately the decision on which rate to set rests with FBC.
- 3.12** In approaching the question of a CIL rate to the meet the Examiner’s recommendation for allocation HA55, FBC will need to determine the balance of risks to delivery of the new Local

⁸ CIL set at a 50% buffer is based on a calculation whereby the total residual value (which is the total value or GDV of the scheme minus all the costs including land cost and developer return) is expressed as a £/CIL liable sq m headroom and to reflect potential risk and future market changes, is reduced by 50% to produce the CIL charging rate on a £/sq m basis.

⁹ This £166/sq m CIL rate is also very close to the indexed current £167.15/sq m CIL rate applying to the site under the existing adopted charging schedule.

Plan. This will include securing funds to contribute towards the infrastructure funding gap acknowledged at the examination, as well as ensuring housing delivery. In considering this risk FBC may choose to reduce the buffer to increase the proposed CIL or increase the buffer and reduce the rate – either option would comply with guidance as long as a buffer remains in place.

Conclusion

3.13 The viability testing in this report shows that:

- the draft Charging Schedule proposed CIL of £195/sq m can be supported by HA55 albeit with a lower buffer (41%).
- with a 50% buffer, FBC could consider a CIL rate of £166/sq m for HA55.
- £166/sq m is similar to the current adopted £167.15/sq m rate applicable to HA55.
- the results of the sensitivity testing that reflects potentially higher transport costs also shows that a rate of £166/sq m can be supported by HA55 albeit with a lower buffer (36%).

Appendix A S106

Category	Revised cost	Source	Metric	Index approach	Phasing approach
Transport					
Planning application P/20/0646	£6,257,561	HCC Highways Developer Contributions (2007)	Assumes 8204 trips at 7 trips per dwelling (3.5 for 1 beds) and a £535 cost per trip at 2007 prices	Indexed from 2007 to 2Q2022 £800.36 per trip	Frontloaded in first 3 years, with further allowances at mid stage of development
Land east of Peak Lane (50 dwellings)	£280,126	As above	Based on above with 350 trips per unit	Index approach as above	As above
Transport total	£6,537,687				
Education					
Planning application P/20/0646	£20,254,073	HCC Planning application response	2FE primary new school (£8,606,394), 2FE extension to secondary school (£9,807,506), SEND places (£621,870) & school travel plan (£53,000) - all at 4Q2021 prices.	Indexed from 4Q2021 to 2Q2022 £20,254,073 total	In line with completions
Land east of Peak Lane (50) dwellings)	£637,855	No specific advice - allowance based on above	Based on primary (15 places) and secondary (10 places) requirements	Indexing approach as above	As above
Education total	£20,891,928				

Category	Revised cost	Source	Metric	Index approach	Phasing approach
Open space and recreation					
Open space/recreation/alternative recreation set up - Planning application P/20/0646	£3,517,505	FBC SPD Open Space and Sports Provision (proposed)	Open Space (30.55 ha @£10.20 sqm) £3,117,505 - NEAP £250,000 - LAPs (10) £150,000 *Sports pitch requirement will be a site only	Indexed from 2Q2023 to 2Q2022	In line with construction
Open space/recreation set up - Land east of Peak Lane (50 dwellings)	£41,678	As above	Based on the same approach above	Indexing approach as above	As above
Total open space/recreation/alternative recreational set up	£3,559,183				
Nature reserve set up - Planning application P/20/0646	£172,577	2015 DEFRA Cost estimation for habitat creation	Drier Grassland (15.5 ha @£1.11 sqm) £172,577	Indexed from 2015 to 2Q2022	Year 1
Functionally Linked site (Geese) land east of Peak Lane (50 dwellings)	£99,051	FBC bird mitigation	N/A	N/A	Year 1
Alternative recreational space & nature reserve set up - Land east of Peak Lane (50 dwellings)	N/A	N/A	N/A	N/A	N/A
Total nature reserve & geese set up	£271,628				

Category	Revised cost	Source	Metric	Index approach	Phasing approach
Management and maintenance (all) - Planning application P/20/0646	£7,020,925	Bird Aware Mitigation Strategy for Bird Reserve management; FBC SPD Open Space and Sports Provision (proposed); Local Authority examples for natural/semi natural parkland	- Bird Mitigation (15.5 ha @ £4 sqm) £627,750 - Southern Parkland (16.7 ha @ £12 sqm) £2,004,000 - General Open Space (13.85 ha @£24 sqm) £3,300,455 - Sports Provision (3.1* ha - SPD requirement @£35 sqm) £1,088,720	Costs drawn from SPD indexed from 2Q2023 to 2Q2022	2 tranches of payment towards the middle and end of development
Management and maintenance (all) -Land east of Peak Lane (50 dwellings)	£93,466	As above	Based on the same approach above	As above	As above
Total management and maintenance (all)	£7,114,391				
Open space total	£10,846,151				
Habitats					
Solent mitigation - Planning application P/20/0646	£766,905	Solent Recreation Mitigation Strategy	1 bed - £390 2 bed - £563 3 bed - £735 4 bed - £864	No indexing required as FBC consider base dates the same	In line with completions
Solent mitigation - Land east of Peak Lane (50 dwellings)	£31,954	As above	As above	As above	As above
Solent mitigation total	£798,859				

Category	Revised cost	Source	Metric	Index approach	Phasing approach
New Forest mitigation - Planning application P/20/0646	£296,454	New Forest Mitigation Strategy	£247.05 / unit	No indexing required as FBC consider base dates the same	In line with completions
New Forest mitigation - Land east of Peak Lane (50 dwellings)	£12,352.5	As above	As above	As above	As above
New Forest mitigation total	£308,807				
Habitats total	£1,107,666				
Other requirements					
Health facilities - Planning application P/20/0646	£653,479	ICB Planning application response	193.2 sqm of provision equivalent to a contribution of £576 / dwelling	Indexed from 2Q2023 to 2Q2022	Middle of development
Health facilities - Land east of Peak Lane	£28,800	Based on above	£576 / dwelling	As above	As above
Total health facilities	£682,279				
Care home (serviced land costs)	£214,680	Planning application & 3D cost estimates	Serviced land cost	No indexing required - cost base is at 2Q2022	Middle of development
Local centre /community development costs	£3,395,238	Planning application & 3D cost estimates	Standard development costs. Note that floorspace has been reduced (by 193.2 sqm) to account for health provision cost attributed separately.	No indexing required - cost base is at 2Q2023	Middle of development

Appendix B Viability appraisal summaries HA55 & P/20/0644/OA

Summary Report 1

Site Name		HA55 Longfield Avenue						Land and Developer Returns						
Site Information		Based on policy HA55 Fareham Local Plan & planning application P/20/0646/OA						Land & associated costs included in						
Description								Developer & contractor returns						
Date	22/11/2023	Updated		Compiled by	gate & D. Hd	Reference		CIL v2						
Summary Details					Dwellings	NIA (Exc garages & circ space)	Garages	Circ space	Total GIA (inc circ space & garages)					
	Net Area	46.47	hectares		1,250.00	103,610.9	5,231.3	2,252.5	111,094.7					
	Gross Area	90.57	hectares	Market	750.00	67,846.9	5,231.3	938.8	74,016.9					
	Net to Gross %	51.31%		Affordable	500.00	35,764.1	-	1,313.7	37,077.8					
Density	26.90	per net ha	% Affordable	40.00%										
Scheme Revenue														
		Total	Market Sale	Not Selected	Custom Build	Not Selected	Social Rent	Affordable Rent	Not Selected	Not Selected	Shared Ownership	Not Selected		
Total No of Units		1,250.00	625.00	-	125.00	-	49.79	274.17	-	-	176.04	-		
Total NIA exc garages & circ space (sq m)		103,610.9	54,693.2	-	13,153.6	-	3,597.9	19,818.2	-	-	12,347.9	-		
Garages (sq m)		5,231.3	3,778.1	-	1,453.1	-	-	-	-	-	-	-		
Total NIA inc garages exc circ space (sq m)		108,842.2	58,471.4	-	14,606.8	-	3,597.9	19,818.2	-	-	12,347.9	-		
Tenure Split (by %)			50.00%		10.00%		3.98%	21.93%			14.08%			
Sales Revenue (£)		384,122,440	233,478,901	-	59,153,965	-	6,494,167	48,349,688	-	-	36,645,721	-		
Average Revenue per unit (£)		307,298	373,566	-	473,232	-	130,427	176,351	-	-	208,165	-		
Average Revenue (£ per sq m) GIA		3,707	4,269	-	4,497	-	1,805	2,440	-	-	2,968	-		
Capital Contributions (£)														
Local centre revenue		1,966,633												
Care home serviced land		214,680												
		0												
Total Capital contributions (£)		2,181,313												
Total Revenue (£)		386,303,753												
Scheme Development Costs (£)														
Land (£)		12,422,500	137,159	per gross ha										
SDLT at prevailing rate (£)		610,625												
Agents Fees (1.25%), Legal Fees (0.5%) Total - 1.75% (£)		217,394												
Land & associated fees Total (£)		13,250,519	146,301	per gross ha										
		Total	Market Sale	Not Selected	Custom Build	Not Selected	Social Rent	Affordable Rent	Not Selected	Not Selected	Shared Ownership	Not Selected		
Build Cost (£) (inc garages)		177,922,226	89,354,350	-	25,328,283	-	6,328,870	34,847,326	-	-	22,063,397	-		
Additional Build Costs (£)		-	-	-	-	-	-	-	-	-	-	-		
Total GIA inc circ space (sq m)		105,863	55,632	-	13,154	-	3,725	20,518	-	-	12,834	-		
Total Contingency - 3% Build Costs (£)		5,337,667												
Total Build Cost (£)		183,259,893	89,354,350	-	25,328,283	-	6,328,870	34,847,326	-	-	22,063,397	-		
Policy & Infrastructure Costs (£)														
		-												
General site infrastructure		31,250,000												
General site infrastructure contingency 10%		3,125,000												
Transport		6,537,687												
Education		20,891,928												
Open space, recreation, AROS		3,559,183												
Nature reserve, geese		271,628												
M&M open space, recreation, AROS, reserve		7,114,391												
Habitat mitigation - Solent, New Forest		1,107,666												
Health		682,279												
Care home		214,680												
Local centre		3,395,238												
BNG		1,185,000												
Total Policy & Infrastructure Costs (£)		79,334,680												
Sales & Marketing Costs & Legal Fees Total (Mkt Hsg)		8,778,986	7,004,367	-	1,774,619	-								
Sales & Marketing Costs & Legal Fees Total (Aff Hsg)		250,000							24,896	137,083	-	-	88,021	-
Professional Fees Total (£)		12,239,555	5,361,261	-	3,083,919	-	379,732	2,090,840	-	-	1,323,804	-		
CIL (£)		-												
Total Development Costs (£)		297,113,633												
Development Period														
Development Period		12 Years												
Debit Interest Rate		8.00%												
Credit Interest Rate		0.00%												
Annual Discount Rate		0.00%												
Revenue and Capital Contributions (£)		386,303,753												
Land & associated Fees - inc in interest calc (£)		13,250,519												
Development Costs (£)		283,863,114												
Finance (£)		12,719,057												
ADR Cost (£)		0												
Total Dev Costs Inc Finance & ADR Costs (£)		309,832,690												
Gross Residual Value inc land less finance (£)		76,471,063												
Total Developer/Contractor Return (£)		56,700,126												
Gross Residual Value inc land less finance (£) less Dev & Cont Returns (£)		19,770,937												

Summary Report 1														
Site Name	P/20/0646/OA Longfield Avenue									Land and Developer Returns Assumptions				
Site Information	Based on policy NA55 Fareham Local Plan & planning application P/20/0646/OA									Land & associated costs included in cashflow				
Description										Developer & contractor returns excluded from cashflow				
Date	10/10/2023	Updated		Compiled By	Felgate & D. Houston	Reference		CIL v2						
Summary Details														
	Net Area	44.03	hectares		Dwellings	1,200.00	NIA (Exc garages & circ space)	99,466.5	Garages	5,022.0	Circ space	2,183.9	Total GIA (inc circ space & garages)	106,672.4
	Gross Area	77.77	hectares	Market		720.00		65,133.0		5,022.0		914.8		71,069.8
	Net to Gross %	56.62%		Affordable		480.00		34,333.5		-		1,269.1		35,602.6
	Density	27.25	per net ha	% Affordable		40.00%								
Scheme Revenue														
	Total	Market Sale	Not Selected	Custom Build	Not Selected	Social Rent	Affordable Rent	Not Selected	Not Selected	Shared Ownership	Not Selected			
Total No of Units	1,200.00	600.00	-	120.00	-	47.80	263.20	-	-	169.00	-			
Total NIA exc garages & circ space (sq m)	99,466.5	52,505.5	-	12,627.5	-	3,454.0	19,025.5	-	-	11,854.0	-			
Garages (sq m)	5,022.0	3,627.0	-	1,395.0	-									
Total NIA inc garages exc circ space (sq m)	104,488.5	56,132.5	-	14,022.5	-	3,454.0	19,025.5	-	-	11,854.0	-			
Tenure Split (by %)		50.00%		10.00%		3.98%	21.93%			14.08%				
Sales Revenue (£)	368,757,543	224,139,745	-	56,787,806	-	6,234,400	46,415,700	-	-	35,179,892	-			
Average Revenue per unit (£)	307,298	373,566	-	473,232	-	130,427	176,351	-	-	208,165	-			
Average Revenue (£ per sq m) GIA	3,707	4,269	-	4,497	-	1,805	2,440	-	-	2,968	-			
Capital Contributions (£)														
Local centre revenue	1,966,633													
Care home serviced land	214,680													
0	-													
0	-													
0	-													
0	-													
Total Capital contributions (£)	2,181,313													
Total Revenue (£)	370,938,856													
Scheme Development Costs (£)														
Land (£)	11,812,500	151,890	per gross ha											
SDLT at prevailing rate (£)	580,125													
Agents Fees (1.25%), Legal Fees (0.5%) Total - 1.75% (£)	206,719													
Land & associated fees Total (£)	12,599,344	162,008	per gross ha											
	Total	Market Sale	Not Selected	Custom Build	Not Selected	Social Rent	Affordable Rent	Not Selected	Not Selected	Shared Ownership	Not Selected			
Build Cost (£) (inc garages)	170,857,737	85,812,959	-	24,315,152	-	6,077,653	33,464,093	-	-	21,187,879	-			
Additional Build Costs (£)	-	-	-	-	-	-	-	-	-	-	-			
Total GIA inc circ space (sq m) Total	101,650	53,420	-	12,628	-	3,577	19,702	-	-	12,324	-			
Contingency - 3% Build Costs (£)	5,125,733													
Total Build Cost (£)	175,983,470	85,812,959	-	24,315,152	-	6,077,653	33,464,093	-	-	21,187,879	-			
Policy & Infrastructure Costs (£)														
General site infrastructure	30,000,000													
General site infrastructure contingency 10%	3,000,000													
Transport	6,257,561													
Education	20,254,073													
Open space/recreation/alternative recreational set up	3,517,505													
Nature reserve & geese set up	172,577													
M&M open space, recreation ARDS, nature	7,020,925													
Habitats - Solent & New Forest	1,063,359													
Health facilities	653,479													
Care home serviced land	214,680													
Local centre/community facility	3,395,238													
BNG	1,137,600													
Total Policy & Infrastructure Costs (£)	76,686,997													
Sales & Marketing Costs & Legal Fees Total (Mkt Hsg)	8,427,827	6,724,192	-	1,703,634	-									
Sales & Marketing Costs & Legal Fees Total (Aff Hsg)	240,000					23,900	131,600	-	-	84,500	-			
Professional Fees Total (£)	11,753,117	5,148,778	-	2,960,562	-	364,659	2,007,846	-	-	1,271,273	-			
CIL (£)	-													
Total Development Costs (£)	285,690,754													
Development Period														
Development Period	12	Years												
Debit Interest Rate	8.00%													
Credit Interest Rate	0.00%													
Annual Discount Rate	0.00%													
Revenue and Capital Contributions (£)	370,938,856													
Land & associated Fees - inc in interest calc (£)	12,599,344													
Development Costs (£)	273,091,410													
Finance (£)	11,922,260													
ADR Cost (£)	0													
Total Dev Costs Inc Finance & ADR Costs (£)	297,613,014													
Gross Residual Value inc land less finance (£)	73,325,841													
Total Developer/Contractor Return (£)	54,432,121													
Gross Residual Value inc land less finance (£) less Dev & Cont Returns (£)	18,893,720													

Appendix C Sensitivity viability appraisal summaries

Summary Report 1											
Site Name	HA55 Longfield Avenue sensitivity									Land and Developer Returns	
Site Information	Based on policy HA55 Fareham Local Plan & planning application P/20/0646/OA with 44%									Land & associated costs included in	
Description										Developer & contractor returns	
Date	22/11/2023	Updated		Compiled by	gate & D. Hc	Reference	CIL v2				
Summary Details					Dwellings	NIA (Exc garages & circ space)	Garages	Circ space	Total GIA (inc circ space & garages)		
	Net Area	46.47	hectares		1,250.00	103,610.9	5,231.3	2,252.5	111,094.7		
	Gross Area	90.57	hectares	Market	750.00	67,846.9	5,231.3	938.8	74,016.9		
	Net to Gross %	51.31%		Affordable	500.00	35,764.1	-	1,313.7	37,077.8		
Density	26.90	per net ha	% Affordable	40.00%							
Scheme Revenue											
	Total	Market Sale	Not Selected	Custom Build	Not Selected	Social Rent	Affordable Rent	Not Selected	Not Selected	Shared Ownership	Not Selected
Total No of Units	1,250.00	625.00	-	125.00	-	49.79	274.17	-	-	176.04	-
Total NIA exc garages & circ space (sq m)	103,610.9	54,693.2	-	13,153.6	-	3,597.9	19,818.2	-	-	12,347.9	-
Garages (sq m)	5,231.3	3,778.1	-	1,453.1	-	-	-	-	-	-	-
Total NIA inc garages exc circ space (sq m)	108,842.2	58,471.4	-	14,606.8	-	3,597.9	19,818.2	-	-	12,347.9	-
Tenure Split (by %)		50.00%		10.00%		3.98%	21.93%			14.08%	
Sales Revenue (£)	384,122,440	233,478,901	-	59,153,965	-	6,494,167	48,349,688	-	-	36,645,721	-
Average Revenue per unit (£)	307,298	373,566	-	473,232	-	130,427	176,351	-	-	208,165	-
Average Revenue (£ per sq m) GIA	3,707	4,269	-	4,497	-	1,805	2,440	-	-	2,968	-
Capital Contributions (£)											
Local centre revenue	1,966,633										
Care home serviced land	214,680										
	0										
Total Capital contributions (£)	2,181,313										
Total Revenue (£)	386,303,753										
Scheme Development Costs (£)											
Land (£)	12,422,500	137,159	per gross ha								
SDLT at prevailing rate (£)	610,625										
Agents Fees (1.25%), Legal Fees (0.5%) Total - 1.75% (£)	217,394										
Land & associated fees Total (£)	13,250,519	146,301	per gross ha								
	Total	Market Sale	Not Selected	Custom Build	Not Selected	Social Rent	Affordable Rent	Not Selected	Not Selected	Shared Ownership	Not Selected
Build Cost (£) (inc garages)	177,922,226	89,354,350	-	25,328,283	-	6,328,870	34,847,326	-	-	22,063,397	-
Additional Build Costs (£)	-	-	-	-	-	-	-	-	-	-	-
Total GIA inc circ space (sq m)	105,863	55,632	-	13,154	-	3,725	20,518	-	-	12,834	-
Total Contingency - 3% Build Costs (£)	5,337,667										
Total Build Cost (£)	183,259,893	89,354,350	-	25,328,283	-	6,328,870	34,847,326	-	-	22,063,397	-
Policy & Infrastructure Costs (£)											
General site infrastructure	31,250,000										
General site infrastructure contingency 10%	3,125,000										
Transport	9,414,269										
Education	20,891,928										
Open space, recreation, AROS	3,559,183										
Nature reserve, geese	271,628										
M&M open space, recreation, AROS, reserve	7,114,391										
Habitat mitigation - Solent, New Forest	1,107,666										
Health	682,279										
Care home	214,680										
Local centre	3,395,238										
BNG	1,185,000										
Total Policy & Infrastructure Costs (£)	82,211,262										
Sales & Marketing Costs & Legal Fees Total (Mkt Hsg)	8,778,986	7,004,367	-	1,774,619	-						
Sales & Marketing Costs & Legal Fees Total (Aff Hsg)	250,000										
Professional Fees Total (£)	12,239,555	5,361,261	-	3,083,919	-	379,732	2,090,840	-	-	1,323,804	-
CIL (£)	-										
Total Development Costs (£)	299,990,215										
Development Period											
Development Period	12	Years									
Debit Interest Rate	8.00%										
Credit Interest Rate	0.00%										
Annual Discount Rate	0.00%										
Revenue and Capital Contributions (£)	386,303,753										
Land & associated Fees - inc in interest calc (£)	13,250,519										
Development Costs (£)	286,739,696										
Finance (£)	14,102,832										
ADR Cost (£)	0										
Total Dev Costs Inc Finance & ADR Costs (£)	314,093,047										
Gross Residual Value inc land less finance (£)	72,210,707										
Total Developer/Contractor Return (£)	56,700,126										
Gross Residual Value inc land less finance (£) less Dev & Cont Returns (£)	15,510,581										

Summary Report 1												
Site Name	P/20/0646/OA Longfield Avenue							Land and Developer Returns Assumptions				
Site Information	Based on policy NA55 Fareham Local Plan & planning application P/20/0646/OA							Land & associated costs included in cashflow				
Description								Developer & contractor returns excluded from cashflow				
Date	10/10/2023	Updated		Compiled by	Felgate & D. Houston	Reference	CIL v2					
Summary Details												
	Net Area	44.03 hectares			Dwellings	NIA (Exc garages & circ space)	Garages	Circ space	Total GIA (inc circ space & garages)			
	Gross Area	77.77 hectares		Market	1,200.00	99,466.5	5,022.0	2,183.9	106,672.4			
	Net to Gross %	56.62%		Affordable	480.00	34,333.5	-	1,269.1	35,602.6			
	Density	27.25 per net ha		% Affordable	40.00%							
Scheme Revenue												
		Total	Market Sale	Not Selected	Custom Build	Not Selected	Social Rent	Affordable Rent	Not Selected	Not Selected	Shared Ownership	Not Selected
	Total No of Units	1,200.00	600.00	-	120.00	-	47.80	263.20	-	-	169.00	-
	Total NIA exc garages & circ space (sq m)	99,466.5	52,505.5	-	12,627.5	-	3,454.0	19,025.5	-	-	11,854.0	-
	Garages (sq m)	5,022.0	3,627.0	-	1,395.0	-	-	-	-	-	-	-
	Total NIA inc garages exc circ space (sq m)	104,488.5	56,132.5	-	14,022.5	-	3,454.0	19,025.5	-	-	11,854.0	-
	Tenure Split (by %)		50.00%		10.00%		3.98%	21.93%			14.08%	
	Sales Revenue (£)	368,757,543	224,139,745	-	56,787,806	-	6,234,400	46,415,700	-	-	35,179,892	-
	Average Revenue per unit (£)	307,298	373,566	-	473,232	-	130,427	176,351	-	-	208,165	-
	Average Revenue (£ per sq m) GIA	3,707	4,269	-	4,497	-	1,805	2,440	-	-	2,968	-
Capital Contributions (£)												
	Local centre revenue	1,966,633										
	Care home serviced land	214,680										
	0	-										
	0	-										
	0	-										
	0	-										
	0	-										
	Total Capital contributions (£)	2,181,313										
	Total Revenue (£)	370,938,856										
Scheme Development Costs (£)												
	Land (£)	11,812,500	151.890	per gross ha								
	SDLT at prevailing rate (£)	580,125										
	Agents Fees (1.25%), Legal Fees (0.5%) Total - 1.75% (£)	206,719										
	Land & associated fees Total (£)	12,599,344	162.008	per gross ha								
		Total	Market Sale	Not Selected	Custom Build	Not Selected	Social Rent	Affordable Rent	Not Selected	Not Selected	Shared Ownership	Not Selected
	Build Cost (£) (inc garages)	170,857,737	85,812,959	-	24,315,152	-	6,077,653	33,464,093	-	-	21,187,879	-
	Additional Build Costs (£)	-	-	-	-	-	-	-	-	-	-	-
	Total GIA inc circ space (sq m) Total	101,650	53,420	-	12,628	-	3,577	19,702	-	-	12,324	-
	Contingency - 3% Build Costs (£)	5,125,733										
	Total Build Cost (£)	175,983,470	85,812,959	-	24,315,152	-	6,077,653	33,464,093	-	-	21,187,879	-
Policy & Infrastructure Costs (£)												
	General site infrastructure	30,000,000										
	General site infrastructure contingency 10%	3,000,000										
	Transport	9,010,888										
	Education	20,254,073										
	Open space/recreation/alternative recreational set up	3,517,505										
	Nature reserve & geese set up	172,577										
	M&M open space, recreation AROS, nature	7,030,925										
	Habitats - Solent & New Forest	1,063,359										
	Health facilities	653,479										
	Care home serviced land	214,680										
	Local centre/community facility	3,395,238										
	BNG	1,137,600										
	-	-										
	-	-										
	Total Policy & Infrastructure Costs (£)	79,440,324										
	Sales & Marketing Costs & Legal Fees Total (Mkt Hsg)	8,427,827	6,724,192	-	1,703,634	-						
	Sales & Marketing Costs & Legal Fees Total (Aff Hsg)	240,000					23,900	131,600	-	-	84,500	-
	Professional Fees Total (£)	11,753,117	5,148,778	-	2,960,562	-	364,659	2,007,846	-	-	1,271,273	-
	CIL (£)	-										
	Total Development Costs (£)	288,444,081										
Summary												
	Development Period	12 Years										
	Debit Interest Rate	8.00%										
	Credit Interest Rate	0.00%										
	Annual Discount Rate	0.00%										
	Revenue and Capital Contributions (£)	370,938,856										
	Land & associated Fees - inc in interest calc (£)	12,599,344										
	Development Costs (£)	275,844,737										
	Finance (£)	13,225,350										
	ADR Cost (£)	0										
	Total Dev Costs Inc Finance & ADR Costs (£)	301,669,431										
	Gross Residual Value inc land less finance (£)	69,269,424										
	Total Developer/Contractor Return (£)	54,432,121										
	Gross Residual Value inc land less finance (£) less Dev & Cont Returns (£)	14,837,304										



31st January 2024
Our Ref: OJ/18.214

Peter Drake Esq
Fareham Borough Council
Civic Centre
Fareham

By email only

Dear Peter,

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

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

Background

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Issues

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

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

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

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

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

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

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

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

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

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

Assumptions

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

Sales Values and Revenue

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

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

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

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

Development Costs

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

Build costs and Abnormal Costs

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

Further examples are listed in Annex 2.

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

Other development costs

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

Infrastructure costs

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

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

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

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

Local policy costs

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

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

Viability

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

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

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

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

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

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

Conclusion

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

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

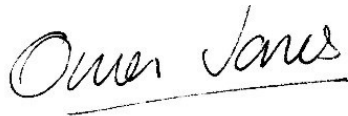
On the one hand, it has relied upon sales values and revenues that are not comparable to HA55 and consequently overestimated the gross development value.

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

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

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

Yours sincerely

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

Owen Jones
LRM Planning Limited

Encl:
Reports by Maclaren Clark Consultancy and Turner Morum

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

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

Annex 2: Three Dragons Assumptions

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

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