APPENDIX A

FAREHAM
BOROUGH COUNCIL

Community Infrastructure Levy:

‘First Review’

Consultation on the Preliminary Draft Charging Schedule

May 2014

1. THIS CONSULTATION

1.1 Fareham Borough Council is now consulting on a Preliminary Draft Charging Schedule for the Community Infrastructure Levy (CIL). This document has been produced as part of the Council's review of its current CIL Charging Schedule, which came into effect on 1 May 2013.

1.2 All comments received in response to this consultation will be fully considered before the next stage of the CIL review takes place by the production of a Draft Charging Schedule, later in 2014. The Draft Charging Schedule will then be subject to a further round of consultation, before being submitted to an independent CIL Examiner prior to public examination. Following public examination, the intention is to adopt the new charging schedule in Spring 2015. In the intervening period, the Council's current CIL charging schedule will remain in effect.

1.3 This Preliminary Draft Charging Schedule and the proposed CIL rates for different uses of development have been established through the use of appropriate available evidence which includes:

- The adopted Fareham Local Plan Part 1: Core Strategy;
- The emerging parts of Fareham's Local Plan (Part 2: Development Sites and Policies and Part 3: The Welborne Plan);
- Infrastructure Delivery Plans for Welborne and for the rest of the Borough;
- The updated Community Infrastructure Levy Viability Study; and
- Viability and infrastructure funding evidence for Welborne.

These documents, as well as the Council's current CIL charging schedule, are available to view on the Council's website throughout the consultation period.

1.4 The Preliminary Draft Charging Schedule is open for consultation between the 12 June 2014 and 24 July 2014**.** All comments should be received in writing by **5pm on 24 July** when the consultation will close. For further information on the Preliminary Draft Charging Schedule, and to submit comments on the document please visit the Council's website at:

Hyperlink needed

1.5 Alternatively, comments can be submitted via e-mail to planningpolicy@fareham.gov.uk or by post to: Strategic Planning and Regeneration, Civic Offices, Civic Way, Fareham, Hampshire, PO16 7AZ. Comments may also be delivered by hand to the Council's reception at the Civic Offices. For any queries please call 01329 236100.

1.6 Please note that comments cannot be treated as confidential. They will be made available as public documents, in accordance with Government regulations.

2. INTRODUCTION

What is the Community Infrastructure Levy?

2.1 The Community Infrastructure Levy (CIL) is a charge placed on new development. The funds raised help to pay for a wide range of infrastructure to support development across Fareham Borough. CIL is intended to supplement rather than replace other infrastructure funding streams and to help ensure that new development is supported by the infrastructure it requires. CIL funds are meant to help fund new, or upgrade existing infrastructure to support growth, rather that being used to and should simply in order to cover the cost of existing deficiencies.

2.2 The powers for Councils to introduce CIL were provided by Part 11 of the Planning Act 2008 and by the CIL Regulations 2010, which came into force in May 2010 and have since been amended by the CIL Amendment Regulations 2011, 2012, 2013 and 2014.

Which types of new development need to pay CIL?

2.3 The charge is levied on new developments with a net additional floorspace of more than 100m^2 or on those creating 1 or more dwellings, even where the floorspace is less than 100m^2. In principle, this affects all types of new development that involve buildings 'into which people normally go'. In cases of redevelopment, the charge will only be levied on any net additional floorspace created.

2.4 Where CIL is chargeable there will be a legal obligation to pay it and it will not be negotiable. Anybody involved in a new development can take on the liability to pay the CIL charge, but ultimately if nobody else takes on this liability it will fall to the landowner to pay the CIL. In order to benefit from the Council's payment instalments policy, somebody must let the Council know that they will be liable for the CIL charges.

Which types of development are exempt or gain relief from paying CIL?

2.5 The levy will not be charged on changes of use that do not involve an increase in floorspace. Sub-divisions of existing dwellings to form other dwellings will also not be charged. Structures which are not buildings, or which people do not normally go into will not be liable, in accordance with the CIL regulations. In addition, some types of new building are exempt from CIL and these include:

- Affordable housing that meets the definition of "social housing" as set out in the regulations, which includes housing delivered as 'affordable rent' and as 'shared ownership';
- Development by charities which are for charitable purposes, but not including development by charities for investment purposes which will be exempt only if the Council chooses to provide for such an exemption in accordance the regulations; and
- Homes built by 'self-builders' for their own occupation.

2.6 A CIL charging authority has the power to make Exceptional Circumstances Relief available in its area. In order to make Exceptional Circumstances Relief available, a charging authority must first publish notice of its intention to do so, in accordance with the CIL regulations. Fareham Borough Council does not currently provide for such relief in exceptional circumstances.

What is the purpose of this document?

2.7 This document is the consultation paper on the Preliminary Draft Charging Schedule for the Fareham Borough Council's CIL. It has been published under Regulation 15 of the Community Infrastructure Regulations 2010. As well as setting out the proposed CIL rates, it provides the background to the charging schedule, explaining general principles of CIL as well as the assumptions made and the evidence base used in setting the proposed CIL charge rates.

2.8 As Fareham already has an adopted CIL charging schedule, this Preliminary Draft Charging Schedule represents an important stage in the review process of the current CIL rates that came into effect on 1 May 2013.

2.9 Once the review process has been completed, involving two rounds of public consultation and an independent examination, as required by the CIL regulations, the new charging schedule will be adopted by the Council, subject to any amendments arising from the consultation and examination. From the date of adoption, the new CIL charge rates will replace the current rates for all liable development for which planning permissions was granted on or after that date.

Why is the Council reviewing its current CIL rates now?

2.10 Charging authorities are under an obligation to keep their CIL rates under review to ensure that they remain appropriate over time, for instance as market conditions change or as changes in the Borough's planning context give rise to significantly different gaps in infrastructure funding.

2.11 In Fareham's case, it was recognised when CIL was first introduced in spring 2013 that an early review would be needed due to the preparation of Local Plan Part 3: The Welborne Plan. This plan sets out policies for the development of a large new community of 6,000 homes and employment areas to the north of Fareham. The infrastructure planning and development viability evidence to support the Welborne Plan was not available when the Council was setting its current CIL rates. In the absence of that evidence the current CIL rates apply to the whole of the borough, including Welborne. Now that the evidence to support the Welborne Plan is in place, the CIL rates need to be reviewed to take account of the new evidence and to ensure that rates applied within the Welborne area are appropriate and will not threaten the viability of that development.

2.12 The Council has also completed the preparation of its Local Plan Part 2: Development Sites and Policies Plan, which includes development site allocations across the Borough, outside of Welborne. Preparing this plan has involved the completion of further viability and infrastructure planning evidence that supports the need to review Fareham's current CIL rates to ensure that they do not

threaten the viability of development across the Borough.

What will CIL be spent on?

2.13 There is a wide range of infrastructure that CIL can be used to fund, as long as everything funded helps to support the development of the area. The intention is that the infrastructure funded through the levy will help to deliver the development proposed within Fareham's Local Plan. The focus of infrastructure spending from the levy should be on the provision of new infrastructure and it should only be used to improve existing deficiencies where these will be made worse by proposed new development.

2.14 As Fareham Borough Council is already a CIL charging authority, a list of infrastructure types and projects that CIL will or may fund, in whole or in part, is already available on the Council's website. This list, known as the 'Regulation 123 list', will be reviewed, alongside the review of the CIL charge rates. A draft revised Regulation 123 list is included within this consultation document, although it does not form part of the Preliminary Draft Charging Schedule. The Council welcomes any comments on the review of the Regulation 123 list.

2.15 The proposed changes to the Regulation 123 list reflect changes in the Council's infrastructure funding priorities that have emerged through preparation of the Local Plan Parts 2 and 3, which will shortly be submitted to the Secretary of State for independent examination. Changes to what CIL is intended to fund will also reflect the continuing role of section 106 (planning obligations) in helping fund site-related infrastructure that is sometimes necessary to make developments acceptable in planning terms. This role for section 106 has been set out within two draft documents that, once adopted, will support the Local Plan: the Draft Fareham Borough (excluding Welborne) Planning Obligations and Affordable Housing Supplementary Planning Document (SPD) and the Draft Welborne Planning Obligations and Affordable Housing SPD. Both of these are available on the Council's website.

2.16 The 2013 amendments to the CIL Regulations require that, in areas where there are local councils (such as parish or town councils), 15% of CIL receipts, called the 'neighbourhood share', be passed to the relevant local council to be used to fund priorities that have been determined by the local communities in which CIL liable development takes place. In areas, such as Fareham, where there are no local councils, the amended regulations give the charging authority the discretion to use the 15% of CIL receipts that would have been passed to a local council to fund:

- The provision, improvement, replacement, operation or maintenance of infrastructure; or
- Anything else that is concerned with addressing the demands that development places on the area.

2.17 The Government's latest CIL guidance says that where there are no parish, town or community councils, the charging authority should engage with the local communities where development takes place and agree with them how best to spend the neighbourhood share. It remains to be decided what mechanisms will

be used in Fareham to engage with local communities.

2.18 CIL is designed to be a transparent funding mechanism and as part of this approach, spending of levy funds collected from development within Fareham will be regularly reported within future 'Authorities Monitoring Reports' published on the Council's website at least annually.

Will there be any changes to the contributions still collected under section 106?

2.19 Where local authorities charge CIL, and nationally from April 2015, section 106 (s106) must be scaled back to dealing with those matters that are directly related to specific development sites. The Council has already put these changes into effect as part of introducing CIL in May 2013. CIL has become the main source of developer contributions towards infrastructure within the Borough, beyond addressing the site-related requirements of specific developments.

2.20 Although CIL has replaced s106 agreements in many cases, s106 continues to be used for local infrastructure requirements on development sites, such as local access or connection to services. Some of these requirements may be physically off site, but will be secured under s106 where they are clearly linked to the development site and needed to make that particular development scheme acceptable. Section 106 agreements will also continue to be used for purposes other than the securing of monetary contributions. For example, to impose restrictions on the use of land.

2.21 Since introducing CIL, many developments have become liable to pay CIL *and* will also be required to enter into a section 106 agreement. This is because the CIL payments and Section 106 planning obligations will cover different things and fund different types or items of infrastructure. As the law requires, developments will not be charged for the same items of infrastructure through both obligations and the levy. The main mechanism for ensuring that this avoidance if 'double-charging' is effective is the Regulation 123 list, referred to above, which sets out what the Council will or may spend CIL receipts on and therefore defines which infrastructure cannot give rise to s106 contributions.

2.22 In addition, the Council is developing the detail of its policy on the use of s106 agreements within the two planning obligations SPDs being prepared to support Local Plan Parts 2 and 3. The Council needs to produce two separate documents due to the very different scale, phasing and level of infrastructure requirements between Welborne and the range of smaller developments proposed across the rest of the Borough. Both of these SPDs are available in 'draft version' on the Council's website.

How is CIL being collected in Fareham?

2.23 Fareham Borough Council acts as the 'Collecting Authority' for the purposes of collecting CIL payments from CIL-liable developments. In line with practice developed over the past year, the Council calculates the 'chargeable amount' for each development liable to pay the levy. This is done by multiplying the rates set

out in the charging schedule (increased by the indexation provisions of the CIL Regulations for planning permissions granted on or after 1 January 2014) by the 'gross internal area' of new buildings and enlargements to existing buildings, taking demolished floorspace into account. The formal calculation methodology is set out in the CIL Regulations. The Council uses the HMRC Valuation Office Agency's definition of Gross Internal Area. In accordance with the regulations, the CIL rates are 'index-linked' to the 'All-in Tender Price Index' published by the Building Cost Information Service of the Royal Institute of Chartered Surveyors.

2.24 The levy charge is imposed at the time the planning permission is granted, or following the receipt of a 'notice of chargeable development' in the case of 'permitted development' that does not require specific planning permission. The levy is payable on the commencement of development, although where somebody has assumed liability for the levy, the Council has an 'instalments policy' in place which allows for payments to be made up to 120 days after commencement in most cases and to be phased over a longer period for larger liabilities. The definition of commencement of development for the levy's purposes is the same as that used in planning legislation. The Council has included its current instalments policy within this consultation (see Section 5) and is not proposing any amendments to it at this stage, but any comments on this are welcome.

2.25 When planning permission is granted, or following the receipt of a 'notice of chargeable development', the Council issues a liability notice setting out: the amount of the levy due for payment when the development is commenced; the payment procedure and; the possible consequences of not following this procedure – which would include enforcement action. An individual or organisation (for example, the developers) may assume liability for payment of the levy in order to benefit from the 'instalments policy'. If no one assumes liability, the landowner is automatically liable for the charge on commencement of the development.

2.26 The CIL Regulations allow collecting authorities to accept payment of CIL, in whole or in part, by the transfer of land to the Council. In such cases, a number of conditions must be met, as set out in the CIL regulations. In particular, any land to be transferred must be used to provide or facilitate the provision of infrastructure to support the development of the area.

2.27 The 2014 CIL amendments now also give collecting authorities the discretion to make the possibility of paying CIL by the provision of infrastructure. The Council will have to decide whether to make the option available in Fareham and any comments on this will be welcome.

3. EVIDENCE BASE

3.1 The CIL Regulations state that, in setting rates, a charging authority must strike an appropriate balance between:

a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

3.2 In order to set the levy rates for Fareham and to take into account these requirements, a number of key areas of evidence are used, as described below.

Fareham's Local Plan

3.3 *Local Plan Part 1: The Core Strategy*
The Fareham Core Strategy (Local Plan Part 1) was adopted in August 2011 and sets out how much development will take place within the Borough to 2026 and the broad locations of that development. Policy CS20 of the Core Strategy also provides the basis for the collection of developer contributions across the Borough and sets out an indicative list of infrastructure that which will need to be funded.

3.4 The Core Strategy makes provision for 3,729 new homes to be delivered over the plan period outside of Welborne. The majority of this development will be delivered in the Western Wards of the Borough and Fareham town centre. The Core Strategy makes provision for 41,000m^2 of employment floorspace with 10,000 - 33,000m^2 of employment floorspace to be delivered at the Daedalus Airfield Enterprise Zone. The sub-regional role of Fareham Town Centre will be strengthened through the delivery of 350 new dwellings and major proposals for retail, office, leisure and culture facilities.

3.5 *Local Plan Part 2: Development Sites and Policies*
The detailed site allocations for the period to 2026 and the development management policies for the whole of the Borough except for Welborne have been set out within the 'publication' draft of the Local Plan Part 2: Development Sites and Policies. The intention is for this plan to be submitted to the Secretary of State in June 2014, with an independent examination later in the year. The Council hopes to be able to adopt Local Plan Part 2 in early 2015, at about the same time as the reviewed CIL charging schedule will be adopted.

3.6 Local Plan Part 2 includes proposals and site allocations for 1,823 new homes as well as 131,190 square metres of employment floorspace and 17,280 square metres of retail floorspace, mainly within Fareham Town Centre.

3.7 *Local Plan Part 3: The Welborne Plan*
Delivering the new community of Welborne to the north of Fareham is central to the Borough's development strategy and will continue to be so well beyond the

2026 horizon covered by the other parts of Fareham's Local Plan. Although Policy CS13 of the Core Strategy established the principle of development, the detailed policies and allocation of land for the development are being taken forward through the Welborne Plan. This plan is also intended to be submitted to the Secretary of State, alongside the Development Sites and Policies Plan, and will hopefully be adopted in late 2014 or early 2015.

3.8 The Welborne Plan sets out the proposals for approximately 6,000 homes to be delivered between 2016 and 2036, in addition to employment development covering about 20 hectares. A new district centre and a local centre are also planned which will accommodate new retail and leisure development as well as community facilities.

3.9 As a large greenfield development, the ability to deliver Welborne will be dependent on being able to fund and provide a very significant amount of new infrastructure at the point it is required to support the new community. This infrastructure includes completely redeveloping Junction 10 of the M27 Motorway and providing a new secondary school and three primary schools. This means that considerable emphasis within the plan and supporting evidence base has been placed on identifying what infrastructure is required by when and how this could be funded in ways that will not threaten the viability of the development as a whole. The evidence that underpins this aspect of the Welborne Plan has been used to support this review of CIL rates and has informed the approach set out within the Welborne Planning Obligations and Affordable Housing SPD.

Infrastructure Planning Work

3.10 In order to establish the need to charge CIL, the Council must draw on its infrastructure planning work undertaken to support the Local Plan. In essence, this needs to demonstrate that the gap in funding between the total cost of infrastructure required to deliver development proposed in the Local Plan and the known sources of funding is sufficient to justify the need for CIL and the rates proposed. As part of this process, the Council needs to present a draft list of infrastructure types and projects that it intends to fund, in whole or in part, through the new CIL charges proposed. Finally, the available infrastructure evidence needs to be used to support the intended continuing role of section 106 planning obligations, once the new CIL rates are introduced. The relevant infrastructure planning evidence in Fareham consists of the following two key documents:

3.11 *The Infrastructure Delivery Plan for the Development Sites and Policies Plan*
This infrastructure delivery plan (IDP) has been developed by the Council over the past two years to support the preparation of Local Plan Part 2: Development Sites and Policies Plan. The Council has recently revised the IDP and this process included engagement with a range of infrastructure providers. It is now being consulted on at the same time as this consultation on the Preliminary Draft Charging Schedule.

3.12 *The Welborne Infrastructure Delivery Plan 2014: Stage 2 Update Report*
This document was prepared for the Council by AECOM in two stages, with the first stage IDP having been consulted on alongside the Draft Welborne Plan in

spring 2013 and the current second stage being and consulted on alongside the 'publication' Welborne Plan in March and April 2014.

3.13 These documents set out the infrastructure that is required to support the development proposed across the Borough to 2026 and at Welborne to 2036. Each of them sets out, as far as currently known, how the required infrastructure will be funded, which includes both developer contributions and other sources of funding. It is important to note that these are 'live' documents and they may need to be updated as the examination on Parts 2 and 3 of the Fareham Local Plan progresses. However, it is not expected that the overall level of infrastructure required will change so much as to significantly reduce the aggregate funding gap that justifies the continued use of CIL across the Borough.

3.14 Taken together the two IDPs demonstrate that the intended CIL funding targets are justifiable and are based on appropriate available evidence. It is not the role of the IDPs to provide absolute assurances as to how the Council will spend CIL funding raised. However, the CIL Guidance now requires that a draft list of infrastructure requirements which are to be funded in whole or in part by CIL should be presented at the CIL Examination. Therefore, a first draft of this list (which is also called the 'Regulation 123 list') is included within this document (see Section 5 below).

3.15 Table 1 below is extracted from the Infrastructure Delivery Plans for Welborne and for the Development Sites and Policies Plan. It highlights where specific project costs are known, the overall funding gap to support the continued use of CIL within Fareham.

Table 1: Estimated funding gap for Borough-Wide Infrastructure Requirements

Infrastructure Type	Estimated Cost	Estimated Funding Gap *
Education and children	£119,895,000	£23,700,000
Community and health facilities	£77,319,000	£4,550,000
Leisure and recreation	£19,771,300	£11,330,800
Green infrastructure (inc. SANGs)	£49,403,000	£3,083,000
Transport infrastructure	£144,988,000	£38,133,000
Utilities infrastructure	£63,634,000	£0
Coastal flood defences	£12,732,000	£12,732,000
Total	**£487,792,300**	**£93,528,800**

* The gap is calculated by subtracting from the total costs those sums to be funded by other (non-CIL) sources of funding, where this is known. These sources include known public sector investment, commercial investment and the residual role identified for section 106 and section 278 agreements (see the two draft Planning Obligations and Affordable Housing SPDs for more detail on this role).

Assessing the potential viability impacts of CIL

3.16 The CIL guidance states that charging authorities should use an area-based approach, involving a broad test of viability across their area. The emphasis,

drawing on recent changes to the CIL legislation, is for the authority to demonstrate why the proposed CIL charge rates set an appropriate balance between securing additional investment to support new development and the impact this may have on the economic viability of development across the area.

3.17 As part of seeking to show that this balance has been achieved, charging authorities need to undertake viability assessments on a sample of sites across the area covering a range of development types from those proposed within the Local Plan, focussing on strategic sites upon which the Local Plan relies. In addition, where it is proposed to set differential rates for CIL, a more fine-grained sampling, on a higher proportion of total sites is required in order to set the boundaries between the different geographical zones or categories of use or scale of development that will be subject to differential rates.

3.18 *Fareham CIL Viability Study 2014*

In March 2014 the Council commissioned Peter Brett Associates (PBA) to undertake CIL viability assessment evidence, in compliance with the CIL legislation (including the CIL (Amendment) Regulations 2014) and consistent with the CIL guidance of February 2014. Since the viability evidence is required to support a review of CIL, the approach taken as far as possible was to update the CIL viability work undertaken by the same consultants in early 2012 to focus on what has changed in the two years since the original work was undertaken.

3.19 Consistent with the earlier work, the methodology used for testing viability was to select a sample of hypothetical developments, typical of the type and scale proposed within the emerging Local Plan 2: Development Sites and Policies Plan. For each sample development, the residual land value calculated was compared to the site's current use values. The residual land value in each case took into account the adopted and emerging policy requirements, including target levels of affordable housing. This residual value was then compared with a benchmark valuation that represented the minimum value that a landowner might be willing to accept to release their site for development. If the residual value was above the benchmark value, the development was considered viable and the difference between the two valuations represents the maximum amount that could potentially be captured by CIL.

3.20 However, there are a number of reasons why the level of CIL charge rates proposed should not be set at the margin of viability, or in other words, rates should not seek to capture too much of the residual value above the benchmark value. The first reason is the requirement to demonstrate that an appropriate balance has been struck between the desirability of raising CIL funding and the effect this may have on viability across the area. An appropriate balance would not be possible where charge rates are set at the maximum potential level. The second reason is that viability appraisals are a 'snapshot' in time and CIL rates set need to allow for normal market changes over time. The third reason is that viability appraisals necessarily involve the use of generalised assumptions and this builds in a relatively wide margin of error that must be taken into account in setting CIL rates.

3.21 A key concern of the Council in considering how the viability evidence will be used to set CIL rates will be to ensure that the rates applied leave sufficient headroom for policy compliant levels of affordable housing to be secured on all appropriate sites. The consultants assessing viability across the Borough, were specifically tasked to advise on this issue.

3.22 To support the preparation of their viability evidence, the consultants undertook focussed consultation with a range of local developers, house-builders and agents to test the validity of assumptions being made and to question the local experts about key market trends in the Fareham area. A full list of the people consulted during the preparation of the viability evidence is set out as an appendix to the consultant's report.

3.23 *Welborne Stage 2 Viability Testing - Executive Summary*
The second component of viability evidence to support the Fareham CIL review is the work that has been undertaken over the past year to test the viability of the Council proposals for Welborne and to support the publication draft of Local Plan Part 3: The Welborne Plan. This evidence has been undertaken by GVA, in conjunction with the related work on infrastructure planning and costing for Welborne, which was undertaken by AECOM.

3.24 Consistent with the scale and complexity of the Welborne development, the methodology used has involved developing a bespoke viability model, structured in a 'stacked manner' whereby the model breaks the financial appraisal down into component delivery elements (i.e. infrastructure, development costs etc.) treating each element in accordance with the most likely delivery route.

3.25 The viability evidence for Welborne was based on exhaustive engagement with the site landowners at each stage of the process and was also informed by wider stakeholder engagement with infrastructure providers and with registered providers of affordable housing.

3.26 *Outcomes of the viability evidence work*
The PBA study, which focused on the parts of the Borough outside of Welborne, has demonstrated that the general pattern of viability across the Borough has not altered, with broadly the same variations in development and land values being found. However, PBA found that the overall viability of development, in all parts of the Borough and for most (but not all) forms of development, has improved since they undertook the work to support Fareham's current CIL rates in early 2012.

3.27 These findings supported a number of recommendations for the overall structure of Fareham's CIL charge rates:

- The viability evidence continues to support the charging of CIL on broadly the same types of development as are charged under the current Fareham CIL;
- Apart from at Welborne (see below), the differences in viability across the Borough are still not sufficiently pronounced to support any geographical differential charge rates;
- Although there was evidence of a general improvement in viability, the need to ensure that the appropriate balance is struck and to ensure there is sufficient headroom to secure target levels of affordable housing, means that no real

increase in charge rates, beyond the normal indexation built into CIL by the legislation, would be recommended; but

- As an exception to the above, viability evidence demonstrated that the improvements in viability on very small residential developments, which did not contribute to affordable housing, were sufficient to support a new higher differential rate.

3.28 Considering the **Welborne** viability evidence, the key point to understand is the scale of the development costs involved, and in particular the infrastructure required to ensure the new community is sustainable and deliverable. The Council has undertaken extensive work on how these costs could be met and this is reflected in the sections of the Welborne Plan that deal with deliverability. This work has been the subject of on-going engagement with both the site landowners and with infrastructure providers. It also takes full account of the CIL legislation and guidance, including on the relationship between CIL and section 106 and on how the Government expects local authorities to treat development costs on large strategic sites.

3.29 The outcome is that meeting the development costs at Welborne will be a real challenge, particularly in the early phases, and the best way to ensure this can be achieved is through a more tailored and flexible approach than could be achieved through the use of CIL rates at Welborne. Under the legislation, reliance on CIL at Welborne would involve not being able to make effective use of section 106 (or section 278) agreements a part of the range of delivery mechanisms being considered. The Council considers that this constraint would hinder the ability to ensure that infrastructure is delivered when it is required to support the development. It would also be likely to undermine the important flexibility that the Welborne Plan seeks to provide, for example, through the 'deferral of contributions' approach that is designed to ensure that Welborne can remain viable and deliverable over the 20-year period of its development.

3.30 For the reasons set out above, the Welborne Plan sets out that section 106 (and section 278) will need to be used the key mechanisms to secure developer contributions to ensure Welborne is deliverable. Importantly, for the purposes of setting CIL rates across Fareham Borough, the Welborne viability evidence demonstrates clearly that, taking account of the anticipated section 106 / section 278 liabilities, the viability of the Welborne development proposals would be threatened by the imposition of any CIL rate, other than a 'zero' rate for all types of development within the Welborne Plan policy boundary. Therefore, **the Council proposes a rate of £0 per m^2 for all development within the Welborne differential rate boundary**, as shown on Map 1 (see Section 4 below).

3.31 *Viability evidence support for differential charge rates outside of Welborne*
The outcomes of the viability testing for **residential development** scenarios demonstrated maximum viability 'headroom' ranging from a negative figure for the scenarios comprising entirely of flats to over £400 per m^2 for developments of 4 or fewer houses.

3.32 The results for the flatted schemes are considered not to justify any specific differential rates. The first reason for this is that most of the residential

development proposals within Local Plan Part 2 anticipate the delivery of houses or a mixture of houses and flats, rather than entirely flats. This is supported by the current market trends that favour the development of houses over flats. The second reason is that where flatted developed is anticipated to come forward, it tends to involve redevelopment or 'changes of use' and such developments would not generally be required to pay any CIL.

3.33 For other residential development scenarios, the evidence demonstrates a significant strength in the viability of smaller schemes of less than 5 homes. In part this can be accounted for by the absence of any local plan policy requirements for affordable housing to be secured from such schemes. Given the viability findings and the high proportion such schemes represent within Fareham's housing supply, the Council proposes a **new differential rate of £185 per m^2 applying to residential developments with a net addition of 1-4 dwellings.** This rate would amount to a proportionate increase over and above the standard residential charge rate. It should be noted that there is now mandatory relief from CIL for 'self-build' homes, meaning that the increased rate will not impact on self-builders.

3.34 Despite the evidence of some improvement in overall residential viability, the variation noted in the scenarios tested by PBA and the need to ensure sufficient viability headroom to secure affordable housing has resulted in a recommendation to maintain the current CIL **residential differential rate for developments of 5 or more dwellings at £120 per m^2**. It should be noted that due to the mandatory indexation of CIL, the actual rate proposed is approximately 14% above the £105 per m^2 set in May 2013. Nevertheless, this represents a stand-still in real terms, allowing for indexation.

3.35 The current charging schedule includes a £60 per m^2 rate for **care homes** within Use Classes C2 and C3(b) reflecting evidence undertaken in 2012 which indicated viability within the Fareham area, but not to the same level as residential development. PBA have undertaken updated market analysis and viability testing of a care home development scenario and have concluded that, for the Fareham area, such schemes are struggling in viability terms and although they remain viable, they are unlikely to be able to bear the level of CIL currently applicable within Fareham. Therefore, **the Council proposes to reduce the differential rate for care homes to £35 per m^2**. This is a level, which the evidence indicates would be unlikely to threaten the viability of this type of development.

3.36 For other forms for residential accommodation designed for elderly people which fall within Use Class C3(a), viability can be variable depending on the nature of the development and the extent to which contributions for affordable housing are provided. However, there is a wide spectrum of products included within this category of development, some of which will be able to bear both contributions for affordable housing and levy payments at the standards residential rate. Therefore, the Council proposes to leave this type of development within the standard residential CIL rates referred to above.

3.37 An exception to this is where 'Extra Care' or similar schemes are brought forward with public sector support specifically to meet the housing needs of those who are

not able to afford equivalent market housing for the elderly. Even where such developments include a modest element of private sector housing, these schemes rely on public sector funding to be delivered and are therefore demonstrably unviable for the purposes of CIL. The Council recognises such schemes as a specific form of development and proposes to create **a new differential rate of £0 per m^2 that will apply only to Extra Care or similar accommodation[1] specifically designed to meet the needs of those elderly or disabled people who cannot access equivalent market sector housing.** The Council will define these as schemes for the elderly or disabled offering care and support on-site, which provide wholly or mainly self-contained dwellings of which more than 50% are provided as housing for affordable or social rent and which depend on public sector finance to become viable.

3.38 PBA tested development scenarios for both **office and industrial** developments and found no evidence of significantly improving viability. Within the current Fareham charging schedule, such development is charged under the standard CIL charge (£0 per m^2) and the **Council proposes to maintain the charge rate of £0 per m^2 for offices, industrial and warehousing development**.

3.39 The patterns of viability for **retail development** are complex and depend heavily of the type of retail store involved. The current charging schedule draws a distinction between convenience and comparison retail.[2] Convenience typically involves supermarkets, but also includes smaller convenience stores. Comparison stores include both typical 'high street' shops as well as the larger out-of-centre retail stores, for example DIY warehouses. The current charging schedule also draws a distinction for comparison stores between those within Fareham's town, district and local centres which benefit from a 'zero charge rate' and those in out-of-centre locations which pay the same £120 per m^2 rate levied on convenience stores.

3.40 PBA has reviewed the viability evidence for retail in Fareham. The overall conclusion was that comparison retail within Fareham centres continues to struggle and the viability of such development would be marginal at best, with no scope to impose a CIL rate. Therefore, **the Council proposes to maintain the differential rate of £0 per m^2 for all 'in-centre' comparison focused retail development** as set out on Maps 2 – 12 (see Section 4 below).

3.41 PBA also tested 'out of centre' comparison retail and concluded that sufficient viability remains for these retail developments to pay a modest level of CIL. Therefore, **the Council proposes to set a differential rate of £35 per m^2 for all 'out of-centre' comparison focused retail development,** outside of the areas defined on Maps 2-12 in Section 4 below.

[1] The key features of 'Extra Care' models of provision are that the dwellings provided are self-contained but varying levels of care and support available for residents on-site. Similar models of housing include 'very sheltered housing', 'assisted living' or 'housing with care'.

[2] A convenience unit is a shop or store selling mainly everyday essential items, including food, drinks, newspapers/magazines and confectionary. A comparison unit is a shop or store selling mainly goods which are not everyday essential items. Such items include clothing, footwear, household and recreational goods.

3.42 For convenience retail, whilst viability was significantly stronger overall, clear differences were detected in relation to the size of the development. This was tested through a range of different convenience retail development scenarios ranging from 465m^2 to 4,000m^2. Based on this evidence, PBA recommended that two differential rates be applied for convenience retail. Therefore, **the Council proposes differential rates of £75 per m^2 for convenience focused retail development of 500m^2 or less and £140 per m^2 for larger convenience focused stores**. It should be noted that the higher rate represents no change in real terms compared to the current £120 per m^2 after allowing for the actual and anticipated index-linked increases to CIL rates.

3.43 The current charging schedule includes a rate of £35 per m^2 for hotels. PBA have reviewed the viability evidence and the hotel market trends and have concluded that the market is not recovering as fast as for some other types of property. Although the updated appraisal found that hotels were still able to bear a CIL charge, the maximum potential charge has reduced. Taking this into account, **the Council propose to keep the differential rate for hotels at £35 per m^2**, which represents a 14% reduction allowing for the effects of actual and anticipated indexation.

3.44 *Viability evidence to support a 'standard CIL charge'*

PBA also looked at a number of **other uses,** which fall outside of the categories of development referred to above, for example, nightclubs, amusement centres, laundrettes and scrap yards. No specific viability appraisals were undertaken for these as they are not forms of development proposed within Fareham's Local Plan and very little additional floorspace in these sorts of uses is anticipated over the plan period. Such uses would also often make use of existing buildings and as such would be unlikely to pay any CIL. The available evidence for these and all other types of development uses, not referred to above, indicates that no levy rate other than zero could be comfortably supported without threatening the viability of any such developments. Informed by this evidence, **the Council is proposing to maintain the 'standard CIL charge rate' of £0 per square metre** for these uses.

4. PRELIMINARY DRAFT CHARGING SCHEDULE

4.1 The Preliminary Draft Charging Schedule for the review of Fareham's CIL is set out in Table 2 below and has been prepared in accordance with the Part 11 of the Planning Act 2008 and the CIL Regulations 2010 (as amended).

4.2 Fareham Borough Council is a charging authority according to Part 11 of the Planning Act 2008. Fareham Borough Council is proposing to charge the Community Infrastructure Levy in respect of development in the Borough of Fareham at the following rates, relative to the proposed use of development (expressed as pounds per square metre).

Table 2: Proposed CIL Rates (£ per square metre)

Location of Development	**CIL charge per m^2**
All types of development at Welborne (see Map 1 below)	£0
Elsewhere within the Borough of Fareham	See below
Type and Class (1) of Development (Outside of Welborne)	**CIL charge per m^2**
Residential falling within Class C3(a) & (c) and C4:	
Developments with a net gain of 5 or more dwellings	£120
Developments with a net gain of 1-4 dwellings	£185
'Extra Care' or similar (2) to meet the needs of those who cannot access private market equivalents	£0
Care homes falling within Class C2:	£35
Hotels falling within Class C1	£35
Retail falling within Class A1:	
'In-centre' comparison retail (3) (See Maps 2-12 below)	£0
'Out-of-centre' comparison retail	£35
Convenience retail (4) developments under $500m^2$ (5)	£75
Other convenience retail development	£140
Standard Charge (applies to all development not separately defined above, for example, offices, warehouses, leisure and education facilities)	£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) These are schemes for the elderly or disabled offering care and support on-site, which provide wholly or mainly self-contained dwellings of which more than 50% are provided as housing for affordable or social rent and which depend on public

sector finance to become viable. Similar models of housing include ‘very sheltered housing’, ‘assisted living’ or ‘housing with care’.

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

(4) For the purposes of this schedule, a convenience retail unit is a shop or store selling mainly everyday essential items, including food, drinks, newspapers/ magazines and confectionary, and where it is intended to utilise less than 50% of the gross retail floor area for the sale of comparison goods as defined by Note 2 above.

(5) The size relates to the gross internal floorspace of the development.

Calculating the Chargeable Amount of CIL

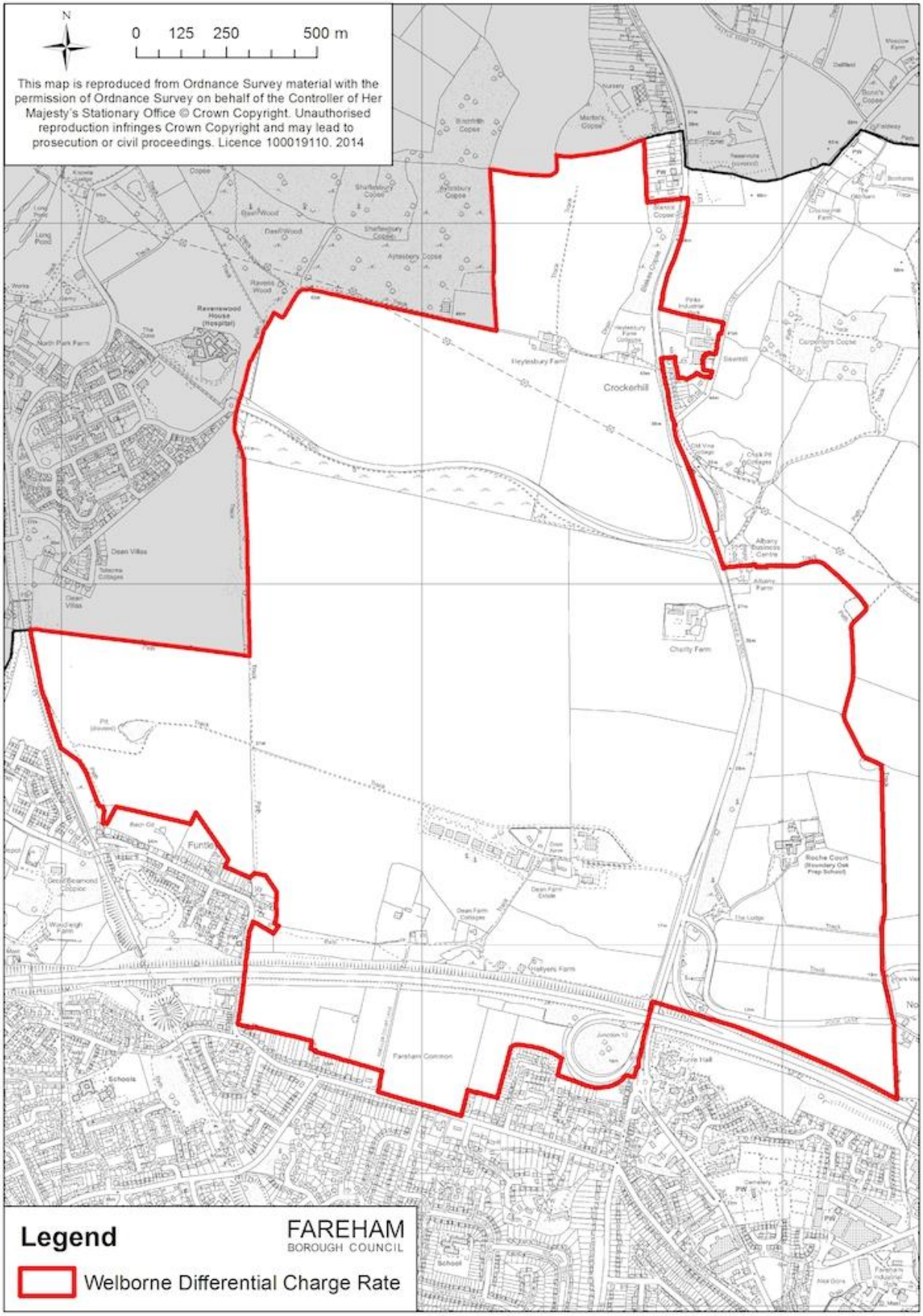
4.3 CIL charges will be calculated in accordance with CIL Regulation 40 (as amended). To facilitate understanding this shall mean that CIL will be charged on the net additional floorspace created (gross internal area), taking into account any existing buildings on the site which were in lawful use at the time of the grant of planning permission and due to be demolished before completion of the chargeable development. The chargeable amount will be an amount equal to the aggregate of the amounts of CIL chargeable at each of the relevant rates as set out in this charging schedule.

4.4 The chargeable amount will be index-linked using the Royal Institution of Chartered Surveyors’ All-in Tender Price Index figures for the calendar year in which the planning permission is granted and the calendar year in which this charging schedule took effect. For any given calendar year, the index figure is that for the 1 November in the preceding year.

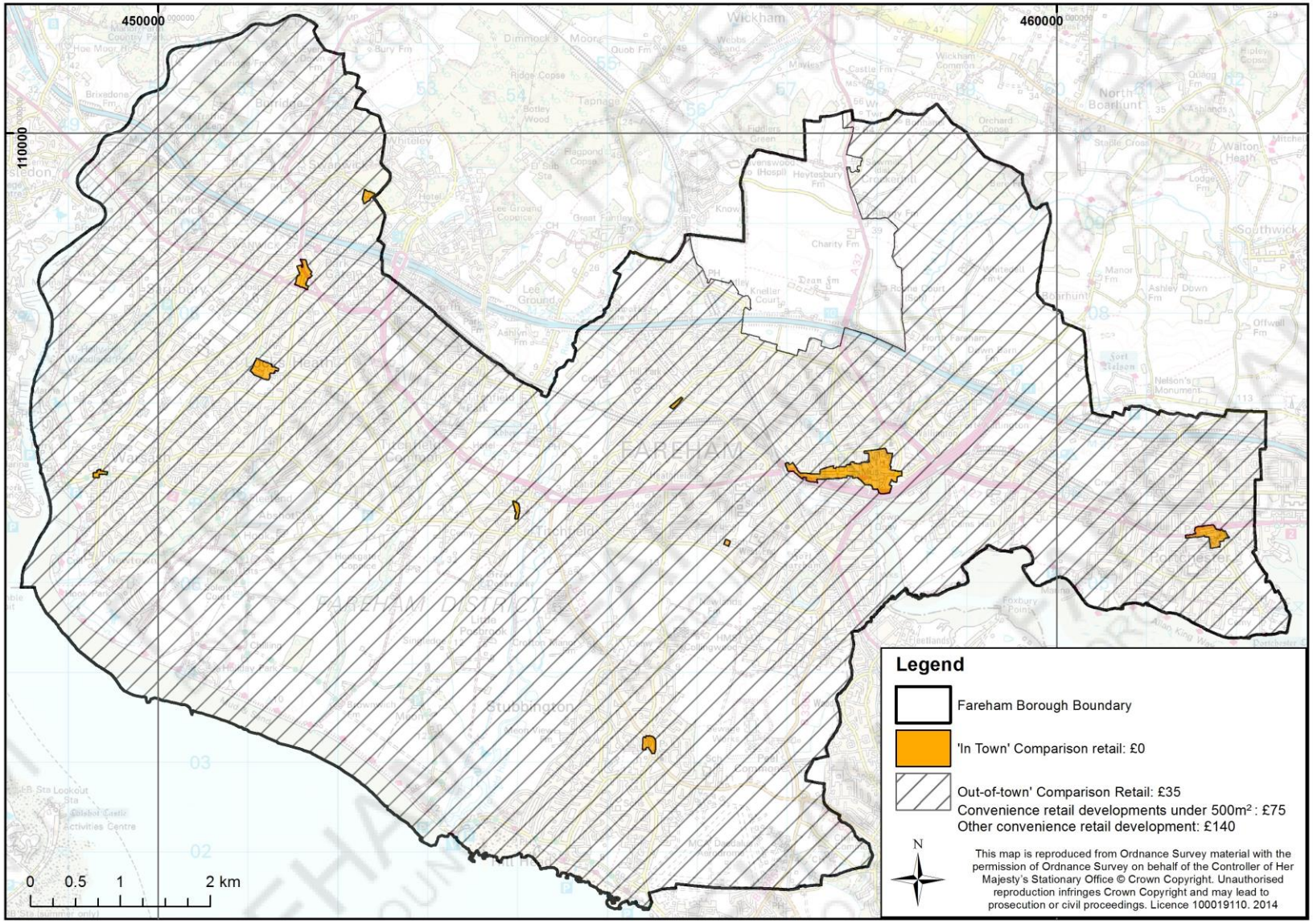
Statement of Conformity

4.5 This Charging Schedule has been prepared in accordance with the requirements of Part 11 of the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 as amended by the Community Infrastructure Levy (Amendment) Regulations 2011, 2012, 2013 and 2014. The charging schedule as also been prepared having regard to the CIL Guidance issued in February 2014.

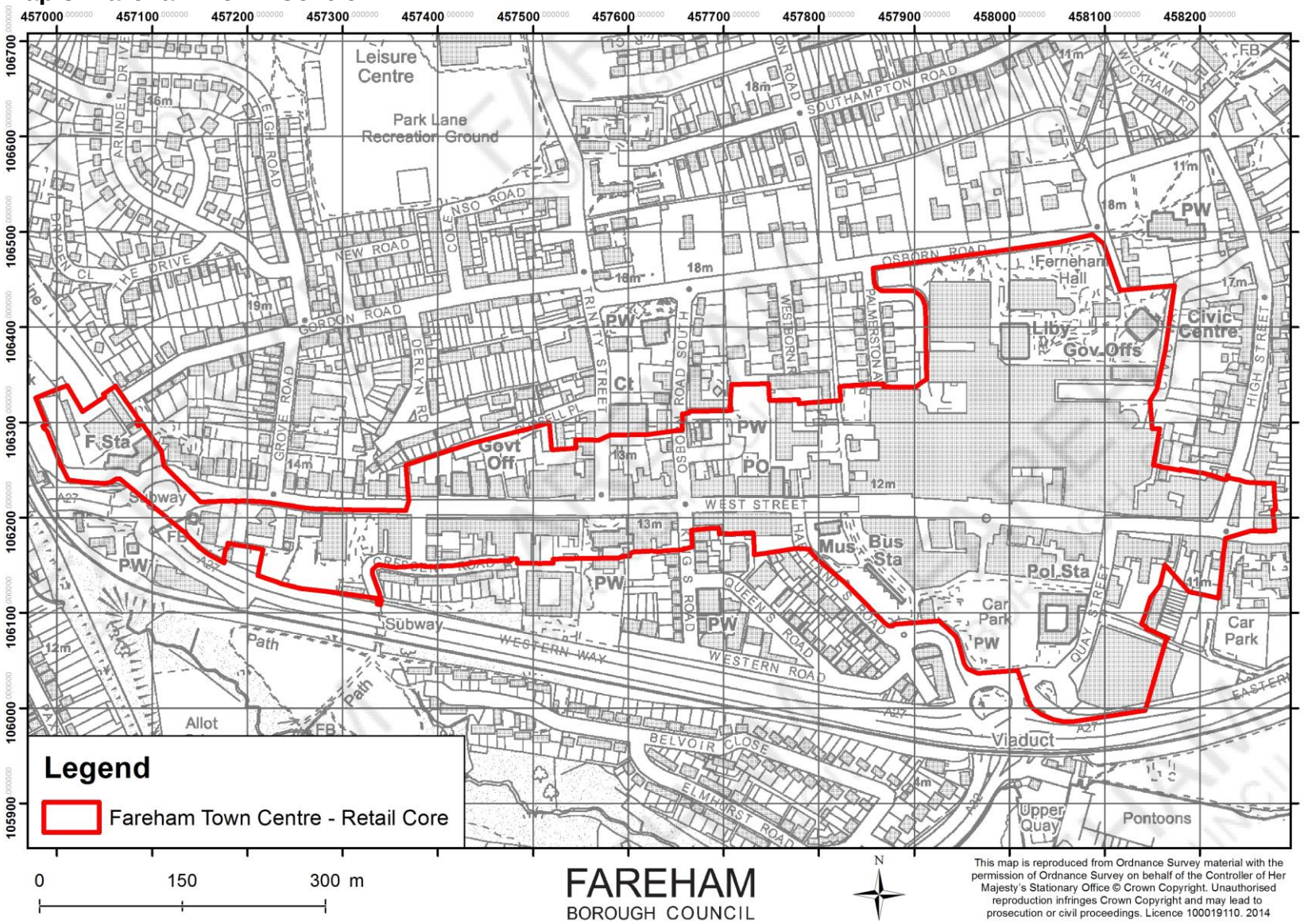
Map1: The Welborne Differential Charge Rate



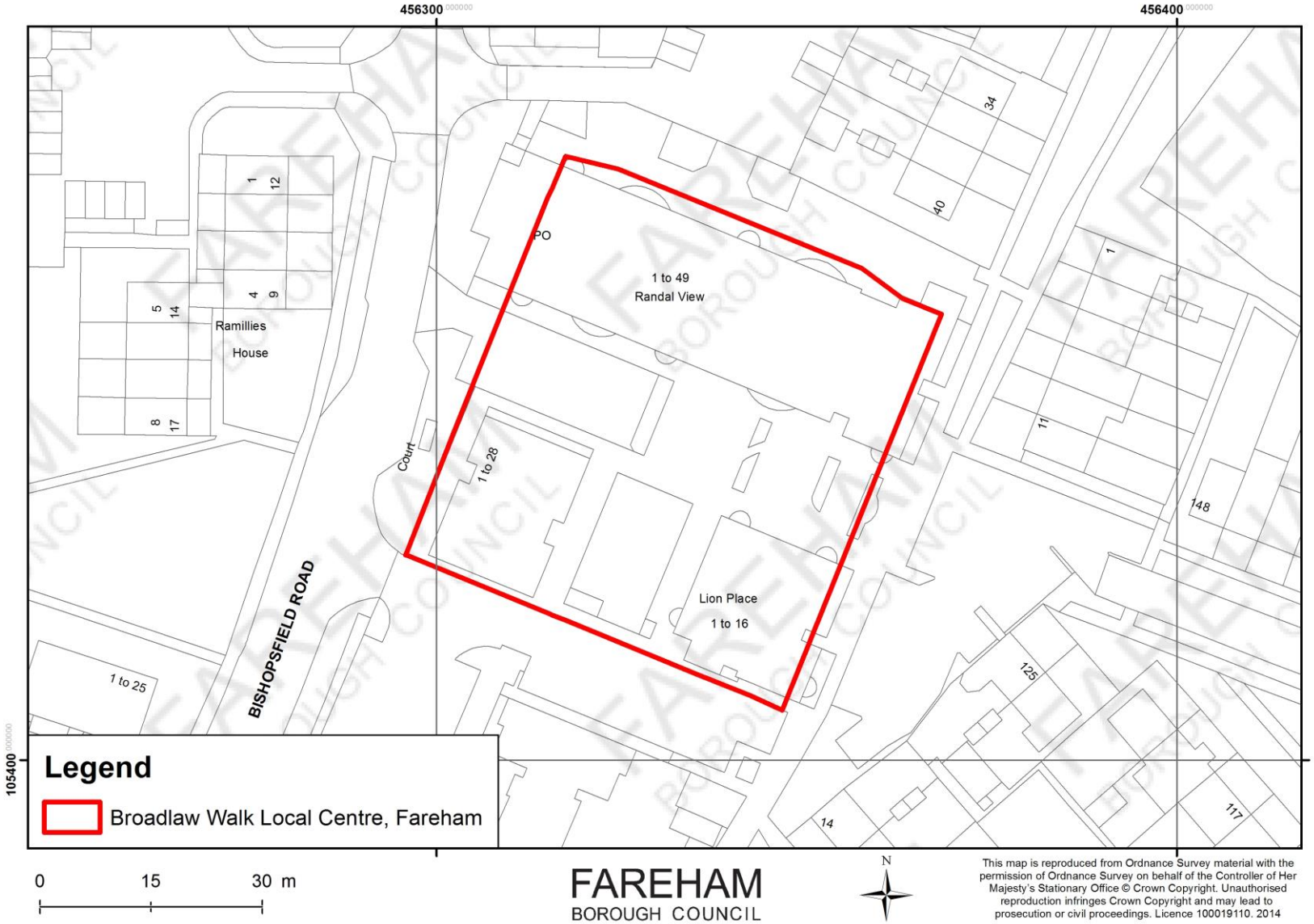
Map 2: Overview of Fareham's Town, District and Local Centres



Map 3: Fareham Town Centre



Map 4: Broadlaw Walk Local Centre



FAREHAM
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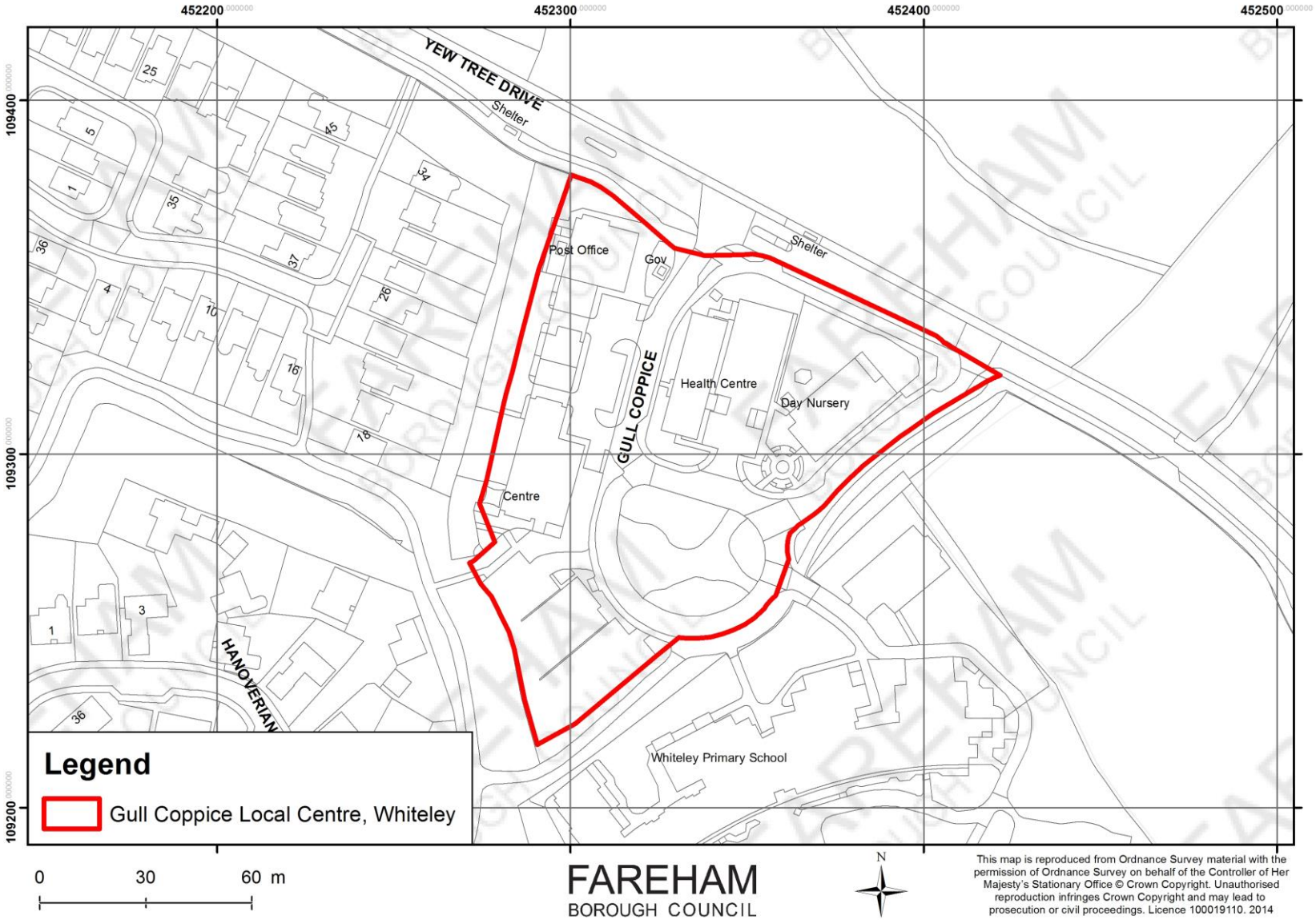
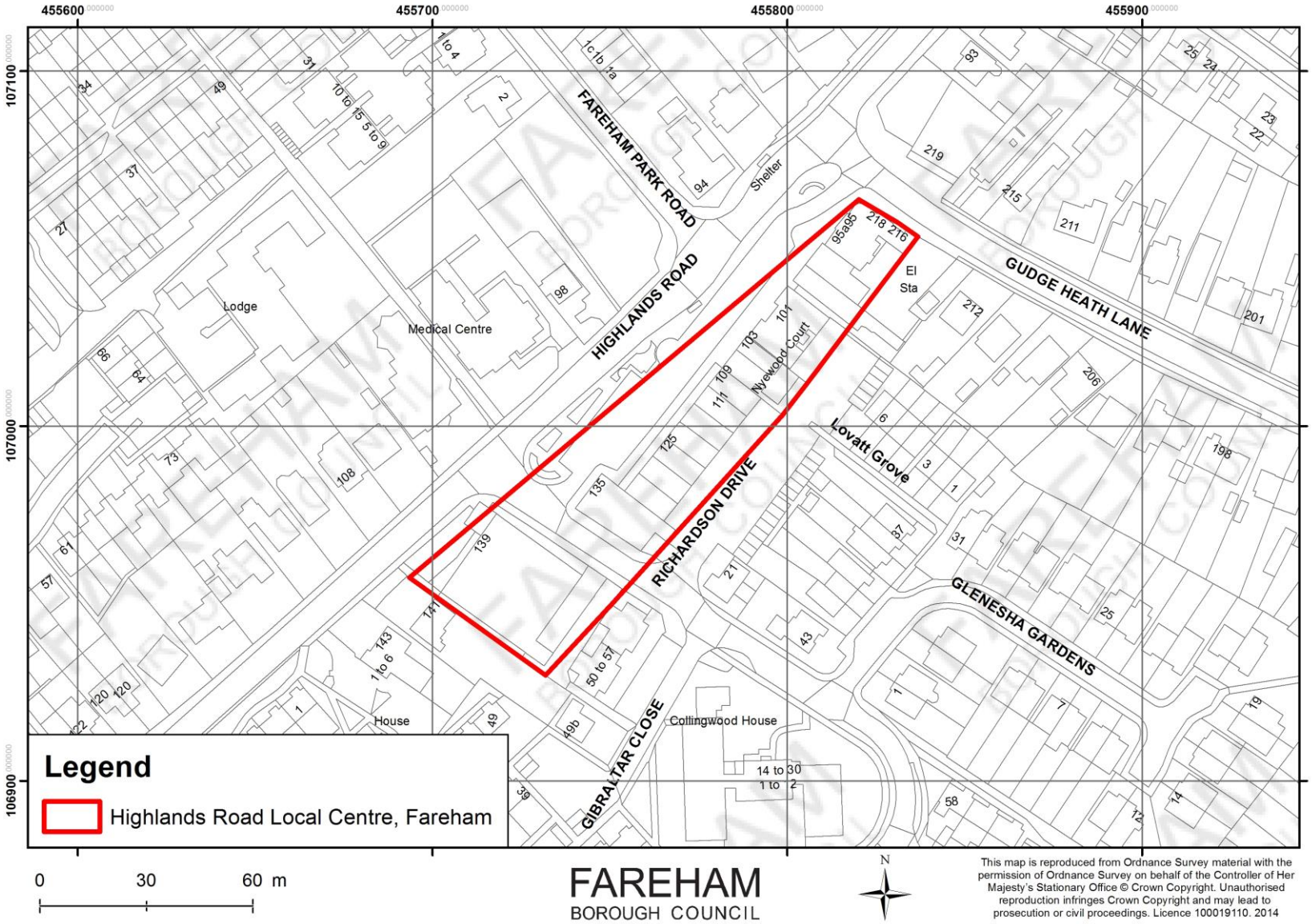
Map 5: Gull Coppice Local Centre



Map 6: Highlands Road Local Centre



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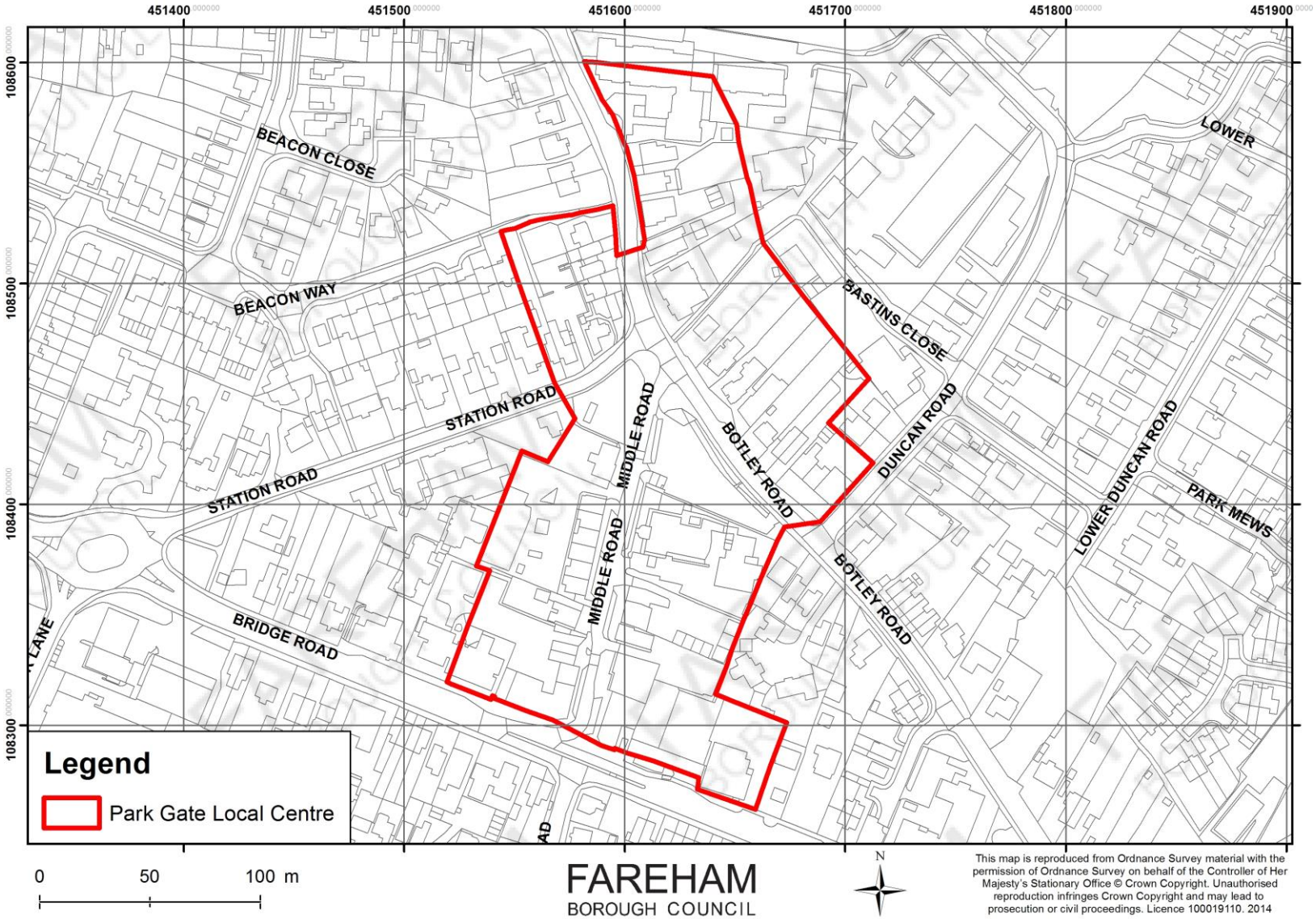
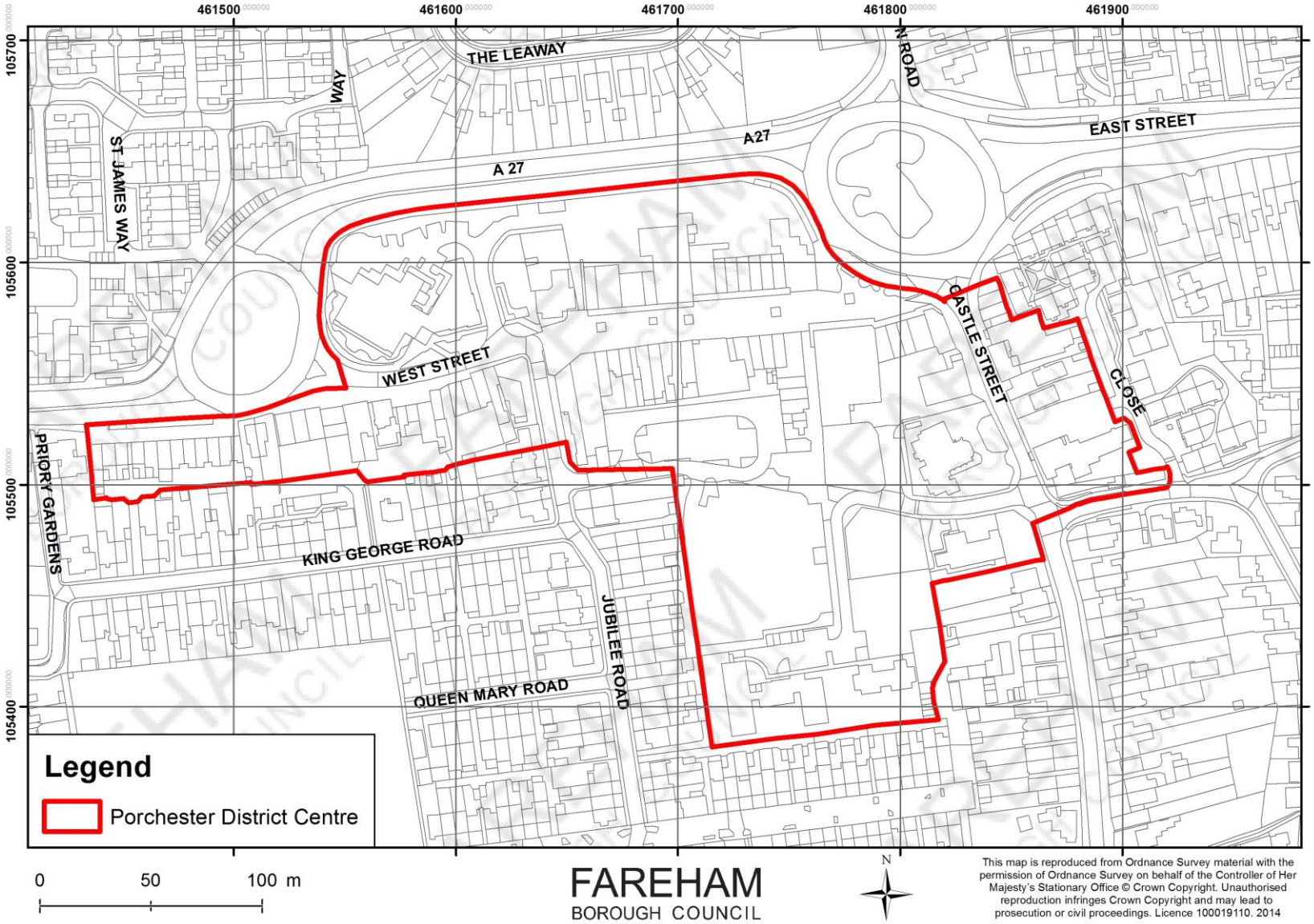
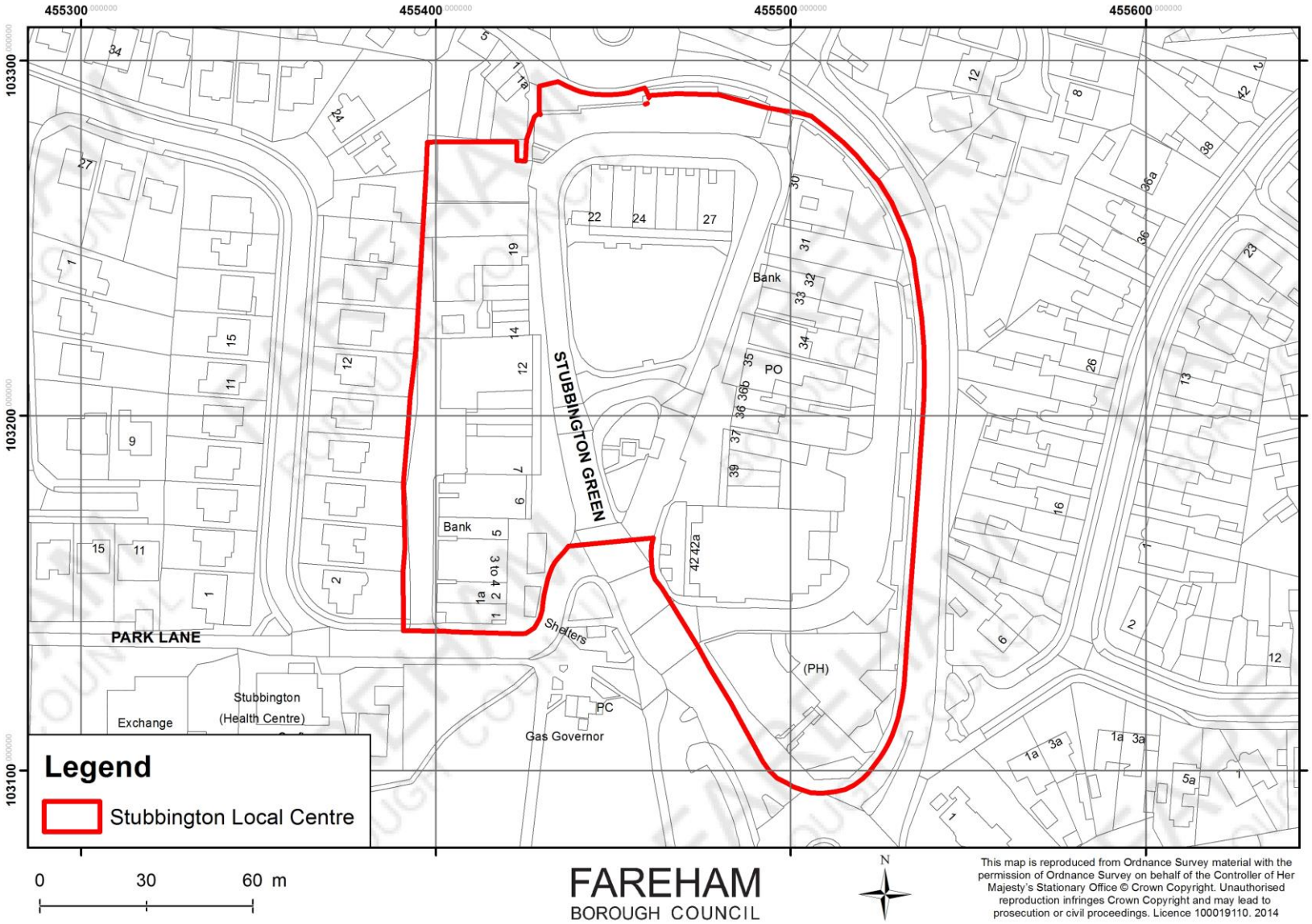
Map 7: Park Gate Local Centre



Map 8: Portchester District Centre



Map 9: Stubbington Local Centre



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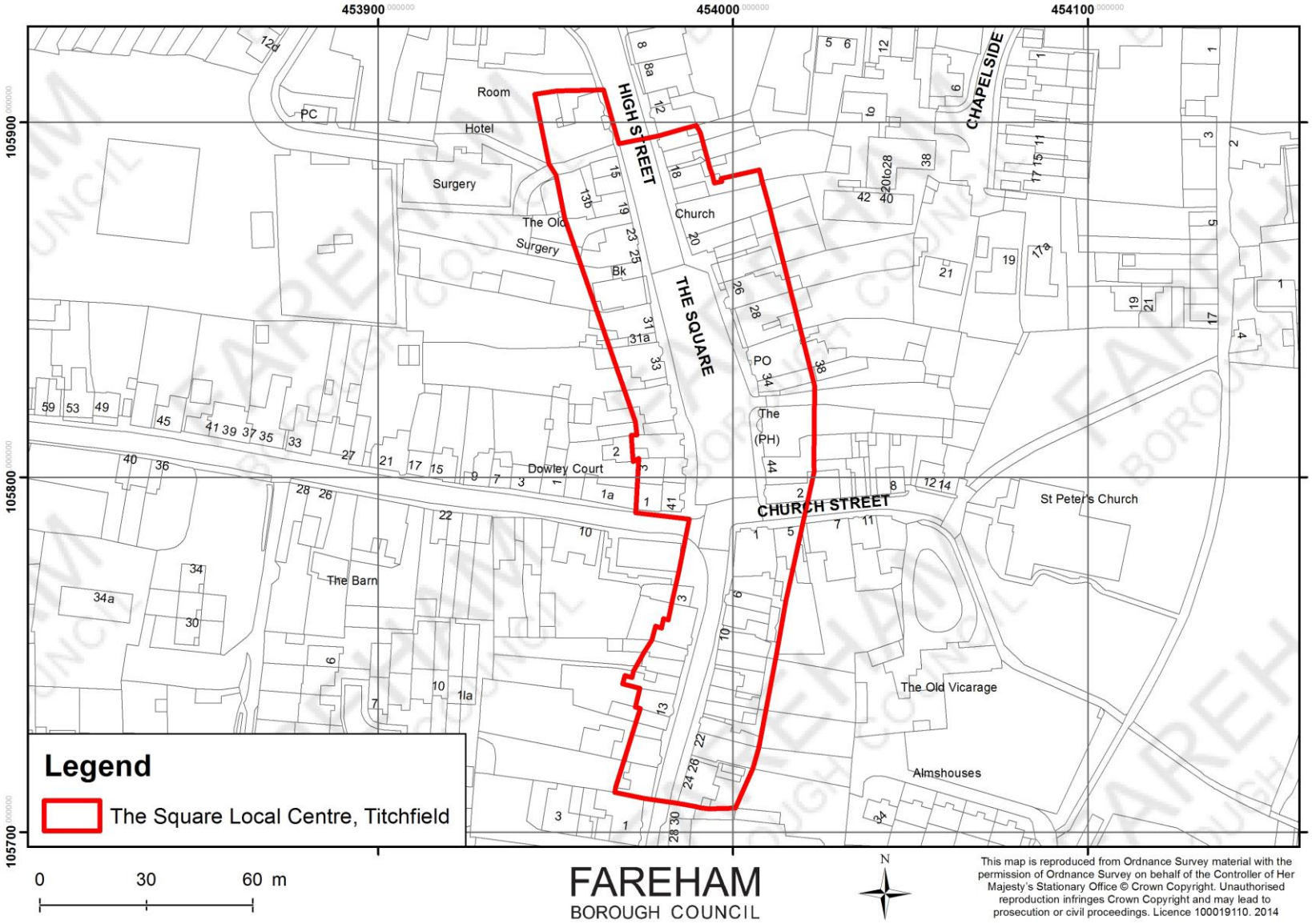
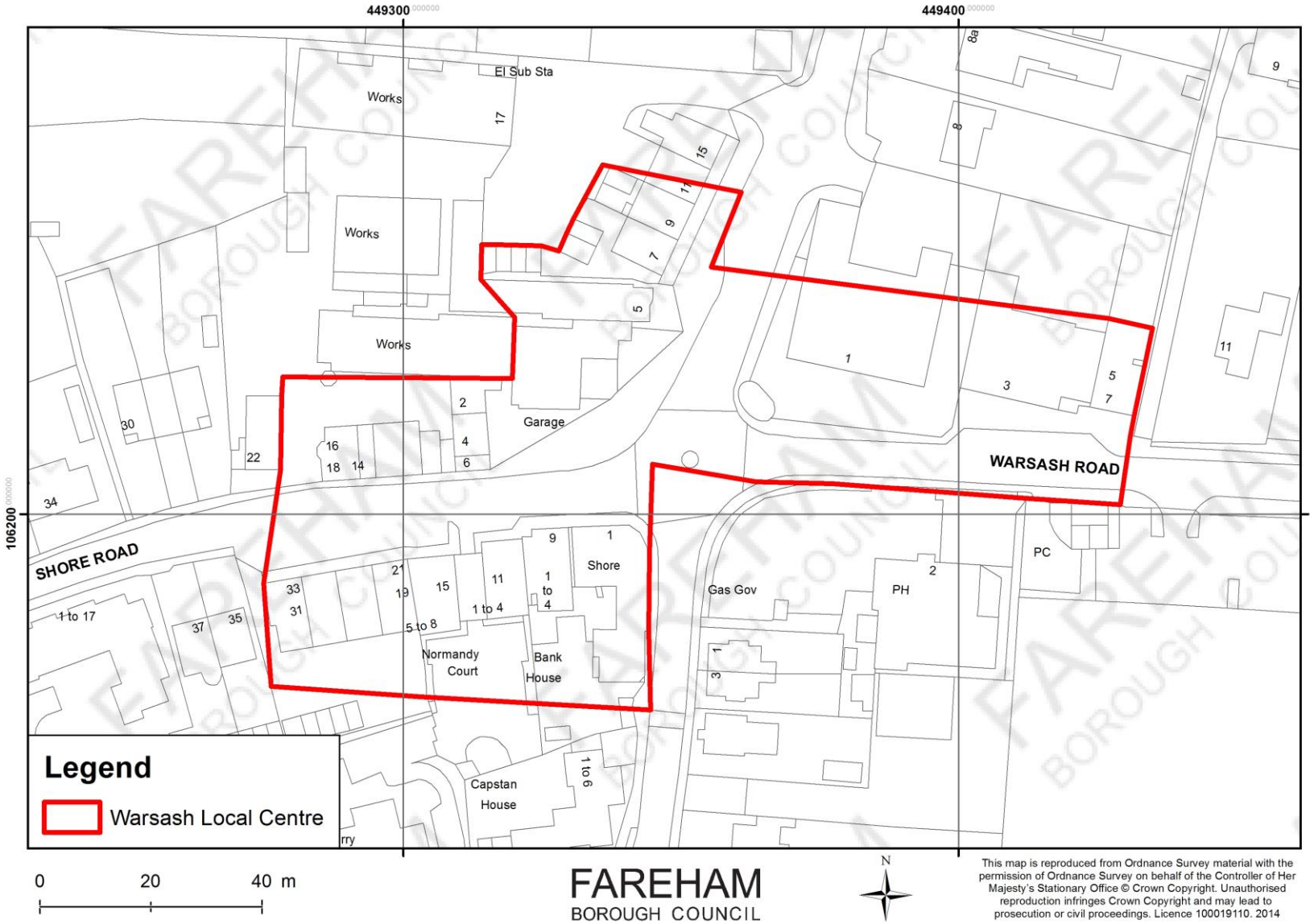
Map 10: The Square – Titchfield Local Centre



Map 11: Warsash Local Centre



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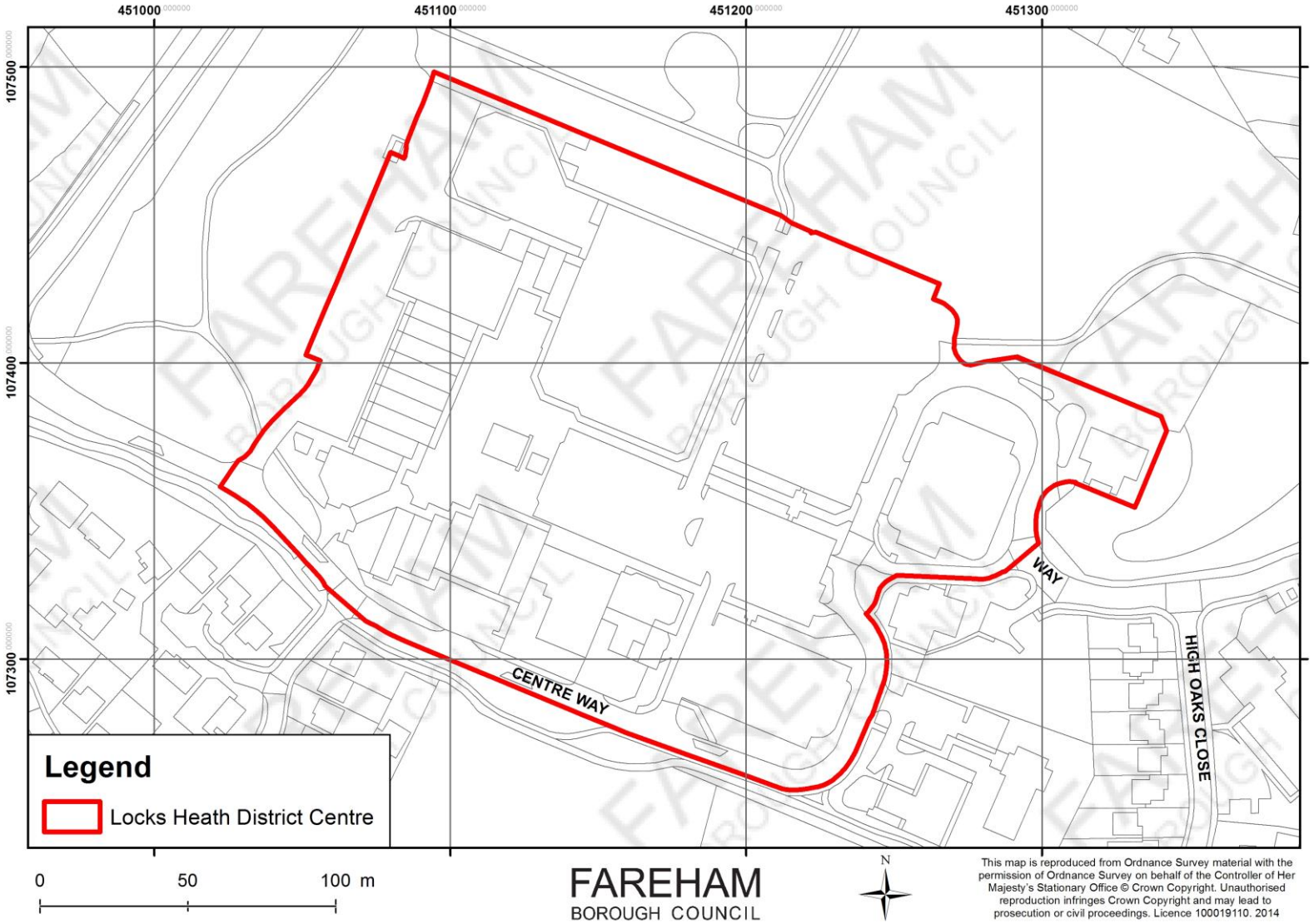
Map 12: Locks Heath District Centre



5. OTHER MATTERS BEING CONSULTED ON

5.1 The following matters are related to the review of Fareham's CIL but are not part of the Preliminary Draft Charging Schedule. The Council has included these in the current consultation to ensure transparency in its approach to the review of CIL. Comments on these matters are invited from all interested parties and the local community.

Regulation 123 List

5.2 Fareham's current Regulation 123 list is available on the Council's website at: http://www.fareham.gov.uk/planning/local_plan/ciladopt.aspx. It is intended to revise the current Regulation 123 list, as set out below, with the revised list becoming effective an the same day as the reviewed CIL charging schedule. Where items are excluded from the list below, the intention is to that planning obligations will continue to be used for those purposes. Further details about these 'exclusions' can be found within the Draft Welborne Planning Obligations and Affordable Housing SPD and the Draft Fareham Borough (excluding Welborne) Planning Obligations and Affordable Housing SPD.

5.3 *Draft Revised Regulation 123 List*
Regulation 123 of the Community Infrastructure Regulations 2010 (as amended) restricts the use of planning obligations for infrastructure that will be funded in whole or in part by the Community Infrastructure Levy (CIL). Infrastructure types or projects that are listed below will not be secured through planning obligations. This is to ensure there is no duplication between CIL and planning obligations secured through s106 agreements in funding the same infrastructure projects.

5.4 *The list below sets out those infrastructure types and projects that Fareham Borough Council currently intends will be, or may be, wholly or partly funded by CIL. The inclusion of projects in this list does not signify a commitment from the Council to fund all the projects listed, or the entirety of any one project through CIL. The order in the table does not imply any order of preference for spend.*

5.5 *Built Leisure Facilities:*

- *Including the provision of the Western Wards Swimming Pool & Fitness Centre; but*
- *Excluding Fareham Leisure Centre upgrade of swimming pool and ancillary facilities required due to the development of Welborne.*

Community Centres and Libraries:

- *Including the provision of new facilities, and improvements to existing facilities; but*
- *Excluding any provision required due to the development of Welborne.*

Open Space, Allotments and Cemeteries:

- *Including the provision and facilities for addressing open space deficiencies in*

terms of quantity, quality or accessibility; but

- *Excluding on-site provision of local open space and children's play equipment needed to make the development acceptable in planning terms; and*
- *Excluding any provision required due to the development of Welborne.*

Playing fields and sports pitches:

- *Including the provision of new facilities and improvements to existing facilities; but*
- *Excluding any on-site provision of playing fields or sports pitches needed to make the development acceptable in planning terms; and*
- *Excluding any provision required due to the development of Welborne.*

Education facilities:

- *Including the provision of new facilities and improvements to existing facilities; but*
- *Excluding any provision required due to the development of Welborne.*

Transport infrastructure and facilities:

- *Including the provision of new facilities and improvements to existing facilities; but*
- *Excluding specific improvements needed to make the development acceptable in planning terms. These can include (but are not limited to) highways crossovers to access the site and local road junctions, deceleration and turning lanes, measures to facilitate pedestrian and cyclist access, lighting and street furniture needed to mitigate the impact of a particular development. They may also include mitigation works remote from the development site where the need for such works is identified in a Transport Assessment; and*
- *Excluding all transport infrastructure required due to the development of Welborne.*

Public realm in Fareham Town Centre:

- *Including environmental improvements, hard and soft landscaping, signage, seating, cycle racks and permanent multi-functional structures in Fareham town centre.*

CIL Instalments Policy

5.6 The current CIL Instalments Policy is set out below and there are no plans to alter this policy as part of the review of CIL. However, the Council would welcome any comments on the policy as part of the current consultation.

5.7 *<u>CIL Instalments Policy</u>*
This Policy is made in line with regulation 69B of The Community Infrastructure Levy Regulations 2010.

The Community Infrastructure Levy will be payable as follows:

a) Where the Chargeable Amount is less than £25,000:

- *The full amount is payable within 120 days of the commencement date.*

b) Where the Chargeable Amount is between £25,000 and £250,000:

- *It shall be payable in two instalments;*
- *The first instalment of £25,000 shall be paid within 120 days of the commencement date;*
- *The second instalment being the balance of the Chargeable Amount shall be paid within 270 days of the commencement date.*

c) Where the Chargeable Amount is over £250,000:

- *It shall be payable in three instalments;*
- *The first instalment of £25,000 shall be paid within 120 days of the commencement date;*
- *The second instalment of £225,000 shall be paid within 270 days of the commencement date;*
- *The third instalment being the balance of the Chargeable Amount shall be paid within 540 days of the commencement date.*

Discretionary Relief from CIL

5.8 The regulations allow charging authority's to permit discretionary relief from CIL in certain circumstances, which would result in a reduced, or nil CIL payment being accepted. The discretionary forms of relief available to charging authorities include:

- Development by charities for their own investment activities (as defined by Regulation 44);
- Development by charities where the mandatory charitable relief would normally constitute State Aid (as defined in Regulation 45); and,
- Where the Borough Council considers that there are exceptional circumstances to justify relief (as defined in Regulation 55).

5.9 <u>*Discretionary Charitable Relief*</u>
Based on the Council's first year of operating CIL, the need for a discretionary charitable relief, in addition to mandatory relief, is not considered justifiable and moreover, would impose an additional level of complexity in the administration and management of the CIL charge. A policy to offer such relief could be introduced at any stage though and this is something the Council will keep under review as the new CIL rates bed in. However, at this stage, it is not the intention of the Council to offer this type of relief.

5.10 <u>*Exceptional Circumstances Relief*</u>
Regulation 55 of the CIL Regulations 2010 (as amended) permits a charging authority to grant relief from liability to pay CIL in 'exceptional circumstances'. This may only happen if a planning obligation (s106 agreement) has been entered into in respect of the planning permission that permits the chargeable development and the charging authority considers that payment of the levy would have an unacceptable impact on the economic viability of development. In such cases a developer would be expected to demonstrate this (as set out in Regulation 57) via an 'open book' approach with an agreed independent valuer

(paid for by the developer). Relief in exceptional circumstances can also only be granted if it does not constitute 'notifiable state aid' (as defined in European Law).

5.11 It is not the intention of the Council to offer this type of relief at present. The circumstances in which a policy of this nature would be likely to be used would be rare given that the CIL rate is set based on viability evidence, moreover it would impose an additional level of complexity in the administration and management of the CIL charge. A policy to this kind could be introduced at any stage though and this position can be kept under review.

Payments of CIL 'in kind'

5.12 In certain circumstances, the CIL legislation provides for the payment of CIL liabilities through the transfer of land or through the completion of infrastructure works, rather than through the usual financial payment. In order for a charging authority to be able to accept such 'in-kind' payments of CIL, it must publish a policy document which sets out the conditions of such payments in detail, including the infrastructure projects or types that will be accepted as payments in kind.

5.13 Fareham Borough Council has not come to any decision about whether it will accept in-kind payments and, if it were to do so, what the conditions of such payments might be. Therefore, as part of this consultation, views of interested parties are invited as to whether and how the Council should make use of this power.