

EXECUTIVE SUMMARY

Introduction

1. Fareham Borough Council is reviewing its Community Infrastructure Levy (CIL) Charging Schedule, and has appointed Peter Brett Associates to assess development viability in their area and recommend CIL charging rates accordingly. This report provides our analysis and recommendations.
2. Fareham is one of the first planning authorities to introduce a CIL charging schedule in England and Wales. The original evidence base was consulted on in 2012, submitted for examination in November and approved on behalf of the planning inspectorate on the 13 December 2012. The Council formally approved the levy on the 25 April 2013 with commencement on the 1st May.
3. The Council are undertaking an early review due to:
 - Additional information now being available on the strategic site at Welborne
 - An opportunity to take advantage of new flexible charging arrangements introduced by the latest amendments to the CIL legislation in February 2014
 - Consider the impact of CIL on other planning obligations (notably affordable housing)

Legislative background

4. To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a Draft for consultation after 24 February 2014, when the 2014 Amendment Regulations become law should:

'strike an appropriate balance' between the need to fund infrastructure and the impact of CIL;
and

'Not threaten delivery of the relevant plan as a whole'.
5. This means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen.

Changes in Fareham since 1st April 2013

6. As well as assessing market changes in Fareham since the original evidence base was produced in March 2012, we have taken into account two other key aspects of evidence these being:
 - The updated viability and infrastructure planning information on Welborne
 - An analysis of planning applications and section 106 negotiations since the introduction of CIL.

Indexation

7. The CIL regulations allow for index linked increases in the baseline charges from when a CIL charge is introduced. The increases are linked to the national BCIS cost indices. Up until the 1st April 2014 the increase was 7.17%. The expected rate of growth to 1st April 2015 is 6.83%.

In real terms, when the CIL charge is introduced the actual CIL charges being reviewed are expected to be:

Use	April 2013 charge	April 2015 charge
Residential	£105	£119.70
Care Homes	£60	£68.40
Comparison retail (out of town)	£120	£136.80
Convenience retail	£120	£136.80
Hotels	£35	£39.90
Standard charge	£0	£0

Welborne

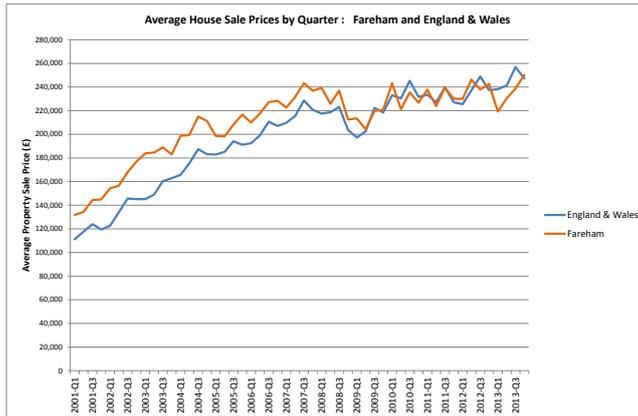
8. In summary the work undertaken by the Council's consultants GVA and AECOM concludes that 'At face value this strategic viability analysis shows that based upon the current forecast IDP and associated development outputs (linked to the current Concept Masterplan), the Welborne scheme appears to be unviable with the current burden of policy costs and CIL.
9. Bringing the site forward will therefore require a bespoke solution for which CIL lacks the flexibility to ensure delivery. We therefore recommend that CIL is applied at a 0 rate for all types of development for this site and that planning requirements are secured via section 106 planning agreements (also known as planning obligations) and section 278 highway agreements. This is allowed for within the regulations and Statutory CIL Guidance.

Section 106 agreements

10. The key theme of recent viability related planning submissions is that the main policy burden is affordable housing within the Local Plan. CIL was cited in only one of the section 106 viability reports as an issue in the context of arguing for a reduction in affordable housing policy.
11. Site values were perceived as being the main barrier with many of the smaller developments being on existing residential land and intensification of low density housing with substantial garden areas. We have adjusted our appraisals to reflect higher land values for smaller sites based on the readily available evidence
12. Based on our appraisals CIL is less than 15% of the rate per m2. For example, on a fully policy compliant scheme of 20 units with a 40% affordable housing rate, the CIL burden would be £113,400. The cost to the developer of the affordable housing provision would be in the region of £939,600 in lost revenue from selling accommodation to an RSL at a reduced rate than sale as private housing.

Housing market performance in Fareham

13. Figure 1.1 below illustrates the price differential between Fareham and England & Wales; in Q3 2013 the average house price achieved in Fareham was £235,000, almost identical to the average for England & Wales.
14. On a quarterly basis since 2009 the average house price in Fareham has largely mirrored the national average. The performance of the market would suggest local market conditions are robust and free of short term peaks and troughs compared to less developed residential markets.



15. Based on the readily available evidence, we are recommending that the CIL rate in Fareham is varied as follows:
- The standard residential CIL charge in Fareham remains unchanged but that the standard indexation in the CIL regulations is applied to take the charge to £120m2 to reflect the projected increase in BCIS costs as at 1st January 2015
 - The strategic site at Welborne is 0 rated and planning obligations dealt with by way of a planning agreement
 - Residential development of 1-4 units is subject to a levy of £185m2 to reflect the stronger viability of such development with the absence of any affordable housing requirement.
16. We have further recommended that if the government's proposals for exempting residential development of less than 10 units from affordable housing contributions that the levy of £185m2 is applied to units 10 units or less.

Other charges

17. In addition to the key changes to the residential charge rates referred to above and based on the latest available evidence we have recommended the following alterations to the CIL charging schedule
- The Care-home charge is reduced to £35m2
 - Comparison retail for out of town areas is reduced to £35m2
 - Convenience retail charging on units of 500m2 remains unchanged (subject to indexation)
 - Convenience retail charging on units of less than 500m2 is decreased to £75m2
 - The Hotel charge is effectively reduced to £35m2 (allowing for the effects of indexation)
 - Offices and industrial remain 0 rated
 - The standard charge remains at 0