

East Hampshire District Council  
Community Infrastructure Levy Charging Schedule  
EHDC Response to Examiners Main Issues and Questions (MIQs)

**Issue 1 - Legal and preliminary matters**

**a) *Does the Charging Schedule comply with the procedural requirements of the 2008 Planning Act and the 2010 Regulations as amended?***

1. East Hampshire District Council (Excluding the South Downs National Park) (LPA) can confirm that the Charging Schedule has complied with the procedural requirements of the 2008 Planning Act and the 2010 Regulations as amended.
2. The LPA has used appropriate evidence including full Viability Studies undertaken by consultants Adams Integra ("AI") and completed in January 2013 in order to inform the Preliminary Draft, the Draft Charging Schedule and following that the Submission Charging Schedule as modified. AI is amongst the market leaders in assessing viability for the Community Infrastructure Levy ("CIL"), informed by its wider caseload on viability matters and making use of a robust and thoroughly tested methodology.
3. In considering the local context and preparing the Viability Studies [CIL 10, 11 and 12], a wider range of information was considered, including the following:
  - East Hampshire and South Downs National Park Joint Core Strategy (adopted in May and June 2014).
  - East Hampshire District Council Strategic Housing Land Availability Assessment (March 2014)
  - Emerging Part 2 East Hampshire Residential and Employment Allocations Plan 2015
  - East Hampshire District Council Economic Viability Assessment to support the Joint Core Strategy Final Report 2013 (prepared by Adams Integra)
  - CIL Economic Viability Study Update – 2012 prepared by Adams Integra)
  - East Hampshire District Council Employment Land Assessment (prepared by NLP Consulting and Research) (2013)
  - [CD06/09]
  - East Hampshire Strategic Housing Market Assessment (prepared by DTZ Consulting and Research) (2013 Update)
4. The Viability Studies undertaken by AI to support this CIL process have been undertaken with regard to the adopted East Hampshire District Council Joint Core Strategy (May and June 2014). The study outcomes have been considered in this local context and alongside the Council's recently refreshed Infrastructure Delivery Plan [2014] and Submission Schedule [CIL 01D], as a part of weighing-up an appropriate local balance for the setting of CIL charging.
5. The evidence shows that the proposed rates would not put at risk the delivery of the East Hampshire Joint Core Strategy and that the Council have had due

regard to the procedural requirements of the 2008 Planning Act and the 2010 Regulations as amended?

**Issue 2 – Is the Charging Schedule supported by appropriate available evidence on infrastructure requirements?**

***a) Does the Infrastructure Delivery Plan (CIL 03) and other submitted evidence clearly identify the infrastructure needed to support future growth in the district up to 2028?***

6. The adopted development plan for East Hampshire sets out the level of growth proposed in the district. The East Hampshire District Local Plan: Joint Core Strategy (JCS) was adopted 8<sup>th</sup> May 2014 following examination. The JCS advises that along with other development, 10,060 new dwellings and 21.5 Ha of additional employment land providing approximately 3,700 new jobs will be provided from 2011 to 2028.
7. The 2014 JCS was supported by appropriate evidence at examination including the “East Hampshire District Local Plan: Joint Core Strategy Infrastructure Delivery Plan - Interim Statement and Infrastructure Schedule, July 2012”. The 2012 IDP was prepared jointly between EHDC and the South Downs National Park Authority. The 2012 IDP clearly identified the infrastructure needed to support future growth in the district up to 2028. The 2012 IDP was based on sound and robust evidence from a variety of sources. This included internal studies and on-going discussions with infrastructure providers (including utility companies and the National Health Service), the commissioning of bespoke reports, collaborative engagement between the District Council and the SDNPA, and key partners in Hampshire County Council and PUSH.
8. All IDPs are acknowledged as being “live” documents and subject to review. The July 2012 IDP was reviewed in July 2013 and submitted as evidence in support of the JCS examination.
9. Following adoption of the JCS a further review of the IDP was undertaken in October 2014. The 2014 IDP was submitted as evidence as part of the EHDC Community Infrastructure Levy examination.
10. A thorough review of the 2014 IDP was undertaken in April 2015 alongside work undertaken on the preparation and submission of the East Hampshire District Local Plan: Housing and Employment Allocations. The 2015 IDP has been submitted as evidence alongside the “Proposed Submission East Hampshire District Local Plan: Housing and Employment Allocations (April 2015)”. The 2015 IDP is part of the evidence base for the Part 2 Allocations Draft Plan and is included in the CIL evidence base as CIL19.
11. The 2014 IDP clearly identifies the infrastructure needed to support future growth in the district up to 2028. The IDP has been prepared in accordance the relevant legislation including:
  - Planning Act 2008 (Part 11 Community Infrastructure Levy)
  - CIL Regulations 2010 (subsequently amended in 2011, 2012, 2013 and 2014)
  - CIL – An Overview (DCLG 2011)
  - Localism Act 2011 (including sections 110 and 205)
  - The National Planning Policy Framework (NPPF) (including paragraphs 156, 157 and 162)
  - National Planning Policy Guidance (NPPG)

12. The IDP sets a definition of infrastructure as defined by the 2008 Act, CIL regulations 2010, Localism Act and the NPPF and accordingly the IDP sets out a wide range of infrastructure requirements.
- The 2014 IDP was reviewed through a series of discussions, meetings and consultations with a variety of internal and external departments including:
- East Hampshire District Council & Havant Borough Council Developer Contributions Monitoring Officer
  - EHDC Community Access Officer
  - Hampshire County Council Strategic Planning Department
  - HCC Adult Services Department
  - HCC Children's Services Department
  - HCC Countryside Service
  - HCC Highways
  - Partnership for Urban South Hampshire
  - Portsmouth Water
  - South Downs National Park Authority
  - Southern Water
  - Thames Water
  - Whitehill & Bordon Project Team
13. The following reports have been reviewed and utilised in the production of the IDP including:
- Alton Forum Report 27/01/15
  - Information from the Community Forum
  - Draft Neighbourhood Plan for Bentley
  - East Hampshire District Council Leisure Built Facilities Strategy 2012- 2026 (June 2012)
  - EHDC Schedule of Transport Improvements Nov 2014
  - EHDC Site Allocations Plan
  - Green Infrastructure Study for EHDC 2011
  - Habitats Regulations Assessment undertaken by URS in July 2013
  - Hampshire Strategic Infrastructure Statement Version 1 (HCC, February 2013)
  - HCC Countryside Access Plan 2008
  - HCC Draft Countryside Access Plan 2015
  - HCC Strategic Infrastructure Statement 2013
  - Network Rail 2006 Route Utilisation Strategies
  - Information from the North East Forum Area
  - Information from the North West Forum Area
  - Ofwat's price review process
  - Open Space, Sports and Recreation Study for EHDC 2008
  - Partnership for Urban South Hampshire (PUSH) (Atkins, December 2008)
  - Reports of Southern Water
  - Reports of Thames Water
  - Scottish and Southern Energy - Long-Term Development Statement, November 2013
  - SE Water - Water Resources Management Plan
  - South East Hampshire Catchment Flood Management Plan
  - Information from the South Forum Area
  - South Hampshire: Integrated Water Management Strategy
  - Thames Catchment Flood Management Plan

- Water Resources in the South East Group - Progress towards a shared water resources strategy in the South East of England - Final Report (Version 8) April 2010"
- Whitehill & Bordon IDP Schedule 2015

14. The 2012, 2013 IDP and other evidence clearly identified the infrastructure needed to support future growth in the district up to 2028. These documents were subject to examination as part of the adoption of the 2014 JCS.
15. The 2015 IDP has reviewed and updated the 2012, 2013 and 2014 IDPs to ensure that a clear picture of the infrastructure needed to support future growth in the district up to 2028 is maintained.
16. As stated, the IDP is a live document and will be updated accordingly as new information becomes available. Since the publication of the April 2015 IDP further information has become available on the infrastructure requirements of the Whitehill and Bordon Regeneration Project. In addition further information has become available on the infrastructure requirements in relation to the Butts Junction: Winchester Road/A339. Further details are provided below.

**b) What is the total cost of infrastructure needed to support development in the Whitehill and Bordon Regeneration Project Zone? What is the funding gap within the Project zone, and within the East Hampshire Local Plan area as a whole?**

17. As part of the Whitehill and Bordon Regeneration Project, resolution to grant outline and full planning permission was made on the 23<sup>rd</sup> April 2015 under reference 55587/001 for:
18. *“Demolition of MoD buildings and redevelopment of Bordon Garrison and adjoining Land for: Up to 2400 dwellings, Town centre 23000 sq meters (Gross) commercial floor space to incorporate a range of uses including shops/offices, cafes/restaurants, Care/nursing home, Transport interchange, Food store up to 5000 sq metres, Swimming pool/gym of up to 3000 sq metres gross, Secondary and Primary schools with sports pitches and parking areas. Replacement sports changing/pavilion facility, provision of roads, car parking cycleway and footpaths. Public Open Space, informal/incidental open space, children's play areas and multi-use games areas, BMX or Skate park, Allotments, landscaping/buffer areas, means of enclosure/boundary treatments. Sustainable Urban Drainage Systems, Creation of new access points at Budds Lane A325 and Station Road. (2) FULL PERMISSION for Sustainable Alternative Natural Green Space (SANGS) at Hogmoor Inclosure including car parking areas, paths and cycle-walkways, fencing Bat bunkers and associated landscaping/earthworks. Southern section of new relief road linking to the A325 including crossings, fencing, lighting, drainage and utilities.”*
19. The resolution to grant is subject to the satisfactory completion of a Section 106 agreement. The legal agreement is currently under preparation.
20. The W&B project contains a “Zero CIL zone”. The purpose of the zone is to allow the infrastructure needed in major planning applications within the W&B regeneration zone to be delivered through S106 agreements such as above.

The W&B scheme is a comprehensive project and has prepared its own IDP. The W&B IDP as with the 2015 IDP is an evolving document with the infrastructure costs and requirements developing through negotiations as the project develops as demonstrated through the recent resolution to grant planning permission.

***What is the total cost of infrastructure needed to support development in the Whitehill and Borden Regeneration Project Zone? What is the funding gap within the Project zone?***

21. Where possible the IDP specifies cost estimates for the infrastructure required. In addition to cost details of possible funding and whether funding will be secured through S106 is noted.
22. Further to the release of the April 2015 IDP additional information on infrastructure requirements and funding has been released. The latest figures for the W&B project are as follows:

|                                      |              |
|--------------------------------------|--------------|
| W&B estimated cost of infrastructure | £141,976,469 |
| W&B estimated funding gap            | £16,859,984  |

***What is the total cost of infrastructure needed to support development within the East Hampshire Local Plan area as a whole?***

23. Further to the publication of the April 2015 IDP Section 106 agreements have been completed for planning applications at Treloars/Borovere and Cadnams Farm, both in Alton on 29<sup>th</sup> April. These S106 agreements have secured funding for the bridge widening at Butts Junction: Winchester Road/A339. The estimated cost of this work was listed in the April 2015 IDP as £8m with no funding secured. Due to this signing of these S106 agreements funding for this road improvement has now been secured leaving no funding gap.

|   |              |
|---|--------------|
| EHDC as a whole estimated cost of infrastructure where known    | £256,973,179 |
| EHDC as a whole estimated funding gap                           | £146,977,694 |
|   |              |
| EHDC excluding W&B estimated cost of infrastructure where known | £114,996,710 |
| EHDC excluding W&B estimated funding gap                        | £130,117,710 |

The above figures are estimates and do not include projects where no costing/funding data is available.

***c) How have infrastructure costs been apportioned between East Hampshire District Council and the South Downs National Park Authority, in relation to those infrastructure items that are cross boundary or affect both authority areas?***

24. The previous 2012, 2013 and 2014 IDPs were prepared jointly with the SDNPA. Details of infrastructure requirements were divided into areas within and outside of the SDNPA. The 2015 IDP acknowledges that the SDNPA, which covers 57% of the East Hampshire District, is the local planning

authority for this area and also the charging authority for this area. The SDNPA is now preparing its own CIL having published a Preliminary Draft Charging Schedule. Accordingly the SDNPA is currently preparing its own IDP.

25. EHDC will work with the SDNPA to ensure that there is no “double counting” of infrastructure requirements to ensure that cross boundary infrastructure items are funded appropriately. The IDP includes four district-wide cross boundary (i.e. EHDC and SDNP planning authority areas) projects:

| <b>Project</b>   | <b>Funding Source</b>                         |
|--|---|
| East Hants CAP Delivery- Strategic improvements to the rural network. Improving connectivity and sustainable transport. Led by HCC in partnership with East Hampshire DC and SDNPA | CIL   |
| Improvements to waste water treatment works  | Developer's contributions and Water Companies |
| Site specific improvements to local sewerage infrastructure  | Developer's contributions and Water Companies |
| Havant Thicket Reservoir – Green Infrastructure 65ha of multifunctional open access greenspace in the managed GI network   | Developer's contributions and Water Companies |

26. Whilst extra care housing provision - 314 units to meet needs in East Hampshire district is recorded as district wide this excludes the area covered by the SDNP. The Hampshire Strategic Infrastructure Statement version 1 (2013) provides separate figures for extra care housing provision within the SDNP part of the district.
27. The growth proposed in the JCS is likely to result in increased usage of the rural public right of way network and will therefore require strategic improvements. The work will be led by HCC in partnership with EHDC and the SDNPA. HCC advise that the cost of this work presently remains unknown and will be established on a project by project basis. The network is likely to be cross boundary, not only with the SDNPA but also with the authorities adjoining EHDC. Funding between the EHDC and the SDNPA will be managed in the same manner as funding between EHDC and any other adjoining authority.
28. It is expected that improvements to waste water, sewerage and the Havant Thicket reservoir will be funded through developer’s contributions direct to the water companies and funded by the water companies. It is therefore unlikely that there will be a funding gap and as a result CIL funding would not be required for these infrastructure projects.

**d) What contribution is it anticipated that CIL would make towards bridging the funding gap?**

29. The funding gap is calculated by subtracting the amount of available funding from the cost of delivering the required infrastructure. Available funding is presented from a variety of sources including but not exclusive to section 106, section 278, grant funding, New Homes Bonus, local authority commercial development activity, Local Enterprise Funding, Local Sustainable Transport Fund, Local Transport Board and service providers. Where there is a funding gap EHDC will seek to secure funding through the CIL. Paragraphs 1.7 to 1.9 of the IDP provide further details.

**e) Does the submitted evidence clearly explain how planning obligations would operate alongside a new CIL regime in East Hampshire?**

30. Guidance on developer contributions is currently available on the EHDC website:

<http://www.easthants.gov.uk/ehdc/planning.nsf/webpages/Developer+contributions>

31. Guide to Developers' Contributions May 2014 (amended September and November 2014) provides guidance on the level of contributions required towards infrastructure improvements and other means of mitigating the impact of new development upon the area. These contributions are collected by way of a section 106 agreement.

32. Paragraph 4.5 of the IDP advises that the role of Section 106 agreements has been scaled back to cover only site-specific mitigation and, therefore, they have limited ability to fund wider infrastructure requirements. Their remit will include affordable housing contributions, potentially the provision of land for local community facilities, open space provision and both on-site and off-site environmental measures.

33. Paragraph 4.6 states that contributions from development towards the infrastructure requirements of strategic growth are expected to come through the Community Infrastructure Levy (CIL).

34. Paragraph 4.7 advises that section 278 of the Highways Act 1980 enables agreements to be made for the private sector funding of works on the strategic road network. This is a financial mechanism for ensuring delivery of mitigation works necessary for the granting of planning permission.

35. Once the CIL is adopted the Guide to Developers' Contributions will be reviewed and updated and a Developer Contributions SPD will be produced to sit alongside the CIL.

36. During the transitional period prior to the adoption of the CIL EHDC has put together guidance between the Section 106 planning obligations and CIL. This transitional guidance has been made available on the Council's website and is submitted as Appendix 2 to this note.

**Issue 3 – Is the Charging Schedule supported by appropriate available evidence on viability?**

- 1. Do the residential site typologies tested in the viability evidence adequately reflect the type, density and size of schemes likely to come forward in East Hampshire? Has sufficient testing been undertaken of strategic sites?**
37. The original housing mixes and unit types were agreed between the Council and Adams Integra at the outset of the project. Adams Integra tested sites of 5, 10, 25 and 75 units at densities of between 25 and 60 dwellings per hectare (CIL10 Appendix 3). These parameters were based upon the nature of sites that the Council anticipated coming forward for development.
38. Strategic sites were not part of Adams Integra's original brief, but have subsequently been tested following consultation responses. Sites of 100 and 200 units have been assessed for viability, at densities of 25 and 35 dwellings per hectare. These density levels were chosen as being representative of larger sites in the potential development pipeline.
39. The strategic sites are Greenfield and show viability against the agricultural existing use value, applying the CIL rates in the Submission Charging Schedule.
40. Sufficient testing of non-residential strategic sites has been undertaken. These have covered a broad range of uses falling within the A, B, C and D categories of the Use Classes Order.
- 2. In relation to residential development, have reasonable assumptions been made in relation to factors affecting viability of development and up to date evidence used?**  
**Including:**
  - 1. Sale prices**
  - 2. Building costs**
  - 3. S.106/S.278 - is the estimated cost of £2000 per unit justified by the evidence and reasonable?**
  - 4. Affordable housing – what account has been taken of the Ministerial**
  - 5. Statement dated 28 November 2015 which states that affordable housing and tariff-style obligations should not be sought on sites of 10 or less units?**
  - 6. Contingencies**
  - 7. Fees**
  - 8. Profit levels**
  - 9. Benchmark land values**
41. The Examiner lists the main factors affecting viability. The Council would respond as follows:
42. 1. Sales Prices. Sales research carried out by Adams Integra prioritised evidence from new developments across the District, in order to arrive at appropriate sales values for the different development scenarios that were tested for viability. In the absence of new build developments, then evidence was obtained from the second-hand market, specifically modern houses and

flats on estate-type developments that would include an element of affordable housing. As part of the sales value exercise, we are considering whether research justifies a series of “value points” across the District, being locations of similar value. These are then collated into the Value Points table, for example at CIL10 Appendix 2. Furthermore, following consultation responses, Adams Integra also considered sales values for Alton in more specific detail (see CIL12 Appendix 1).

43. 2. Build Costs. Build costs for the March 2014 study (CIL10) were based upon BCIS data, being a common source of costs for reports of this nature. These costs were:
- |         |                         |
|---------|-------------------------|
| Houses: | £1,141 per square metre |
| Flats:  | £1,321 per square metre |

In response to the Preliminary Draft Charging Schedule consultation, we increased these costs to:

|         |                         |
|---------|-------------------------|
| Houses: | £1,231 per square metre |
| Flats:  | £1,471 per square metre |

These higher build costs were proposed by a respondent to the consultation and were used to inform the Addendum Report of November 2014 (CIL11).

44. 3. S106/S278. The Council believes that the proposed level of £2,000 per unit is realistic, bearing in mind that part of the current S106 receipts would be covered by CIL. This would imply that S106 would only apply to on-site matters, specifically the provision and maintenance of public open space. Furthermore, Adams Integra did test a scenario of S106 at £5,000 per unit for the March 2014 viability report (CIL 10 Appendix 4) and £3,000 per unit in the Addendum Report of January 2015 (CIL12 Appendix 3).
45. 4. Affordable housing and the Ministerial Statement of 28<sup>th</sup> November 2014. This was addressed in the Addendum Report January 2015 (CIL12 page 9 and Appendix 4). Adams Integra considered land value outcomes for sites of 1, 3 and 10 units, with zero affordable housing and zero S106 costs. The land value outcomes are shown at Appendix 4, where it will be seen that the land values have been reduced by a buffer. This is due to the fact that the outcomes for each value point fall within a narrow range, such that a straight average (as used elsewhere in the reports) would not, in itself, provide that buffer.
46. 5. Contingencies. Contingency costs have been taken as a percentage of the build costs and are intended to cover unforeseen circumstances arising during the build period. They would, typically, range between 3% and 5% of the build cost. On the basis that most of the likely housing supply for East Hampshire will be on greenfield sites, the Council believes that a lower percentage contingency is justified.
47. 6. Fees. Adams Integra provided an illustration of the fee breakdown in the Addendum Report of January 2015 (CIL12 page 6). This demonstrated that the total fee allowance equated to 10.5% of the base build cost. The Council believes that this total is in line with industry expectations.
48. 7. Profit levels. The appraisals carried out by Adams Integra assume profit levels of 20% for market housing and 6% for affordable housing. The difference between the two relates to the risk attached to the revenue receipt.

Revenue from the market units is subject to the sales market, whereas revenue from the affordable units will have been agreed in advance between the developer and a registered provider, so that the risk attached to that revenue is greatly reduced. This is reflected in the two rates, which the Council believes to be industry norms.

49. **8. Benchmark Land Values.** The Council believes that the adopted benchmark land values constitute reasonable assumptions of existing use value when assessing viability. The greater part of the Council's housing supply is expected to come from Greenfield sites, to which an existing use value of £450,000 per hectare has been applied. As stated in the Addendum Report of November 2014 (CIL11 page 5), it is considered that this level reflects the expectations of an agricultural landowner, who would negotiate a minimum price for his land, with the benefit of planning permission. The Council believes that this figure is also in line with HCA expectations of Greenfield existing use values, being 10-20 times agricultural value. Furthermore, the adopted thresholds are considered to be in line with those assumed as part of the CIL viability report, dated January 2014, for the neighbouring authority of South Downs National Park, as follows:

|               |                                     |
|---------------|-------------------------------------|
| Agricultural: | £370,000 to £500,000 per hectare.   |
| Industrial:   | £850,000 to £1,500,000 per hectare. |
| Residential:  | £2,000,000 per hectare.             |

3. ***In relation to hotel development, have reasonable assumptions been made in relation to factors affecting viability of development and up to date evidence used?***

***Including:***

1. ***Capital value per room***
2. ***Rental income***
3. ***Build costs***
4. ***Fees***
5. ***Profit levels***
6. ***Existing site values***

50. Hotel Development has been addressed in the initial Economic Viability Assessment at CIL 10 in March 2014<sup>1</sup>.
51. The evidence was reviewed and updated. This is recorded at Page 13 of CIL 11 Addendum to the 2014 EVA. It confirms that a detailed up to date review of the evidence for hotel development was undertaken by Adams Integra. It addresses generic hotel development across the whole district. The conclusions demonstrate that a careful and robust approach has been taken.
52. An industry wide investment valuation approach has been adopted. This uses Capital Values per room that are current and evidenced from suitably qualified specialists. A Capital Value per room can also be arrived at by capitalising rental values with an appropriate Investment Yield.
53. Room rental rates of between £4,500 to £5,500 per room per annum have been evaluated and capitalised using investment yields of between 4.5% and 5.5%. A median position has been adopted of £5,000 per room per annum

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<sup>1</sup> CIL 10, Page 35- paragraph 7.9

capitalised using a 5.0% initial yield. This produces a capital value of £100,000 before deducting purchaser's acquisition costs.

Build costs are drawn from the established BCIS data adjusted to East Hampshire.

54. Fees are based on market norms.
55. Profit levels are based on market norms of 20% in the appraisals<sup>2</sup> assuming a pre-let development scenario which reflects the usual market process. Whereas one would expect a developer to be prepared to take a lower percentage of profit due to the reduced level of risk when a development is pre-let to a good covenant. This conservative approach contributes towards producing a larger buffer.
56. Existing site values are evidenced through robust methodology due to the very limited amount of appropriate available evidence of comparable land transactions.

**4. In relation to retail development, have reasonable assumptions been made in relation to factors affecting viability of development and up to date evidence used?**

**Including:**

- 1. Rental levels**
- 2. Build costs**
- 3. Fees**
- 4. Contingencies**
- 5. Profit levels**
- 6. Existing site values**

57. In relation to retail development reasonable assumptions have been made and up to date evidence has been used.
58. All of the inputs used are consistent with the appropriate and available evidence.

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<sup>2</sup> CIL 10- Appendix 8

**Issue 4 – Residential rates: Are the proposed charging rates informed by and consistent with the evidence? Would the proposed charging rates put the overall development of the area at risk?**

**a) *Are residential uses and geographical zones clearly defined in the table in the charging schedule, avoiding duplication?***

59. The charging schedule is clear and identifies the different rates applicable to different zones. The charging schedule maps similarly identify clearly, avoiding unnecessary duplication the geographical spread of charges in different uses.

**b) *Is the nil CIL rate for residential development in the Whitehill and Bordon Regeneration Project Zone justified by the evidence and reasonable? Is the geographical zone soundly based on development viability evidence?***

60. There is evidence to support the viability of development in the Whitehill and Bordon area. Similarly there is evidence in the Adams Integra reports supporting the preliminary, draft and subsequent modified charging schedule iterations confirming the viability position. This evidence is updated over the CIL consultation process and is up to date and relevant. It is clear that the CIL rate outside the zero CIL zone would generate £65 per square metre for eligible development based on the Joint Core Strategy target of 35% affordable housing. Equally it is clear that to support the development of Whitehill and Bordon's regeneration area there is a need for considerable infrastructure outlined in the IDP. For this reason the LPA has negotiated packages of infrastructure through the planning application process on the major applications which form the delivery vehicle for the regeneration area. That negotiation process is necessarily complex and has involved detailed viability discussion with the applicant and the Council. The S106 agreements have ensured that infrastructure requirements can be met within a negotiated package of infrastructure and affordable housing.

**c) *Does the geographical area of the Whitehill and Bordon Regeneration Project Zone correspond to the boundaries of the Whitehill and Borden Strategic Allocation as defined in the Core Strategy (Map 4)? If not, what is the evidence or justification for a different geographical area?***

**[The Council is requested to provide a map which clearly shows the boundaries of the charging zone, the Strategic Allocation and the recent planning applications at Borden Garrison and the Louisburg and Quebec Barrack sites]**

61. Attached to this response is a map at appendix 3 which overlays the zero CIL charging zone, the Whitehill and Bordon Strategic Allocation and the main planning applications received so far which will deliver the main components of the regeneration area. The zero CIL charging zone does not follow the boundary of the Strategic Allocation as defined in the JCS. As identified in 4 b) above the development of the strategic allocation requires the investment of significant infrastructure to mitigate the impacts of the development in a range of ways. The infrastructure required is greater than that which could be confirmed as viable with other JCS requirements maintained, principally

affordable housing. S106 agreements have been used as the means by which the negotiation undertaken by the LPA and the land owners and agreement has been reached on the 3 applications considered so far by the LPA. The negotiation has resolved viability matters on a site by site basis and there are three obligations providing the mechanism by which the development proposed is mitigated. A fourth application is envisaged on HCC land and this is shown on the map attached as appendix 3.

62. The LPA is mindful of the CIL Regulation implications placed upon the use of S106 agreements in terms of the pooling of obligations and has therefore drawn the zone where CIL is zero and S106 obligations will be delivering the infrastructure needed for the regeneration area covering the expected 4 main planning applications. In summary therefore the LPA has been mindful of the extraordinary infrastructure required to allow the successful development of the Strategic Allocation and has determined that S106 negotiation is the appropriate tool to capture the negotiated infrastructure. Four main applications will deliver the majority of the Strategic Allocation and the negotiation on the first three has proved that this route is an effective means by which a flexible negotiation can take place.

***d) Is the proposed site size threshold of 10 and 11+ units in areas VP4 and VP5 (excluding Alton) justified by the evidence and reasonable? (see also 3b above).***

63. The Council assumes that the Examiner is referring to the outcomes for the smaller sites, in connection with the Ministerial Statement of 28<sup>th</sup> November 2014. Adams Integra tested a range of development scenarios for this particular exercise, being sites of 1, 3 and 10 units at different densities. Whilst the Council would confirm that it sees a good proportion of applications of less than 11 units, the range of sites tested was also intended to consider the full scope of the Ministerial Statement.

***e) Are the other proposed charging rates for residential development and geographical areas justified by the evidence and reasonable?***

64. The Council believes that the rates and geographical areas for residential development are reasonable, since they are the outcome of a rigorous research and analysis, that has assessed a large number of development scenarios against the full range of likely existing use values. It is considered that the rates are reasonable, not only as a result of the viability assessment, but also in the context of the rates for adjoining authorities.

***f) Is the proposed £40 psm CIL charging rate for sheltered housing justified by the evidence and reasonable? What assumptions have been incorporated into the Viability Appraisal?***

65. The Council believes that the proposed rate for sheltered housing is reasonable. It derives from discussions between Adams Integra and representatives of the respondents to the Preliminary Draft Charging Schedule in connection with sheltered housing. The main assumptions for the viability appraisal were:

- 55 units, including 40% affordable housing.
- Floor areas based upon the McCarthy and Stone development in Alton.
- Sales values based upon the McCarthy and Stone development in Alton.

- Build costs £1,430 per square metre.
- Building contingencies 5%.
- Communal areas assumed to occupy an additional 25% of the sellable area.
- S106 costs included at £3,000 per unit.
- Professional fees 10%.
- Sales and marketing fees 5%.
- Empty property costs assumed at £220,000.

**g) What are the overall viability buffers associated with the CIL residential charges?**

66. The viability assessments carried out on behalf of the Council, including the addendum reports (CIL10, CIL11, CIL12), have generated tables of land values within similar value locations, expressed as value points, but assuming different housing numbers and density levels. An average of the land value outcomes per hectare is then calculated and the assessment of viability is made by relating this average to the different existing use values. By definition, the averages are not the highest land value outcomes, but are within the range. The buffer is, therefore, the difference between the average and the upper level of values. By way of illustration, the tables below set out the land value outcomes from different tables in the viability reports and show the buffers that result from adopting the average as the viability position.

**67. 1. CIL Viability Assessment March 2014 CIL10  
Appendix 4: 40% affordable housing**

| Value Point | Average Land value Per ha | Upper level Of values | Buffer   | Buffer percentage |
|-------------|---------------------------|-----------------------|----------|-------------------|
| VP2         | £1,079,015                | £1,400,000            | £320,585 | 30%               |
| VP3         | £1,609, 586               | £2,000,000            | £390,414 | 24%               |
| VP4         | £2,225,220                | £2,700,000            | £474,780 | 21%               |

**68. 2. CIL Viability Addendum November 2014 CIL11  
Cumulative Impact Table**

| Value Point | Average Land value Per ha | Upper level Of values | Buffer   | Buffer percentage |
|-------------|---------------------------|-----------------------|----------|-------------------|
| VP2         | £951,260                  | £1,150,000            | £198,740 | 21%               |
| VP3         | £1,350,034                | £1,700,000            | £349,966 | 26%               |
| VP4         | £1,715,878                | £2,300,000            | £584,122 | 34%               |

**69. 3. CIL Viability Addendum January 2015 CIL12  
Appendix 3a CIL at recommended rates**

| Value Point | Average Land value Per ha | Upper level Of values | Buffer   | Buffer percentage |
|-------------|---------------------------|-----------------------|----------|-------------------|
| VP2         | £907,040                  | £1,220,000            | £312,960 | 34%               |
| VP3         | £1,510,490                | £1,800,000            | £289,510 | 19%               |
| VP4         | £2,060,752                | £2,350,000            | £289,248 | 14%               |

70. In addition, we would direct the Examiner to the Addendum Report of January 2015 (CIL12) Appendix 2, where 75 unit scenarios are being tested. In this instance, the averages were not considered to provide a sufficient land value buffer, since the land value outcomes were all within a narrow range. A buffer of 20% has, therefore, been applied in this instance.

***h) Are the buffers sufficient to allow viable residential development across the district? What is the Council's latest housing trajectory over the Plan period, and would the CIL charges affect delivery of the planned housing provision?***

71. The Council believes that the buffers are sufficient. This is emphasised by, firstly, the fact that the buffers applicable to the more sensitive VP2 locations of Whitehill and Bordon are all over 20% and, secondly, by the fact that the major housing sites are all greenfield, thereby reducing the development risk, when compared to brownfield sites.

72. Appendix 1 to this response shows the anticipated housing trajectory for the Plan Period, based on data as of 1st October 2014. This will be updated once data is received from Hampshire County Council with a 1st April 2015 base date. Delivery is expected to increase dramatically over the next few years. Provisional completions data for 2014/15 indicate 489 completions (compared with 325 last year). It is projected completions will increase to 550 next year and then in excess of 900 dwellings per annum for the following three years. The viability testing undertaken to support CIL is predicated on the levels set having no adverse impact on the delivery of that trajectory.

**Issue 5 – Hotel rates: Are the proposed charging rates informed by and consistent with the evidence? Would the charging rates put the delivery of hotel development in the area at risk?**

**a) *Is the CIL charge of £70 psm for hotel development justified by the evidence and reasonable?***

73. The £70 psm CIL charge proposed for Hotel Development across the district is justified by the evidence. It is considered to strike a balance that does not put at serious risk the viability of new development whilst contributing towards local infrastructure improvements.

**b) *Is the nil CIL rate for hotel development in the Whitehill and Bordon Regeneration Project Zone justified by the evidence and reasonable? Is the geographical zone soundly based on development viability evidence?***

74. New hotel development in the Whitehill and Bordon Regeneration Project Zone will be charged a nil CIL rate because there are Zone specific s106 obligations that will impose contributions to infrastructure improvements specific to the Project Zone. Therefore in accordance with CIL Guidance<sup>3</sup> the local authority is not permitted to charge twice for the same item of infrastructure.

**c) *What is the overall viability buffer associated with hotel development? Would the CIL charge affect the delivery of hotel development in the district?***

75. The overall viability buffer associated with hotel development shown in the model at Appendix 8 CIL 10 AI EVA is a surplus of £694,704 after a £70 psm CIL charge. This is after allowing for a 5% contingency and 20% developer's profit.

76. The CIL Charge at £70 psm is not considered to affect the delivery of hotel development. This is a view also reached by the Examiner of the Winchester City Council CIL Charging Schedule<sup>4</sup>.

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<sup>3</sup> CIL Guidance February 2014- DfCaLG. 2.6 page 51

<sup>4</sup> Examiner Mr Philip Staddon- Report to Winchester City Council 7<sup>th</sup> October 2013- para. 35

**Issue 6 – Retail rates: Are the proposed charging rates informed by and consistent with the evidence? Would the charging rates put the delivery of retail development in the area at risk?**

**a) *Is the definition of ‘high street/centre retail and out of centre retail’ sufficiently clear? Does the definition cover all types of retail schemes in all locations?***

77. The definition of ‘high street/centre retail and out of centre retail’ is considered to be clear. New retail development in East Hampshire is expected to be limited to the main conurbations and/ or near to main trunk road junctions.

78. Smaller forms of retail development in out of centre locations will be exempt from a CIL charge if less than 100 square metres<sup>5</sup>. The centres of the main conurbations of Alton, Horndean, Liphook, Bentley, Four Marks, Headley and Grayshott are sufficiently clear not to require definitive maps. New retail development will usually occur close to other existing retail outlets or otherwise as a ‘destination offer’ in an out of centre location such as a DIY store or supermarket.

79. Therefore the proposed Charging Schedule does cover all types of new retail schemes in all locations and is considered robust.

**b) *Is the CIL charge of £100 psm for high street/centre retail and out of centre retail justified by the evidence and reasonable?***

80. The £100 psm CIL charge proposed for high street retail and out of centre retail is robustly evidenced in Adams Integra’s Economic Viability Assessments [CIL 10 & CIL 11] and is considered to strike a reasonable balance between contributing to infrastructure improvements without affecting development from coming forward.

**c) *Is the nil CIL rate for high street/centre retail and out of centre retail development in the Whitehill and Bordon Regeneration Project Zone justified by the evidence and reasonable? Is the geographical zone soundly based on development viability evidence?***

81. New retail development in the Whitehill and Bordon Regeneration Project Zone will be charged a nil CIL rate because there are Zone specific s106 obligations that will impose contributions to infrastructure improvements specific to the Project Zone. Therefore in accordance with CIL Guidance<sup>6</sup> the local authority is not permitted to charge twice for the same item of infrastructure.

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<sup>5</sup> CIL Guidance February 2014- 2:1:1 page 9

<sup>6</sup> CIL Guidance February 2014- DfCaLG. 2.6 page 51

**d) What is the overall viability buffer associated with retail development?  
Would the CIL charge affect the delivery of retail development in the district?**

82. The models used in appraising retail development shown in Appendix 8 of CIL 10 EVA demonstrate the following surplus or buffers after a £100 psm CIL charge:

|                       |            |
|-----------------------|------------|
| Retail warehousing:   | £1,525,956 |
| Supermarkets:         | £4,271,548 |
| Convenience store:    | £115,355   |
| Comparison retailing: | £311,750   |

83. These buffers are shown after a contingency and developers profit of 20% has been allowed for. Therefore the proposed CIL charge of £100 psm is not expected to affect new retail development from coming forward in the district.

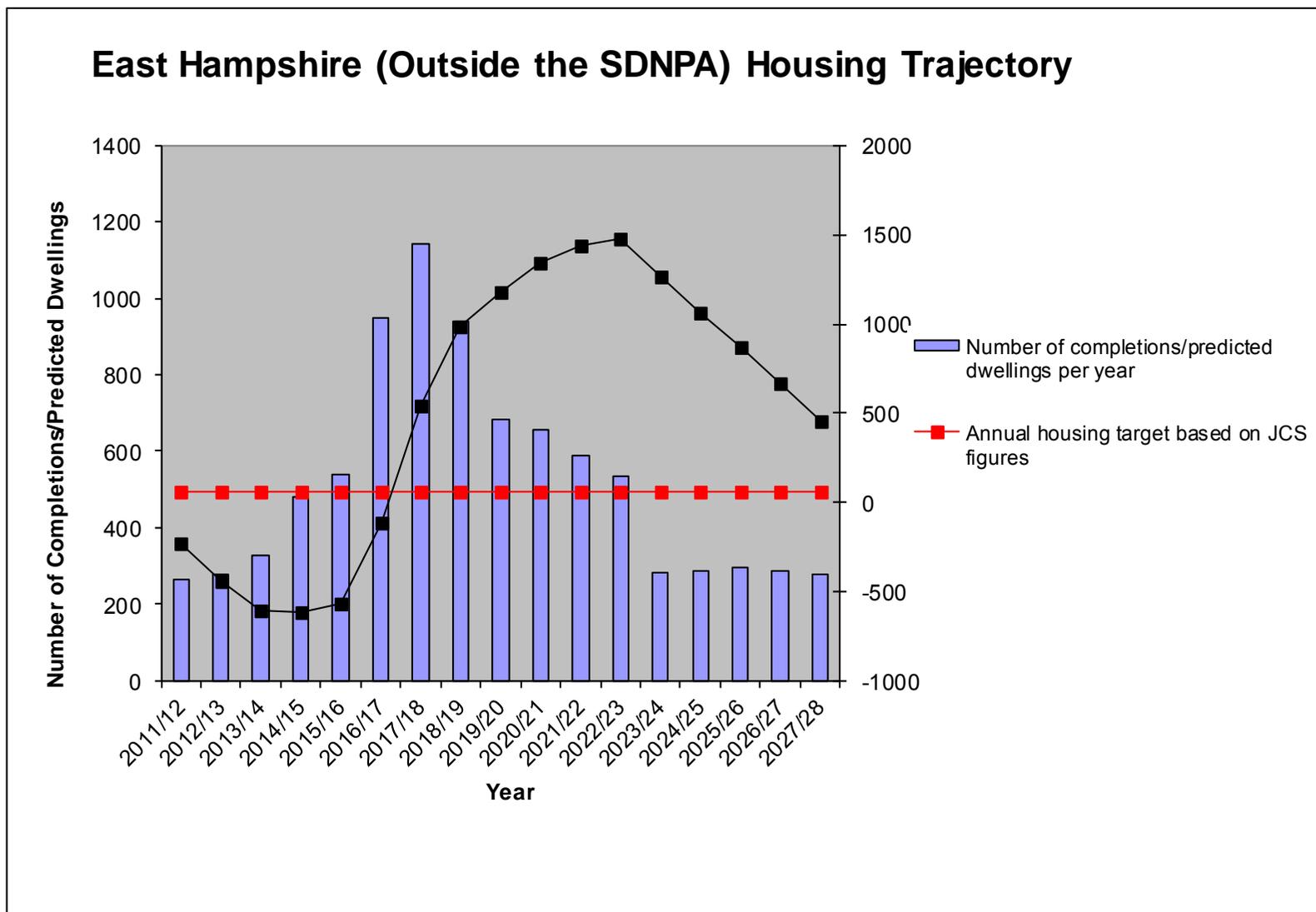
## **Appendices**

Appendix 1 – East Hampshire (Outside SDNP) Housing Trajectory

Appendix 2 – CIL and S106 Relationship

Appendix 3 – Map showing boundaries of the Charging Zone, Strategic Allocations and recent planning applications (Bordon Garrison, Louisburg and Quebec

Appendix 1 – East Hampshire (Outside SDNP) Housing Trajectory



## **East Hampshire District Council Community Infrastructure Levy**

### **The relationship between the Section 106 planning obligations and CIL**

The CIL Regulations (Regulation 122) introduced 3 legal tests to be considered when negotiating, securing and implementing planning obligations. These are:

- a) Necessary to make the development acceptable in planning terms
- b) Directly related to the development; and
- c) Fairly and reasonably related in scale and kind to the development

Whilst it is the Government's intention to replace planning obligations for general types of community infrastructure, planning obligations will still be used for site-specific mitigation measures that are required to make a development acceptable in planning terms.

Planning obligations or agreements and Unilateral Undertakings are normally entered into in accordance with Section 106 of the Town & Country Planning Act 1990 (as amended). These tend to be referred to on a day-to-day basis as 'Section 106 (S106) agreements' and they are intended to make development acceptable which would otherwise be unacceptable in planning terms.

They can be used to prescribe the nature of the development (e.g. a proportion of the housing must be affordable); to compensate for loss or damage caused by the development (e.g. loss of open space) or mitigate a development's impact (e.g. increase public transport provision).

CIL provides a more consistent and transparent mechanism to raise financial contributions currently sought through planning obligations. Planning obligations therefore differ from CIL in that the contributions are tailored to a specific development and must be directly related to its impact, whilst CIL may be applied on a district wide basis.

### **The Infrastructure Delivery Plan (IDP)**

The Council published its first IDP in 2012. The main objective of the report was to assess the transport, utilities, social and green infrastructure required to support housing and employment growth in the district during the Plan period up to 2028.

The report was updated in April 2015 to support the Proposed Submission Housing and Employment Allocations Plan. The intention is to review the IDP annually as part of the Authority Monitoring Report and monitoring of CIL. This will ensure that it reflects the current infrastructure needs and projects that have been delivered.

The IDP includes a matrix that identifies specific infrastructure requirements related to strategic sites and includes additional information on the lead delivery agency, timescale for delivery, cost where known, and funding mechanism. This matrix will be updated as part of the annual review.

### **What CIL and Section 106 will fund**

Regulation 123 (Community Infrastructure Levy Regulations 2010 (as amended) restricts the use of planning obligations for infrastructure that will be funded in whole or in part by CIL, to ensure no duplication between the two types of developer contributions (CIL and planning obligations).

In order to clarify what types of infrastructure will in future no longer fall under S106, the Council has published a list of infrastructure types and projects that it intends will be, or may be, wholly or partly funded by CIL. This is known as the Regulation 123 list. It will be kept up to date to take into account any changes in circumstances and / or infrastructure needs identified in the future.

The table below sets out a list of the infrastructure projects or types that East Hampshire District Council intends will, or may be, wholly or partly funded by CIL and those projects or types that will be funded by Section 106.

| <b>Infrastructure funded by CIL.</b>  | <b>Funded by S.106 Agreement *</b>  |
|---------------------------------------|---|
|                                       |   |
| Transport and public realm            | Affordable Housing  |
| Education                             | On-site provision of open space and built recreational facilities   |
| Off-site outdoor sport and recreation | Works or funding required to mitigate the impact of development on Special Areas of Conservation and Special Protection Areas |
| Off-site green infrastructure         | On site community and cultural facilities   |
|                                       | Employment and skills training secured through the provisions of a local labour agreement                                     |
|                                       | Development specific mitigation   |

\* This list is not exhaustive and may include other site specific obligations that meet the CIL Regulations.

### **Infrastructure Funded by S.106 Agreements**

In addition to any CIL payments, the Council will seek to negotiate (within the scope of the revised use of S106) that the developer will mitigate any impact on the environment or local services that arise directly as a result of the development. Affordable housing will also continue to be provided through S106.

There may be cases where the development proposed results in a specific need for infrastructure (or access to a service) that is not currently available, and has not been identified for investment through CIL or wider investment programmes. For example, a major junction improvement may be required to 'unlock' a site. In such circumstances, the Council would normally expect these aspects to be addressed as part of the proposal at the time

planning permission was sought. Their delivery will be secured by a S106 or other mechanisms such as S278 of the Transport Act.

S106 will also continue 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 site acceptable in planning terms.

Many developments will be liable to both pay CIL and enter into a S106 agreement. The CIL payment and Section 106 obligations will cover different infrastructure projects and types, and developments will not be charged for the same items of infrastructure through both obligations and the levy.

Planning obligations can be carried out in two main ways: either the developer provides the physical measures or makes a financial contribution towards any works to be carried out by the local authority or its partners.

Regulation 122 of the CIL regulations confirms that planning obligations may only be used if they are necessary to make the development acceptable in planning terms. They must also be directly related to the development; and fairly and reasonably related in scale and kind to the development.

As well as the legal tests referred to in the CIL Regulation restrictions have been introduced on the pooling of S106 contributions, so that no more than 5 developments may contribute to the same infrastructure project. If the Council wants to pool contributions from more than 5 developments to pay for an infrastructure item, it will have to use CIL.

The following sections briefly expand upon the infrastructure that will be funded through S.106 agreements.

### Affordable Housing

Affordable housing will continue to be secured through the use of S.106 agreements and in accordance with Policies CP13 and CP14 of the adopted Core Strategy. Policy CP13 requires 40% new housing to be affordable (35% in Whitehill & Bordon Policy Zone), the detailed mix and tenure to be decided on a site-by-site basis based upon evidence of local need. Normally any such provision will be on-site although in exceptional cases an off-site contribution might be acceptable where this can be used to deliver units elsewhere within the locality.

In the future, careful monitoring of any off-site contributions will be required to ensure that it is compliant with the CIL Regulations. The Council intends to prepare a Planning Obligations SPD (including affordable housing) in the future that will provide detailed guidance on policy requirements, process, assessing need etc.

### Public open space and built recreational facilities

The standards for the provision of public open space and built recreational facilities on new residential development sites are set down in the Joint Core Strategy Policy CP18.

All new residential developments will provide, as a minimum standard, the equivalent of 3.45 ha of public open space per 1,000 population to serve the needs generated by the new development. Public open space should be provided on site where appropriate.

This provision is generally expected on-site particularly for larger development and it is considered appropriate therefore that this should continue to be secured through the use of S.106 agreements.

Within the parishes, contributions from small developments have been pooled in order to provide sufficient funding to provide village wide facilities. Given that parishes will receive either 15% or 25% of CIL receipts in their area under the meaningful proportion provisions, it seems appropriate that they should pay for outdoor play space from these CIL funds, such facilities clearly being local community infrastructure required to off-set the impact of development.

### Internationally Designated Sites

The policy for development proposals in relation to the internationally designated sites is set out in Policy CP22. Any mitigation measures will be secured through the use of S.106 agreements.

### On-site community and cultural facilities

The policy for provision of community facilities and public services is set out in the Joint Core Strategy Policy CP16. For larger housing schemes that create significant additional demands such provision will be expected to be provided on-site and secured through S.106 agreement.

### Employment and Skills Training

The policy for employment and training is set out in Joint Core Strategy Policy CP5. In order to achieve sustainable economic growth, East Hampshire has to tackle key issues and challenges such as skills, training and employment, alongside provision of housing and commercial floorspace

Measures to mitigate for job losses, skills shortages, increase apprenticeship opportunities, reduce unemployment and provide career opportunities for residents will be sought. Such measures include:

- Secure an economic contribution aimed at mitigating the impact of loss of employment land and enabling the unemployed to get into local jobs. The contributions can support existing or new programmes carried out by the council, the developer or others as agreed by the council and the developer.
- Implement a Unilateral agreement to create jobs and training (for the unemployed from the local area) during the construction phase of the development and in the final development. The process involves negotiating obligations including; direct labour agreements, training, work experience and apprenticeships to be implemented during the construction phase of the project and following completion to date (if required).

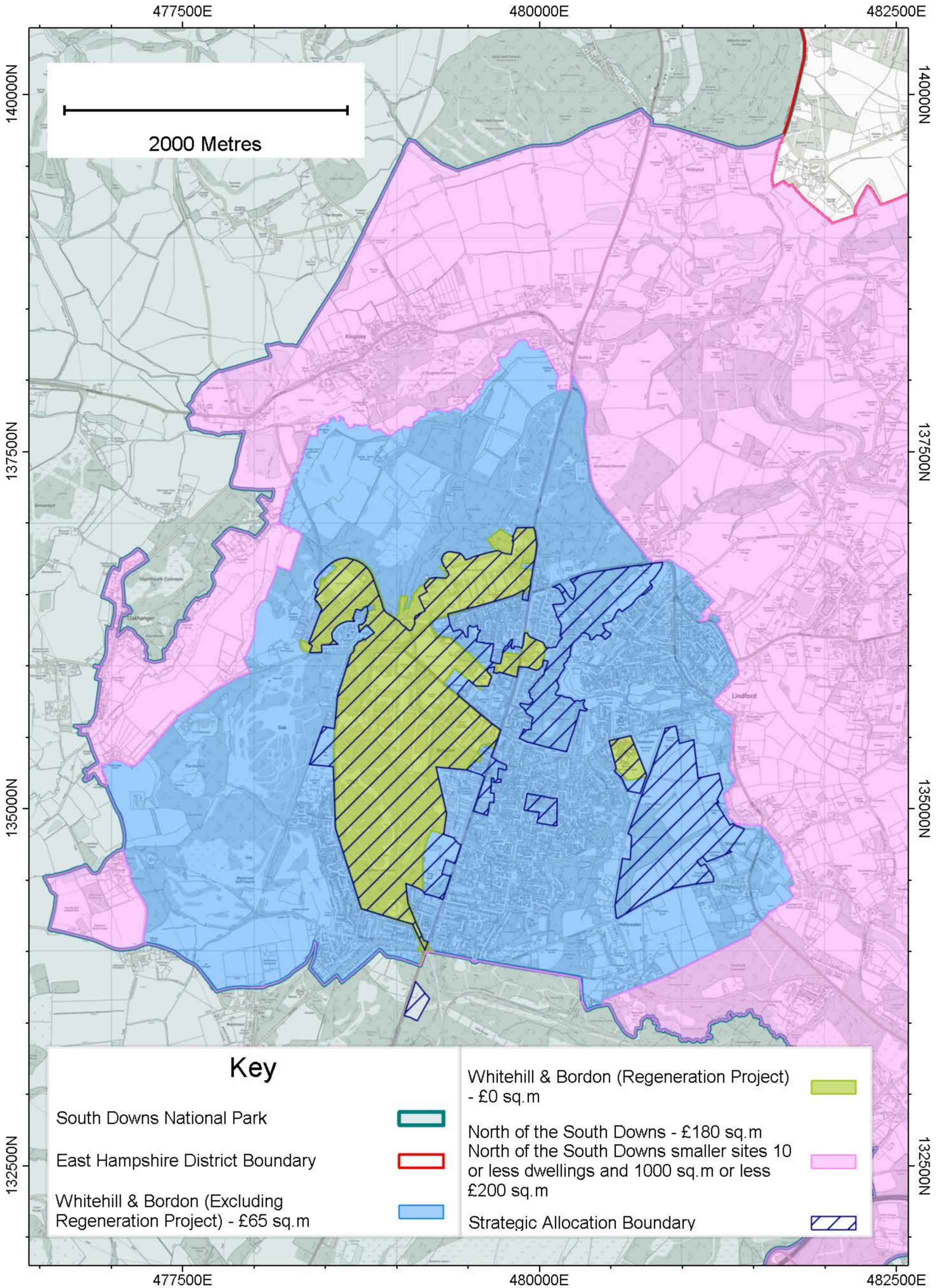
The council may also seek to negotiate additional contributions, depending on the context of the site, including: relocation assistance for existing businesses, provision of affordable business space, local procurement and supply chain measures, direct labour agreements and work experience and/or apprenticeship schemes facilitated by appropriate local training. This will normally form part of a S.106 agreement.

### Development-specific mitigation

There will be a number of specific mitigation measures required to off-set the impact of development, particularly major schemes. These might include landscaping, construction management agreements, ecological off-setting, accessibility requirements, access, on-site

provision of green space etc. Such mitigation will continue to be sought through S.106 agreements.

# Appendix 3



# Appendix 3

