

**Fareham Borough Council
Welborne Infrastructure Funding Strategy (IFS) and Position Statement Update
Site Promoter Representations on Welborne Infrastructure Funding Strategy
(GVA June 2014)**

Key Concerns

The fundamental objection to the Infrastructure Funding Strategy is the suggestion that there will be significant increases in land value as a result of grant funding and as a result there will be a lot more money to fund infrastructure. This is misconceived and misleading. Any grant funding that is secured will fund infrastructure that could not otherwise be paid for by the private sector. The majority of infrastructure will be funded by the private sector.

Detailed Comments

Detailed comments on the report are provided below and references are made to the relevant paragraph numbering in the GVA report:

- *1.5 – There is no evidence or explanation of how the £33m “original land value” is derived other than on the basis of a 20% IRR.*
- *2.12 –When read in conjunction with proposals in the Draft Planning Obligations and Affordable Housing SPD that land should be provided at nil value it is hard to see how self-development by the Council will benefit viability. This connection should be made in this document.*
- *3.1 –We note the statement that the derived land value is based on a development IRR of 20% (including inflation). We welcome and agree with the comment in the last sentence. However, we believe that focussing solely on IRR is not correct as the developers’ return on costs incurred is an equally, if not more important criterion.*
- *3.4 – The assertion that third party funding results in an increase in land value gives a totally misleading message. It should be made clear at 1.5 that there is a justifiable land value that any landowner promoter would expect in order to bring forward comparable land for development. This was well rehearsed in the GVA Stage 2 Viability Reports prepared for the Council. We have consistently argued and require agreement that the appropriate level of Threshold Land Value should be £100,000 per gross acre NPV where public grant funding of £80/90M is provided. The application of grant or other funding is, therefore, essential to create a viable and deliverable project with appropriate returns to the landowners, the enabling developers and the house builders or commercial developers given the identified level of infrastructure provision and cost. [NB this comment applies generally to similar paragraphs later in the document.]*
- *3.27 – This appears to read across to the provisions for clawback or deferred contributions in the SPD which are commercially unacceptable.*

- 3.43 – *Any Charge over land mechanism is unlikely to prove workable on the basis that it is essential that the enabling developers and the house builders can have sufficient headroom to raise working capital for the project using the land as security.*
- 3.56 – *The comments relating to “overage” payments here refer to “land values being met” which is in direct contrast to the position in the SPD which refers to sales value only which is not appropriate as it takes no account of other factors such as cost.*
- 3.75/3.76 – *Note the suggestion that “the Council should therefore continue to approach such investments (ESCO/MUSCO) with caution”.*
- 4.2 – *This concluding paragraph should be re-written in the light of comments made in respect of 3.4 above. The inference is strongly misleading.*

We urge the Council to withdraw the report as it conflicts with the requirement for Local Plans to be based on robust evidence and to be effective; that is viable and deliverable.