

### Questions

11.1 The Stage 2 Viability Testing (Core Document EV30) concludes that currently the Welborne Plan appears to be unviable (paragraph 1.52). What evidence is there to demonstrate that overall the proposed development at Welborne, including infrastructure provision, would be viable and deliverable? Are the mechanisms in place to ensure that funding is available to deliver the infrastructure when it is required? What are the implications of the recent Government announcement (15 August) regarding the large sites infrastructure programme?

**This response reflects the position on 25 September. Discussions between the Joint Promoters and the Council, SLEP and HCA are continuing and the progress of that work will be reported no later than two weeks before the viability session at the Examination.**

### The GVA Stage 2 Viability Testing Report January 2014

1. GVA followed industry best practice in the preparation of the Viability Testing Report.
2. In particular:
  - a) They took account of the NPPF and its guidance on viability and deliverability. (para 1.6 and 1.7)
  - b) The Joint Promoters and other stakeholders were consulted on the methodology and inputs to the assessment, over a period of more than 12 months, a continual sharing of approach, assumptions and findings. (para 1.3 of executive summary)
  - c) They recognised in accordance with Government guidance that site value and developers return were vitally important parameters to the viability model in order to ensure that the development provides a competitive return and an incentive for the landowners releasing the land for the Welborne Project and investing in its procurement, and returns to house builders and developers. (para 1.20-.123)
  - d) The model and most of the inputs to it were appropriate and justified
  - e) The report was supported by a strong cost consultancy team, Aecom and Gardiner & Theobald.
3. The Joint Promoters agreed with GVA's conclusions reached in January 2014:
 

*“ 1.52 At face value the 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, on the basis the NPV in all scenarios fails to match or exceed the input “Site Value”. This is despite both uninflated and inflated scenarios showing considerable “residual surplus” (ie gross receipts exceeding gross costs).*

*1.53 We consider that this principally relates to the onerous nature (capital cost and profile) of the current IDP, which at a cost of £47,000 (net of fees) per residential dwelling, we consider to be extremely onerous. In particular the IDP costs in the first ten years are significantly higher than the forecast receipts. Given these findings there are a number of areas where site viability could be significantly enhanced. “*
4. GVA then identify two main areas for further work: first, potential funding options:
 

*“1.54 One of the key barriers facing the development market in the current financial environment is how to provide finance and funding for major new infrastructure on sites that require remediation, access or social and green infrastructure to thrive.*

*1.55 This is particularly acute in large new communities, such as the development proposed at Welborne, which is inhibited by significant up-front infrastructure costs that are common with a development of this type and scale. “*
5. Second, further Evolution of the Concept Masterplan, IDP & Associated Viability Testing:

*“1.57 It is also suggested that future stages of viability review (in particular as the landowners progress with their own more detailed masterplan(s)) more closely consider the specific delivery circumstances of each plot or phase. Consideration may also be given to how further cost savings and/or masterplan refinements might further improve viability.*

*1.58 In order to find such savings it is therefore recommended that key stakeholders collaborate to iteratively review and enhance site viability, with a particular focus on cashflow profiling, reviewing infrastructure requirements, costings and prioritisation, external funding and financing opportunities as well as stakeholder roles and responsibilities.”  
(GVA Stage 2 Viability Testing, Executive Summary, January 2014)*

6. The work that was undertaken on the potential funding options by GVA led to the Draft Infrastructure Funding Report that was taken to the Council's Executive in July, and subsequently published with the draft Planning Obligations SPD.
7. These documents introduced a complex formula of deferred contributions to infrastructure. The Joint Promoters objected to these reports on the grounds that they would have rendered the project unfundable because any investor or housebuilder could have no certainty of achieving an economic return. The deferred contribution proposal in the SPD has been withdrawn.
8. Unfortunately, the second area of further work recommended by GVA has not been progressed by the Council. Instead, as described below, the joint promoters have had to focus on their own deliverable solution and have submitted this to the Council.
9. Moreover, in July, the Council appointed CBRE to advise on the viability of the project in the context of the Joint Promoters pre-application discussions. There were no published reasons given for changing viability advisers at this stage.
10. The Promoters expressed considerable concern that GVA's detailed knowledge of the Welborne Project would be lost, and that it did not make sense to have two sets of viability advice, one on the Local Plan and the other on the pre-application process.

#### **Public Sector Funding**

11. Between January and July this year the Welborne Delivery Group comprising the Council, the HCA, SLEP, County Council and the Joint Promoters prepared and submitted a major application to the Government's Local Growth Deal Programme. The bid was assembled by SLEP with input from the promoters and other delivery partners. The promoters also submitted an application to the Large Sites Infrastructure Programme.
12. A viability model supported the Growth Deal application which was agreed with Joint Promoters.
13. The Growth Fund Award announced in July fell well short of the level of funding required to fill the viability gap identified by GVA.

#### **The Need for a New Viability Model**

14. The Joint Promoters have, in accordance with the recommendations of GVA, undertaken a thorough review of the viability and delivery of Welborne following the partial award of grant funding. This has been provided on a confidential basis to the Council and its advisers CBRE.
15. The new viability model shows a financially viable and deliverable approach to provide key infrastructure at a level in line with other similar schemes that have been delivered, approximately £37,000 per dwelling, compared to the GVA Viability Report of an “extremely onerous” £47,000 per dwelling. (para 1.53 of GVA report).
16. The new viability model does not rely upon further public funding. A viability model which relies upon large amounts of future public funding is not resilient, sustainable, or indeed fundable.

#### **A Comprehensive Approach**

17. The Joint Promoters' OPA would have the capacity to provide 5400 units on land under their control – some 90% of the total predicted capacity of 6,000.

18. The Dashwood land is part of the SANGS mitigation package, but the application will be entirely within Fareham.
19. The internal roads will be taken to the edge of third party land and will enable the delivery of the third party sites.
20. Essential infrastructure will be designed to accommodate 6,000 homes, although funding of the infrastructure for homes on land outside the promoters control will require contributions from third party owners and may require additional public funding support.

#### **A Commitment to Meeting the Objectives of the Welborne Plan**

21. The Joint Promoters are committed to quality and share the Council's focus on a high quality development, embracing Garden City principles. The main components of the scheme on land within the promoters control are:
  - i. Residential:
    - a. up to 5,400 homes,
    - b. including 30% affordable housing provision in each phase
    - c. based on walkable neighbourhoods;
  - ii. An substantial employment offer of c.18 hectares to ensure that sustainable development principles are embedded in the scheme by providing an early local employment offer;
  - iii. Higher density mixed use development located within and adjacent to the district and local centres;
  - iv. Transportation:
    - a. an improved M27 J10 with noise barriers – to which a contribution of £10m would be made, with the balance from the public sector award ;
    - b. three connections to A32;
    - c. a north-south link road attracting traffic from A32;
    - d. Bus Rapid Transport (BRT) route with maximum 600m walking distances to stops;
  - v. Primary schools incorporating shared community facilities
  - vi. Serviced land reserved for a Secondary School and a major financial contribution to secondary places, which should support a phased on-site solution to secondary school provision;
  - vii. Health and other community facilities;
  - viii. Settlement buffers and SANGs;
  - ix. Open space including play areas provided to FBC standards;
  - x. Green infrastructure including:
    - a. a central town park adjacent to the District Centre
    - b. placing all residents within 300m of walk of strategic open spaces;
    - c. strong links to Fareham, Knowle and Funtley;
  - xi. Landscape buffers between Welborne and existing settlements;
  - xii. District centre with mixed use and community facilities;
  - xiii. Local centre with mixed use and community facilities;
  - xiv. Transport infrastructure and utilities designed to have the capacity for some 6,000 homes should the opportunity arise in the future; and
  - xv. Supporting infrastructure including SUDS, foul drainage and all necessary services.

### Mechanisms for Delivery

22. Review and deferred contribution mechanisms are avoided as they render the entire scheme unfundable.
23. The proposal is based on a strategy for phasing and delivery contained in a proposed IDP and proposed S106 Agreement, in which the promoters would accept full responsibility for delivering key elements of the IDP and make financial contributions to essential infrastructure such as J10 which has been awarded initial public sector funding.
24. Proposals based on robust viability and conservative public sector funding assumptions is the only way of demonstrating a reasonable prospect of delivering Welborne.
25. If higher levels of public sector funding are secured (from the New Homes Bonus, SLEP funding or other sources), the S106 Agreement will include a mechanism to ensure these funds can be used to enhance or speed up infrastructure delivery.
26. A minimum Threshold Land Value of £100,000 per gross acre NPV has been accepted by all parties as an assumption to be used in the viability analysis, in a joint viability model. This is a key input to the viability model. Joint working between the Joint Promoters, the Council and their advisers, with input from the HCA and SLEP continues with urgency on the agreement of the financial model as a whole and the delivery mechanisms. Progress will be reported to the Examination.

### Conclusions

27. The Council and their new financial advisers are considering the Joint Promoters proposals. If agreement can be reached, and subject to the outcome of the Examination and the final form of the Plan, the Joint Promoters will submit an outline planning application.
28. However, In testing the emerging proposals against the policies of the draft Plan, and the evidence base which includes the draft IDP, the Joint Promoters have reached the following conclusions:
  - a) Unless the policies are applied flexibly the scheme is not viable or deliverable;
  - b) The IDP dated January 2014 is not deliverable. However, the IDP could be revised and with prioritisation could be made deliverable. This requires a genuinely collaborative approach to a review of the IDP to be taken by the Council, as recommended by GVA at paragraphs 1.57-58 of their Executive Summary. GVA recommended a review of the infrastructure requirements, costings and prioritisation, stakeholder roles and responsibilities in delivering the IDP;
  - c) The Council has not commissioned GVA or Aecom to undertake this further key stage of work, and as a result the evidence base remains that the scheme is not viable, a conclusion, regrettably reinforced by the limited level of public sector funding that is available;
  - d) Early discussions with Council's new advisers suggested a different methodology to GVA may be adopted, which leave the Joint Promoters with limited confidence that a viable methodology will be agreed.
  - e) Policies Wel 18 Affordable Housing, Wel 30 Habitat Regulation Assessment, and Wel 41 are of particular concern;
  - f) There is a viable mechanism for delivering Welborne, but that would require the review of the IDP, as recommended by GVA, and a genuinely flexible approach to the policies in the Plan. This approach has been submitted to the Council and CBRE and discussions are continuing at the time of this response.

***11.2 What are the main risks to delivery; does the Council have an appropriate fallback position; and is there sufficient flexibility to accommodate any unforeseen circumstances?***

1. The main risks to delivery are:
  - a. The absence of a realistic and affordable IDP;
  - b. The lack of flexibility in the key policies relating to affordable housing, and green infrastructure;
  - c. The absence of agreement on an acceptable threshold land value until 25 September has meant that viability and deliverability cannot be determined.
2. The Council's reliance on public sector funding to fill the gap in viability is not a reliable fall-back position as witnessed by the well understood constraints on public sector funding and the level of the Growth Fund award in July.
3. A strategy which is wholly dependent on very substantial further public sector funding is not robust or flexible.
4. The Joint Promoters have prepared an alternative approach to delivery and viability, which does have the flexibility to accommodate unforeseen circumstances, and is not dependent on further public sector funding.

#### **Overall Conclusion on Questions 11.1 & 2**

5. The Joint Promoters would request the Inspector to urge the Borough Council to continue participating in further discussion with the promoters on the new viability and delivery model to reach a conclusion on the proposal, and its implications, if any, for the working of the Plan's policies, by the date that the Viability Questions are considered at the Examination.
6. The findings of this further work could be included in the evidence base, and reflected in the policies of the Plan, and would substantially strengthen the Effectiveness of the Plan and address the Joint Promoters objections.
7. This in turn would provide the Joint Promoters with a viable basis upon which to continue investing in the project, starting with the major investment of submitting an application for outline planning permission, and potentially detailed designs for the first phases.

#### **11.3 Is the phasing plan sufficiently clear; justified; and based on realistic timescales? Is it sufficiently clear exactly what infrastructure will be required before a subsequent phase can commence? Has the right balance between 'flexibility' and 'certainty', in terms of infrastructure provision, been achieved?**

The Joint Promoters answers to questions 11.1 & 2 have covered this question.

#### **11.4 How will issues of different land ownerships (e.g. in relation to SANGS provision) be resolved?**

1. The internal roads will be taken to the edge of third party land and will enable the delivery of the third party sites. This will be regulated by the S106 Agreement.
2. Essential infrastructure will be designed to accommodate 6,000 homes, although funding of the infrastructure for homes on land outside the promoters control will require contributions from third party owners and may require additional public funding support.
3. If land cannot be acquired from owners within potential SANGS areas, the policy allows for alternative mitigation strategies to be agreed, including the funding of off-site mitigation measures.
4. If it does not prove possible to acquire land from third parties for SANGS, and if an alternative mitigation strategy cannot be agreed, Policy CS13 is very clear, the number of homes and land required for employment, would need to be reduced so that the SANGS provision can be met entirely on the 90% of the site that is under the Joint Promoters control.

#### **11.5 Is the principle of the long-term safeguarding of land justified (as referred to in policy WEL42)?**

1. The Council has agreed to amend the wording of the policy to clarify that offices will not be frustrated by a requirement to safeguard land.

**11.6 Are the housing and employment trajectories based on sound evidence?**

1. See previous commentary on discussions underway regarding viability and delivery, which would provide a platform for the submission of an application and the commencement of development.

**11.7 In order for the plan to be found sound it must be effective. In order to test its effectiveness over the course of the plan period it must be capable of appropriate monitoring. Table 11.1 lists the indicators and targets but is the list sufficiently detailed? There is no indication of the process by which the targets will be monitored; what is meant by monitoring 'on a regular basis'; or how the Council would respond if the level of performance is not satisfactory. On this basis can it be concluded that LP3 will be effective?**

No comment

**11.8 Are the triggers for a review of the document sufficiently robust?**

No comment