Sevenoaks
DISTRICT COUNCIL

Despatched: 21.05.12

ENVIRONMENT SELECT COMMITTEE

29 May 2012 at 7.00 pm

Conference Room - Council Offices, Argyle Road, Sevenoaks.

AGENDA

Membership:

Chairman: Cllr. Bosley Vice-Chairman: Cllr. Grint

Cllrs. Abraham, Ayres, Mrs. Bayley, Butler, Ms. Chetram, Cooke, Mrs. Dibsdall, Edwards-Winser, Eyre, London, Maskell, Orridge, Mrs. Purves, Mrs. Sargeant, Scholey, Searles and Williamson.

		Pages	Contact
	Apologies for Absence.		
1.	**Minutes** To approve as a correct record the Minutes of the Meeting held on 20 March 2012.	(Pages 1 - 6)	
2.	**Declarations of interest**		
3.	**Formal Response from the Cabinet following matters referred by the Committee and/or requests from the Performance and Governance Committee (if any).**		
4.	**Actions from previous meeting**	(Pages 7 - 8)	
5.	**Future Business, the Work Plan 2012/13 (attached) and the Forward Plan.** *Members will develop a schedule of work over the year to reflect the terms of reference of the Committee focussing on the Council's priorities for policy development. This includes opportunities to invite other organisations who provide services in the District to provide information to the Committee and discuss issues of importance to the Community.*	(Pages 9 - 10)	

6.	**Olympics and Paralympics - Verbal Update.**		Lesley Bowles/ Richard Wilson Tel: 01732 227335/7262
7.	**Community Infrastruture Levy (CIL) - Public Consultation Document and Preliminary Draft Charging Schedule**	(Pages 11 - 80)	Alan Dyer Tel: 01732 227440

EXEMPT ITEMS

(At the time of preparing this agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public.)

To assist in the speedy and efficient despatch of business, Members wishing to obtain factual information on items included on the Agenda are asked to enquire of the appropriate Director or Contact Officer named on a report prior to the day of the meeting.

Should you require a copy of this agenda or any of the reports listed on it in another format please do not hesitate to contact the Democratic Services Team as set out below.

For any other queries concerning this agenda or the meeting please contact:

The Democratic Services Team (01732 227241)

ENVIRONMENT SELECT COMMITTEE

Minutes of the meeting of the held on 20 March 2012 commencing at 7.00 pm

Present: Cllr. Bosley (Chairman)

Cllrs. Grint, Abraham, Ayres, Mrs. Bayley, Ms. Chetram, Cooke, Edwards-Winser, Maskell, Mrs. Purves, Scholey and Searles

Apologies for absence were received from Cllrs. London

Cllrs. Mrs. Davison, Mrs. Hunter and Ramsay were also present.

38. Minutes

Resolved: That the minutes from the meeting held on 17 January 2012 be approved and signed by the Chairman as a correct record.

39. Declarations of interest

No declarations of interest were made.

40. Formal Response from the Cabinet following matters referred by the Committee and/or requests from the Performance and Governance Committee (please refer to the minutes as indicated):

(a) Internal Audit Quarter 2 – Progress Report – 'Review of Car Parking Income' (Request from Performance and Governance Committee – 10 January 2012)

The Head of Environmental and Operational Services referred the Committee to the Internal Audit report included in the papers for the meeting and reported that the audit had raised some concerns but had found the service to be 'adequate'. In terms of the findings within the report, the following actions had been agreed:

Finding One – Banking of Income: The Parking and Amenity Manager would investigate the reasons behind the differences between machine 'audit' tickets and the amount banked by Contract Security within three months.

Finding Two – Write off penalty charges notices (fines): Write off would be actioned on an annual basis.

Finding Three – Potential fraud and corruption: The Internal Auditor had recommended that the Parking and Amenity Manager should visit the Contract Security cash collection depot to ensure that the arrangements in place were as agreed within the terms of the contract. The Head of Environmental and Operational Services reported that this was more difficult as the recommendation related to inspecting an external contractor. Officers would pursue the recommendation and would liaise with the Auditor for some advice concerning how the recommendation could be taken forward.

In response to a question from the Committee the Head of Environmental and Operational Services reported that this problem was not unique to Sevenoaks District Council.

The Head of Environmental and Operational Services reported that the system for paying for parking over the telephone by credit card appeared to be working well.

The Chairman noted that the audit report recommended that the inside of ticket machines should be regularly inspected.

(b) Budget Monitoring – November 2011 Figures – 'Investigate charging for pre application development control advice' (Request from Performance and Governance Committee – 10 January 2012)

This issues was considered under Minute 53.

(c) Conservation Area Appraisal and Management Plan: Chiddingstone Hoath (Response from Cabinet – 12 January 2012)

The Committee noted that the Cabinet had taken comments made by Members at the previous meeting of the Environment Select Committee on Board.

40. Actions from previous meeting

Bus Operators – The Head of Environmental and Operational Services reported that following a meeting with Bus Operators 4 new Bus Stand areas had been identified in Swanley. This would allow buses to stop for longer periods during rest breaks.

Coach Service between Gatwick and Kent – The Committee noted that the Gatwick Master Plan remained under review.

41. Future Business, the Work Plan 2011/12 (attached) and the Forward Plan.

The Chairman reported that the Committee would receive a report on the Community Infrastructure Levy at its meeting in June 2012. In September 2012, the Committee would receive a presentation on Railways and Trains as well as an update on Local Listings.

Following a question from the Committee, the Planning Service Manager reported that the Edenbridge CAMP should be ready for consideration in June 2012.

42. Allocations and Development Management Development Plan Document

The Committee considered a report and received a presentation providing an update on the progress on the Allocations and Development Management DPD. There was a requirement for the Allocations and Development Management DPD to be consistent with the adopted Core Strategy and in general conformity with national planning policy. Once adopted, together with the Core Strategy, the Allocations and Development Management DPD would replace all of the remaining saved policies of the Sevenoaks District Local Plan.

The comments received during the three separate consultations (Site Allocations, February 2010; Development Management Policies, May 2011; and Open Space Allocations, September 2011) were reflected in the report together with the Council's response to the comments. The draft DPD had been revised and updated to respond to the consultation comments. Particular attention was drawn to changes to Green Belt extensions policy from the consultation draft.

A Member expressed concern regarding the Open Spaces Allocation and how spaces of less than 0.2 hectares could be recorded. Following discussion it was felt that proposals could be introduced as part of Neighbourhood Plans.

Another Member highlighted that the Flood Water Management Act could place constraints on design issues. The Acting Planning Services Manager reported that Officers would review the ADM DPD to see if any further additions needed to be included in light of the Act.

Referring to Policy SC 3 – Amenity Protection, a Member noted that there was no mention of incidental light pollution and Officers were asked to review this.

Referring to Policy SC1 – Sustainable Development, the Committee noted that there appeared to be text missing from the performance indicators as the indicator did not specify how the 30 minutes would be measured.

> Resolved: That progress on the Allocations and Development Management DPD be noted and supported and the supplementary consultation on the new/amended site allocations be agreed, subject to the amendments outlined above.

43. Sevenoaks Residential Character Assessment SPD - Local Development Framework

The Committee considered a report presenting the finalised post-consultation Residential Character Area Assessment for Sevenoaks which had been prepared to identify the distinctive local characteristics of the residential areas in different parts of the Sevenoaks urban area and included guidance on achieving high quality design that responded to local character, in line with policies in the Council's adopted Core Strategy. The Assessment had been revised to incorporate comments received during consultation. A report would be taken to Cabinet to seek approval to adopt the Residential Character Area Assessment as a Supplementary Planning Document, which would form part of the SDC Local Development Framework. It would then be a material consideration in determining planning applications in that part of Sevenoaks to which it applies.

Referring to page 288 of the report, the Committee suggested that the wording should be amended to: "The area to the north of Grassy Lane and Oak Avenue were initially laid out above the railway line in the 1930s and have gradually been *redeveloped* and infilled up to the present day."

The Portfolio Holder for Planning and Improvement highlighted that local Members had received packs relating only to the streets in their wards, not the complete 700 page document. Other Towns in the District would have Residential Character Area Assessments undertaken in due course.

The Chairman commended Officers and the Consultants on the volume of work that had been undertaken in order to produce the Document.

Resolved: That the report be noted.

44. Planning: Revised Charging for Pre-Application Enquiries

The Committee considered a report outlining proposals to increase charges for pre-application enquiries and to extend the scope of pre-application enquiries offered and charged for.

The Head of Development Services reported that fees had been introduced in 2008 and had not increased since then. There was also a proposal to provide advice to householders, a service that had not been available in the past.

In response to questions from a Member of the Committee, the Head of Development Services reported that proposed £50 charge for a householder meeting was a flat fee. The Committee heard that meetings were then followed up with a letter to the applicant outlining the discussions that had taken place. A disclaimer was included at the bottom of the letter which explained that any advice provided in the pre-application discussion was not binding on decisions taken by the Council. The Committee considered how local Councillors could be made aware of pre-applications and asked Officers to further investigate how information could be passed to local Members.

Action 1: Officers to review how information on pre-applications is passed to local Councillors.

A Member queried how the distinction between a meeting and a lengthy telephone conversation could be made. The Head of Development Control Services explained that the purpose of the request for delegations to Officers was to deal with issues such as these. A Member suggested that there should be a charge of £50 for advice regardless of the way in which the Planning Department were contacted.

A Member also queried the 'negotiable' charge for Major applications including £375 per hour for meetings and asked where the negotiation fitted. The Head of Development Control Services explained that the number of hours could be negotiated as well as any out of pocket expenses that might be incurred.

A Member questioned whether there could be a perception that the expectations of applicants could be raised through introducing charges for advice as applicants may assume that having paid for advice from the Council an application would then be approved. The Head of Development Services highlighted that there would be a disclaimer on the letters sent to applicants who had paid for advice from the Council. Advice would also be based on the Council's policies but Officers would not be in a position to commit the Council to specific decisions.

A Member sought clarification surrounding whether pre application advice would be given by the same officer who had delegated powers to take a decisions on a specific application. The Head of Development Control Services clarified that no planning applications were passed by just one officer.

Resolved: That Cabinet be recommended to:

(a) approve the increased charged for Planning pre-application enquiries and extend the scope of pre-application enquiries that are charged for, as set out at Appendix A of the report; and

(b) authorise the Deputy Chief Executive and Director of Community and Planning Services, in consultation with the Portfolio Holder, to apply and publicise the Council's approved charges; to agree individual charges in particular where Appendix A indicates that these are 'negotiable'; and to prepare or revise procedures and guidance to ensure that the charges are applied effectively.

THE MEETING WAS CONCLUDED AT 8.26 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 20 MARCH 2012			
Action	Description	Status and last updated	Contact Officer
ACTION 1	Officers to review how information on pre-applications is passed to local Councillors.	An email will be forwarded to Members shortly (as at 18.05.12)	A Dyer, Group - Manager Planning Services

Environment Select Committee Work Plan 2012/13

Topic	29 May 2012	4 September 2012	23 October 2012	15 January 2013	19 March 2013
Planning Policy (Alan Dyer)	Consultation on Community Infrastructure Levy	Local Listing Update Edenbridge CAMP			
Development Control (Jim Kehoe)					
Building Control (Richard Wilson)					
Street Scene & Air Quality (Richard Wilson)	Excessive Street Furniture				
Transport (including parking) (Richard Wilson)		Railways and Trains (Southern and South-Eastern operators)	Bus Companies		

Topic	29 May 2012	4 September 2012	23 October 2012	15 January 2013	19 March 2013
Economic Development and Tourism (Lesley Bowles)	Olympic and Paralympic Arrangements				
Budget (Tricia Marshall)					
Other					

Possible items to be considered in the future (for items not yet timetabled in):

- Conservation Area Appraisals and Management Plans (Ad hoc items)

COMMUNITY INFRASTRUCTURE LEVY (CIL) – PUBLIC CONSULTATION DOCUMENT AND PRELIMINARY DRAFT CHARGING SCHEDULE

Environment Select Committee – 29 May 2012

Report of the:	Deputy Chief Executive and Community and Planning Services Director
Status:	For Consideration
Also considered by:	LDF Advisory Group – 7 June 2012 Cabinet – 14 June 2012
Key Decision:	Yes

Executive Summary:

The Community Infrastructure Levy (CIL) is a new mechanism for securing contributions from developers towards the provision of infrastructure that is required to support development. In order to begin charging CIL, SDC must prepare a Charging Schedule, which will set out what developers will need to pay in £ per sq m of new buildings and any variations by area or type of development. The consultation document at Appendix B to this report would form the first formal stage in the Council's preparation of CIL. It is proposed that this should be subject to a 6 week consultation between June/July and August 2012.

This report supports the key aims of a green environment and safe and caring communities of the Community Plan

Portfolio Holder	Cllr. Mrs Jill Davison
Head of Service	Group Manager Planning – Alan Dyer

Recommendation to Environment Select Committee: That it be recommended to Cabinet that:

(a) the CIL Preliminary Draft Charging Schedule Consultation Document be agreed and published for consultation;

(b) the Portfolio Holder be authorised to agree minor presentational changes and detailed amendments, including any minor changes to the proposed charging levels as a result of the completion of the CIL Viability Study, prior to publication to assist the clarity of the document; and

(c) copies be made available for sale at a price to be agreed by the Portfolio Holder.

Reason for recommendation:

To ensure that the Council is able to progress the CIL Charging Schedule in accordance with the Local Development Scheme

Introduction

1 The Community Infrastructure Levy (CIL) is a new mechanism for securing contributions from developers towards the provision of infrastructure that is required to support development. In order to begin charging CIL, SDC must prepare a Charging Schedule, which will set out what developers will need to pay in £ per sq m of new buildings and any variations by area or type of development. The consultation document at Appendix B to this report would form the first formal stage in the Council's preparation of CIL. Consultation at this stage would give stakeholders and the public an early opportunity to comment on the proposed CIL charges and some of the issues that the Council must consider in preparing the Charging Schedule and operating CIL. Members, stakeholders and the public will have another opportunity to comment on these proposals and any revisions before the Council submits the Charging Schedule for independent Examination.

National Policy and Legislation

2 Appendix D to this report provides an introduction to CIL. It provides a summary of national policy and legislation, which is highly prescriptive about matters such as how CIL must be charged, who CIL is paid to, what the receipts can be spent on, what types of development are automatically exempt, and what types of development councils can offer relief or exemptions to.

3 In drafting a CIL Charging Schedule, a charging authority must be able to show that the charge would not make the overall scale of development proposed in the District unviable. The Council has commissioned a CIL Viability Assessment to consider what level CIL could be set at in different parts of the District for different types of development. This assessment is now sufficiently complete to allow this consultation document to be considered by Members and will be published alongside the consultation document. In setting the CIL Charge, the Council is not required to consider the viability of all development sites and it is recognised that it may lead to some developments not proceeding at the time or the form anticipated by a developer, or at all. This does not make a Charging Schedule unsound.

4 A charging authority must also show that a funding gap exists that needs to be met to deliver the infrastructure required to support development. In doing this, the authority must take account of other mainstream funding sources that are, or are expected to become, available. This may include an increase in Council Tax receipts or Grant as a result of the additional number of households. Further detail on how the Planning Policy team have identified schemes that could be funded through CIL is set out in the 'Infrastructure' section, below. The funding gap must exceed or match the charging authority's forecast receipts from CIL.

5 How a charging authority decides to balance the aim of securing as much money for infrastructure as possible against the aim of ensuring that development

remains viable is up to the authority to decide. The level of charge proposed in the consultation document seeks to balance these aims. The proposed charge is not set at the limits of viability to ensure that some flexibility is built in to allow for any changes in viability considerations over time and in the case that any assumptions in the viability assessment do not entirely accurately reflect the situation 'on the ground'.

The Consultation Document

6 The consultation document sets out an initial proposal for the level that CIL could be set at. This proposal is based on the CIL Viability Assessment that the Council has undertaken and the engagement with infrastructure providers that is detailed in a subsequent section. The proposed rates of CIL are:

Development Type	Area A	Area B
Residential	£125 per sq m	£75 per sq m
Large Retail – Supermarkets and Retail Warehouses	£125 per sq m	
Small Retail – Convenience stores and town centre comparison retail	£50 per sq m	
Other forms of development	£0 per sq m	

A map of the different areas is set out in appendix A to this report.

7 A nil charge has been set out for some uses, including offices, warehousing, hotels, residential care homes and agricultural buildings, because the Viability Assessment concludes that the development of units in that use would be at a significant risk of not being viable if a CIL charge was to be levied. To propose higher rates than the Viability Assessment finds would be viable would be highly likely to lead to the CIL Charging Schedule being found unsound at Examination.

8 The different areas have been identified on the basis of the findings of the viability assessment. In accordance with the CIL guidance, these areas are intended to be broad areas where the majority of developments would remain viable with this level of charge. In reality, viability will vary from site to site and road to road. However, it is not possible to consider viability at such a detailed level in advance of development proposals being prepared. Preparing a CIL Charging Schedule on this basis is therefore not possible.

9 The document also seeks views on a number of the issues that the Council will need to address in operating CIL. This includes sections and consultation questions on whether the Council should offer relief from CIL in exceptional circumstances, for investment developments by charities (as opposed to development of facilities to be used for charitable purposes, which are already exempt). Policies on these issues do not need to be set out at the time that the Council adopts the Charging Schedule and do not need to be subject to Examination. If the Council were to offer exemptions in exceptional circumstances there are stringent regulations governing when this relief can be offered and it is for the Council to ensure that any exemption is compliant with EU State Aid legislation. The offer of exemptions in exceptional circumstances is not comparable with the flexibility and negotiation that is available on the Core

Strategy affordable housing policy (SP3) and it is anticipated that this policy will be applied very rarely, if at all.

10 Other issues on which views are sought in the consultation document include the priority types of infrastructure that the Council should be allocating receipts to, the need for an instalments policy, monitoring arrangements and the soundness of the assumptions used in CIL Viability Assessment.

11 It is proposed that the consultation document is published alongside the final version of the CIL Viability Assessment and the draft CIL Infrastructure Plan.

Forecast Receipts

12 The receipts that are generated by CIL are dependent on a number of factors, including:

- The amount of development that comes forward and where it occurs;
- The amount of affordable housing, which is offered 100% relief from CIL, that is secured on development sites;
- The size of dwellings built; and
- The floospace of existing buildings on development sites that have recently been in use (for 6 of the previous 12 months) as this is subtracted from the new floorspace to be developed when CIL is calculated.

13 The uncertainty created by these factors makes it difficult to predict annual receipts that will be generated from CIL. However, as a very rough estimate, it is predicted that SDC may receive approximately £5-6 million over the period 2014 (when it is assumed the Charging Schedule will be adopted) to 2026 (which is the end of the Core Strategy Plan Period). This figure has not been adjusted for inflation, which will be applied automatically under CIL, in line with the All-in Tender Price Index published by the Building Cost Information Service of the Royal Institution of Chartered Surveyors.

CIL Viability Assessment

14 The CIL Viability Assessment (Background Paper 1) has considered the viability of a range of different types of development (a summary is set out in the draft Consultation Document – Appendix B), using a residual land valuation model. The approach taken seeks to ensure that after development costs, including developers profit (20%), the provision of affordable housing and CIL, are taken into account, the residual value left in the overall value of development is sufficient to ensure that land can be purchased at a reasonable price. Research undertaken by the consultants and information from the Valuation Office Agency, RICS and the Land Registry has been used in assessing what overall values of development should be considered and what reasonable purchase prices for development land are in the District. A range of other sources, including consultation with a number of developers and agents, have been used to identify reasonable figures for other elements of the assessment, such as build costs.

Infrastructure Planning

15 CIL receipts can only be spent on infrastructure that is required to support new development. It can not be used to fund projects that are only required as a result of existing deficiencies. CIL receipts can be spent on the provision, improvement, replacement, operation or maintenance of infrastructure. A list of indicative types of infrastructure for which CIL can be used is set out in the Planning Act 2008 and is cited in the proposed consultation document (Appendix B).

16 An Infrastructure Delivery Plan was prepared to identify the infrastructure projects that relevant organisations considered to be necessary to deliver the level of development proposed in the Core Strategy or resolve existing deficiencies. Using this as a starting point, the Planning Policy Team has been engaging with infrastructure providers, including SDC teams, to identify schemes that they consider are to be necessary to support development and could be funded through CIL. The results of this engagement are set out in full in the draft CIL Infrastructure Plan (Appendix C) and summarised in the proposed consultation document (Appendix B) and have been used to identify a funding gap of approximately £24,000,000. The draft Infrastructure Plan is based on the initial view of infrastructure providers on the schemes required and not a robust assessment of the necessity of the schemes suggested or the appropriate split between contributions from CIL and other funding available for providing services for existing communities. It is likely that this process, which will be completed through further engagement during and after the consultation, will significantly reduce the funding gap. For example, removing a flood defence scheme in Edenbridge, which may be considered to be required more to protect existing dwellings than new development, would reduce the estimated funding gap to £13,000,000.

17 Suggestions of indicative projects that could be undertaken by SDC have been put forward by SDC teams. These include the possible redevelopment of Whiteoak Leisure Centre, providing community development services to integrate new residents into the District, outdoor gym facilities and new and/or improved Youth Zone vans and services. There will be opportunities to refine these schemes and develop new ones as the preparation of the Charging Schedule progresses and following its adoption. Estimated funding gaps for delivering these projects have also been provided and total approximately £4,600,000. These costs should be treated as purely indicative. Unless these schemes are prioritised above all others, CIL will meet only a percentage of the funding gap identified for SDC schemes.

18 Whilst the work undertaken to date provides a necessary part of the evidence base, the Council does not need to specify how it will spend CIL receipts at the outset. This can be determined on the basis of local priorities when receipts are received. The list of infrastructure projects identified in the consultation document should, therefore, only be treated as indicative.

19 The Government's view is that the Community Infrastructure Levy should support and incentivise new development by placing control over a meaningful proportion of the funds raised with the neighbourhood where development takes place. The CIL Regulations 2012 are expected to require a percentage of CIL receipts received from a development to be transferred to the relevant town or parish

council. Therefore, the draft Infrastructure Plan, to be published alongside the consultation document, includes town and parish councils' views on projects that should be undertaken.

20 All schemes in the draft Infrastructure Plan have been categorised into:

- 'potential strategic schemes for CIL funding', which are those schemes considered to support the broad distribution of development proposed in the Core Strategy and have been used to identify the funding gap;
- 'potential local schemes for CIL funding', which are those schemes that town and parish councils would like to see developed and are likely to be appropriate uses of the CIL receipts to be paid directly to them; and
- 'other schemes', which are schemes where more information is required, a commitment from the responsible organisation is required, or the scheme is not an appropriate use of CIL.

Implementation

21 The consultation document proposes that the Council will consider the need to publish guidance for developers and agents on how CIL will be implemented once the Charging Schedule is adopted in late 2013, if further guidance is considered to be required in addition to what is available at a national level. It is also proposed that an implementation plan be developed to address issues such as monitoring processes and the prioritisation of schemes. Views are also requested on whether SDC should allow CIL to be waived in exceptional circumstances, which are allowed but are tightly controlled by legislation, and whether it should develop an instalments policy.

Consultation

22 It is proposed that the Consultation Document should be subject to consultation between June/July and August 2012. The Planning Policy team will consider organising an Agents Forum with planning agents to brief them on the proposals and to give them the opportunity to provide informal feedback. Given the scope of the consultation document, it is not proposed that any public consultation events will be held, other than making the document available to view and publicising it on the Council's website, through the local press and by writing to stakeholders and individuals on the LDF mailing list.

Timetable

23 The Council's timetable for preparing a CIL Charging Schedule, as set out in the Local Development Scheme is:

Consultation on preliminary draft ends	July or August 2012
Consultation on draft Charging Schedule	December 2012 – January 2013
Submission of draft Charging Schedule for Examination	April 2013
Examination of draft Charging Schedule	August 2013
Adoption of Charging Schedule	December 2013

Other Options Considered and/or Rejected

24 The Council could choose not to prepare a CIL Charging Schedule. However, this is likely to lead to less funding being secured for infrastructure required to support development. The Council would need to rely on using planning obligations, which will have a more limited scope for securing contributions towards infrastructure after April 2014.

25 The Council could choose to propose a higher or lower CIL Charge. However, the proposed charge is based on evidence that it would not make the scale of development proposed in the Core Strategy unviable. There is a significant risk that a higher CIL charge would be found unsound by an independent Examiner. A lower charge, including a standard rate across the District, would mean that less money would be available to be spent on infrastructure to support development.

Key Implications

Financial

26 Budgetary provision has been made for the cost involved in preparing the Community Infrastructure Levy through the LDF budget. The CIL Regulations allow for the Council to use receipts secured through CIL to pay for its administration.

Community Impact and Outcomes

27 The CIL Charging Schedule will assist the Council in securing contributions from developers to the provision of infrastructure required to support development.

Legal, Human Rights etc.

28 The Preliminary Draft Charging Schedule (included in the consultation document) will be consulted upon and revised, if necessary, in accordance with the relevant legislation and national policy.

Equality Impacts

29 An Equality Impact Assessment of the CIL Charging Schedule will be carried out prior to submission of the schedule for examination.

Sustainability Checklist

30 The adoption of a CIL Charging Schedule will ensure that the Council can implement Core Strategy Policy SP9, which aims to ensure that development is supported by sufficient infrastructure. This is important in ensuring that development comes forward in a sustainable manner. CIL Charging Schedules do not need to be subject to Sustainability Appraisal.

Conclusions

31 The Preliminary Draft Charging Schedule provides an opportunity for interested organisations and the public to comment on the initial proposals for how CIL may be charged in Sevenoaks District. Any issues raised at this stage can be taken into account in drafting the pre-submission consultation version of the Charging Schedule later in 2012.

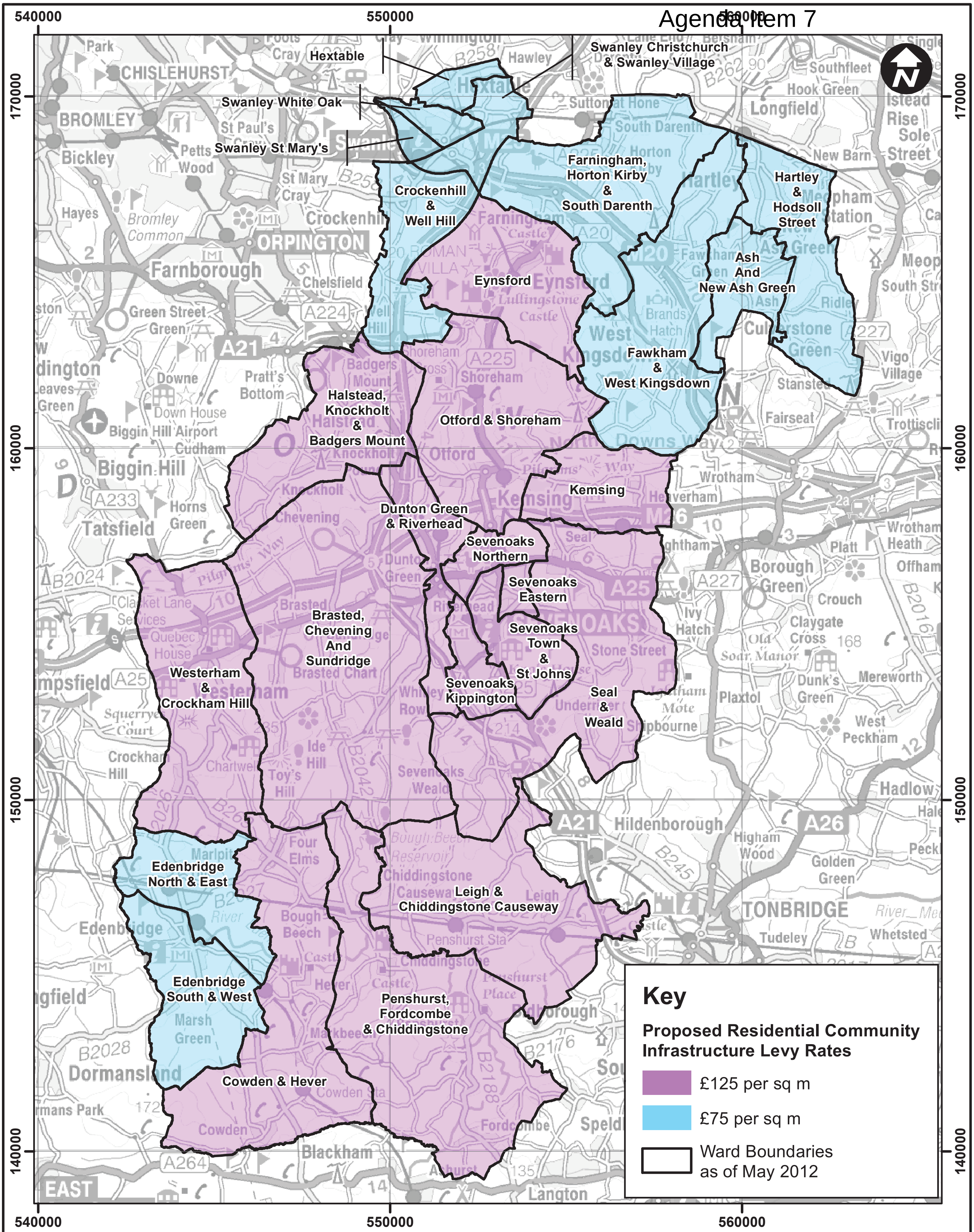
Risk Assessment Statement

32 The Preliminary Draft Charging Schedule has been prepared in accordance with national policy and legislation.

33 If the Preliminary Draft Charging Schedule is not approved for consultation then the Council will not be able to prepare the Charging Schedule in accordance with the Local Development Scheme. This may lead to it being adopted after the restrictions on the pooling of planning obligations come into force (April 2014), which would mean that contributions from some developments towards necessary infrastructure would not be able to be secured during this time.

Appendices	Appendix A – Map of different residential charging zones Appendix B – CIL: Preliminary Draft Charging Schedule: Consultation Document Appendix C – Draft CIL Infrastructure Plan Appendix D – An Introduction to the Community Infrastructure Levy
Background Papers:	1. CIL Viability Assessment Draft Report
Contact Officer(s):	Steve Craddock (x7315) Hannah Gooden (x7178) Alan Dyer (x7440).

Kristen Paterson
Deputy Chief Executive and Community and Planning Services Director



Sevenoaks District Council

Proposed Residential Community Infrastructure Levy Rates	
Sevenoaks District Council	Scale: 1:140,000 Date: May 2012
Preliminary Draft CIL Charging Schedule: Proposed Residential Community Infrastructure Levy Rates	

Produced by the GIS Team, Sevenoaks District Council

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Sevenoaks
DISTRICT COUNCIL

COMMUNITY INFRASTRUCTURE LEVY:

PRELIMINARY DRAFT CHARGING SCHEDULE:

CONSULTATION DOCUMENT

JUNE 2012

Contents

1. Consultation

1.1 This consultation represents the first formal stage in Sevenoaks District Council's preparation of a Community Infrastructure Levy (CIL) Charging Schedule. Once adopted, the Charging Schedule will set out a standard rate that developers will need to pay when undertaking different types of development in different parts of the District. Funds collected through CIL must be spent on infrastructure required to support development of the area.

1.2 The Council considers that there are many benefits of adopting a CIL Charging Schedule. In particular, a standard CIL charge will:

- aid infrastructure providers in planning the delivery and operation of infrastructure;
- aid developers in identifying the likely costs associated with development;
- improve accountability to the public for use of developer contributions for infrastructure;
- ensure that payments are made to town and parish councils when development occurs in their areas so that they can deliver local priority infrastructure; and
- increase the range of developments that are able to contribute towards infrastructure, including small residential developments which have often not been required to make contributions in the past.

1.3 The Council is keen to hear from individuals and organisations that have an interest in the operation of the Community Infrastructure Levy.

1.4 The consultation is carried out in accordance with regulation 15 of the Community Infrastructure Levy Regulations 2010, as amended.

1.5 This consultation document was published on XX/XX/XX. Comments should be made before 5pm on XX/XX/XX. Comments should be submitted via the Council's consultation web-portal, by email to ldf.consultation@sevenoaks.gov.uk or in writing to:

Planning Policy
Sevenoaks District Council
Argyle Road
Sevenoaks District Council
TN13 1HG

1.6 Comments are invited on any points raised by this consultation document (whether related to the consultation questions or not) and the preliminary draft of the Sevenoaks District Council Charging Schedule, which forms appendix A to this consultation document.

1.7 Comments made on these consultation documents will be taken into account in preparing subsequent versions of the CIL Charging Schedule for consultation, examination by an independent examiner and adoption. The Council's timetable for producing an adopted CIL Charging Schedule is:

Consultation on preliminary draft ends	XX/XX/XX
Consultation on draft Charging Schedule	December 2012 – January 2013
Submission of draft Charging Schedule for Examination	April 2013
Examination of draft Charging Schedule	August 2013
Adoption of Charging Schedule	December 2013

2. Background

The Community Infrastructure Levy and Charging Schedules

2.1 The Community Infrastructure Levy (CIL) is a locally set standard charge that can be applied to new development to fund infrastructure. It is calculated in £ per sq m of new buildings or extensions. In order to charge CIL, charging authorities must prepare a Charging Schedule. Sevenoaks District Council is the charging authority for Sevenoaks District. This preliminary consultation on the Council's Charging Schedule sets out proposed CIL charges for different types of development and different areas of the District and seeks views on some of the issues that the Council will need to consider in applying CIL.

2.2 The CIL Charging Schedule will set out what certain forms of development will pay. However, the following types of development will not be liable to pay CIL:

- Changes of use.
- New buildings or extensions of less than 100 sq m gross internal area unless they result in the development of one or more new dwellings. Therefore, the majority of residential extensions will not be required to pay CIL but some may.
- Affordable housing, subject to the developer applying for relief in the manner set out in the regulations.
- Development by a charity where the development will be used wholly or mainly for charitable purposes.
- Buildings into which people do not normally go, or go only intermittently for the purpose of inspecting and maintaining fixed plant or machinery.

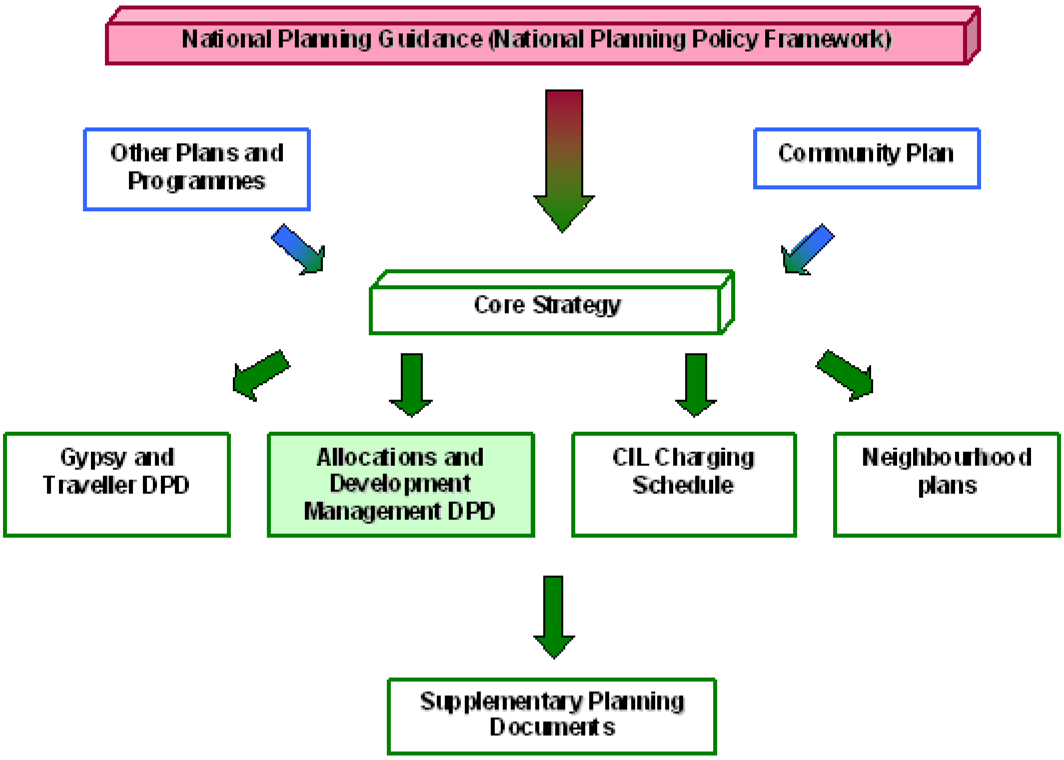
2.3 In addition, only the net additional floorspace on a development site will be expected to pay CIL if an existing building, or part of it, has recently been in use (defined as 6 months of the last 12). Therefore the CIL receipts generated on an brownfield site with existing buildings in use will be lower than those generated on the same development on a greenfield site.

2.4 Further detail on what types of development do and do not pay CIL and what CIL receipts can be used for are provided later in this document.

Local Development Framework

2.5 Sevenoaks District Council adopted the Local Development Framework Core Strategy for the District in February 2011. The Core Strategy sets out policies on the overall scale and distribution of development and strategic policies that will be used to determine the type of development that comes forward and protect the natural and built environment. The Core Strategy provides for the development of 3,300 new dwellings to be built in Sevenoaks over the period 2006-2026. The current housing land supply position is summarised in the following section.

2.6 SDC is currently preparing the Allocations and Development Management Policies DPD (ADM DPD). This will identify new land use allocations for housing, employment and boundaries for other land use designations such as the Green Belt and AONB. The allocations will provide sufficient development sites to ensure that the Council can meet the remainder of the target for new dwellings to 2026 (approximately 1200 dwellings). The ADM DPD will also contain detailed policies that must be taken into account in determining planning applications. SDC will publish the pre-submission publication draft (regulation 27) of the DPD in the autumn of 2012 and it is anticipated that it will be subject to Examination in spring 2013.



Legislative and National Policy Context

2.7 CIL Charging Schedules must set out the charge(s) in £ per sq m that development will be expected to pay to support the provision of infrastructure. Whilst the charge can be varied by area and type of development on the basis of viability evidence, there are no other reasons for setting differential CIL charges.

2.8 CIL may be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure. The Planning Act identifies the types of infrastructure that should be considered for funding through CIL, although the list is not definitive. These are:

(a) roads and other transport facilities,
(b) flood defences,

(c) schools and other educational facilities,
(d) medical facilities,
(e) sporting and recreational facilities, and
(f) open spaces.

2.9 The provision of affordable housing or financial contributions towards it can not currently be secured through CIL. Whilst the Government recently consulted on whether this should be changed, it is yet to publish its decision and the amended regulations that would be required. Planning obligations will continue to be used to secure affordable housing, in accordance with the Core Strategy policy SP3.

2.10 In order to charge CIL, Sevenoaks District Council (SDC) needs to prepare a CIL Charging Schedule. This needs to be subject to independent examination and must be supported by evidence of a gap between the funding needed to provide the infrastructure required to support development and that which is already available. The Council must also show that the charging of CIL will not lead to the overall scale of development proposed being non-viable. However, the balance between the desirability of funding infrastructure through CIL and the effects on viability of development is for the Charging Authority to decide upon. Under the legislation and statutory guidance, the Charging Authority is under no obligation to reduce its CIL rate if it is shown that individual developments will no longer be viable. Instead, the impact on viability of development in the District as a whole should be considered. Further guidance is provided in 'Community Infrastructure Levy Guidance: Charge Setting and Charging Schedule Procedures' (CLG, 2010).

2.11 The National Planning Policy Framework (NPPF) states that the cumulative impact of standards and policies should not put implementation of the plan at serious risk, and should facilitate development through the economic cycle (para 174). Development should provide competitive returns to a willing land owner and willing developer, when normal development costs and policy requirements have been taken into account (para 173). However, it is also recognised that development should not be permitted where it can not provide for the 'safeguards' necessary to make development acceptable (para 176).

2.12 Whilst there are some forms of development that are exempt or offered relief from paying CIL, it will generally be the case that qualifying forms of development (i.e. those identified in the Charging Schedule) will pay CIL without exception or negotiation. The regulations contain limited powers for the Council to offer relief from CIL in exceptional circumstances, at its discretion. However, the situations where this can occur are tightly prescribed and are subject to EU State Aid rules (see section 6).

Planning Obligations

2.13 The Community Infrastructure Levy will largely replace planning obligations, under section 106 of the Town and County Planning Act 1990, as the mechanism that local planning authorities use to secure developer contributions for infrastructure to support development. Planning obligations should only be used to secure contributions towards infrastructure, or its provision, where there are site specific implications of development. Any planning obligations can only be taken into account in determining planning applications where they meet the following tests from regulation 122 of the CIL Regulations 2010:

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.

2.14 Developer contributions secured through planning obligations will no longer be able to be pooled from more than 5 different obligations to deliver the provision of a certain project or type of infrastructure from April 2014 or the date of adoption of the CIL Charging Schedule, whichever comes first. This restriction, from regulation 123 of the CIL Regs 2010, is intended to ensure that local planning authorities use CIL instead of planning obligations to secure contributions for infrastructure that serves a wider area than just the specific development site or group of sites.

2.15 In addition, planning obligations will not be able to be used to secure the provision of, or contributions to, infrastructure that could be funded through CIL. Local planning authorities can identify what infrastructure will be funded through CIL so that planning obligations can continue to be negotiated for other infrastructure. In order to do this, charging authorities can publish a list of infrastructure to which CIL will contribute on its website. This list is sometimes referred to as a Regulation 123 list. This list does not need to be the same as the infrastructure plan which is submitted to support the Charging Schedule at Examination and can be reviewed at any time.

Consultation Questions

Do the Core Strategy and emerging LDF documents provide an appropriate policy context for the preparation of a CIL Charging Schedule?

Is the Council's interpretation of the legislative and national policy context correct?

3. Infrastructure Requirements and Use of CIL Receipts

Additional Housing Development Proposed

3.1 The adopted Sevenoaks District LDF Core Strategy plans for the development of 3,300 dwellings in the period 2006-2026. SDC's most recent Annual Monitoring Report sets out the housing land supply position within the District at 31 March 2011. 1186 additional dwellings had been completed in the period 2006-2011. A further 1120[1] additional dwellings have extant planning consent and, therefore, should have had their infrastructure requirements taken into account through the development control process. To meet the remaining requirement, the Council has identified the potential for 819 dwellings to be developed on sites identified in the Strategic Housing Land Availability Assessment which are consistent with strategic Core Strategy Policies and forecasts the development of 350 dwellings on small, as yet unidentified, sites in the last 5 years of the plan period. This will mean that the Council will have a sufficient supply of new housing to meet or exceed the Core Strategy requirement of 3,300 dwellings.

Population Forecasts

3.2 In many cases, the need for additional or improved infrastructure is likely to result from an increase in population as a result of development, rather than the increase in the number of dwellings itself.

3.3 Kent County Council's most recent strategy-based demographic forecasts predict that, on the basis of the number of dwellings remaining to be developed over the Core Strategy period in the District, the total population in Sevenoaks District will increase from 114,100 in 2010 to 114,200 in 2026. These forecasts indicate that, at the District-wide level, any increase in population as a result of new development will largely be off-set by the impact of wider demographic changes, such as more single person households. In assessing infrastructure requirements at the District-wide level, providers have been asked to assess the impact of development on population by applying these forecasts.

3.4 Where new infrastructure is required at the local level within the District or a specific new development, for example a new local play area, the requirement will be more closely related to the new population moving into the new development, regardless of where they have moved from and of the impact of wider demographic changes. In this case, SDC consider it appropriate that assessments of the impact of development assume the local population increase will be equivalent to the average household size in the District (2.43 in the 2001 Census) multiplied by the number of dwellings.

[1] This figure is subject to a non-implementation rate of 7% on sites under 0.2 ha and 4% on sites of 0.2 ha and over. These rates are based on previously identified trends.

Draft updated infrastructure delivery schedule

3.5 SDC's existing Infrastructure Delivery Plan is set out at appendix 4 to the adopted Core Strategy. This document was prepared in 2010 and had regard to the information provided by infrastructure providers in written correspondence with the Council or in existing or emerging strategy documents. The Core Strategy is clear that this schedule is to be treated as a live document. SDC will use the information provided through the process of preparing the CIL Charging Schedule to develop an updated Infrastructure Delivery Plan.

3.6 The existing Infrastructure Delivery Plan and engagement with infrastructure providers has been used to develop an initial indicative list of infrastructure to support development that could be funded through CIL. It should be noted that there is no requirement for SDC to commit to funding these projects once CIL has been adopted. The Council will have the flexibility to spend CIL receipts on any other type of infrastructure that is considered to be a priority at the time.

Scheme Type	Lead Body	Cost	Committed Funding *	Funding Gap
Transport Schemes, including Urban Traffic Management Control (UTMC) system for Sevenoaks and Implementation of selected routes from the Sevenoaks Cycling Strategy	Kent County Council	£1,980,000 - £2,130,000 (£2,055,000 assumed)	£0	£2,055,000
Flood Defence and Water Quality Infrastructure, including flood defence scheme in Edenbridge	Environment Agency	£11,300,000	£0	£11,300,000
Schools, including primary and secondary in Sevenoaks and Swanley	Kent County Council	£4,380,690	£0	£4,380,690
Health Care, including	NHS	£1,021,238	£0	£1,021,238

improvements to existing facilities in Sevenoaks, Swanley and Edenbridge				
Community facilities, including improvements to libraries, community learning, community development work to integrate new residents and SDC's youth zone scheme.	Kent County Council and Sevenoaks District Council	£1,189,798	£0	£1,189,798
Open Space, Sport and Recreation, including the redevelopment of Whiteoak Leisure Centre, provision of outdoor 'Green Gyms', provision of allotments in Sevenoaks and Swanley and additional facilities or extensions to wildlife sites.	Scheme-dependent, includes Sevenoaks District Council, Kent Wildlife Trust, North West Kent Countryside Partnership, Edenbridge Town Council and Sevenoaks Town Council	£7,485,250 - £7,487,250 (£7,486,250 assumed)	£3,501,000	£3,984,250 - £3,986,250 (£3,985,250 assumed)
	Total	£27,432,976	£3,501,000	£23,931,976

* i.e. forecast Council Tax or Grant increase as a result of development, existing resources or revenue from redevelopment of other sites.

3.7 Once committed and anticipated funding has been taken into account, the infrastructure plan indicates that there is a need for approximately an additional £24,000,000 to support the provision of infrastructure required as a result of development. This funding gap has been taken into account in proposing the CIL charge, set out in the preliminary draft schedule (appendix A) and a later section in this document.

3.8 The draft CIL Infrastructure Plan has been produced following an initial period of consultation with infrastructure providers and not a robust assessment of the necessity of the schemes suggested or the appropriate split between contributions from CIL and other funding available for providing services for existing communities. As the Council considers these schemes further or additional evidence is provided, the inclusion of the schemes or the details may change. It is likely that the estimated funding gap will reduce. Inclusion of schemes in the draft plan, or summary above, does not guarantee that the Council will view them as a priority and make CIL funding available at the time that development comes forward. Infrastructure providers may be asked to provide evidence to justify a release of funds once CIL receipts are received.

3.9 Previous guidance (Circular 05/05) on the use of planning obligations suggests that they should not be used for funding certain forms of infrastructure because other legislation provides that it is the developer's responsibility to requisition this infrastructure directly from the provider and other funding arrangements are in place. This applies to water, sewerage and sewage disposal infrastructure. SDC understand that the same considerations apply to funding this infrastructure through CIL and so it will not be taken into account in producing the Charging Schedule.

Types of Development to be funded through s106

3.10 Although there is no requirement to do so, charging authorities can identify the infrastructure projects or types of infrastructure that CIL receipts will be used to deliver. Once these have been defined, other types of infrastructure can be funded or delivered through planning obligations, subject to the restrictions set out in the CIL Regulations 2010.

3.11 SDC considers that CIL should usually be used to provide contributions for infrastructure improvements that serve a wider area than just the specific development site or where more than 5 contributions will need to be pooled to deliver the new infrastructure or improvement. It is considered that the types of infrastructure set out in the schedule in the previous sub-section should be funded through CIL. Site specific infrastructure should continue to be secured through planning obligations. The following is a list of the types of infrastructure that will be funded through planning obligations.

- Site specific highway works;
- On-site open space, for example children's play areas;
- Site specific biodiversity mitigation and improvement;
- On-site crime reduction and emergency services infrastructure, for example CCTV or fire hydrants; and
- Site specific Public Rights of Way diversions or impact mitigation.

3.12 In addition, affordable housing provision and contributions will continue to be secured through planning obligations, unless the Government brings in a change in the regulations that make in necessary or beneficial to secure these through CIL.

3.13 Other mechanisms exist to ensure that developers provide sufficient infrastructure or financial payments to ensure that new development is provided with the necessary utilities, including water and sewerage infrastructure. SDC will support the timely provision of the necessary infrastructure. The costs of providing this infrastructure should be taken into account in establishing the viability of development.

<u>List of Infrastructure to be funded through CIL (Reg 123 list)</u>

3.14 SDC will prepare a list of infrastructure to be funded through CIL in accordance with regulation 123 of the CIL Regulations 2010. This list will initially be based on the infrastructure plan that will be prepared to support the submitted Charging Schedule and will be published alongside the adopted Charging Schedule. The list will be made available on the Council's website and will be reviewed regularly to take account of any changes in the plans of infrastructure providers and changes in funding arrangements.

3.15 In reviewing the list of infrastructure that CIL will be used to fund, SDC will have regard to the need for sub-regional infrastructure that may be required as a result development in Sevenoaks District and neighbouring districts/boroughs. In accordance with the Duty to Cooperate, SDC will work with neighbouring authorities to ensure that proportionate contributions from CIL are made to such a project. Consultation with infrastructure providers has not raised a need for sub-regional infrastructure at this stage.

<u>Role of Town and Parish Councils</u>

3.16 The National Planning Policy Framework (NPPF) sets out the Government's view that the Community Infrastructure Levy should support and incentivise new development by placing control over a meaningful proportion of the funds raised with the neighbourhood where development takes place. It is expected that the Government will publish regulations in 2012 that will establish the percentage of CIL receipts that charging authorities will pass on to town and parish councils when development occurs in their area. These regulations may establish restrictions on what town and parish councils can spend these CIL receipts on.

3.17 The Council's draft CIL Infrastructure Delivery Schedule contains a list of the types of schemes that town and parish councils have indicated they may wish to fund through CIL receipts, when development occurs in their area. However, town and parish councils are not limited to funding these schemes and may decide what to spend CIL receipts on other projects when development comes forward.

Consultation Questions

Do you agree that the identified types of infrastructure schemes are necessary to support development in the District?

Are there any additional types of infrastructure schemes that are necessary to support development in the District?

Do you agree with the Council's proposals for publishing the list of infrastructure to be funded through CIL?

What types of infrastructure or projects should be the priority for CIL funding?

4. Development Viability

Viability Study

4.1 In order to ensure that a CIL charge would not put at risk the overall development of the area, the Council commissioned a CIL Viability Assessment to consider the levels of CIL charge that most development could pay and remain viable. The study has been published alongside this consultation document. It considered the justification for different charges in different parts of the district and for different land uses. Amongst others, the Viability Assessment considered the viability of the following different types of development, using a residual land valuation model:

- Residential;
- Large retail – supermarkets and retail warehouses;
- Small retail – convenience stores and town centre comparison retail;
- Offices;
- Industrial;
- Warehouses;
- Hotels;
- Care Homes;
- Community Uses; and
- Agricultural.

4.2 The approach taken seeks to ensure that after development costs, including developers profit (20% on market housing), the provision of affordable housing and CIL, are taken into account, the residual value left in the overall value of development is sufficient to ensure that land can be purchased at a reasonable price. Research undertaken by the consultants and information from the Valuation Office Agency, RICS and the Land Registry has been used in assessing what overall values of development should be considered and what reasonable purchase prices for development land are in the District. A range of other sources, including consultation with a number of developers and agents, have been used to identify reasonable figures for other elements of the assessment, such as build costs.

Assumptions

4.3 Generic development scenarios were tested for the uses considered by the study. These are considered to be an appropriate representation of the types of development that are expected to come forward in the district, as proposed by the Core Strategy and on the basis of past applications. The viability assessment does not consider the impact of CIL on sites actually proposed for development, in accordance with the guidance. It is recognised that some sites in the District may have site-specific abnormal costs that may lead to development not being viable. It is the Council's view that the standard CIL charge should be set at a level that means that it will represent a relatively small proportion of the development costs and should not be the deciding factor in whether or not development is viable. Generally, the Viability Assessment finds that if development was going to be viable before a CIL charge is applied then it should be viable once CIL is being charged.

4.4 The viability assessment took into account how the Council's other policies impact on development viability. In particular, the assessment was based on the assumption that the Council's affordable housing policy (Core Strategy policy SP3) and sustainable construction policy (Core Strategy policy SP2) will be delivered in full.

4.5 The viability assessment is based on ensuring that developers can make a reasonable profit on both market and affordable housing and still afford to purchase the land at a reasonable price. 20% developers profit on market housing and 6% on affordable housing is factored into the viability appraisals. The figure for market housing is higher than the figure applied in the Affordable Housing Viability Assessment in 2009, which considered 15% and 17.5%. This is due to the more restrictive actions of financial institutions, which are tending to mean that only schemes that generate higher levels of profit are able to secure finance. Higher assumed profits also provide a degree of contingency against abnormal costs.

4.6 As far as is considered reasonable to do so, this assessment has considered the impact of CIL on the viability of development over time, through the use of a range of 'value points' that are expected to reflect development values at different stages of the economic cycle.

<u>Conclusions</u>

4.7 The CIL Viability Assessment finds that the CIL charges in the following table would be viable. For residential development it recommends that different charges would be viable in different parts of the District. These areas are shown on the map, below. As a result of house price information being most readily available at ward level, ward boundaries have been used to distinguish between the different areas.

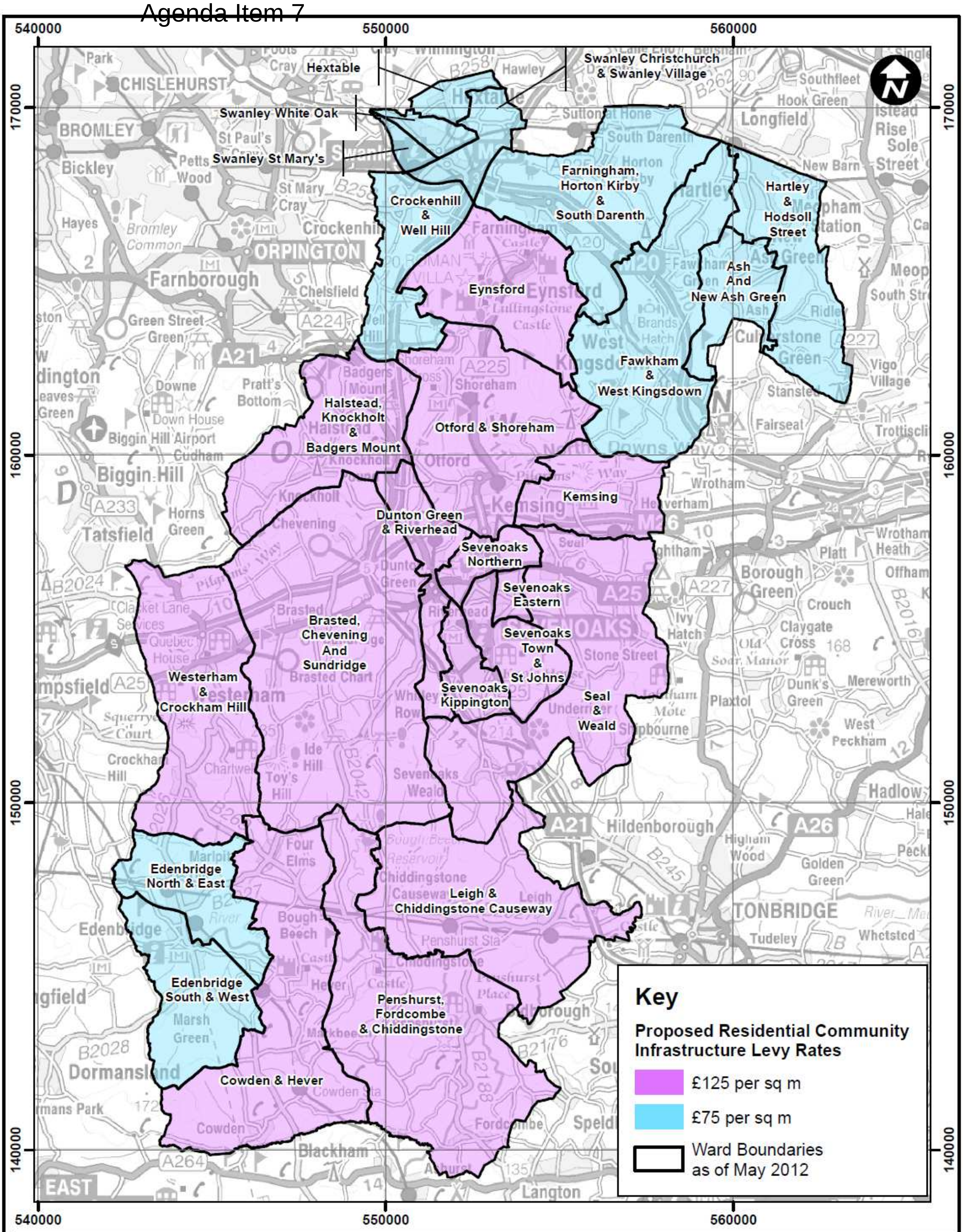
Development Type	Area A	Area B
Residential	£125 per sq m	£75 per sq m
Large Retail (supermarkets and retail warehouses)	£125 per sq m	
Small Retail (convenience stores and town centre comparison retail)	£50 - £75 per sq m	
Other forms of development	£0 per sq m	

4.8 A nil charge has been set out for some uses, including offices and warehousing, because the Viability Assessment concludes that the development of units in that use would be at a significant risk of not being viable if a CIL charge was to be levied. To propose higher rates than the Viability Assessment finds would be viable would be highly likely to lead to the CIL Charging Schedule being found unsound at Examination.

4.9 The Viability Assessment notes that a definitive threshold between large and small retail units is difficult to identify. The viability of the use is more closely related to the type of retail offer, with large retail primarily describing supermarkets and large retail warehouses and small retail describing local convenience stores. Work to agree an appropriate threshold with the consultants undertaking the Viability Assessment is on-going.

Consultation Questions

Do you agree that the viability study represents an appropriate basis for determining the level of CIL that would be viable in the District?



Sevenoaks DISTRICT COUNCIL

Proposed Residential Community Infrastructure Levy Rates

Sevenoaks District Council

Scale: 1:140,000

Date: May 2012

Preliminary Draft CIL Charging Schedule: Proposed Residential Community Infrastructure Levy Rates

Produced by the GIS Team, Sevenoaks District Council

5. Proposed CIL Charge

Funding Infrastructure and Ensuring Development is Viable

5.1 A key test of a sound Charging Schedule is that evidence shows that the proposed charge would not put at serious risk overall development of the area[2]. A summary of the methodology and the conclusions from the CIL Viability Assessment are set out in the previous section.

Proposed Level of CIL in the Preliminary Draft Charging Schedule

5.2 National guidance on setting CIL charges[3] states that it is for local authorities to decide what the appropriate balance is between the desirability of funding infrastructure through CIL and economic viability of development across its area. In identifying a proposed CIL charge is generally accepted good practice that a charging authority should not set the level at, or near, the limits of viability. Following this guidance ensures that some flexibility is built into the Charging Schedule to allow for any changes in viability considerations over time and in the case that any assumptions in the viability assessment that do not entirely accurately reflect the situation 'on the ground'. It is proposed that the following levels of CIL are charged:

Development Type	Area A	Area B
Residential	£125 per sq m	£75 per sq m
Large Retail (supermarkets and retail warehouses)	£125 per sq m	
Small Retail (convenience stores and town centre comparison retail)	£50 per sq m	
Other forms of development	£0 per sq m	

Areas A and B are set out on the map, above.

Estimated CIL Receipts for Development Proposed in the LDF Core Strategy

5.3 Through the infrastructure planning process, described previously in this document, SDC has been able to show that a funding gap of approximately £24,000,000 million exists when an indicative list of infrastructure projects required to support development are considered. This takes into account other sources of funding that may realistically be available to deliver these infrastructure projects. When the flood defence scheme in Edenbridge, which may be considered more related to protecting existing development than supporting new, is removed from the list, the funding gap is approximately £13,000,000.

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[2] Community Infrastructure Levy Guidance: Charge Setting and Charging Schedule Procedures, para 9.
[3] Community Infrastructure Levy Guidance: Charge Setting and Charging Schedule Procedures, para 6

5.4 It is estimated that, at the levels of CIL proposed, approximately £5,400,000 million will be secured to fund infrastructure improvements. This is before the 'meaningful proportion' to be paid to town and parish councils has been 'top-sliced' from the receipts. This has been estimated on the basis of the following assumptions:

- The scale of housing development that needs to be delivered to meet the Core Strategy target will be permitted and the distribution of development will broadly accord with the housing trajectory in the 2011 Annual Monitoring Report;
- Identified sites will be permitted with the percentage of affordable units, which are offered 100% relief from CIL, required by Core Strategy SP3;
- Annual levels of development will be uniform across the plan period, which will mean that 13% of the dwellings (2 years supply of the 15 years of the plan period remaining) will be delivered before the CIL Charging Schedule comes into force.
- Average floorspace of newly built dwellings will be 76 sq m (from CABE); and
- An assumed 10% of the residential floorspace being developed will replace floorspace in existing use, meaning that CIL will not be payable on this element;

<u>Consultation Questions</u>

Do you agree that the proposed level of CIL represents an appropriate balance between the desirability of funding infrastructure through CIL and ensuring that development remains viable?

Do you agree with the need for different CIL levels by use class and/or area within the District?

Do you agree that the estimate for the receipts that CIL will generate is reasonable?

6. Exemptions and Relief

6.1 The Community Infrastructure Levy Regulations 2010 (as amended) identify certain types of development that are exempt, offered relief on a mandatory basis or offered relief at the charging authority's discretion. The Government's 'Community Infrastructure Levy Relief: Information Document' should also be taken into account in considering whether development is likely to qualify for relief or exemption from CIL.

Mandatory Exemptions and Relief

6.2 The following forms of development are exempt from paying CIL:

- buildings into which people do not normally go, or go only intermittently for the purpose of inspecting or maintaining fixed plant or machinery (Reg 6); and
- developments of under 100 sq m gross internal area that do not result in the development of 1 or more additional dwellings (Reg 42);
- development by a charity where the development will be used wholly or mainly for charitable purposes (Reg 43).

6.3 Developers of social housing are able to apply for relief from paying CIL (Regs. 49 - 54). This relief must be granted by the Charging Authority where the tests in the regulations are met (Reg 49). It is assumed that all affordable housing to be developed in the District will meet the tests in the regulations and that the relief granted will be 100% under the formula set out in regulation 50. Relief must be claimed by the owner of the land, who must assume liability to pay CIL, and must be submitted and processed before the commencement of the chargeable development (Reg. 51). Developers should also be aware of the mechanisms established by regulations 52 and 53, which set out processes that must be followed where land is transferred and situations where relief will be withdrawn, which may occur up to 7 years after development commenced.

6.4 SDC will consider preparing additional guidance on the implementation of CIL and the processes to secure exemptions and relief and, if required, publish this alongside the final version of the Charging Schedule.

Discretionary Relief

6.5 The Council has the option to offer discretionary relief for:

- development by a charity where the profits of the development will be used for charitable purposes (Regs. 44 - 48); and
- exceptional circumstances (Regs. 55 - 58).

6.6 Claims for relief for development by a charity must be submitted and processed before commencement of the development (Reg. 47). Local authorities offering a charity relief on its investment developments will need to ensure that this action does not constitute State Aid. Regulation 48 sets out circumstances where discretionary charitable relief will be withdrawn, which may occur up to 7 years after development commenced.

6.7 At its discretion, SDC has the power to offer relief from CIL for developments where there are exceptional circumstances that justify doing so. This relief can only be offered where the CIL charge would have an unacceptable impact on viability, the cost of complying with a planning obligation is greater than the cost of complying with CIL and the grant of relief would not constitute State Aid. As a result of the requirement for relief to be State Aid compliant, it is anticipated that this relief will only be available in genuinely exceptional circumstances if it is offered at all. The Government's 'Community Infrastructure Levy Relief: Information Document' (para 90) sets out the criteria for assessing whether an action constitutes State Aid and suggests that in almost all cases any relief would do so (para 92).

6.8 Charging Authorities' policies on exemptions and relief do not have to be set out at the same time that a Charging Schedule is prepared and do not need to be subject to Examination. If considered appropriate, SDC proposes to set out policies on discretionary relief in a separate policy document to come into effect at the same time as the Charging Schedule, in accordance with the relevant regulations.

Consultation Questions

Do you agree that the Council's interpretation of the legislation regarding exemptions and relief is correct?

Do you consider that the Council should offer discretionary relief for:

a) development by a charity where the profits from development will be used for charitable purposes?
b) exceptional circumstances?

What exceptional circumstances do you think should justify relief?

7. Monitoring and Reporting

SDC

7.1 Once the CIL Charging Schedule has been adopted, SDC will publish annual reports on:

- the money collected in the financial year;
- the total amount of money spent in the financial year;
- a summary of
  - what CIL has been spent on;
  - how much money has been spent on each scheme;
  - how much money has been spent to repay funds previously secured to forward fund infrastructure, including on interest payments; and
  - how much money has been spent on administrative costs;
- the money that remains unspent at the end of the financial year.

7.2 The report will be published on the Council's website in the December following the financial year, along with, or as part of, the Council's Annual Monitoring Report for the LDF.

7.3 CIL receipts will only be transferred to infrastructure providers that can provide sufficient information to allow SDC to meet these monitoring requirements.

7.4 SDC is able to spend a proportion of the CIL receipts on the administration of the scheme. It will ensure that this spending is kept to a minimum to ensure that as much of the money received as possible is spent on infrastructure required to support development in the District.

Town and Parish Councils

7.5 It is anticipated that town and parish councils will have to report annually on the CIL receipts in the same way that SDC will be required to. This issue should be clarified when the Government publishes additional CIL regulations later in 2012.

Consultation Questions

Do you agree that the monitoring arrangements for SDC proposed are appropriate?

Do you agree that similar monitoring arrangements to those for SDC should be placed on town and parish councils?

8. Implementation

Further Guidance

8.1 This document sets out only information that is considered to be necessary or relevant to the preparation of SDC's CIL Charging Schedule. The Planning Act 2008 (as amended), the Community Infrastructure Levy Regulations 2010 (as amended) and CLG's guidance documents contain further detail on the mechanisms that need to be followed in implementing CIL. This includes certificates that persons liable to a CIL Charge must obtain before commencing development, information that must be provided to charging authorities and any enforcement action that may be required as a result of non-compliance. Developers and agents should ensure that they are aware of the mechanisms set out in these documents in time for the implementation of CIL in Sevenoaks District, which is expected towards the end of 2013. SDC will consider whether it is necessary to produce a guidance document on CIL procedures that can supplement nationally available documents and summarise procedures in a sound manner. If it is considered appropriate to produce a guidance document on implementation, SDC will aim to publish this prior to the CIL Charging Schedule coming into force.

Implementation Plan

8.2 SDC will prepare an implementation plan for the introduction of the Community Infrastructure Levy, which, amongst other things, will address how the Council will prioritise infrastructure projects to allocate CIL receipts to and how the use of CIL receipts will be monitored. SDC will publish this document prior to the Charging Schedule coming into force.

Instalments Policy

8.3 Local authorities have the flexibility to introduce instalments policies for the payment of CIL (regulation 69B of the CIL Regulations 2010, as amended by the 2011 regulations). This does not have to be subjected to examination along with the Charging Schedule. Where an instalment policy is not in place, the CIL charge is payable in full 60 days after the intended commencement date of the development (regulation 70). Any instalments policy must require payments a certain number of days after the commencement of development. SDC could not link instalment payments to the completion or occupation of a certain number of dwellings, as has sometimes been the case with s106 contributions.

8.4 The flexibility to pay in instalments may help to improve the cash-flow of developments and ensure that those that are of marginal viability proceed. On larger schemes in particular, an instalments policy may allow a developer to sell a number of units before all of the CIL charge is paid to the Council. However, an instalments policy will increase the amount time and resources that are spent on administrating CIL at both the Council and developers. The Council are able to seek to cover their CIL administration costs and any increase in these may lead to a decrease in the secured funds that can be spent on infrastructure. Given these issues, the Council seeks the views of stakeholders on the following consultation questions.

8.5 If considered appropriate, SDC proposes to set out an instalments policy in a separate policy document to come into effect at the same time as the Charging Schedule, in accordance with the relevant regulations.

<u>Consultation Questions</u>

Do you think that SDC should introduce an instalments policy for the payment of CIL?

If so, how should the total CIL payment be split between instalments and what do you think are suitable periods after commencement for CIL instalments to be payable?

What do you think is a reasonable threshold below which developers will not be able to pay CIL in instalments?

Appendix A: Preliminary Draft Charging Schedule

COMMUNITY INFRASTRUCTURE LEVY:

PRELIMINARY DRAFT CHARGING SCHEDULE

JUNE 2012

Background

This document is an initial draft of the Community Infrastructure Levy Charging Schedule for Sevenoaks District. It is subject to consultation between X June/July 2012 and X July/August 2012. Views expressed on the Charging Schedule and the supporting consultation document will be taken into account in preparing the final version of the Schedule.

Charging Authority

The Charging Authority will be Sevenoaks District Council.

Date of Approval

It is anticipated that the Charging Schedule will be subject to independent examination in summer 2013 and adopted in late 2013.

Date of Effect

It is anticipated that the Charging Schedule will come into effect in late 2013 / early 2014.

Statutory Compliance

The draft Charging Schedule will need to be approved and published in accordance with the Community Infrastructure Levy Regulations 2010 and Part 11 of the Planning Act 2008.

In setting the CIL rate the Council will need to take account of

- the desirability of funding from CIL (in whole or 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

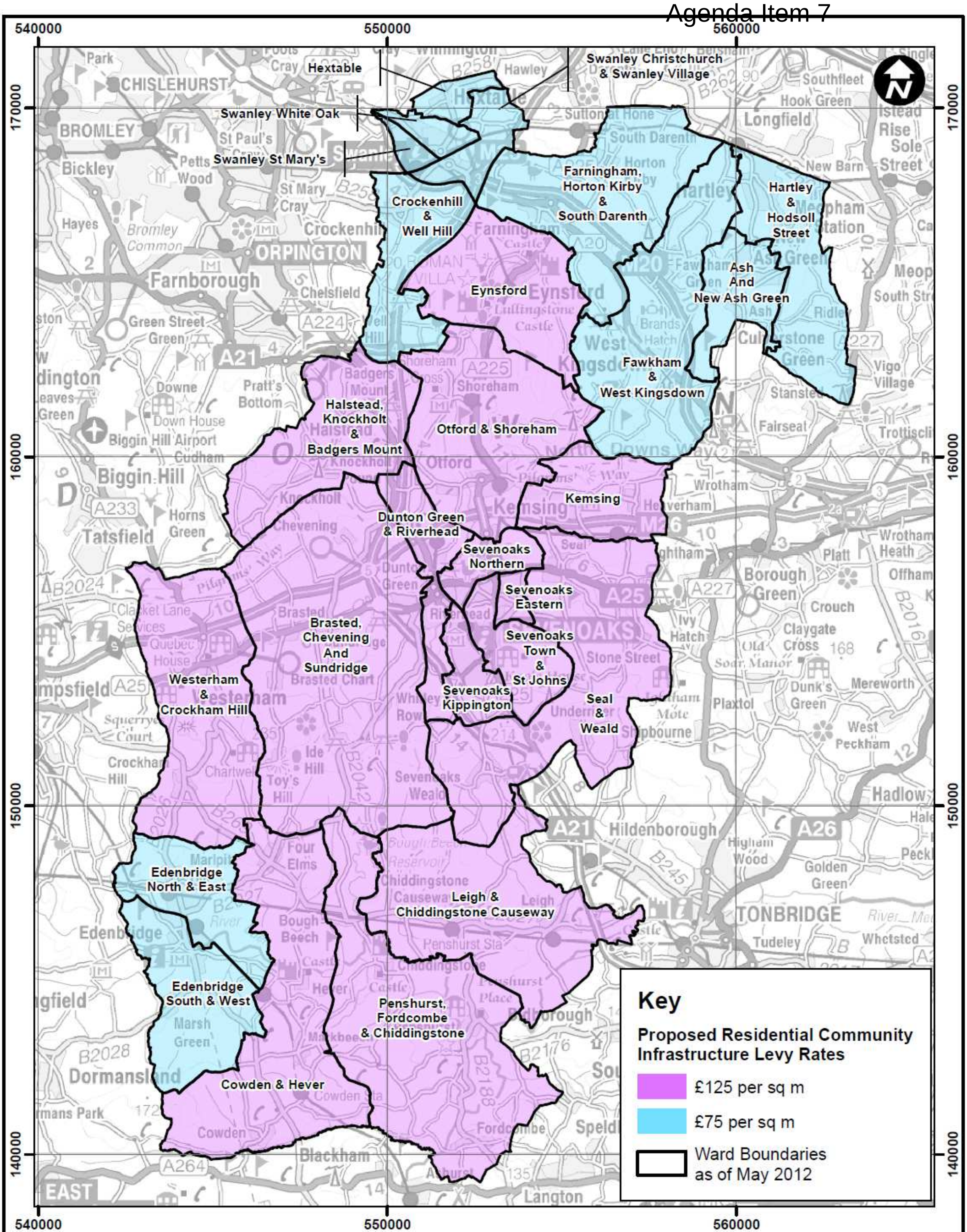
- the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

The CIL Rate

Developers will be liable to pay the following CIL rates in Sevenoaks District, subject to any exemptions, relief or reductions that may be available under the CIL regulations or local discretionary exemptions:

Development Type	Area A	Area B
Residential	£125 per sq m	£75 per sq m
Large Retail (supermarkets and retail warehouses)	£125 per sq m	
Small Retail (convenience stores and town centre comparison retail)	£50 per sq m	
Other forms of development	£0 per sq m	

Areas A and B are set out on the map, below



Proposed Residential Community Infrastructure Levy Rates	
Sevenoaks District Council	Scale: 1:140,000 Date: May 2012
Preliminary Draft CIL Charging Schedule: Proposed Residential Community Infrastructure Levy Rates	

Sevenoaks DISTRICT COUNCIL

Produced by the GIS Team, Sevenoaks District Council

Calculating how much CIL developers will pay.

Calculating the Charge

SDC will calculate the amount of CIL payable ("chargeable amount") in respect of a chargeable development in accordance with regulation 40 of the Community Infrastructure Levy Regulations 2010, as amended in 2011.

Inflation

Under Regulation 40, the CIL rate will be updated annually for inflation in accordance with the Royal Institute of Chartered Surveyors "All In Tender Price Index".

Existing Floorspace on a Development Site

Regulation 40 provides that the total floorspace of any existing buildings on a development site should be subtracted from the floorspace of the chargeable development, where the existing buildings have been in use for at least six months within the period of 12 months ending on the day planning permission first permits the chargeable development.

CIL will not be payable on change of use.

Exemptions and Relief

The following forms of development are exempt from paying CIL:

- buildings into which people do not normally go, or go only intermittently for the purpose of inspecting or maintaining fixed plant or machinery (Reg 6); and
- developments of under 100 sq m that do not result in the creation of 1 or more additional dwellings (Reg 42);
- development by a charity where the development will be used wholly or mainly for charitable purposes (Reg 43).

The following types of development are able to apply for relief from paying CIL:

- social housing (Reg. 48, 49, 50, 51, 52, 53, 54).

In addition, the Council has the option to offer discretionary relief for

- development by a charity where the profits of the development will be used for charitable purposes (Regs. 44, 45, 46, 47, 48); and
- exceptional circumstances (Regs. 55, 56, 57, 58)

The Council's policies on whether discretionary relief is offered will be set out in a separate policy document, in accordance with the relevant regulations.

Sevenoaks
DISTRICT COUNCIL

DRAFT

COMMUNITY INFRASTRUCTURE LEVY:

INFRASTRUCTURE PLAN

JUNE 2012

Background

1.1 This infrastructure plan supports an initial consultation on the Community Infrastructure Levy in Sevenoaks District, which includes a 'preliminary draft' Charging Schedule. It has been prepared following a period of consultation with local infrastructure providers (including internal SDC stakeholders) and town and parish councils.

1.2 In preparing infrastructure plans to support CIL Charging Schedules, it is recognised that it is difficult to predict the infrastructure that is required with a high degree of certainty. The guidance and legislation on CIL does not require SDC to commit funding to projects identified in this document once CIL has been adopted. The Council will have the flexibility to spend CIL receipts on any other type of infrastructure that is considered to be a priority at the time. In this way, the Council will be able to provide funding for infrastructure to support development in locations that are not currently anticipated.

The Community Infrastructure Levy and Charging Schedules

2.1 The Community Infrastructure Levy (CIL) is a locally set standard charge that can be applied to new development to fund infrastructure. It is calculated in £ per sq m of new development. In order to charge CIL, charging authorities must prepare a Charging Schedule. Sevenoaks District Council is the charging authority for Sevenoaks District.

Infrastructure

3.1 In accordance with the legislation (Section 216 of the Planning Act), CIL must be used to fund infrastructure to support the development of its area. CIL may be used to fund the provision, improvement, replacement, operation or maintenance of infrastructure.

3.2 The Planning Act identifies the types of infrastructure that should be considered for funding through CIL, although the list is not definitive. These are:

(a) roads and other transport facilities,
(b) flood defences,
(c) schools and other educational facilities,
(d) medical facilities,
(e) sporting and recreational facilities, and
(f) open spaces.

3.3 CIL should usually be used to provide contributions for infrastructure improvements that serve a wider area than just the specific development site or where more than 5 contributions will need to be pooled to deliver the new infrastructure or improvement. Site specific infrastructure will continue to be secured through planning obligations. The following is a list of the types of infrastructure that will be funded through planning obligations.

- Site specific highway works;
- On-site open space, for example children's play areas;
- Site specific biodiversity mitigation and improvement;
- On-site crime reduction and emergency services infrastructure, for example CCTV or fire hydrants; and
- Site specific Public Rights of Way diversions or impact mitigation.

3.4 In addition, affordable housing provision and contributions will continue to be secured through planning obligations.

3.5 Other mechanisms exist to ensure that developers provide sufficient infrastructure or financial payments to ensure that new development is provided with the necessary utilities, including water and sewerage infrastructure. SDC will support the timely provision of the necessary infrastructure. The costs of providing this infrastructure should be taken into account in establishing the viability of development.

Local Development Framework and Development Proposed in Sevenoaks District

Local Development Framework

4.1 Sevenoaks District Council adopted the Local Development Framework Core Strategy for the District in February 2011. The Core Strategy sets out policies on the overall scale and distribution of development and strategic policies that will be used to determine the type of development that comes forward and protect the natural and built environment. The Core Strategy provides for the development of 3,300 new dwellings to be built in Sevenoaks over the period 2006-2026.

4.2 SDC is currently preparing the Allocations and Development Management Policies DPD (ADM DPD). This will identify new land use allocations for housing, employment and boundaries for other land use designations such as the Green Belt and AONB. The allocations will provide sufficient development sites to ensure that the Council can meet the remainder of the target for new dwellings to 2026 (approximately 1200 dwellings).

Development Proposed in Sevenoaks District

4.3 The adopted Sevenoaks District LDF Core Strategy plans for the development of 3,300 dwellings in the period 2006-2026. SDC's most recent Annual Monitoring Report sets out the housing land supply position within the District at 31 March 2011. 1186 additional dwellings had been completed in the period 2006-2011. A further 1120[1] additional dwellings have extant planning consent. To meet the remaining requirement, the Council has identified the potential for 819 dwellings to be developed on sites identified in the Strategic Housing Land Availability Assessment which

[1] This figure is subject to a non-implementation rate of 7% on sites under 0.2 ha and 4% on sites of 0.2 ha and over. These rates are based on previously identified trends.

are consistent with strategic Core Strategy Policies and forecasts the development of 350 dwellings on small, as yet unidentified, sites in the last 5 years of the plan period. This will mean that the Council will have a sufficient supply of new housing to meet or exceed the Core Strategy requirement of 3,300 dwellings.

4.4 The numbers of additional dwellings that are expected to be permitted and developed in the period to 2026 by the housing trajectory in the 2011 Annual Monitoring Report are:

Sevenoaks Urban Area	368
Swanley	464
Edenbridge	52
Rest of District	285
Total	**1169**

4.5 In addition to this residential development, the Core Strategy proposes the development of approximately 4,000 sq m of new retail floorspace in Sevenoaks, the development of 4.1ha of employment land at Broom Hill in Swanley and the redevelopment of Swanley Town Centre.

Population Forecasts

4.6 In most cases, the need for additional or improved infrastructure is likely to result from an increase in population as a result of development, rather than the increase in the number of dwellings itself.

4.7 Kent County Council's most recent strategy-based demographic forecasts predict that, on the basis of the number of dwellings remaining to be developed over the Core Strategy period in the District, the total population in Sevenoaks District will increase from 114,100 in 2010 to 114,200 in 2026. These forecasts indicate that, at the District-wide level, any increase in population as a result of new development will largely be off-set by the impact of wider demographic changes, such as more single person households. In assessing the appropriate contribution for District-wide infrastructure, it is considered that providers should assess the impact of development on population by applying these forecasts.

4.8 Where new infrastructure is required at the local level within the District or a specific new development, for example a new local play area, the requirement will be more closely related to the new population moving into the new development regardless of where they have moved from and of the impact of wider demographic changes. In this case, SDC consider it appropriate that assessments of the impact of development assume local population increase will be equivalent to the average household size in the District (2.43 in the 2001 Census) multiplied by the number of dwellings.

4.9 Other organisations have taken different approaches to considering the impacts of development on population growth. SDC will review these approaches and consider their suitability prior to the preparation of the pre-submission consultation version of the Charging Schedule. Their schemes have been included in the draft CIL Infrastructure Plan, prior to this review.

Infrastructure Planning

5.1 This infrastructure plan was developed following consultation with local infrastructure providers and town and parish councils between February and April 2012. All consultees were sent an information pack that explained the background to CIL, set out the level of development expected to come forward in the District, set out the population forecasts and explained the information that the Council required in preparing a CIL Charging Schedule. In particular, information was requested on:

- What infrastructure projects are expected to be required;
- Why the infrastructure projects are required as a result of development;
- When the infrastructure projects are expected to be required; and
- The expected cost of delivering the infrastructure and the funding that is already committed to delivering it.

5.2 Information provided to the Council was reviewed and categorised into the three schedules that are set out in appendices A, B and C. These schedules are:

Potential Strategic Schemes for CIL Funding

5.3 These schemes are considered to be potentially strategically important in facilitating the scale and distribution of development proposed in the District in the LDF. This may be because these schemes have been identified as required in the Infrastructure Delivery Plan Schedule of the Core Strategy or the background evidence (such as the Open Space, Sport and Recreation Study) or because they are considered to generally support development in accordance with the Core Strategy and the Council's trajectory.

5.4 The infrastructure that CIL will be used to fund is dependent on where and when development comes forward in the District. Therefore, this list should be treated as purely indicative. Under the CIL guidance and legislation, CIL receipts can be used for other infrastructure projects to support development.

5.5 These schemes have been used to identify a funding gap, which the Council is required to show to justify the CIL charge. Therefore, only schemes that have been costed and where information on other committed funding has been provided have been included in this list. CIL receipts are unlikely to be available to fund these schemes in their entirety but may be able to form part of packages of funding to meet the identified funding gaps. In calculating the funding gap, the likely cost of providing the infrastructure required post-2014, when the CIL Charging Schedule is expected to be adopted, has been estimated by the Council.

5.6 Some schemes will support existing as well as new development. Whilst the total cost of the scheme is included in the schedule, in reality it will only be appropriate for development to meet a proportion of the cost based on the extent to which it will support new development.

Potential local schemes for CIL funding

5.7 These schemes have predominately been identified by town and parish councils in their submissions to SDC. These schemes are considered to be locally important and provide an indication of the types of schemes that town and parish councils may provide through the 'meaningful proportion' of CIL transferred to them.

5.8 The lack of inclusion of these schemes in the schedule of potentially strategic schemes does not necessarily mean that town and parish councils will only be able to deliver these schemes using the CIL receipts paid directly to them. SDC may transfer additional funds to town and parish councils to deliver these schemes where they are considered priorities to support development.

5.9 These schemes have not been taken into account in identifying the CIL funding gap because their delivery is considered to be dependent on development coming forward in the particular local area.

5.10 Town and parish councils will not be limited to spending CIL receipts on schemes identified in this schedule.

Other proposed schemes

5.11 These schemes have been suggested to the Council as those that could be funded through CIL, primarily by town and parish councils. However, they have not been included in the 'strategic' or 'local' priority lists because:

- more information is required on the scheme;
- they require delivery by an organisation that has not currently indicated a proposal to deliver it (it is hoped that these bodies will respond to the scheme proposals following the publication of this document); or
- they are not considered to be appropriate uses of CIL.

5.12 The lack of inclusion of these schemes in either the strategic or local priority schedules does not necessarily preclude the scheme promoter seeking CIL funding for these schemes if needs change or if further evidence of need or of the specific details of the project to be developed becomes available in the future. The inclusion of schemes in this list may simply indicate that additional information or commitment from another organisation is required. As stated previously, SDC and town and parish councils are not limited to providing funding for those schemes identified in the ‘strategic’ or ‘local’ priority infrastructure lists.

<u>Summary</u>

Scheme Type	Lead Body	Cost	Committed Funding *	Funding Gap
Transport Schemes, including Urban Traffic Management Control (UTMC) system for Sevenoaks and Implementation of selected routes from the Sevenoaks Cycling Strategy	Kent County Council	£1,980,000 - £2,130,000 (£2,055,000 assumed)	£0	£2,055,000
Flood Defence and Water Quality Infrastructure, including flood defence scheme in Edenbridge	Environment Agency	£11,300,000	£0	£11,300,000
Schools, including primary and secondary in Sevenoaks and Swanley	Kent County Council	£4,380,690	£0	£4,380,690
Health Care, including improvements to existing facilities in Sevenoaks, Swanley and Edenbridge	NHS	£1,021,238	£0	£1,021,238
Community facilities, including improvements to libraries, community learning, community	Kent County Council and Sevenoaks District Council	£1,189,798	£0	£1,189,798

development work to integrate new residents and SDC's youth zone scheme.				
Open Space, Sport and Recreation, including the redevelopment of Whiteoak Leisure Centre, provision of outdoor 'Green Gyms', provision of allotments in Sevenoaks and Swanley and additional facilities or extensions to wildlife sites.	Scheme-dependent, includes Sevenoaks District Council, Kent Wildlife Trust, North West Kent Countryside Partnership, Edenbridge Town Council and Sevenoaks Town Council	£7,485,250 - £7,487,250 (£7,486,250 assumed)	£3,501,000	£3,984,250 - £3,986,250 (£3,985,250 assumed)

Total	£27,432,976	£3,501,000	£23,931,976

* i.e. forecast Council Tax or Grant increase as a result of development, existing resources or revenue from redevelopment of other sites.

<u>Status</u>

5.13 In preparing a CIL Charging Schedule, SDC does not need to indicate the infrastructure that CIL receipts will be used to fund in advance. Instead, it simply needs to identify the types of infrastructure that may be required to support development and the additional funding that is required to deliver them. Therefore, the lists provided in appendices A, B and C of this document are purely indicative of the schemes that may be funded through CIL. These lists will continue to be reviewed as priorities change and more evidence is brought forward about the schemes suggested.

5.14 The lists of schemes have been produced following an initial period of consultation with infrastructure providers and not a robust assessment of the necessity of the schemes suggested or the appropriate split between contributions from CIL and other funding available for providing services for existing communities. As the Council considers these schemes further or additional evidence is provided, the inclusion of the schemes or the details may change. It is likely that the estimated funding gap will reduce. Inclusion of schemes in the 'strategic priority' list does not guarantee that the Council will view them as a priority and make CIL funding available at the time that development comes forward. Infrastructure providers may be asked to provide evidence to justify a release of funds once CIL receipts are received.

5.15 Once the CIL Charging Schedule has been adopted, Local planning authorities can identify what infrastructure will be funded through CIL so that planning obligations can continue to be negotiated for other infrastructure. In order to do this, charging authorities can publish a list of infrastructure to which CIL will contribute on its website. This list is sometimes referred to as a Regulation 123 list. This list does not need to be the same as the infrastructure plan which is submitted to support the Charging Schedule at Examination and can be reviewed at any time.

Core Strategy Infrastructure Delivery Plan

5.16 SDC's existing Infrastructure Delivery Plan is set out at appendix 4 to the adopted Core Strategy. This document was prepared in 2010 and had regard to the information provided by infrastructure providers in written correspondence with the Council or in existing or emerging strategy documents. The Core Strategy is clear that this is to be treated as a live document. SDC will use the information provided through the process of preparing the CIL Charging Schedule to develop an amended Infrastructure Delivery Plan.

Appendix A: Potential strategic schemes for CIL funding

These schemes are considered to be potentially strategically important in facilitating the scale and distribution of development proposed in the District. They have been used to identify a funding gap, which justifies the CIL charge. CIL receipts are unlikely to be available to fund these schemes in their entirety but will need to form part of packages of funding to meet the identified funding gaps.

Scheme	Location	Need for Scheme	Timescale	Lead Body	Cost	Funding Committed	Funding Gap	Source
Urban Traffic Management Control (UTMC)	Sevenoaks Town	To help alleviate congestion, monitor and improve air quality, including at existing Air Quality Management Areas, and monitor HGV traffic. Real time bus running information at key bus stops would also be provided through the scheme.	2014-2018	Kent County Council	£540,000 - £690,000 (£615,000 assumed)	£0	£615,000	KCC Highways response to CIL infrastructure consultation
Implementation of selected routes from the Sevenoaks District Cycling Strategy (note: these routes have been selected to give an indication of the cost of implementing the strategy and does not mean that other routes can not be funded through CIL)	Route 1 – East-west route across northern Sevenoaks (£480K) Route 6 – North-south route connecting Otford and Sevenoaks - urban and leisure route (£600K) Route 7 – Link between the Sevenoaks Railway Station and town centre (£120K) Route 13 – Link from existing London Road, Swanley, cycle lane to the to town centre Route 14 and 15 – Route connecting Swanley town centre to Swanley Railway station. Route 19 – Link to Swanley Station from High Street (£240K for 3 Swanley schemes)	To enable more people to cycle more safely in the district so as to encourage a shift towards more sustainable transport choices, therefore reducing congestion and poor air quality, and healthy leisure activities.	2014-2018	Kent County Council	£1,440,000	£0	£1,440,000	KCC Highways response to CIL infrastructure consultation
Community fund to support local regeneration projects in Swanley	Swanley	To ensure that new development in Swanley contributes to the regeneration priorities in the town.	2014 – onwards	Sevenoaks District Council and partners	£201,066 (based on £500 per dwelling over period 2014 – 2026)	£0	£201,066	SDC Core Strategy and Draft Developer Contributions SPD
Identification, design and construction of schemes to reduce the impact of pollution from surface water outfalls on water quality in the District.	Sevenoaks District	To address problem surface water outfalls in Sevenoaks District that impact on surface water quality.	2015	Environment Agency	£300,000	£0	£300,000	Environment Agency response to CIL infrastructure consultation

Edenbridge Flood Alleviation Scheme	Edenbridge	To reduce flood risk in Edenbridge (note: funding from CIL will only be allocated where development at a potential risk of flooding occurs)	Unknown	Environment Agency	£11,000,000	£0	£11,000,000	Environment Agency response to CIL infrastructure consultation
Provision of new allotments in Edenbridge	Edenbridge (North and East ward)	Proposal by Edenbridge Town Council to resolve a deficiency identified in the Open Space, Sport and Recreation Study.	2012 - onwards	Edenbridge Town Council	£8,000 - £10,000 (£9,000 assumed)	£1,000	£8,000	Edenbridge Town Council response to CIL infrastructure consultation
Improvements to existing nature reserves in Sevenoaks District (Darent Triangle Living Landscape)	North of Sevenoaks District (including Sevenoaks Wildlife Reserve; Fackenden Down, Shoreham; Kemsing Down; and Polhill Bank)	To provide improved access to natural and semi natural green space for increased population in Sevenoaks District.	2012 – onwards	Kent Wildlife Trust	£156,000 (over period 2014 – 2026)	£0	£156,000	Kent Wildlife Trust response to CIL infrastructure consultation
Improvements to existing nature reserves in Sevenoaks District (Sevenoaks Living Landscape Project)	South of Sevenoaks District (including Sevenoaks Common and Bough Beech Nature Reserve)	To provide improved access to natural and semi natural green space for increased population in Sevenoaks District.	2012 – onwards	Kent Wildlife Trust	£130,000 (over period 2014-2026)	£0	£130,000	Kent Wildlife Trust response to CIL infrastructure consultation
Capacity expansion at Edenbridge Primary School	Edenbridge Primary School	To provide an increased number of primary school places required as a result of new development.	2012 – onwards	Kent County Council	£229,785 (over period 2014-2026)	£0	£229,785	Kent County Council response to CIL infrastructure consultation
Capacity expansion at Hartley, New Ash Green and surrounding area primary schools	North of Sevenoaks District	To provide an increased number of primary school places required as a result of new development.	2012 – onwards	Kent County Council	£313,351 (over period 2014-2026)	£0	£313,351	Kent County Council response to CIL infrastructure consultation
Capacity expansion at primary schools in 'rural' Sevenoaks District	Rural areas of Sevenoaks District	To provide an increased number of primary school places required as a result of new development.	2012 – onwards	Kent County Council	£396,047 (over period 2014-2026)	£0	£396,047	Kent County Council response to CIL infrastructure consultation
Capacity expansion at primary schools in Sevenoaks Urban Area	Sevenoaks Urban Area	To provide an increased number of primary school places required as a result of new development.	2012 – onwards	Kent County Council	£180,304 (over period 2014-2026)	£0	£180,304	Kent County Council response to CIL infrastructure consultation
Capacity expansion at Swanley primary schools	Swanley	To provide an increased number of primary school places required as a result of new development.	2012 – onwards	Kent County Council	£858,900 (over period 2014-2026)	£0	£858,900	Kent County Council response to CIL infrastructure consultation
Capacity expansion at Knole Academy	Knole Academy	To provide an increased number of secondary school places required as a result of new development.	2012 – onwards	Kent County Council	£1,591,615 (over period 2014-2026)	£0	£1,591,615	Kent County Council response to CIL infrastructure consultation

Capacity expansion at Swanley secondary schools	Swanley	To provide an increased number of secondary school places required as a result of new development.	2012 – onwards	Kent County Council	£810,688 (over period 2014-2026)	£0	£810,688	Kent County Council response to CIL infrastructure consultation
Adult Social Services projects - Building community capacity and providing assistive technology	Sevenoaks District	To provide additional support to new clients of Adult Social Services moving into the District as a result of development.	2012 – onwards	Kent County Council	£11,520 (over period 2014-2026)	£0	£11,520	Kent County Council response to CIL infrastructure consultation
Libraries – District-wide book stock	Sevenoaks District	To provide additional library facilities to support new clients moving into the District as a result of development.	2012 – onwards	Kent County Council	£51,381 (over period 2014-2026)	£0	£51,381	Kent County Council response to CIL infrastructure consultation
Edenbridge Library – extended opening hours and additional staff	Edenbridge	To provide additional library facilities to support new clients moving into the District as a result of development.	2012 – onwards	Kent County Council	£10,590 (over period 2014-2026)	£0	£10,590	Kent County Council response to CIL infrastructure consultation
New Ash Green Library – extended opening hours and additional staff	New Ash Green	To provide additional library facilities to support new clients moving into the District as a result of development.	2012 – onwards	Kent County Council	£17,864 (over period 2014-2026)	£0	£17,864	Kent County Council response to CIL infrastructure consultation
Sevenoaks Library – extended opening hours and additional staff	Sevenoaks	To provide additional library facilities to support new clients moving into the District as a result of development.	2012 – onwards	Kent County Council	£118,177 (over period 2014-2026)	£0	£118,177	Kent County Council response to CIL infrastructure consultation
Mobile Library - extended opening hours and additional staff	Sevenoaks District	To provide additional library facilities to support new clients moving into the District as a result of development.	2012 – onwards	Kent County Council	£568 (over period 2014-2026)	£0	£568	Kent County Council response to CIL infrastructure consultation
Community learning – additional equipment, staffing and class room hours at adult education centres and through outreach	Sevenoaks District	To provide additional community learning facilities to support new clients moving into the District as a result of development.	2012 – onwards	Kent County Council	£41,632 (over period 2014-2026)	£0	£41,632	Kent County Council response to CIL infrastructure consultation
Improvements and extensions of existing primary health care facilities in Sevenoaks District.	Based on existing identified sites: • Sevenoaks: Town Medical Centre; • Swanley: A number of options identified, including Oaks and Cedars surgeries, Swanley; • Edenbridge: A number of options identified, including Edenbridge Surgery; • Rest of District: - Kent House Surgery (Longfield) - New Ash Green Surgery - Winterton Surgery (Westerham)	To provide additional primary health care capacity to support development where it occurs.	2012 - onwards	NHS	£1,021,238 (over period 2014-2026)	£0	£1,021,238	NHS response to CIL infrastructure consultation

Increased provision of allotments in Sevenoaks town	Sevenoaks town	Proposal by Sevenoaks Town Council to resolve a deficiency identified in the Open Space, Sport and Recreation Study.	2012 – 2017	Sevenoaks Town Council	£5,500 (over period 2014 – 2026)	£0	£5,500	Sevenoaks Town Council response to infrastructure consultation
Redevelopment of Whiteoak Leisure Centre	Swanley	To provide modern sports and recreation facilities in Swanley.	Unknown	Sevenoaks District Council	£7,000,000	£3,500,000	£3,500,000	Internal SDC consultation.
Restoration of Bradbourne Lakes	Bradbourne Lakes, Sevenoaks Town	To provide improved access to natural and semi natural green space for increased population in Sevenoaks District.	2013 – onwards	North Kent Countryside Partnership	£20,750	£0	£20,750	Internal SDC consultation and consultation with North West Kent Countryside Partnership
Community development work to bring old and new communities together	Sevenoaks District	To integrate new residents into the community.	2014 - onwards	Sevenoaks District Council	£455,000	£0	£455,000	Internal SDC consultation.
Outdoor green gyms	Sevenoaks District	To provide sport and recreation facilities for new and existing residents.	2014 - onwards	Sevenoaks District Council	£165,000	£0	£165,000	Internal SDC consultation.
Replacement and/or additional Youth Zone vans	Sevenoaks District	To ensure that SDC is able to provide its youth services to new residents.	2014 - onwards	Sevenoaks District Council	£282,000	£0	£282,000	Internal SDC consultation.

Total	£27,432,976	£3,501,000	**£23,931,976**

Appendix B: Potential local schemes for CIL funding

These schemes are considered to be locally important and provide an indication of the types of schemes that town and parish councils may provide through the 'meaningful proportion' of CIL transferred to them. SDC may transfer additional funds to town and parish councils to deliver these schemes where they are considered priorities to support development. These schemes have been identified through consultation with all town and parish councils between February and April 2012 but have not been taken into account in identifying the CIL funding gap because their delivery is considered to be dependent on development coming forward in the particular local area. Town and parish councils will not be limited to spending CIL receipts on schemes identified in this schedule.

Scheme	Location	Need for Scheme	Timescale	Lead Body	Cost	Funding Committed	Funding Gap	Source
Provision of new burial ground in Ash-cum-Ridley Parish	Ash-cum-Ridley Parish	To provide additional space for burials when plots on the existing ground run out in approx. 5 years.	2017	Ash-cum-Ridley Parish Council	£50,000	£33,000	£17,000	Ash-cum-Ridley Parish Council response to CIL infrastructure consultation
Refurbishment of Village Halls and Youth and Community Centre in Ash-cum-Ridley Parish	New Ash Green, Ash and Hodsoll Street	To ensure that existing facilities have a long term future.	Unknown	Hall Managers / committees with Ash-cum-Ridley Parish Council involvement	£400,000	Unknown	Unknown	Ash-cum-Ridley Parish Council response to CIL infrastructure consultation
Refurbishment of Brasted Playground	Brasted	To ensure that equipment meets existing safety standards.	2014	Brasted Parish Council	£40,000	£0	£40,000	Brasted Parish Council response to CIL infrastructure consultation
New Pavilion at Chipstead Common	Chipstead Common	To upgrade existing facilities which are in a poor state of repair. Increased usage expected as a result of any development.	2014	Chevening Parish Council	£100,000	£0	£100,000	Chevening Parish Council response to CIL infrastructure consultation
Improved playground at Chipstead Recreation Ground	Chipstead Recreation Ground	To improve the existing well used facility.	2014	Chevening Parish Council	£50,000 - £75,000	£0	£50,000 - £75,000	Chevening Parish Council response to CIL infrastructure consultation
Edenbridge Cemetery Extension	Edenbridge Cemetery	To provide additional burial places. Current capacity is only 10 years.	2013 – onwards	Edenbridge Town Council	£85,000	£2,000	£83,000	Edenbridge Town Council response to CIL infrastructure consultation
Senior / Fitness Play Equipment	Edenbridge town	Local desire to meet a gap in existing provision.	2020	Edenbridge Town Council	£40,000	£0	£40,000	Edenbridge Town Council response to CIL infrastructure consultation

Marsh Green Playground refurbishment	Marsh Green	Existing equipment is considered dated and not to provide stimulating or challenging activities for users.	2020	Edenbridge Town Council	£45,000	£0	£45,000	Edenbridge Town Council response to CIL infrastructure consultation
Edenbridge Recreation Ground playground refurbishment	Edenbridge town	Existing equipment is considered dated and not to provide stimulating or challenging activities for users.	2015	Edenbridge Town Council	£80,000	£0	£80,000	Edenbridge Town Council response to CIL infrastructure consultation
Spittals Cross playground refurbishment	Spittals Cross	Existing equipment is considered dated and not to provide stimulating or challenging activities for users.	2013 - onwards	Edenbridge Town Council	£65,000	£0	£65,000	Edenbridge Town Council response to CIL infrastructure consultation
Stangrove Park (Edenbridge) playground refurbishment	Edenbridge town	Existing equipment is considered dated and not to provide stimulating or challenging activities for users.	2012 & 2025	Edenbridge Town Council	£80,000	£0	£80,000	Edenbridge Town Council response to CIL infrastructure consultation
Replacement of street lights in the Edenbridge town council area	Edenbridge Town Council area	To maintain / replace 210 ageing street lights	2012 - onwards	Edenbridge Town Council	£420,000	£0	£420,000	Edenbridge Town Council response to CIL infrastructure consultation
BMX & Skate ramp improvements	Edenbridge Town Council area	Existing equipment is considered dated and not to provide stimulating or challenging activities for users.	2020	Edenbridge Town Council	£50,000	£0	£50,000	Edenbridge Town Council response to CIL infrastructure consultation
Improvements to the Stag Community Arts Centre	Sevenoaks town	To ensure audience development and the long term sustainability of the Stag	2012 – 2017	Sevenoaks Town Council	£300,000	£30,000	£270,000	Sevenoaks Town Council response to CIL infrastructure consultation
Improvements to Raleys Gymnasium	Sevenoaks town	Current facility is no longer fit for purpose and does not enable equal access	2012-2017	Sevenoaks Town Council	£1,000,000	£65,500	£934,500	Sevenoaks Town Council response to CIL infrastructure consultation
Sevenoaks Community Centre Redevelopment	Sevenoaks town	Current facility is not fit for purpose	2012-2022	Sevenoaks Town Council	£1,000,000	£0	£1,000,000	Sevenoaks Town Council response to CIL infrastructure consultation
Relocation of Sevenoaks Town Council offices	Sevenoaks town	To increase public footfall to enable Sevenoaks Town Council to offer an improved service level	2012-2022	Sevenoaks Town Council	£1,000,000	£0	£1,000,000	Sevenoaks Town Council response to CIL infrastructure consultation

Indoor Cricket School Provision in Sevenoaks town	Sevenoaks town	Current facility is not fit for purpose	2012-2017	Sevenoaks Town Council	£400,000	£65,000	£335,000	Sevenoaks Town Council response to CIL infrastructure consultation
Sevenoaks Town Partnership projects	Sevenoaks town	To enable the Partnership to continue to invest in the long term economic and social stability of Sevenoaks Town	2012 - ongoing	Sevenoaks Town Council	£260,000 (over period 2014 – 2026)	£169,000 (over period 2014 – 2026)	£91,000 (over period 2014 – 2026)	Sevenoaks Town Council response to CIL infrastructure consultation
Vine Cricket Pavilion	Sevenoaks town	To improve existing facility and improve disabled access	2012 - 2022	Sevenoaks Town Council	£750,000	£0	£750,000	Sevenoaks Town Council response to CIL infrastructure consultation
Provide cycle parking at Sevenoaks Town Council sites	Sevenoaks town	Investment in cycle infrastructure to reduce use of the private car in the town (funds also likely to be available through the KCC scheme in the strategic priority list)	2012 – ongoing	Sevenoaks Town Council	£1,500 per site	£0	£1,500 per site	Sevenoaks Town Council response to CIL infrastructure consultation
Refurbishment of Band Stand	Sevenoaks town	To ensure its continued existence and facility for entertainment	2012-2017	Sevenoaks Town Council	£20,000	£0	£20,000	Sevenoaks Town Council response to CIL infrastructure consultation
New Children's playground to serve the west of Westerham	Western Westerham	To support development and a changing population profile	Not identified	Westerham Parish Council	£50,000	None identified	£50,000	Westerham Parish Council response to CIL infrastructure consultation
Refit and improve Westerham playing field pavilion for sports activities	Westerham Playing Field	To support development and a changing population profile	Not identified	Westerham Parish Council	£40,000	None identified	£40,000	Westerham Parish Council response to CIL infrastructure consultation
Improvement to parking at Crockham Hill playing field	Crockham Hill Playing Field	To support development and a changing population profile	Not identified	Westerham Parish Council	£25,000	None identified	£25,000	Westerham Parish Council response to CIL infrastructure consultation
Purchase and refit of an existing hall for community use	Westerham town centre	To support development and a changing population profile	Not identified	Westerham Parish Council	£250,000	None identified	£250,000	Westerham Parish Council response to CIL infrastructure consultation

Appendix C: Other proposed schemes

These schemes have been suggested to the Council as those that could be funded through CIL. The lack of their inclusion in either the strategic or local priority schedules does not preclude the scheme promoter seeking CIL funding for these schemes if needs change or if further evidence of need or the specific project to be developed becomes available in the future. The inclusion of schemes in this list may simply indicate that additional information or commitment from another organisation is required.

Scheme	Location	Need for Scheme	Timescale	Raised by	Cost	Funding Committed	Source	Reason scheme is not included in local / strategic schedules
Small Scale Highway Improvements in Ash –cum-Ridley Parish	Ash-cum-Ridley Parish	Concerns over the junction of Ash Road with North Ash Road in New Ash Green and 'pinch points' in South Ash Road and Ash Lane	Unknown	Ash-cum-Ridley Parish Council	£50,000	Unknown	Ash-cum-Ridley Parish Council response to CIL infrastructure consultation	Requires delivery by another organisation (KCC Highways) that has not raised a need for CIL funding for this project or a commitment to deliver it.
Provision of a Multi Play Zone in Brasted	Brasted	To provide play equipment for children over 8 years of age.	2017	Brasted Parish Council	Not yet costed	Not yet costed	Brasted Parish Council response to CIL infrastructure consultation	Project not yet costed. Could be an appropriate use of CIL if development comes forward in Brasted.
Development of a car park in Brasted	Brasted	To resolve parking issues in the village that may occur as a result of new development	Unknown	Brasted Parish Council	Not yet costed	Not yet costed	Brasted Parish Council response to CIL infrastructure consultation	A costed scheme needs to be developed.
Expansion of Brasted Pavillion	Brasted	Not specifically identified	Unknown	Brasted Parish Council	Not yet costed	Not yet costed	Brasted Parish Council response to CIL infrastructure consultation	A costed scheme needs to be developed.
Edenbridge Recreation Ground – Drainage Improvements	Edenbridge Recreation Ground	To provide high quality sports provision	2026 +	Edenbridge Town Council	10,000	£0	Edenbridge Town Council response to CIL infrastructure consultation	Proposed for after the Core Strategy plan period (post 2026)
Bridge Widening on Station Road, Edenbridge	Station Road, Edenbridge	Lorries are unable to access the town from the north, limiting the viability of industrial and retail opportunities.	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (Network Rail) that has not raised a need for CIL funding for this project or a commitment to deliver it.

Romany Way to Hever Road, Edenbridge, walking route	Romany Way to Hever Road, Edenbridge,	To protect residents and children accessing the local schools and town centre facilities	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (KCC) that has not raised a need for CIL funding for this project or a commitment to deliver it.
Den Cross to Marsh Green walking route	Den Cross to Marsh Green	To protect residents when walking into Edenbridge	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (KCC) that has not raised a need for CIL funding for this project or a commitment to deliver it.
Tennis Courts in Edenbridge	Edenbridge	To encourage healthy lifestyles	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (for example Sencio) that has not raised a need for CIL funding for this project or a commitment to deliver it.
Hospital Transport Scheme	Edenbridge	To enable vulnerable people to access medical services	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	It is not clear what this funding is required to deliver as it is understood that this scheme already operates.
St Brelades to Railway Bridge (Edenbridge) walking route	Edenbridge	To protect vulnerable residents accessing local facilities	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (KCC) that has not raised a need for CIL funding for this project or a commitment to deliver it.
Community Bus Service for Edenbridge	Edenbridge	To enable less mobile residents to access local services	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (Stangrove Area Action Group) that has not raised a need for CIL funding for this project or a commitment to deliver it. There is also a need to ensure that this project does not duplicate a scheme offered by Kent Karrier, which is funded by KCC.
Improvements to the footpath outside the Star in Edenbridge	Edenbridge (outside the Star)	To improve public safety whilst walking into Edenbridge	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (KCC) that has not raised a need for CIL funding for this project or a commitment to deliver it.
Traffic Calming on Marsh Green Road	Edenbridge	To improve public safety whilst walking from Marsh Green into Edenbridge	2012	Edenbridge Town Council	Unknown	Unknown	Edenbridge Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (KCC) that has not raised a need for CIL funding for this project or a commitment to deliver it.

River Darent Strategy	River Darent Catchment	To prepare a long term flood management strategy for the River. The strategy will include a costed investment program to implement the North Kent Rivers Catchment Flood Management Plan.	Initial Assessment underway. Actions will be for 5-50 years.	Environment Agency	Schemes not yet identified.	EA funding committed for strategy	Environment Agency response to CIL infrastructure consultation	Schemes not yet identified. EA funding for developing the strategy is committed.
Sewerage and surface water drains in Hextable	College Road, Hextable	To support any development on the Birchwood School site and a new toilet block on Swanley Park.	Unknown	Hextable Parish Council	Unknown	Unknown	Hextable Parish Council response to CIL infrastructure consultation	Requires delivery by another organisation (local water / waste water company) that has not raised a need for CIL funding for this project or a commitment to deliver it. Currently there are no development proposals for the Birchwood School Site or Swanley Park being considered through the LDF.
Replacement of overhead electricity and telecoms cables on wooden poles with cables underground	Hextable	To prevent loss of connections caused when wooden poles are damaged by weather or accident. This is needed to support business in the village.	Unknown	Hextable Parish Council	Unknown	Unknown	Hextable Parish Council response to CIL infrastructure consultation	Requires delivery by other organisations (electricity and telecoms companies) that have not raised a need for CIL funding for this project or a commitment to deliver it.
Replacement of Kemsing Village Car Park	Kemsing	In the event of the existing car park, at the rear of the former Wheatsheaf Public House, being lost as a result of redevelopment of the site, the car park will need to be replaced in another location.	Unknown	Kemsing Parish Council	Unknown	£0	Kemsing Parish Council response to CIL infrastructure consultation	A costed scheme needs to be developed.
Redevelopment of former chicken farm to provide new dwellings and mitigation of traffic impacts.	Former Chicken Farm, Shorehill Lane, Knatts Valley, Kemsing	The parish council consider the former chicken farm to potentially represent a health hazard. Any additional properties on the site would result in an increase in traffic on the adjoining roads.	Unknown	Kemsing Parish Council	Unknown	Unknown	Kemsing Parish Council response to CIL infrastructure consultation	Funding residential redevelopment is not a legitimate use of CIL. Highways improvements would best be considered at the time of any planning application.
Investment in sewerage system in Kemsing	Kemsing Parish	To ensure that the sewerage system in Kemsing is able to cope with the extra load placed on it by any development that occurs.	Unknown	Kemsing Parish Council	Unknown	Unknown	Kemsing Parish Council response to CIL infrastructure consultation	Requires delivery by another organisation (local wastewater company) that has not raised a need for CIL funding for this project or a commitment to deliver it.
Sevenoaks youth workers / youth café	Sevenoaks town	Project to benefit young people aged 11 to 18 in Sevenoaks and the surrounding areas.	Ongoing	Sevenoaks Town Council	£155,000 capital & £61,000pa revenue	£155,000 capital & £61,000pa revenue	Sevenoaks Town Council response to CIL infrastructure consultation	Response appears to suggest that scheme currently has sufficient funding committed to it. Could be a local priority scheme if additional funding is required.
Improvements to pavements within Sevenoaks town	Sevenoaks town	New development in the area is considered to be likely to place a greater strain on key pedestrian routes through the town. Increased investment in maintenance is required.	Unknown	Sevenoaks Town Council	Unknown	Unknown	Sevenoaks Town Council response to CIL infrastructure consultation	Requires delivery by another organisation (KCC Highways) that has not raised a need for CIL funding for this project or a commitment to deliver it.

Improvements to 'gateways' into the town	Sevenoaks town	To resolve increased strain on access routes into the town as the population increases	Unknown	Sevenoaks Town Council	Unknown	Unknown	Sevenoaks Town Council response to CIL infrastructure consultation	Requires delivery by other organisations (including KCC Highways) that have not raised a need for CIL funding for this project or a commitment to deliver it.
Improved transport links to local health facilities, particularly the new hospital at Pembury	Sevenoaks town	Investment is required to ensure new and existing residents are able to reach health facilities at a reasonable cost	Unknown	Sevenoaks Town Council	Unknown	Unknown	Sevenoaks Town Council response to CIL infrastructure consultation	Requires delivery by other organisations (including KCC Highways and Transportation and bus operators) that have not raised a need for CIL funding for this project or a commitment to deliver it.
Improved signage throughout the town	Sevenoaks town	To remove ambiguous and outdated signs to aid residents in navigating the town	Unknown	Sevenoaks Town Council	Unknown	Unknown	Sevenoaks Town Council response to CIL infrastructure consultation	Requires delivery by other organisations (including KCC Highways) that have not raised a need for CIL funding for this project or a commitment to deliver it.
Decking of car parks within the town, including at Sevenoaks Station and library	Sevenoaks town	To reduce the strain that new development will place on car parking within the town	Unknown	Sevenoaks Town Council	Unknown	Unknown	Sevenoaks Town Council response to CIL infrastructure consultation	Requires delivery by other organisations (including Network Rail and Sevenoaks District Council) that have not raised a need for CIL funding for this project or a commitment to deliver it.
Regeneration of Swanley Town Centre	Swanley Town Centre	To bring new employment to the area and to increase the prosperity of the town. Improvements to the road layout would also improve congestion and air quality issues.	Unknown	Swanley Town Council	Unknown	Unknown	Swanley Town Council response to CIL infrastructure consultation	Funding the redevelopment of Swanley Town Centre is not a legitimate use of CIL. However, any development brought forward by the landowner should result in some CIL receipts that could be used to secure improvements to infrastructure in and around the town centre. Highways improvements around the town centre could also be secured through an s106 or s278 agreement to be negotiated at the time of any planning application.
Provision of more public car parking in Westerham	Northern and western Westerham	To support development and a changing population profile.	Unknown	Westerham Parish Council	Unknown	Unknown	Westerham Parish Council response to CIL infrastructure consultation	Costed schemes need to be developed.
Provision of a day care facility, with NHS doctors support, for the elderly in Westerham	Westerham	To support development and a changing population profile.	Unknown	Westerham Parish Council	£500,000	Unknown	Westerham Parish Council response to CIL infrastructure consultation	Requires the involvement of other agencies. It is not clear that these are signed up to the project.

Pelican crossing on the Old London Road, Westerham	Old London Road, Westerham	To support development and a changing population profile.	Unknown	Westerham Parish Council	Unknown	Unknown	Westerham Parish Council response to CIL infrastructure consultation	Requires delivery by another organisation (KCC Highways) that has not raised a need for CIL funding for this project or a commitment to deliver it. The need for this scheme should be considered through an s106 or s278 agreement linked to the development of the old school site (if acceptable) on London Road.
Additional recreation spaces	Sevenoaks District	To provide sport and recreation facilities.	Unknown	Sevenoaks District Council	Unknown	Unknown	Sevenoaks District Council Internal Consultation	Town and parish councils to be given the first opportunity to identify projects to address any perceived shortages in recreation spaces.

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An Introduction to the Community Infrastructure Levy (CIL)

This note sets out nationally prescribed rules and regulation on CIL. The vast majority of the matters raised are not open to local interpretation.

What is CIL?

CIL is a mechanism that allows Charging Authorities to collect a standard charge from developers to fund infrastructure required as a result of development in the District.

Who can charge CIL?

Local Planning Authorities are the CIL Charging Authorities. This means that Sevenoaks District Council are the Charging Authority for the District.

What do Charging Authorities need to do in order to be able to charge CIL?

Charging Authorities need to adopt a Charging Schedule before they can begin charging CIL. Charging Schedules need to be subject to public consultation and independent examination. In this respect, Charging Schedules are similar to Development Plan Documents of the Local Development Framework, such as the Core Strategy.

Charging Schedules set out the charge per sq m of development. This can be different for different forms of development or in different areas but only where viability considerations dictate.

What needs to be considered in preparing a CIL Charging Schedule?

A sound CIL Charging Schedule must be based on evidence that infrastructure is required to support the development planned in the District. This must show a gap between funding available from other mainstream sources and what is needed to deliver the necessary infrastructure. A sound schedule must also be based on evidence that the delivery of the overall scale of development planned would not be non-viable as a result of the CIL Charge. The viability of individual sites does not need to be considered.

As long as the charge is less than or equal to the level required to fund the infrastructure required and less than or equal to the limit above which the overall scale of development is likely to be non-viable, it is up to the Charging Authority to determine what level the charge should be.

Can different CIL charges be applied to different forms of development or development in different areas of the District?

CIL charges can vary according to the type of development or the location. However, this can only be as a result of viability evidence showing that the rate applied in other parts of the District or for other types of development would not be viable. Policy decisions to promote development of a certain type or in a

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certain area by setting a lower charge are considered to constitute 'State Aid' and are not permitted.

How is the CIL charge that a developer should pay calculated?

CIL is calculated by applying the relevant per sq m charge from the Charging Schedule to the floorspace of the permitted development minus the floorspace of any existing buildings on site. As a result, any change of use is not subject to CIL and the replacement of existing buildings on brownfield sites will reduce the CIL charge to be paid.

What forms of development are excluded from CIL?

As well as those uses that the Charging Authority excludes from the Charging Schedule on the grounds of viability, there are some forms of development that do not need to pay CIL. These are:

- any development of less than 100 sq m unless this is the development of one or more dwellings;
- affordable housing;
- any buildings into which people do not usually go or those into which people go only intermittently for the purpose of inspecting or maintaining plant or machinery; and
- development by a charity to be used for charitable purposes.

The Charging Authority can also choose to extend the exemptions to include:

- development by a charity that forms an investment from which the profits will be used for charitable purposes;
- development which can show exceptional circumstances exist (note: the tests for proving exceptional circumstances and issues that the Council must consider, such as 'State Aid' legislation, mean that there will be very few cases where exceptional circumstances can be accepted to exist).

Is CIL negotiable?

CIL is non-negotiable. It can only be waived in exceptional circumstances, if the Charging Authority chooses to allow this. The tests for proving exceptional circumstances and the issues that the Council must consider, such as 'State Aid' legislation, mean that there will be very few cases where exceptional circumstances can be accepted to exist.

Won't CIL make developments non-viable?

In setting the CIL charge, Charging Authorities must show that the overall scale of development planned would not be undeliverable as a result of viability issues. However, individual developments may be made non-viable by CIL. As CIL can only be waived in genuinely exceptional circumstances, some developers are likely to have to take a loss on development or wait for market conditions to improve. In the long-run, CIL will provide certainty about the level of charge that a developer must pay and he/she will be able to factor this in to the price that they pay for land. Recent consultation on s106 contributions issues suggests that developers would welcome this greater certainty.

Won't CIL put house prices up?

Prices of new houses are usually set with regard to comparable existing properties rather than build costs. CIL will either reduce the profits of developers or, more likely in the longer term, the price that they pay for the land.

It is also highly likely to be the case that the CIL charge will be a small percentage of the total build costs and significantly lower than the affordable housing contribution.

What can CIL be spent on?

CIL must be spent on infrastructure to support the development of the area. This can include infrastructure that falls outside of the Council's administrative boundaries.

CIL can be spent on the provision, improvement, replacement, operation or maintenance of infrastructure. It does not have to be used to fund capital investment.

Unlike planning obligations, there is no requirement that there is a functional link between the development paying and the infrastructure that it is funding.

There is no requirement that CIL funds are spent on the infrastructure identified in the evidence to support the preparation of the Charging Schedule.

Amongst other things, infrastructure includes:

- roads and transport facilities,
- flood defences,
- schools and educational facilities,
- medical facilities,
- sporting and recreational facilities, and
- open spaces.

Currently, affordable housing is specifically excluded. However, the Government is considering giving local authorities the ability to include this.

A proportion of CIL can also be spent on the administrative costs of operating the system.

What can CIL not be spent on?

CIL can not be spent on anything that is not required to support the development of the area. It can not be used to fund Council services that are not necessary to support new development, i.e. it can not be used to provide infrastructure to support existing development.

What role do other organisations play in the CIL process?

The Government is proposing to amend the regulations to ensure that a 'meaningful proportion' of CIL is paid to the town or parish council. It has not decided what this proportion should be.

CIL funds passed to town and parish councils would still need to be spent on infrastructure to support development.

Town and parish councils would have a statutory responsibility to report annually on how CIL funds collected are being spent, amongst other things.

SDC needs town and parish councils, particularly in areas where development is planned, and other infrastructure providers (including the NHS, KCC, Kent Police) to identify what infrastructure is required to support development in order to ensure that there is enough evidence of a funding gap to justify a CIL charge.

Monies paid to town and parish councils can be transferred to other organisations, at the discretion of the town or parish council, where they are delivering a key local infrastructure project (i.e. KCC to develop a school)

Will the Council be required to give CIL receipts to other organisations?

It is the Government's intention that a 'meaningful proportion' of CIL receipts should be passed to town and parish councils in which development occurs. Whilst it is likely that SDC will want to transfer some CIL receipts to other organisations where they are the relevant infrastructure providers, there is no requirement in legislation, regulation or policy that means that they must.

Will town and parish councils where no development is proposed benefit from CIL?

Town and parish councils will only automatically receive CIL money when qualifying development occurs in their area. SDC could choose to allocate CIL money to other town and parish councils where infrastructure in their area is necessary to support development in another town/parish or in the District generally.

How does CIL fit in with the use of planning obligations / s106 agreements?

Planning obligations will still be used to secure site specific s106 contributions, as long as this is not for infrastructure that could be funded through CIL. Once CIL is adopted or from April 2014, whichever comes first, developer contributions will no longer be able to be pooled from more than 5 s106 agreements, if the infrastructure they are funding could be secured through CIL. At present, affordable housing would continue to be funded through s106 agreements. Therefore, the pooling restriction would not apply.

What are the benefits of CIL?

CIL will provide more certainty to developers about what they will have to pay for infrastructure, which will help them to decide upon an appropriate price to pay for development land.

CIL will also provide more certainty for local authorities and infrastructure providers on what funds they can expect to receive.

The system will be more transparent and evidence based than the current planning obligations system, with the public and developers being able to see how funds have been spent.

The CIL system will be speedier as there will be no time needed for negotiation.

The CIL system will be fairer as it will apply to all developments. In the past, smaller developments have rarely contributed towards new infrastructure.

What are the potential negative impacts of CIL?

Some developments may be made non-viable as a result of the need to pay CIL.

The process of preparing a Charging Schedule is time consuming and requires a detailed evidence base.

Statutory Basis for the Community Infrastructure Levy

The primary legislation for CIL was introduced by sections 205 to 225 of the Planning Act 2008. This was amended by sections 114 and 115 of the Localism Act 2011. The main changes related to the power of examiners considering CIL Charging Schedules and to the payment of a proportion on CIL to town and parish councils.

Regulations on the operation of CIL are set out in the Community Infrastructure Levy Regulations 2010. These regulations have been amended by CIL (Amendment) Regulations 2011 and it is anticipated that they will be amended again in April 2012 by a new set of regulations.

Statutory Guidance on CIL is set out in Community Infrastructure Levy Guidance: Charge Setting and Charging Schedule Procedures.

Sound Charging Schedules and the CIL Levies Set

London Borough of Redbridge

£70 per sq m for all types of development anywhere in the District.

Shropshire Council

£40 per sq m for residential development in certain parts of the District and £80 per sq m for residential development in other parts of the District.

Nil charge for all non-residential development.

Newark and Sherwood

£0, £45, £55, £65 or £75 per sq m for residential development depending on where it is in the District.

£100 per sq m for retail (A class) uses anywhere in the District.

£0, £5 or £15 per sq m for industrial development depending on where it is in the District.

Nil charge for all other forms of development.

Portsmouth City Council

£105 for all types of development except:

A1 – A5 in centres and small out of centre retail (less than 280 sq m) = £53

B1, B2, B8 = £0

Hotels = £53

Residential Institutions = £53

Community Uses = £0

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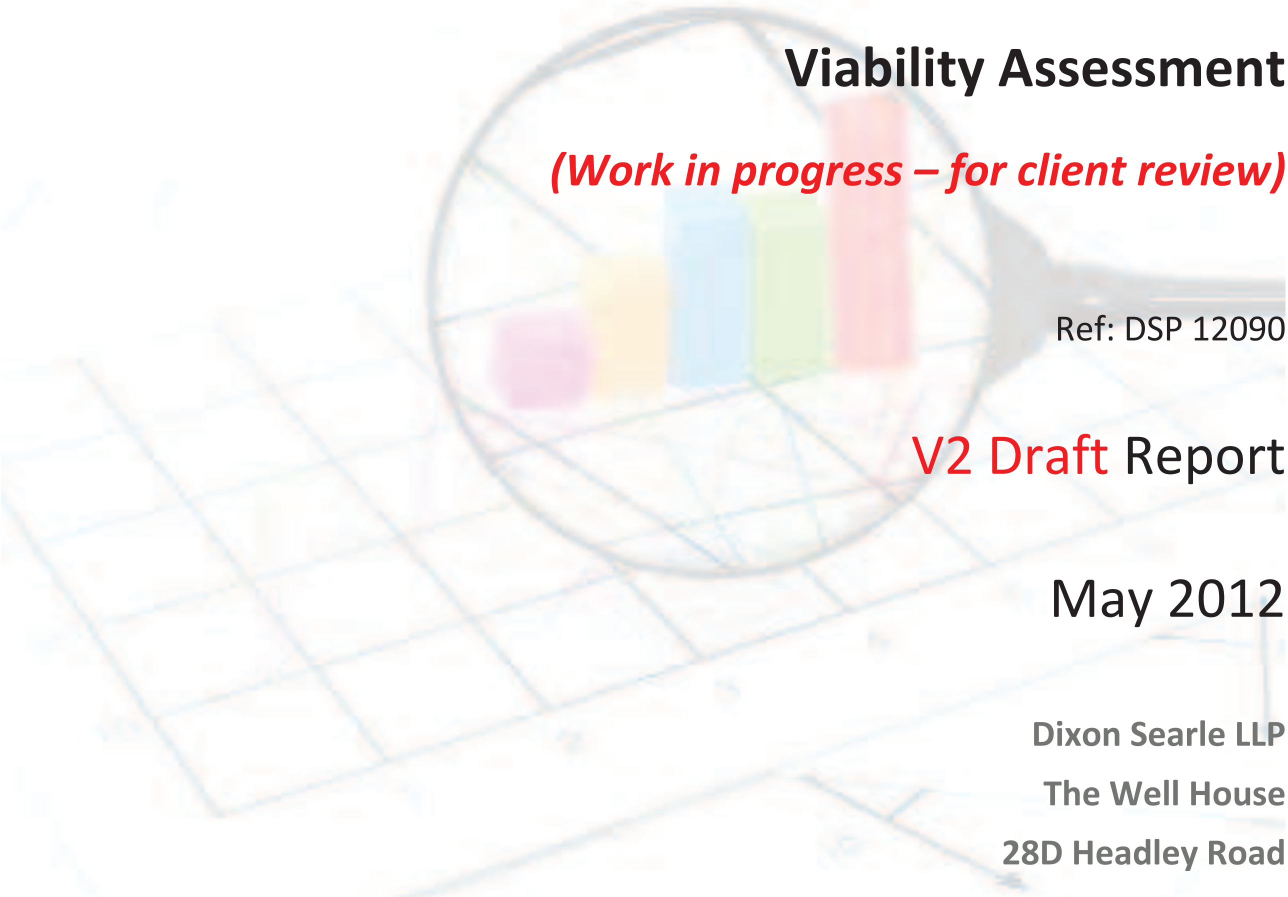
D|S|P Housing & Development Consultants

Sevenoaks District Council

Community Infrastructure Levy (CIL)

Viability Assessment

(Work in progress – for client review)



Ref: DSP 12090

V2 Draft Report

May 2012

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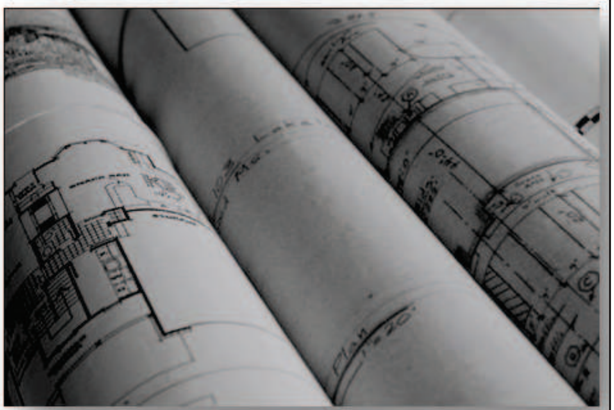

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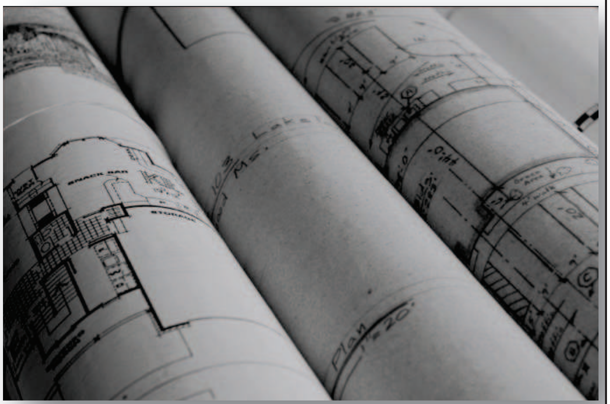


Appendices

Appendix I:

Assumptions outline

Appendix IIa:

Residential Results Summaries

Appendix IIb:

Commercial Results Summaries

Appendix III:

Market, Values and Assumptions – Research and Background

(Draft) Executive Summary

1. The Community Infrastructure Levy (CIL) has been introduced by the Government as a means of Local Authorities pooling development contributions to help fund the provision of the local infrastructure needed to support the planned growth in their area. By 2014 it will largely, though not entirely, replace s.106 as a means of securing such contributions (after then, pooling of s.106 contributions to fund wider infrastructure provision will be limited).

2. The CIL will be chargeable on a per square metre (sq m) basis; on all new development exceeding 100 sq m (including extensions) and including new dwellings (only) of less than 100 sq m. Affordable housing and developments by charities will not be subject to CIL charging. Subject to certain rules, the CIL will not apply to any existing accommodation on a development site (whether demolished or reused) – that floor area may be deducted ("netted-off") from the chargeable development floor area within the payment calculation.

3. In the process of considering its local implementation of the CIL, Sevenoaks District Council appointed Dixon Searle Partnership (DSP) to review the development viability scope for a range of development types (residential and commercial / non-residential) to support CIL funding in the District.

4. CIL viability studies usually assume a fixed level of affordable housing in common with adopted development plan (Local Development Framework - LDF) policy i.e. as contained in a Council's Core Strategy. This type approach to reviewing viability (i.e. taking account of collective impacts) is also included in the Government's National Planning Policy Framework (NPPF) which has been published at the point of us finalising the drafting of this report.

5. Therefore the main purpose of this resulting study is to further inform the Council's consideration of proposed CIL charging rate(s) in the District, by use type and potentially also by locality – depending on viability, varying charging rates may be set. The study approach does so through exploring the collective effect of key development costs and obligations. These various viability influences cannot be separated.

6. In setting CIL charging rates that strike an appropriate balance between contributing to local infrastructure funding needs (the funding gap) and development viability, Local Authorities also need to consider a wide range of other information. This includes information on site supply and likely frequency and development plan relevance of various development types to their area. These are very similar principles to those relevant for considering affordable housing policies.

7. The study involved the key stages of research; assumptions setting; running a wide range of development viability appraisals; and, finally, analysis and review. The appraisals used residual land valuation principles, as have become the main established approach to this type of study and have been used over the last several years to consider affordable housing viability.

8. For residential development, suitable parameters for CIL charging were found to be £75 to £125/sq m overall, dependent on the chosen approach to applying CIL across the District. The selection of a charging rate or rates is likely to be within that range. This will be linked also with the view on a locality based (varied) or District-wide approach and to considering the site types and locations most relevant to the proposed plan led delivery of growth in the District; dependent on the Core Strategy direction site supply streams, options for a varied or single CIL rate for residential development may be considered; however in our view a simple dual rate approach would best fit the local circumstances.

9. In all cases, (and applicable also to commercial/non-residential scenarios) any rates considered below the levels and parameters that we set out are within the scope of our viability findings.

10. Varying house prices seen in the District affect the development viability of residential schemes. Overall, therefore, mixed viability outcomes were seen through our overview. In considering this work and taking CIL implementation plans forward, the Council must be careful not to place an undue level of added risk to development which could undermine the delivery of its Core Strategy and other development plan proposals. This means that any lower value areas which are expected to deliver significant new housing in the plan context need to be considered carefully. It means

also that the wider characteristics and costs of development need to be considered, including a range of factors such as potentially ongoing uncertain market conditions and variable land value levels.

11. Therefore, at this stage, an appropriate balance between the infrastructure funding needs and viability was found to be at levels no higher than £125/sq m in the Sevenoaks District context; which, viewed as a whole, is a high values area that also includes some relatively modest market housing value levels, mixed site types coming forward and significant affordable housing needs.

12. We regard this as the upper rate CIL charging scope, which we have suggested would be appropriate for most areas of the District, centred on Sevenoaks, Westerham, Otford and most of the rural areas / smaller settlements.

13. DSP considers that in viability terms a lower CIL charging rate should be considered for Swanley and adjoining areas in the north of the District (including New Ash Green) together with Edenbridge in the south west; those areas having typically lower values available to support scheme viability and providing different characteristics to the remainder of the District. These are general features based on a high level overview and not necessarily reflecting all local variations, but nevertheless this type of approach fits the CIL principles while respecting the key variations seen.

14. In summary, there are several key themes and potential options that emerge and inform the Council's ongoing work. These can be related to potential options for CIL charging rates:

    Key option: Variable residential charging rates suggested at £75/sq m for lower value areas and £125/sq m for higher value areas (as at paragraphs 11 to 13 above).

    Alternative approach: Lower single district-wide flat rate – necessarily set at a similar rate to the £75/sq m suggested lower rate, respecting viability scenarios in the lower value areas.

For clarity, any rates set beneath these levels as part of a differentiated approach (following further consideration by the Council) would be within the scope of our viability findings.

15. The viability of a range of commercial / non-residential development types in the District was found to be highly variable – with only retail development capable of reliably supporting meaningful CIL contributions. This is a common finding in our wider CIL work and that of other Local Authorities.

16. Whilst, in theory, we found CIL charging rates for larger format retail developments (supermarkets and retail warehousing) could be set at higher levels, we recommend in preference a rate of £125/sq m for large retail – i.e. to align to the upper parameters suggested for residential rates.

17. If following a differentiated route between retail types as per a main option from our findings, for smaller retail development (principally assuming any new convenience stores but also applicable to other types - within Use Classes A1-A5), we recommend a rate set at around half the large retail level. We have described the parameters for this as £50 to 75/sq m. However, there could also be a suitable alternative overall (single) charging rate for retail, depending on the Council's overview of the types most likely to come forward during the lifespan of the Charging Schedule. This could see the Council setting an intermediate rate for retail if it were to take this overview. As with the discussion on differentiation (or not) for residential, however, we consider that a dual rate approach for retail would be more reflective of the different development characteristics and the viability findings.

18. In testing other forms of commercial / non-residential development, it was found that any level of CIL charging could generally either exacerbate the viability issues associated with marginal schemes or unviable schemes by placing undue added risk to other forms of new development coming forward. This added risk needs to be balanced against the likely frequency of such schemes, their role in the development plan delivery overall and perhaps also the level of CIL "yield" (total monies collected) that they might provide.

19. At the current time and for the foreseeable future we recommend a nil (£0/sq m) charging rate applicable to business development (B uses). The viability results were typically very poor for these scenarios, such that only most favourable combinations of assumptions produced potentially viable scenarios, and then only in particular site and scheme circumstances. This is not an unusual finding in our experience – it is consistent with our and others' findings in a wide range of local authority areas. It is a reflection of the poor relationship between development values and costs, as compounded by uncertain market conditions.

20. The same applies to a wide range of forms of new development, so that we recommend that the Council considers a £0 (nil) charging rate for those. We include agricultural development within this.

21. In all cases the resulting CIL charging rates parameters are considered to represent an appropriate approach and balance in the local circumstances. In arriving at a suitable overall approach, the Council will need to consider this information and the viability scope explained alongside the wider picture on the likely distribution and frequency of various forms of development.

22. Since it is likely to be such a variable factor, none of our appraisals make allowance for viability improvements which might be seen through the "netting-off" (subject to the Regulations) of existing floorspace. In a range of situations this is expected to provide some level of positive viability influence through a reduced floor area being subject to CIL charging. It could help to counter-act the negative viability affects of other costs and obligations relative to a scenario with no such deduction of existing floor area.

23. The report includes detailed information and commentary. It also makes associated recommendations relating to regular monitoring and potential review of the local CIL charging regime.

24. The following table provides a summary of the potential CIL charging rates scope, in viability terms (as at Figure 13, Chapter 3, of the full report text):

Summary on CIL Viability – Potential Rates and Guidance for the Council's consideration
Residential -
Recommendation: Differentiated Rates - In lower value areas an appropriate rate of £75/sq m (i.e. Swanley, New Ash Green and adjoining areas in the north of the District; Edenbridge in the south west). In higher value areas an appropriate rate of £125/sq m (i.e. rest of District centred on Sevenoaks, including Westerham, Otford and all areas excluding the suggested lower rate zones as above).
Retail – generally - option to differentiate; alternative to set a single rate.
Retail – large format – supermarkets and retail warehousing – usually out of town centre (TBC)
Recommendation: Rate – suggested not exceeding £125/sq m (being within greater viability scope) - if differentiating.
Retail – small format - principally convenience stores but (if the Council expects significant provision of any such developments within the life of the charging schedule) also applicable to all other retail categories including town centre comparison shopping and potentially to retail linked uses (e.g. motor sales, retail warehousing/wholesaling clubs - should those be included with the charging schedule). (TBC)
Recommendation: Up to approximately half large retail rate – suggested appropriate range £50 to (maximum) £75/sq m - if differentiating.
Retail alternative – single charging rate – necessarily close to suggested lower rate. Suggested not exceeding £75/sq m if considered, but means compromise and considered by DSP to be a less suitable approach.
Business Development - Office and Industrial (B1, B1a, B2, B8)

Recommendation: Zero rate (£0)
Hotels and Care Homes
Recommendation: Zero rate (£0) on balance in preference to a low / nominal rate   (Alternative: nominal / low CIL rate, but difficult to justify in viability terms and added risk to potentially marginal schemes).
Community and other uses, including Agricultural
Recommendation: Zero rate (£0) on balance in preference to a low / nominal rate   (Alternative: nominal / low CIL rate, but difficult to justify in viability terms and again added risk to potentially marginal schemes).

Notes:

- In all cases CIL charging rates pitched beneath our quoted levels / parameters would also be within the scope of our viability findings.
- With these charging rate parameters a proportion of the fund could be directed to provision in-kind and / or s.106. The potential funding scope could be considered in various ways – again, subject to the CIL Regulations.

25. Whichever approach to CIL is progressed, the Council will need to continue to operate its overall approach to planning obligations in an adaptable way; reacting to and discussing particular site circumstances as needed (and supported by shared viability information for review). CIL will be fixed, but will need to be viewed as part of a wider package of costs and obligations that will need to be balanced and workable across a range of circumstances. This again is not just a local factor, but is a widely applicable principle.

DRAFT report V2 Executive Summary ends. May 2012.

1 Introduction

1.1. Background – Community Infrastructure Levy and Purpose of this Report

1.1.1 The Community Infrastructure Levy (CIL) came into force in April 2010 and allows local authorities in England and Wales to raise funds from developers undertaking new developments in their area. In this case, Sevenoaks District Council will be the charging authority.

1.1.2 CIL takes the form of a charge levied per square metre (sq m) of net additional floorspace of development. The levy is chargeable on most types of new development that involve an increase in floor space. The charge will be expressed as a rate in £s per sq m of development; known as the charging rate.

1.1.3 The majority of developments providing an addition of less than 100 sq m in gross internal floor area will not pay. For example, a small extension to a house or to a commercial / non-residential property; or a non-residential new-build of less than 100 sq m will not be subject to the charge. However, development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the new dwelling has a gross internal floor area of less than 100 sq m.

1.1.4 The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority's area, in accordance with its Local Development Framework (LDF) Development Plan (Core Strategy Development Plan Document (DPD)); or Local Plan, as it may now be known. In this authority's case, the key document is the Core Strategy – adopted by the Council in February 2011. The Government has recently consulted on a requirement that charging authorities allocate a 'meaningful proportion' of the levy revenue raised in each neighbourhood back to those local areas.

1.1.5 Under the Government's regulations, affordable housing and development by charities will not be liable for CIL charging. This means that within mixed tenure housing schemes, it is the market dwellings only that will be liable for the payments at the rate(s) set by the charging authority.

1.1.6 The levy rate(s) will have to be informed and underpinned firstly by evidence of the infrastructure needed to support new development, and therefore as to the anticipated funding gap that exists; and secondly by evidence of development viability.

1.1.7 Sevenoaks District Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the Core Strategy. This work forms the basis of identifying the total cost of infrastructure associated with supporting the growth identified in the District's Core Strategy and the funding gap that will be supported in part through CIL.

1.1.8 Infrastructure is taken to mean any service or facility that supports the Council's area and its population and includes (but is not limited to) facilities for transport, energy, water, drainage, waste, open space, affordable housing, education, health community services and culture and leisure. In the case of the current scope of the CIL, and therefore this assessment, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements. Affordable housing has been allowed for in addition to testing potential CIL charging rates - as a consistent appraisal theme. In this sense, the collective planning obligations (affordable housing, CIL and any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential to bear this collective cost; therefore each of these cost factors influencing the available scope for supporting the others. It follows that the extent to which s.106 will have an ongoing role in varying circumstances may also need to be considered in determining suitable CIL charging rates, bearing in mind that CIL will be non-negotiable. This could be a significant consideration, for example, in respect of strategic development associated with high costs and obligations levels and particularly where these characteristics may coincide with lower value areas.

1.1.9 Sevenoaks District, located to the south east of Greater London, is predominately rural in nature. Of its approximately 370 sq km area, about 93% is Green Belt and 60% is within an Area of Outstanding Natural Beauty. The District's main settlements are Sevenoaks ('main town'), Swanley ('secondary town') and Edenbridge ('rural service centre'), which will be the primary locations for new development. The District also has a number of larger villages (New Ash Green, Otford and Westerham – described as 'local service centres') which may experience more modest levels of development, together with a range of 'service villages' (17 are named in the Core Strategy) and smaller rural area settlements.

1.1.10 The Council's adopted Core Strategy plans for the development of 3,300 additional dwellings in the District in the period 2006-2026. Of these, as at 31 March 2011 (the latest complete annual monitoring information), 2306 additional dwellings had either been completed since 2006, were under construction or had planning permission. In addition, the Council has identified a range of sites through its Strategic Housing Land Availability Assessment (SHLAA) to meet a substantial proportion of the future requirements. These sites are predominately on previously developed land (PDL), with greenfield development opportunities limited by the Green Belt boundaries around the District's main settlements.

1.1.11 Given the introduction of the National Planning Policy Framework (NPPF) in final form in March 2012 (which supersedes previous Planning Policy Statements, including PPS3), the study has been produced in light of that and so includes the consideration of Affordable Rented tenure as introduced by the Government and Homes and Communities Agency (HCA) for its Affordable Homes Programme (AHP) 2011 to 2015. More information on the AHP can be viewed at the HCA's web-site: http://www.homesandcommunities.co.uk/affordable-homes . The Government's updated definition of affordable housing (following on from the 2011 update to PPS3) is now to be found at Annex 2, the Glossary to the NPPF. As will be explained in this study document, affordable housing is a significant component of the assumptions set.

1.1.12 An authority wishing to implement the CIL locally must produce a charging schedule setting out the levy's rates in its area. The CIL rate or rates should be set at a level that ensures development within the authority's area (as a whole, based on the plan provision) is not put at serious risk.

1.1.13 A key requirement of CIL and setting the charging rates is that an appropriate balance should be struck between the desirability of funding infrastructure from the levy and the potential effects that imposing the levy may have upon the economic viability of development (development viability). In order to meet the requirement of

Regulation 14 of the CIL Regulations April 2010 (as amended) the Council therefore appointed Dixon Searle Partnership (DSP) to provide the evidence base to inform the development of and support the Council's draft charging schedule in viability terms.

1.1.14 This study investigates the potential scope for CIL charging in Sevenoaks District. This is done by considering the economic viability of residential and commercial / non-residential development scenarios within the district; taking into account the range of usual collective costs and obligations associated with development, as would be borne by development schemes alongside the CIL sums. It aims to provide the Council with advice as to the likely viability of seeking developer contributions towards infrastructure provision through the CIL. This includes the consideration of viability and the potential charging rate or rates appropriate in the local context as part of a suitable and achievable overall package of planning obligations. In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Whilst acknowledging that, this work provides a high level overview that cannot fully reflect a wide range of highly variable site specifics. This necessary overview is in accordance with the CIL principles and provisions.

1.1.15 The approach used to inform the study applies the well recognised methodology of residual land valuation. Put simply, the residual land value (RLV) produced by a potential development is calculated by subtracting the costs of achieving that development from the revenue generated by the completed scheme (the gross development value – GDV).

1.1.16 The residual valuation technique has been used to run appraisals on residential and commercial / non-residential scheme types (notional or hypothetical schemes) representing development scenarios that are considered relevant to the development plan and could come forward within the District.

1.1.17 A key element of the viability overview process is comparison of the RLVs generated by the appraisals for the purposes of this study with potential levels of land value that may need to be reached to secure sites. These comparisons are necessarily indicative but are usually linked to some measure of an existing use value (EUV) of a site plus in some cases a level of uplift – with any surplus then potentially available for CIL payments.

1.1.18 In considering the relationship between the RLV created by a scenario and some comparative level that might need to be reached, we have to acknowledge that in practice this is a dynamic one – land value levels and comparisons will be highly variable in practice. It is not an exact science, as is acknowledged in a range of similar work and in technical papers and guidance notes on the topic of considering and assessing development viability. Therefore, so as to inform our judgments in making this overview, our practice is to look at a range of potential land value levels that might need to be reached in various scenarios. These are illustrative and the RLV results themselves can be used to get a feel for the level of land value being generated by each trial scenario (assumptions combination) as part of considering the wider picture beyond a particular land value comparison level.

1.1.19 The study process produces a large range of results relating to the exploration of a range of potential ('trial') CIL charging rates as well as other variables. As with all such studies using these principles, an overview of the results and the trends seen across them is required - so that judgments can be made to inform the Council's ongoing work.

1.1.20 The potential level of CIL charge viable in each scenario has been varied through an iterative process exploring trial charging rates over a range £0 to £200 per sq m – for both residential and non-residential / commercial scheme test scenarios.

1.1.21 As above, the results of each of the appraisals are compared to a range of potential existing or alternative land use value indications or other guides relevant to the circumstances. These are necessary to determine the potential scope for various CIL rate contributions according to development type and with varying completed scheme value levels (GDVs). The results sets have been tabulated in summary form and those are included as Appendices IIa (residential) and IIb (commercial).

1.1.22 In the background to considering the scale of the potential charging rates and their proportional level in the Sevenoaks context, we have also reviewed them alongside a variety of additional measures that can be useful indicators for the Council's consideration. This includes reviewing the potential CIL charging rates in terms of percentage of development value, percentage of development cost; and the equivalent levy sum in £s per unit or by scheme total.

1.1.23 The report then sets out findings for the Council to consider in taking forward its further development work on the local implementation of the CIL and in particular the Council's Preliminary Draft Charging Schedule.

1.2 Notes and Limitations

1.2.1 This study has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including affordable housing and CIL economic viability. However, in no way does this study provide formal valuation advice. It should not be relied on for other purposes.

1.2.2 In order to carry out this type of study a large quantity of data is reviewed and a range of assumptions are required alongside that. It is acknowledged that these rarely fit all eventualities - small changes in assumptions can have a significant individual or cumulative effect on the residual land value generated and / or the value of the CIL funding potential (the surplus after land value comparisons).

1.2.3 It should be noted that in practice every scheme is different and no study of this nature can reflect all the variances seen in site specific cases. The study is not intended to prescribe assumptions or outcomes for specific cases.

1.2.4 Specific assumptions and values applied for our schemes are unlikely to be appropriate for all developments and a degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and informing the Council's work on its CIL preliminary draft charging schedule preparations together with further consideration of affordable housing policy targets.

2 Assessment Methodology

2.1 Residual valuation principles

2.1.1 This study investigates the potential for a range of development types to contribute to infrastructure provision funding across Sevenoaks District through local implementation of the CIL.

2.1.2 By fixing the Council's adopted Core Strategy led affordable housing target (%) requirements and other planning policy / obligations as assumptions that will impact scheme viability alongside the trialled CIL charging rates, we are able to investigate and consider how these obligations interact and their collective effect. This is in accordance with well established practice on reviewing development viability at this strategic level, and consistent with the recently published NPPF. In this context, a development generally provides a fixed amount of value (the gross development value – GDV) from which to meet all necessary costs and obligations.

2.1.3 In order to do this we have run development appraisals using the well recognised principles of residual valuation on a number of notional scheme types, both residential and non-residential/commercial.

2.1.4 This technique, as the term suggests, provides a 'residual' value from the gross GDV (sale proceeds) of a scheme after all other costs have been deducted from that. Figure 1 below shows the basic principles behind this, in highly simplified form:

Figure 1: Simplified Residual Land Valuation Principles

Gross Development Value (value of the completed scheme)

minus

Costs (cost of realising the Gross Development Value including build costs, fees, finance, profit etc)

minus

other costs (planning obligations, affordable housing etc)

equals

Residual Land Value

2.1.5 Having allowed for the costs of acquisition, development, finance, profit and sale, the resulting figure indicates the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).

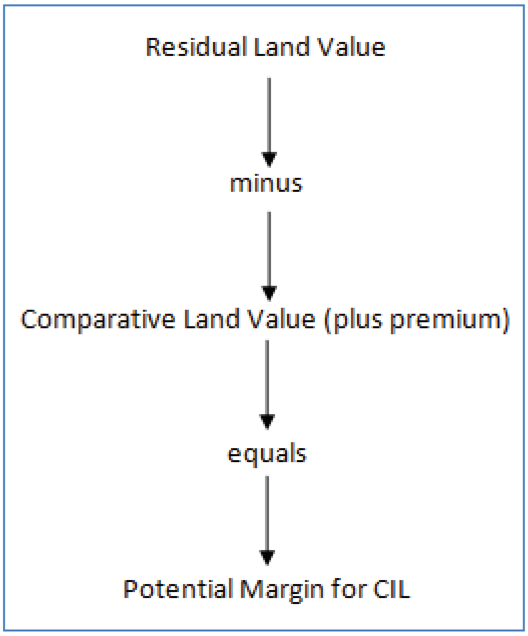
2.1.6 In order to guide on a range of likely viability outcomes the assessment process also requires a benchmark, or range of benchmarks of some form, against which to compare the RLV - such as an indication of existing or alternative land use values (EUVs or AUVs) relevant to the site use and locality; including any potential uplift that may be required to encourage a site to be released for development (which might be termed a premium, over-bid, incentive or similar). Essentially this means taking an appropriate high level view around the potential level(s) that land value (i.e. the scheme related RLV) may need to reach in order to drive varying prospects of schemes being viable. The appraisal results (RLVs) can be used to consider the wider picture outside a particular level of land value comparison, as will often be necessary given the wide range of circumstances that could be encountered.

2.1.7 The level of land value sufficient to encourage the release of a site for development is, in practice, a site specific and highly subjective matter. It often relates to a range of factors including the actual site characteristics and/or the specific requirements or circumstances of the landowner. Any available indications of land values using sources such as the Valuation Office Agency (VOA) reporting, previous evidence held by the Council and any available sales, or other evidence on value, are used for this purpose in making our assessment. Recently there has been a low level of activity on land deals and consequently there has been very little to go on in terms of examples; a range of reporting as mentioned above has to be relied upon to inform our assumptions and judgments. This is certainly not just a local factor, but one that we are experiencing on a consistent basis in carrying out these types of studies. In assessing results, the surplus or excess residual (land value) remaining above these indicative land value comparisons is shown as the margin potentially available to fund CIL contributions.

2.1.8 From an overview of those relationships, in the context of the range of wider assumptions within particular scenarios, we can see results trends. These show deteriorating RLV and therefore viability outcomes as scheme value (GDV) decreases and / or costs rise – e.g. through adding / increasing affordable housing, increasing build costs (as with varying commercial development types) and increasing trial CIL rates.

2.1.9 Any potential margin (CIL funding scope) is then considered in the round so that charging rates are not pushed to the limits but also allow for some other scope to support viability given the range of costs that could alter over time or with scheme specifics. In essence, the steps taken to consider that potential margin or surplus are as follows (see figure 2 below):

Figure 2: Relationship Between RLV & Potential Maximum CIL Rate (surplus or margin potentially available for CIL)



2.1.10 The range of assumptions that go into the RLV appraisals process are set out in more detail in this chapter. Further information is also available at Appendices I and III. They reflect the local market (through research on local values, costs and types of provision, etc) and locally relevant planning policies (taking into account the policies as are set out within the Core Strategy[1]). At key project stages we consulted with the Council's officers and sought soundings as far as were available from a range of local development industry stakeholders as we considered our assumptions.

2.2 Site Typologies / Notional Site Types

Residential development scenarios

2.2.1 Appraisals using the principles outlined above have been carried out to review the viability of different types of residential and non-residential / commercial developments. The scenarios were developed and discussed with the Council following a review of the information it provided. In the case of the residential

[1] Sevenoaks District Council – Core Strategy – Adopted February 2011

scenarios, these included the Core Strategy, background and evidence base, Planning Obligations information, Monitoring Reports, Strategic Housing Land Availability Assessment (SHLAA) and other information. It was necessary to determine scenario types reasonably representative of those likely to come forward across the District with the probable life of a first CIL Charging Schedule (2 – 5 years) *(estimate / indication?)*, for the purposes of this high level overview viability assessment.

2.2.2 For residential schemes, 7 main scenario types were tested with the following mix of dwellings and including affordable housing provision (where required by and in accordance with the Council's previous stages preferred policy options):

Figure 3: Residential Scheme Types

Scheme Type	Overall Scheme Mix
1 House (AH £ contribution - 10% equivalent)	1 x 4BH
5 Houses (20% AH)	4 x 3BH; 1 x 4BH
10 Houses (30% AH)	5 x 2BH; 5 x 3BH
15 Houses (40% AH)	5 x 2BH; 10 x 3BH
25 Mixed (40% AH)	8 x 1BF; 17 x 2BF; 6 x 2BH; 12 x 3BH; 7 x 4BH
50 Mixed (40% AH)	12 x 1BF; 20 x 2BF; 16 x 2BH; 36 x 3BH; 16 x 4BH
80 Flats (40% AH)	30 x 1BF; 50 x 2BF

Note: BH = bed house; BF = bed flat; Mixed = mix of houses and flats; AH = Affordable Housing (policy assumption)

2.2.3 The assumed dwelling mixes were again based on the range of information reviewed, combined with a likely market led mix. They reflect a range of different types of development that could come forward across the District (as at 2.2.1) so as to ensure that viability has been tested with reference to the ongoing housing supply characteristics. Each of the above main scheme types was also tested over a range of value levels representing varying residential values seen currently in the area and also allowing us to consider the impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values). The scheme mixes are not exhaustive – many other types and variations may well be seen. This fits the necessary overview process.

2.2.4 As above, a key area of the assumptions setting for the residential scenarios was to reflect and further test the Council's approach and policies, including on affordable housing – as set out at Strategic Policy 3 (SP3) of the adopted Core Strategy. SP£ is to be found on page 69 of the Core Strategy DPD (web-link to the DPD as follows: http://www.sevenoaks.gov.uk/documents/core_strategy_adopted.pdf).

2.2.5 The approach to this aspect of the assumptions reflects the sliding scale of affordable housing policy targets, as at Figure 3 above, to include consideration of the Council's requirement for a 10% equivalent financial contribution towards meeting affordable housing needs from the smallest schemes (of 1 to 4 dwellings inclusive). In all cases it should be noted that a "best fit" of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility within small scheme numbers.

2.2.6 Full details of the private and affordable housing numbers and types (the dwelling mix) assumed within each scheme scenario can be seen in Appendix I – Assumptions Spreadsheet.

2.2.7 The dwelling sizes assumed for the purposes of this study are as follows (see figure 4 below):

Figure 4: Residential Unit Sizes

Unit Sizes (sq m)	Affordable	Private
1-bed flat	51	45
2-bed flat	67	60
2-bed house	76	75
3-bed house	86	95
4-bed house	110	125

2.2.8 As with many areas of the study assumptions there will be a variety of dwelling sizes coming forward in practice, varying by scheme and location. No single size or even range of assumed sizes will represent all dwellings coming forward. Since there is a relationship between dwelling sizes, their values and their build costs, it is the levels of those that are most important for the purposes of this study (i.e. expressed in £ sq m terms) rather than the specific dwelling sizes to which those levels of costs and values are applied. With this approach, the indicative 'Values Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. This approach also fits with the way developers tend to price and assess schemes; and is consistent with CIL principles. It provides a more relevant overview context for considering the potential viability scope and the also, purely as an additional measure, reviewing the potential CIL charging rate outcomes as proportions of the schemes values and costs (see Chapter 3 - section *reference TBC on final* - for more on those indications).

2.2.9 The dwelling and development sizes indicated are expressed in terms of gross internal floor areas (GIAs). They are reasonably representative of the type of units coming forward for smaller and average family accommodation, within the scheme types likely to be seen most frequently providing on-site integrated affordable housing. We acknowledge that these 3 and 4-bed house sizes, in particular, may be small compared with some coming forward. All will vary, and from scheme to scheme. However, our research suggests that the values (£ sales values) applicable to larger house types would generally exceed those produced by our dwelling size assumptions but usually would be similarly priced in terms of the relevant analysis – i.e. looking at the range of £ per sq m 'Value levels' basis. In summary on this point, it is always necessary to consider the size of new build accommodation in looking at its price rather than its price alone. The range of prices expressed in £s per square metre is the therefore the key measure used in considering the research, working up the range of values levels for testing and in reviewing the results.

Commercial development scenarios

2.2.10 In the same way, the commercial scheme scenarios reviewed were developed through the review of information supplied by, and through consultation with, the Council; following the basis issued in its brief. This was supplemented with and checked against wider information including the local commercial market offer – existing development and any new schemes / proposals. The following (see Figure 5 below) sets out the various notional scheme types modelled for this study, covering a range of uses in order to test the impact on viability of requiring CIL contributions from key types of commercial development considered likely to be relevant in the District. Affordable housing did not feature in any of these scenarios; either on or off-site / by way of financial contributions.

2.2.11 In essence, the commercial / non-residential study aspects dealt with considering at a suitable level the relationship between the variables of values and costs associated with different scheme types, following a typical CIL viability study approach and without the added complications of other planning obligations or potential "trade-offs". Figure 5 below summaries the scenarios appraised through a full residual land value approach; again Appendix I (the second sheet there) provides more information.

2.2.12 As will be seen later other development use types less central to the plan delivery were considered first in simple value / cost relationship terms from which it became clear that the fuller assessments would not produce CIL funding potential in a regular or reliable way.

Figure 5: Commercial Development Types Reviewed - Overview

Development Type	**Example Scheme Type(s) and potential occurrence**	**GIA (m^2)**	**Site Coverage**	**Site Size (Ha)**
Large format Retail - supermarket	Large Supermarket – in / edge of town – PDL / greenfield	2000	33%	0.61
Large format Retail – retail warehousing	Retail warehouse – edge of town – greenfield / PDL	2500	31%	0.81
Small format retail – convenience store	Various locations.	300	60%	0.05
Town centre (comparison?) retail – TBC – *potential additional appraisals / commentary*	Town centre - TBC	TBC	TBC	TBC
Business development - Offices	In town office building - PDL	7000	300%	0.23
Business development - Offices	Edge of town / business park type office building. Greenfield / PDL.	2500	31%	0.81
Business development - Industrial / Warehousing	Move-on type industrial unit including offices - industrial estate. Greenfield / PDL.	200	40%	0.05
Business development - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate. Greenfield / PDL.	2500	31%	0.81
Hotel	Budget Hotel – various locations – edge of town	4500	100%	0.45
Residential Institution - Care home	Nursing home - rural - Greenfield / PDL.	5000	30%	1.67
Residential Institution - Care home	Nursing home – urban - PDL	3000	120%	0.25
Institutional – Community / health	Clinic or similar - TBC	1000	35%	0.29
Leisure? TBC	TBC – review and potentially supplement work – *Value vs cost & potentially further appraisal - TBC*	TBC	TBC	TBC
Agriculture	*Dealt with in Value vs cost terms linked also to tone of industrial / warehouse outcomes -*			

2.2.13 Although highly variable in practice, these types and sizes of schemes are thought to be reasonably representative of a range of commercial scheme scenarios that could come forward in the District to varying extents. As in respect of the assumptions for the residential scenarios, a variety of sources were researched and considered for guides or examples in support of our assumptions making process; including on values, land values and other development appraisal assumptions. DSP used information sourced from Estates Gazette Interactive (EGi), the VOA Rating List and other web-based searching. We also received some additional indications through our process of seeking local soundings. Further information is provided within Appendix III to this report. *(Draft Appendix III – ongoing work - to follow)*

2.2.14 The site coverage percentages indicated in Figure 5 above are based on information provided by and discussed with the Council's planning officers - using their local knowledge and monitoring records. This was supplemented / verified by local development and researched examples where possible. Additional information included articles and development industry features sourced from a variety of construction related publications; and in some cases property marketing details. Collectively, our research enabled us to apply a level of "sense check" to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme.

2.2.15 In addition to testing the commercial uses of key relevance above, further consideration was given to other development forms that may potentially come forward locally, although this could not be exhaustive by any means for any such study. These include for example non-commercially driven facilities (community halls, medical facilities, schools, etc) and other commercial uses such as motor sales / garages, depots, workshops, agricultural storage, surgeries / similar, and day nurseries.

2.2.16 Potentially there is a very wide range of such schemes that could come forward. Alongside their viability, it is also relevant for the Council to consider their likely frequency as new builds or major extension schemes, the distribution of these and their role in the delivery of the development plan (Core Strategy) overall; particularly during the life of the first CIL Charging Schedule again. For these scheme types, as a first step it was possible to review in basic terms the key relationship between their completed value per square metre and the cost of building. We found that this presents a sufficiently clear picture to demonstrate the range of situations in which the development costs will largely take up or even out-weigh the value created, so that such schemes do not show development viability. The nature of this key "value minus costs relationship" follows the basis of residual valuation thinking (it is the essence of that) so that we can see the wider range of scheme types unlikely to show any level of viability in this sense. *(Refer also to section 3 costs / values table)*

2.2.17 Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale, etc are allowed for) outweighs or is close to the completed value, it becomes clear that a scenario is not financially viable in the usual development sense being reviewed here and related to any CIL contributions scope. We are also able to consider these value / cost relationships alongside the range of main appraisal assumptions and the results that those provide (e.g. related to business development). This is an iterative process in addition to the main appraisals, whereby a further deteriorating relationship between values and costs provides a clear picture of further reducing prospects of viable schemes. This starts to indicate schemes that require other support rather than being able to produce a surplus capable of some level of contribution to CIL.

2.2.18 Through this iterative / exploratory process we could determine whether there were any further scenarios that warranted additional viability appraisals. Having explored the viability trends produced by examination of the cost / value relationships we found that in many other cases, completed scheme values were at levels insufficient to cover development costs and thus would not support any level of CIL, certainly not on any regular basis.

2.2.19 Further information on this section of the review process is provided within the findings commentary in Chapter 3 *(add specific ref once report settled)*.

2.3 Gross Development Value (Scheme Value; 'GDV') - Residential

2.3.1 For the residential scheme types modelled in this study a range of (sales) value levels (VLs) have been applied to each scenario. As mentioned previously, this is in order to test the scope for and the sensitivity of scheme viability to the requirement for a range of potential CIL charging rates (potentially including geographical values variations and / or with changing values as may be seen with further market variations). In the case of Sevenoaks and given the values variations seen in different parts of the District through the initial research stages, the VLs covered market values the range £2,250 to £5,000/sq m (£209 to £465/sq m) at £250/sq m (£23/sq ft) intervals. These are set out within Appendix I; VLs 1 to 12.

2.3.2 As above, the trial CIL rates were explored iteratively. This involved increasing the trial rate applied to each scenario, over a scale at £25/sq m steps from £0 up to £200/sq m. By doing this, we could consider the potential for schemes having varying sales values (as expressed by the series of VLs) to support CIL contributions at various potential rates (with varying affordable housing content - as per the Council's sliding scale policy targets). From our wider experience of studying and considering development viability and given the balance also needed with other planning obligations including affordable housing, exploration beyond the upper end £200/sq m potential charging rate level trial was not considered relevant in Sevenoaks District.

2.3.3 We carried out a range of our own research on residential values across the Council's area (see Appendix III). It is always preferable to consider a range of information so as to look for common themes and pointers to inform the assumptions setting and review of results stages. Therefore we also considered existing information for example contained within the Council's previous Affordable Housing Viability Study Viability research documents, Council supplied 'Hometrack' data; and from sources such as the Land Registry, Valuation Office Agency (VOA) and a range of property websites. Our practice is to consider all available sources to inform our up to date independent overview, noting again that judgments need to be made for this strategic overview; and not just based on historic data or particular scheme comparables.

2.3.4 Carried out in this way, the overview enabled us to compare our research data (sourced from web-based review of the overall market and current new-build schemes) with the high level Hometrack information provided by the Council.

2.3.5 A framework needs to be established for gathering and reviewing property values data. For Sevenoaks District we based our research of residential values patterns on the Council's Core Strategy approach to the hierarchy of settlements. On discussion with the Council it was considered that this would also enable a view on how the values patterns compare with the areas in which the most significant new housing provision is expected to come forward; again based on the settlements hierarchy approach.

2.3.6 This framework (our means of describing and considering the values as they vary across the District) provided the following basis of settlements:

- Main settlements:
    - Sevenoaks – main town (also considered with respect to constituent Ward areas)
    - Swanley – secondary town ('ST')
    - Edenbridge – rural service centre ('RSC')
- Local Service Centres ('LSC'):
    - New Ash Green
    - Otford
    - Westerham
- Service villages ('SV' - 17 no. – as per Core Strategy Policy LO 7):
    - Brasted
    - Crockenhill
    - Eynsford
    - Farningham
    - Halstead
    - Hartley
    - Hextable
    - Horton Kirby
    - Kemsing
    - Knockholt Pound
    - Leigh
    - Seal
    - Sevenoaks Weald

- Shoreham
- South Darenth
- Sundridge
- West Kingsdown

2.3.7 Our first stage desktop research considered the previous affordable housing study background research, Hometrack data (for values patterns) and Land Registry House Prices Index trends; together with a review of new build housing schemes of various types being marketed in the District at April – May 2012. Together, this informed a District-wide view of values appropriate to this level of review and for considering the sensitivity of values varying. We were able to look at particular settlements / localities (as at 2.3.6 above), and consider how the prevailing values varied between those. This research is set out at Appendix III.

2.3.8 Following this research, variable values were observed in all areas. This is as would be expected – a common finding whereby different values are often seen at opposing sides or ends of roads, within neighbourhoods and even within individual developments dependent on design and orientation, etc. Values patterns are often blurred to some extent and especially at a very local level. However, in this study context we need to consider this at a higher level and look for any clear variations between localities / settlements where significant development may be occurring in the Core Strategy context. It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the data-set for a given location at the point of gathering the information. In some cases, small numbers of properties in particular data samples (limited house price information, particularly in villages) produce inconsistencies. This is not unusual to Sevenoaks District. Neither is the relatively small number of current new-build schemes from which to draw information. However these factors do not affect the scope to get a clear overview of how values vary typically between the larger settlements and given the varying characteristics of the district; as set out in these sections and as is suitable for the consideration of the CIL.

2.3.9 At this level and potentially relevant to the consideration of the local approach to the CIL, some key themes on values patterns emerged. Looking at the settlements /

localities as above, we found the following key themes (again, subject to the above qualifications with respect to variances from typical values levels):

i) Relatively low values, in the high values wider Sevenoaks context, in the northern areas of the District:

Swanley (ST); New Ash Green (LSC); Hextable, Horton Kirby, South Darenth and West Kingsdown (SVs)

ii) Indications also of lower values in Farningham (consistent with the Hometrack values patterns indications) and in some cases on the eastern side of Sevenoaks (Hometrack suggests some lower values in Sevenoaks Northern Ward; not necessarily Eastern).

iii) What might be described as more typical higher, and often significantly higher, values across the central and the majority of the southern areas of the district; centred on Sevenoaks itself (the main town, side – Kippington – containing some of the highest values) and with similarly high or higher still values in the rural areas / smaller settlements in the central south and south east of the District. In this context, values in the LSCs of Otford, particularly, and to a lesser extent Westerham were seen to be typically well above the lower value areas noted at point (i) above.

iv) As at note (i) above, again relatively low values in the district context in the south western "corner" of the District – at Edenbridge (RSC). Values here were noted to be at similar levels to those seen typically in the northernmost areas.

v) Overall, therefore, and certainly at a level appropriate for CIL consideration, a pattern was observed and supported by both our research and the Council supplied Hometrack sourced data whereby high central and southern / south western area values are tipped by notably lower value areas across the north and to the south west corner of the district.

2.3.10 Ultimately this leads to the consideration of viability variations as would affect the potential CIL funding scope and therefore any differentiation needed for that by locality. As will be outlined in Chapter 3, this process informed a developing view of how to most appropriately describe and cater for the values and viability levels seen. Through ongoing discussion and consideration of the various data and knowledge sources, this evolved to a settled, evidenced view of the key characteristics of the District - to inform potential options for an appropriate local approach to CIL charging.

2.3.11 The research and data sources behind our assumptions on values (as at Appendix III) - Background Data - are not included in the main part of this report. However, Figure 6 below develops the above picture by indicating how our selected range of values levels (VLs) reflects the above patterns. More is also provided on this in Chapter 3.

Figure 6: Residential Values range in £s / sq m

	VL 1 – 4	**VL 4 - 9**	**VL 9 - 12**
Revenue (GDV) - Sales Value Level (VL) & indicative relevance by locality	Areas including – Swanley (ST); New Ash Green (LSC); Hextable, Horton Kirby, South Darenth, West Kingsdown (SVs); Edenbridge (RSC). Note – current new build values indicated to be above the bottom end of this range.	Remainder of district – central axis Sevenoaks to Westerham; north to Otford and Eynsford; south and south east (i.e. south excluding Edenbridge)	High-end values, above typical for the district – most likely scheme specific e.g. in parts of Sevenoaks, LSCs (except Edenbridge) and in some SVs (not those linked more typically with VL 1 - 4).
£ per sq m	2,250 – 3,000	3,000 – 4,250	4,250 – 5,000 (+)
£ per sq ft equivalent	209 - 279	279 - 395	395 – 465 (+)

2.3.12 In addition to the market housing, within the dwelling mix scenarios we have assumed a requirement for affordable housing which is varied in accordance with the Core Strategy policy target (%) positions that would apply in tandem with the various CIL trial rates and other usual development costs. Within the proportions (overall %s) of affordable housing, we have assumed that approximately 65% is affordable rented tenure and 35% is 'intermediate' in the form of shared ownership (although again it should be noted that this tenure mix was accommodated as far as best fits the overall scheme mixes and affordable housing proportion in each scenario). This is a fairly typical approach to targeting an appropriate affordable housing tenure mix; at a high level as is appropriate.

2.3.13 It must be noted that in practice many tenure mix variations could be possible; as well as many differing levels of rents derived from the affordable rents approach as affected by local markets and by affordability. The same applies to the intermediate (assumed shared ownership) element in that the pitching of the initial purchase share percentage, the rental level charged on the RP's retained equity and the interaction of these two would usually be scheme specific considerations to some degree. Shared ownership is sometimes referred to as a form of 'low cost home ownership' (LCHO). Assumptions need to be made for the study purpose.

2.3.14 For the affordable housing, the revenue that is assumed to be received by a developer is based on only the capitalised value of the net rental stream (affordable rent) or capitalised net rental stream and capital value of retained equity (in the case of shared ownership tenure). Currently the HCA expects affordable housing of either tenure on s.106 sites to be delivered with nil grant input. At the very least this should be the starting assumption pending any review of viability and later funding support for specific scenarios / programmes. We have therefore made no allowance for grant (assumed no reliance on it).

2.3.15 The value of the affordable housing (level of revenue received for it by the developer) is variable by its very nature. This may be described as the 'payment to developer', 'RP payment price', 'transfer payment' or similar. These revenue assumptions were reviewed in the context of our extensive experience in dealing with affordable housing policy development and site specific viability issues (including specific work on SPD, affordable rents, financial contributions and other aspects for other authorities). The affordable housing revenue assumptions were also underpinned by a wide range of RP type financial appraisals carried out with software as used by many RPs – 'SDS Proval'. We considered the affordable rented revenue levels associated with potential variations in the proportion (%) of market rent (MR); up to the maximum allowed by the Government of 80% MR including service charge.

2.3.16 For affordable rented properties the assumption has been made that the Local Housing Allowance (LHA) levels will act as an upper level above which rents will not be set (i.e. that they represent 80% of MR including service charge). This is to ensure that the percentage of MV figure does not reach a point that in practice would be unaffordable or impractical. For the purposes of this study we have used the High Weald Broad Rental Market Area (BRMA) LHA rates as the upper limit, being the most relevant to Sevenoaks District for this overview.

2.3.17 Using the LHA rate, including as a form of cap, in this way to estimate the transfer value of an affordable rented property means that in practice, taken across the whole values range (range of value levels - VLs) the transfer price as a proportion of open market value generally reduces as the VL increases. This varies by property size (bedroom numbers) and market value (MV) so that in some instances we see the mid range values producing the highest % MV affordable revenue figures. The variances are reflected in our appraisals, in accordance with the detailed affordable housing revenues assumptions sheet included as that last part of Appendix I *(DSP note - to combine)*. Comparative figures for affordable rents based on varying %s of MR and for social rented tenure indications are also provided there, though those were not used in our base appraisals.

2.3.18 In broad terms, the transfer price assumed in this study varies between 35% and 65% of market value (MV) dependent on tenure, unit type and VL. In practice, as above, the affordable housing revenues generated would be dependent on property size and other factors including the RP’s own development strategies and therefore could well vary significantly from case to case when looking at site specifics. The RP may have access to other sources of funding, such as related to its own business plan, funding resources, cross-subsidy from sales / other tenure forms, recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme dependent and variable and so has not been factored in here.

2.3.19 It is worth noting again that affordable housing will not be liable for CIL payments. This is the case under the regulations nationally; not just in the Sevenoaks District context. The market dwellings within each scenario will carry the CIL payments burden at the Council's specified rate(s).

2.4 Gross Development Value (completed Scheme ('capital') value) **- Commercial**

2.4.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. In order to consider the viability of various commercial development types, again a range of assumptions need to be made with regard to values. In these cases, this meant compiling reasonable assumptions on (annual) rental values and % yields that would drive the levels of GDV. The strength of the relationship between the GDV and the development costs was then considered either through residual valuation techniques very similar to those used in the residential appraisals (in the case of the main development types to be considered); or a simpler value vs cost comparison where it became clear that a poor relationship between the two existed, such that clear viability would not be shown and so making full appraisals unnecessary for a wider range of trial scenarios.

2.4.2 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was from a range of sources including the VOA, EGi and a range of development industry publications, features and web-sites. As with the residential information, Appendix III sets out more detail on the assumptions background for the commercial schemes.

2.4.3 Figure 7 below shows the range of annual rental values assumed for each scheme type. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme dependent on the combination of yield and rental values applied.

2.4.4 The rental values were tested at varying levels and are representative of low, medium and high values assessed as relevant for each commercial / non-residential scheme type in the District in order to assess the sensitivity of the viability findings to varying values. They are necessarily estimate and were assumed for new builds. This is consistent with the nature of the CIL regulations in that refurbishments / conversions / straight reuse of existing property will not attract CIL contributions (unless floor-space in excess of 100 sq m is being added to an existing building; and providing that certain criteria on the recent use of the premises are met). In many cases, however, limited or nil new build information for use of comparables exists, particularly given recent and current market circumstances. Therefore, views have had to be formed from local prevailing rents / prices and information on existing property. In any event, the amount and depth of available information varied considerably by development type. Once again, this is not a Sevenoaks-only factor and it does not detract from the necessary viability overview process that is appropriate for CIL.

2.4.5 These varying rental levels were combined with yields assumed at 6.5% to 7.5% (varying dependent on scheme type). All schemes were appraised initially using a yield assumption of 7.5% which, following further review, we considered appropriate to develop as the base set for most forms of commercial / non-residential development. This envisages good quality new development, rather than relating mostly to older accommodation which much of the marketing / transactional evidence provides. Retail and hotel scheme types were also appraised using a 6.5% yield assumption which was felt to be more reflective of likely levels for those scenarios – particularly the larger retail types (supermarkets / retail warehousing) and the hotel. This range, overall, enabled us to explore the sensitivity of the outcomes to such variations, given that in practice a wide variety of rental and yield expectations or requirements could be seen. We settled our view that the medium level rental assumptions combined with 7.5% base yield (6.5% for large retail and hotel overviews) were the most appropriate at the current time in providing context for reviewing results and considering viability outcomes. Taking this approach also means that it is possible to consider what changes would be needed to such assumptions to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could deteriorate whilst still supporting the collective costs, including CIL.

2.4.6 It is important to note here that small variations, particularly in the yield assumption, but also in rental value assumptions, can have a significant impact on the GDV that is available to support the development costs (and thus the viability of a scheme) together with any potential CIL funding scope. We consider this very important bearing in mind the balance that must be found between infrastructure funding needs and viability. Overly optimistic assumptions, or assumptions that would rely on infrequent circumstances in the local context (but envisaging new development and appropriate lease covenants etc rather than older stock), could well act against finding that balance.

2.4.7 This approach enabled us to consider the sensitivity of the likely viability outcomes to changes in the values and allowed us to then consider the most relevant areas of the results in coming to our overview on the parameters for potential CIL charging rates. As with other study elements, particular assumptions used will not necessarily match scheme specifics and therefore we need to look instead at whether / how frequently local scenarios are likely to fall within the potentially viable areas of the results (including as values vary). This is explained further in Chapter 3.

Figure 7: Rental Value for Commercial Schemes

Scheme Type	**Value Level (Annual Rent Indication £ / sq m)**		
	(“Low”)	(“Medium”)	(“High”)
Large format retail (supermarket)	£230	£260	£290
Large format retail (retail warehouse type)	£175	£200	£225
Small format retail (principally convenience stores)	£110	£140	£170
Town centre (comparison?) retail – TBC?			
Business development – in-town offices	£170	£200	£230
Business development – out of /edge of town	£170	£200	£230
Business development - Industrial / Warehousing - Small	£80	£90	£100
Business development - Industrial / Warehousing - Larger	£70	£80	£90
Hotel (budget) *- TBC*	£175	£200	£225
Residential Institution (care/nursing home)	£160	£180	£200
Institutional – community / health	£120	£150	£180

2.4.8 We are making this viability assessment following a period of significant recession which has seen a major downturn in the fortunes of the property market – from an international and national to a local level, and affecting all property types (residential and commercial). At the time of writing we still have a weak economic backdrop feeding through in to significant ongoing property market uncertainty. Although there were a range of mixed signs in 2011, we are still seeing low levels of development activity. This is caused by a cocktail of factors e.g. as a result of low occupier demand, and related to poor availability of attractively priced and readily available finance for property development and purchasing. At the point of closing-off the study, there continues to be mixed messages and some signs of economic recovery, but the UK economy is now "officially" back in recession following two consecutive quarters of negative growth. This perhaps sums up the ongoing uncertainty.

2.4.9 The RICS Commercial Market Survey for Q3 of 2011 – for context in the run up to the study period - stated that '*tentative recovery in real estate shows signs of faltering*'. It went on to say '*that tenant demand retreated over the quarter which, coupled with rising available space, is resulting in a more negative view on rental expectations. Surveyors attribute the fall in sentiment to the uncertain outlook for the wider economy… Significantly, sentiment has fallen across all sectors of the market. Retail demand slipped furthest into negative territory, while available space also rose fastest in the retail sector. However, rental expectations at the national level were most negative for offices'.*

2.4.10 The equivalent survey headlines for Q1 of 2012 (the RICS latest overview) stated:
'Activity stabilises and confidence turns less negative

- *Both demand and available space stabilise in Q1, but rent expectations remain in negative territory*
- *New development still falling, but at the slowest pace since 2007*
- *Little change in investment enquiries, but capital values still expected to ease in the near term'*

The survey went on to comment as follows:

'The latest RICS UK Commercial Market Survey shows there was little change in overall activity during the first quarter. The net balance readings for both occupier demand and available space broadly stabilised, resulting in slightly tighter market conditions compared to last quarter. As such, there was a small improvement in the rental outlook; rent expectations remain negative, but less so than in the previous quarter. Surveyors in many parts of the country are continuing to suggest that occupiers are remaining cautious with regards to new letting activity.

At the headline level, occupier demand and available space were largely unchanged in Q1, at +3 and +4 respectively, suggesting a relatively flat quarter for activity. However, the rental picture has yet to materially improve - or even stagnate - with expectations easing in the short term. On the investment side, enquiries to purchase also stabilised, while future activity is set to pick up slowly in the coming three months.

The results suggest there are fewer development projects in the pipeline, as new starts are continuing to fall. They are, however, declining at the slowest pace in five years. Moreover, capital values are still expected to ease further at the national level; 9% more surveyors expect them to fall rather than rise in the coming quarter.

At the sector level, demand for space fell in the retail sector, while it stabilised for offices and increased for industrial space. Available space continued to rise for office and retail units, but showed modest declines for industrial - the first such reading since 2005. In the industrial sector, rents are stabilising following several consecutive decreases. Rents are still expected to decline for office and retail units.

On the investment side, only the industrial sector saw new enquiries and capital value expectations stabilise this quarter, with the net balances just edging into positive territory. There were declines for the office and retail sectors, though at a lesser pace than in last quarter.'

2.4.11 As with residential development, consideration was given to the Sevenoaks District context for whether there should be any varying approach to CIL charging levels for commercial and other developments locally.

2.4.12 On review, it was considered that the key types of schemes could occur in some form at the main town of Sevenoaks, secondary town of Swanley and the rural service centre of Edenbridge. In the main, significant business or retail proposals would be unlikely to occur outside these 3 principal settlement areas. Beyond those, smaller scale office, industrial, retail or other developments could be seen in the smaller settlements hence a variety of scenarios has been considered.

2.4.13 However, in each case it was considered that variations in values and viability outcomes would be more likely to be the result of detailed site and scheme specific characteristics, and not necessarily driven by distinctions between general location (area) within the District. This was borne out on review of the commercial values data, as per the examples included at Appendix III. As can be seen, there is great variety in terms of values within each of the towns and across the full range of locations in the District. However, there were tones of values which informed our rental and other assumptions for the appraisals, based on the upper end rental indications seen for business uses (offices and industrial / warehousing) as appropriate for high quality new build schemes and on the variety of indications seen for retail. In both cases these from a combination of the VOA Rating List, EGi and other sources as far as were available whilst keeping the review depth proportionate and economic in the CIL overview context. In respect of other commercial / non-residential development types again a district-wide overview was considered appropriate.

2.4.14 While the highest in-town retail rents are typically in Sevenoaks, we consider that out of town / edge of town retail, supermarket and convenience store developments of the types likely to be more relevant as new builds would tend to generate similar values in a range of locations across the District (with values being more scheme specific than general location-led). In general, we consider office rents in the District to be modest. The retail values in general are similar to those we have seen in a range of locations. Industrial / warehousing rents again are at similar levels to those we have seen in a range of local authority areas. As a general observation, this does not appear to be an area that has attracted higher-end purpose built offices, research facilities and the like to any significant degree. Much of the office stock is in smaller suites, older buildings and conversions, etc. *(DSP note – to revisit as Appendix III is finalised and potentially to draw-out further local characteristics / "relativities" re the main locations of various commercial stock types from our observations and on rental levels – this will be seen at Appendix III detail, but TBC).*

2.4.15 Overall, we found no clearly justifiable or readily definable approach to varying the potential CIL charging on commercial / other development types through viability findings based on location / geography – without risking the approach becoming overly complex. Whilst certain specific scheme types could create more value in one location compared with another in the District, typically there was felt to be no clear or useful pattern which might be described for that. In preference to a more complex approach, given the lack of clear evidence pointing towards that, the project ethos was to explore potential CIL charging rates for these various development types in the case of making them workable district-wide. We therefore continued our work on the basis of a uniform approach District-wide to exploring the CIL charging rate scope in viability terms for commercial uses. It must be accepted that there will always be variations and imperfections in any level of overview approach; with or without area based differentiation.

2.5 Development Costs – General

2.5.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, assumptions have to be fixed to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site specific cases can be. As with the residential scenarios, an overview of the various available data sources is required; and is appropriate.

2.5.2 Each area of the development cost assumptions is informed by data - from sources such as the RICS Building Cost Information Service (BCIS), any locally available soundings and scheme examples, professional experience and other research.

2.5.3 For this overview we have not allowed for abnormal costs that may be associated with particular sites as these are highly specific and can distort comparisons at this level of review. This is the established approach at this level of review.

2.5.4 In our view, and again related to the need to consider balance (and not "push to the limits") in setting CIL charging rates, this is another factor that should be kept in mind; in some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and, whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.6 Development Costs – Build Costs

2.6.1 The base build cost levels shown below are taken from the BCIS. In each case the median figure, rebased to Q4 2011 and a Sevenoaks District location index (117 relative to a national level of 100) is used. This is noted to be one of the highest locational adjustments that we have worked with and produces a build costs basis which might in a range of cases be considered to be on the high-side. Nevertheless, given the nature of the study, the balance to be found by the Council and the potential for future costs increases, we decided to leave this assumption as it stands – i.e. including this full location adjustment even though it is higher than the BCIS indicated for a wide range of adjoining localities and areas farther afield, including Surrey and most London Boroughs; and ahead of the London Postal Districts location adjustment factor. This is a factor to be considered when viewing other assumptions and the outcomes. It is undoubtedly having the effect of reducing the RLV results compared with those related to a reduced location adjustment to the BCIS base build costs indications. As with other cost-side assumption areas, however, the overall build costs view is part of the study thinking in this context of finding the right local balance through avoiding assumptions that leave insufficient scope when the CIL charging is applied in practice. Costs shown are for each development type (residential and commercial) – see Figure 8 below:

Figure 8: Build Cost Data (BCIS Median, Q4 2011, Location Index 117)

Development use	Example property type	BCIS Build Cost (£/m²)*
Residential	Houses - mixed developments	£952
Residential	Flats	£1,084
Large format retail	Supermarket	£1,261
Large format retail	Retail warehouse	£586
Small format retail	Convenience Store	£763
Town centre retail – if applicable - TBC	*TBC*	*TBC*
Business development	Town Centre Office Building	£1,449
Business development	Out of / edge of town office building	£1,359
Business development	Industrial unit including offices	£866
Business development	Larger industrial / warehousing unit including office element	£476
Hotel	Budget hotel	£1,508
Residential Institution	Nursing (care) Home	£1,492
Institutional	Community / Health	£1,473
Leisure – if applicable - TBC	*TBC*	*TBC*

*excludes externals and contingencies (these are added to the above base build costs)

2.6.2 As noted, the above build cost levels do not include contingencies or external works. An allowance for externals has been added to the above base build cost on a variable basis depending on the scheme type. This is typically between 14% and 21% of base build cost for flatted and housing schemes, respectively, based on analysis of specific schemes within the BCIS dataset. A notional allowance for externals of 20% of base build cost has been added for all commercial / non-residential schemes, based on a range of information sources and cost models and pitched at a level above some information seen on this assumption in order to ensure sufficient allowance for the potentially variable nature of site works. The resultant build costs assumptions (after adding to the above for external works allowances but before contingencies and fees) are included at the tables in Appendix I.

2.6.3 For this broad test of viability it is not possible to test all potential variations to additional costs. There will always be a range of data and opinions on, and methods of describing, build costs. In our view, we have made reasonable assumptions which lie within the range of figures we generally see for typical new build schemes (rather than high specification or particularly complex schemes which might require particular construction techniques or materials). As with many aspects there is no single appropriate figure in reality, so judgments on overview assumptions are necessary. As with any appraisal input of course, in practice this will be highly site specific. In the same way that we have mentioned the potential to see increased costs in some cases, we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.6.4 An allowance of 5% has been included for sustainable construction standards to Code for Sustainable Homes level 4 equivalent standards – reflecting the Council's policy and projecting to 2013 requirements of Core Strategy Policy SP 2. In addition, on a notional basis and to cover related costs (e.g. associated with renewable energy requirements) a further allowance of £3,500 per dwelling (all dwellings) has been made in this respect. In practice such cost allowances could in fact be directed towards other sources of cost increases over the base build cost assumptions should those become relevant. *(DSP to further check wording prior to final. SDC to note that as discussed any CfSH 6 trials will show very poor viability outcomes on the whole – may wish to consider wording re being more appropriate to review as further information becomes available during the life of the 1st Charging Schedule – but we can discuss / consider).*

2.6.5 As a general basis, build contingencies at 5% of build cost have also been allowed. This is a relatively standard assumption in our recent experience. We have seen variations either side of this level in practice, but with usual assumptions in the 3% to 5% range.

2.6.6 Standard survey (£500) and normal site preparation costs (£4,000) per unit respectively have also been allowed for on a notional basis for residential scenarios; variable within the commercial schemes.

2.6.7 The interaction of costs and values levels will need to be considered again at future local CIL review points. In this context it is also important to bear in mind that the base build cost levels will also vary over time. In the recent recessionary period we have seen build costs fall, but moving ahead they are expected to rise again. Costs peaked at around Q4 2007 / Q1 2008 but fell significantly (by more than 10%) to a low at around Q1 2010 (similar index point to that seen at around Q1- Q2 2004 levels). The index shows that, after modest rises in the first half of 2010, tender prices have been at relatively consistent (flat) levels. This trend is forecast to continue through to the first half of 2013 after which, currently, very steady tender price increases are forecast through to early 2017 (rising from about a 1 – 2% per annum increase in 2013 to 4.5% at the end of 2016. Clearly only time will tell how things run-out in comparison with these forecasts.

2.6.8 The latest available BCIS briefing (revised 8th February 2012) stated on build cost trends:

'Experian show contractors reporting that construction enquiries fell for the second month running in December 2011, compared with the previous month.

According to the Office for National Statistics (ONS), the total volume of orders in 3rd quarter 2011 rose by 13% compared with the previous quarter but fell by 6% compared with a year earlier.

Experian revised their forecast of construction output in January 2012. Their current forecast shows total construction output rising by 1.9% in 2011, followed by a fall of 5.6% in 2012; output then rising by 1.1% in 2013 and by 4.7% in 2014. The Construction Products Association (CPA) also revised its forecast of construction output in January 2012, with the forecast for 2011 for total construction output now standing at 1.8% growth, followed by a fall of 5.2% in 2012, a small rise in 2013 of 0.4%, and a stronger rise in 2014, by 3.8%.

Following an unsustainable 15% rise in 2010, new work output looks to have endured public sector cuts so far to remain in positive territory in 2011. However, a deeper contraction is now expected in 2012, likely extending into 2013, before a return to steadier growth in 2014. Private sector investment growth is not expected to start mitigating the sharp decline in public spending until at least the latter part of 2013. It is anticipated that despite the public spending cuts, the infrastructure sector will continue to grow modestly over the forecast period. The level of new work output in 2012 is expected to be around 12% below the pre-recession level of 2007, but 10% above the 2009 low of the recession.

With workload increasingly scarce and upside potential commercially limited, tender prices look pressed to remain static over the first year of the forecast period. However, as increasing input costs can no longer be absorbed, the return of a limited degree of tender price inflation is tentatively envisaged in the second year of the forecast. Potential downside risk to the forecast is prominent.

The BCIS forecast is for tender prices to remain static in the year to 4th quarter 2012, rising by 1.8% over the following year.'

2.7 Development Costs – Fees, Finance & Profit (Residential)

2.7.1 The following costs have been assumed for the purposes of this study alongside those at section 2.6 above and vary slightly depending on the type of development (residential or commercial). Other key development cost allowances for residential scenarios are as follows (Appendix I also provides a summary):

<u>Professional, planning and other fees</u>:	*Total of 10% of build cost*
<u>Site Acquisition Fees</u>:	*1.0% agent's fees* *0.75% legal fees*

Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT).

Finance: scheme is debt funded) — 6.5% p.a. interest rate *(DSP note - TBC) (assumes*

Arrangement fee variable – basis 1% of loan

Marketing costs: — *3.0% sales fees*
£750 per unit legal fees

Developer Profit: — *Open Market Housing – 20% of GDV*
Affordable Housing – 6% of GDV (affordable housing revenue)

2.8 Development Costs – Fees, Finance & Profit (Commercial)

2.8.1 Other development cost allowances for the commercial development scenarios are as follows:

Professional, planning and other fees: — *Total of 12% of build cost*

Site Acquisition Fees: — *1.0% agent's fees*
0.75% legal fees
Standard rate (HMRC scale) for Stamp Duty land Tax (SDLT)

Finance: — *6.5% p.a. interest rate (DSP note – TBC) (assumes scheme is debt funded)*
Arrangement fee variable – 1% loan cost

Marketing / other costs: — *(Cost allowances – scheme circumstances will vary)*
1% promotion / other costs (% of annual income)
10% letting / management / other fees (% of assumed annual rental income)

5.75% purchasers costs – where applicable (DSP note – TBC)

Developer Profit: *20% of GDV (noted to provide an element of viability cushioning in comparison with what may be a more typical assumption of circa 15% GDV).*

2.9 Build Period

2.9.1 The build period assumed for each development scenario has been based on BCIS data (using its Construction Duration calculator - by entering the specific scheme types modelled in this study) alongside professional experience and informed by examples where available. The following build periods have therefore been assumed. Note that this is for the build only; lead-in and extended sales periods have also been allowed-for on a variable basis according to scheme scale, having the effect of increasing the periods over which finance costs are applied (see Figure 9 below):

Figure 9: Build Period

Scheme Type	Build Period (months)
1 Unit - housing	6
5 Units - housing	6
10 Units - housing	9
15 Units - housing	12
25 units - mixed housing	18
80 units - flatted	24
Large retail -supermarket	9
Large retail – retail warehousing	7
Small retail (principally convenience stores)	6
Business - in-town offices	18
Business – edge of town / other / business park offices	12
Business - Industrial (small)	6

Business - Industrial / Warehousing (larger)	8
Hotel (budget)	12
Care Home	16
Institutional (community/health)	9

2.10 Other planning obligations - section 106 Costs

2.10.1 An ongoing site specific s.106 planning obligations allowance (financial contribution) has been factored into the appraisal assumptions as well (alongside affordable housing and CIL trial rates in all cases for residential schemes). On discussion with the Council it was considered that a great majority of existing Planning Obligation requirements on future schemes *(with the potential exception of some larger scheme scenarios?)* would be taken up within the CIL proposals, but nevertheless that small scale site specific requirements (perhaps dedicated highways improvements / alterations, open space related or similar requirements) could remain alongside CIL in some circumstances. For the residential scenarios, the appraisals therefore included a notional sum of £1,000 per dwelling (for all dwellings – including affordable - and all schemes) on this aspect purely for the purposes of this study and in the context of seeking to allow for a range of potential scenarios and requirements.

2.11 Indicative land value comparisons and related discussion

2.11.1 As discussed previously, in order to consider the likely viability scope for a range of potential (trial) CIL contribution rates in relation to any development scheme, a comparison needs to be made between the out-turn results of the development appraisals (the RLVs) and some level of benchmark or comparative land value indication. As suitable context for a high level review of this nature, DSP's practice is to compare the wide range of appraisal RLV results with a variety of potential land value comparisons. This allows us to consider a wide range of potential scenarios and outcomes and the viability trends across those. This approach reflects the varied land supply picture that the Council expects to see in coming years, predominantly from previously developed land (PDL) comprising former commercial / employment uses and in some cases the reuse and intensification of existing residential and other sites;

but potentially also including from lower value and in some very limited circumstances greenfield sites. For Sevenoaks District, our emphasis for land value comparisons is placed on PDL scenarios and not greenfield.

2.11.2 Reviewing the scale of the difference between the RLV and a comparative land value level (i.e. surplus after all costs, profit and likely land value expectations have been met) in any particular example, and as that changes between scenarios, allows us to consider the potential CIL funding scope. It follows that, in the event of little or no surplus, or a negative outcome (deficit), we can see that there is little or no CIL contribution scope alongside the other costs assumed.

2.11.3 This also needs to be viewed in the context that invariably (as we see across a range of CIL viability studies) the CIL trial rates are usually not the main factor in the overall viability outcome. Market conditions and whether a scheme is inherently viable or not (i.e. prior to CIL payment considerations) tend to be the key factors. Small shifts in the CIL trial rate only significantly affect viability in the case of schemes that are only marginally viable and so at a tipping-point of moving to become non-viable once CIL is imposed or other relatively modest costs (in the context of overall development costs) are added. As the inherent viability of schemes improves then even a larger increase in the CIL trial rate is often not seen to have a very significant impact on the RLV and therefore likely viability impact by itself. As the trial CIL rate increases it is usually more a matter of relatively small steps down in reducing viability and so also considering the added risk to developments and the balance that Council's need to find between funding local infrastructure and the viability of development in their area.

2.11.4 In order to inform these land value comparisons or benchmarks we sought to find examples of recent land transactions locally. However, no firm evidence of such was available from the various soundings we took and sources we explored. Similarly, indications from local sources were very limited. We reviewed information sourced as far as possible from the VOA, previous research / studies / advice provided by the Council, seeking local soundings, EGi; and from a range of property and land marketing web-sites.

2.11.5 Each of the RLV results is compared to a range of land value levels representing potential values for sites of varying types of brownfield (PDL) sites; envisaging a potential spectrum of sites from lower to upper value commercial land and sites with existing residential use. Again, scheme specific scenarios and the particular influence of site owners' circumstances and requirements will be variable in practice.

2.11.6 In terms of the VOA, data available for comparison has reduced significantly since the July 2009 publication of its Property Market Report, with data provided only on a limited regional basis in the later reporting. None of the information in the latest report is sufficiently local to Sevenoaks for anything other than a general / relative picture between regions and certain locations which are listed. Information has been sourced from existing data and research together with general indications and soundings - all as far as were available to source.

2.11.7 As can be seen at Appendices IIA and IIB (residential and commercial scenarios results respectively), we have made indicative comparisons at land value levels of £1,300,000/ha and £3,000,000/ha so that we can see whether our RLVs fall beneath or above each of these levels.

2.11.8 In the event that greenfield or other lower value land were to be relevant then the results can be used in exactly the same way; to get a feel for how the RLVs (expressed in per ha terms) compare with a lower land value levels of say £500,000/ha. The minimum land values likely to incentivise release for development under any circumstances is probably in the range £250,000 - £500,000/ha in the Sevenoaks District; likely only relevant to greenfield (for example enhancement to farmland or amenity land value). This range could be relevant for consideration as the lowest base point for enhancement to greenfield land values (with agricultural land reported by the VOA to be valued at £15,000 - £20,000/Ha in existing use). The HCA issued a transparent assumptions document which referred to guide parameters of an uplift of 10 to 20 times agricultural land value. This sort of level of land value could also be relevant to a range of less attractive locations or land for improvement. This is not to say that land value expectations would not go beyond these levels – they could well do in a range of circumstances. We are also aware of garden land being valued indicatively at say £850,000/Ha in a similar local authority context, purely as a further indication of a potentially lower value scenario in certain circumstances and in general of the range of comparisons that could be relevant overall.

2.11.9 As well as a level of value relating to an existing or alternative use driving a site's value ('EUV' or 'AUV'), there may be an element of premium (an over-bid or incentive) required to enable the release of land for development. In our view, this would not apply, however, in situations where there is no established ready market for an existing or alternative use. The HCA's draft document 'Transparent Viability Assumptions' that accompanies its Area Wide Viability Model suggests that "*the rationale of the development appraisal process is to assess the residual land value that is likely to be generated by the proposed development and to compare it with a benchmark that represents the value required for the land to come forward for development*". This benchmark is referred to as threshold land value in that example: "*Threshold land value is commonly described as existing use value plus a premium, but there is not an authoritative definition of that premium, largely because land market circumstances vary widely*". Further it goes on to say that "*There is some practitioner convention on the required premium above EUV, but this is some way short of consensus and the views of Planning Inspectors at Examination of Core Strategy have varied*". These types of acknowledgements of the variables involved in practice align to our thinking on the potential range of scenarios likely to be seen. As further acknowledged later, this is one of a number of factors to be kept in mind in setting suitable rates which balance viability factors with the infrastructure needs side.

2.11.10 We would stress here that any overbid level of land value (i.e. incentive or uplifted level of land value) would be dependent on a ready market for the existing or other use that could be continued or considered as an alternative to pursuing the redevelopment option being assumed. The influences of existing / alternative uses on site value need to be carefully considered. At a time of a low demand through depressed commercial property market circumstances, for example, we would not expect to see inappropriate levels of benchmarks or land price expectations being set for opportunities created from those sites. Just as other scheme specifics and appropriate appraisal inputs vary, so will landowner expectation.

2.11.11 Overall, the indicative land value comparisons at £1,300,000 to £3,000,000/ha as set out in the footnotes to the results tables (at Appendices IIa and IIb) are considered appropriate as guides against which increased confidence is shown in viability outcomes as the RLVs meet or exceed such guides. Any further information, as far as was available, is set out within the wider research as included at Appendix III. The results trends associated with these are seen at Appendices IIa and IIb, as are also explained in chapter 3 below.

3 Findings

3.1 Introduction

3.1.1 Results summaries are included at Appendix IIa (residential scenarios) and Appendix IIb (commercial/non-residential). In each case these reflect the scenarios explained in Chapter 2 and set out at Appendix I. Within Appendices IIa and IIb there are different tables according to the type of host site assumed for the scenarios and bearing in mind the variables / dynamics introduced at 2.1.6 and discussed at section 2.11 above – e.g. greenfield and PDL (e.g. former commercial).

3.1.2 In the case of the commercial results, there are 2 sets covering alternative yield views of 6.5% (considered most relevant to retail and hotel scenarios) and 7.5% (on all scenarios); as discussed, in relation to exploring the sensitivity of the results to these factors.

3.1.3 In summary Appendix IIa and IIb results tables show:

- Left side column(s): Scheme scenario (Residential: dwelling numbers / scheme type and affordable housing proportion; Commercial; Scheme scenario).

- Under each residential scheme type: Increasing value (GDV) level (increasing by VL 1 - 12) set out reading downwards alongside each scheme type.

- Under each commercial scheme type: Increasing value (GDV) – L (low); M (Medium); High (H) so as to enable sensitivity to rental assumption to be explored. The 'M' value levels considered the key area regarding current time balanced interpretation of results, 'L' and 'H' looking at the sensitivity of outcomes flowing from lower or higher values, related to varying scheme type / location and / or market movements.

- Left hand side of main table area: RLV appraisal results expressed in £s. (Non colour-shaded section – white and table grey areas).

- Right hand side of main table area: RLV appraisal results expressed in £s per Ha equivalent, given the assumed scenarios on type, density/coverage, etc. (Colour-shaded section).

- Far right side – 2 columns showing the range within which the potential theoretical maximum CIL charging rate lies for each scenario based on the assumptions made. The lowest of these figures (left side column of these 2) shows the maximum charging rate assuming the highest land value comparison in each case had to be met (£3,000,000/ha). The higher figure (far right column) shows the theoretical maximum charging rate in each scenario in the event that the lower of the land value comparison levels in each case were relevant (£1,300,000/ha). This is calculated by deducting the benchmark land value plus premium (where applicable) from the residual land value created by the appraisal (our RLV outcome) with £0 CIL and dividing the result by the assumed relevant floor area of the development to get a theoretical maximum CIL rate per sq m.

- Within each of those sections the coloured cells (see the explanatory text below) are the key areas in terms of reviewing trends. The trial CIL rates – in £s per sq m are shown across the top row - applied as a key part of the iterative process of exploring the effect on likely viability (or risk to the scheme proceeding) of those rates increasing over the scale tested. As discussed earlier, realistically this has to be carried out in steps to control to reasonable parameters the extent of the appraisal modelling exercise overall. Providing these trial rates span a sufficient range and the steps between each trial level are not too large, the iterative process can be applied and considered successfully. It is not necessary, and would not be practical or economic to further extend this process. In Sevenoaks District's case, we considered rates of £0 to £200/sq m covering the range of scenarios that in our experience and from review of emerging results provided us with suitable parameters and context for review with the Council.

- It is important to note that the colour-coding at Appendices IIa and IIb, and in the other summary tables included in the report text below, is intended to provide a rough guide to the nature of the results only – it helps to highlight the general results trends. Based on the accepted nature of such an exercise, i.e. not being an exact science, this must not be over-interpreted as representing any strict cut-offs as regards viability / non-viability. In practice, switch points between viability and non-viability will be variable and this process explores the likelihood of various realistically assumed values and costs (including potential CIL rates) proving to be workable and therefore achieving the most appropriate points for finding balance between CIL rates and the high level of the local infrastructure needs. We can see the results trends as indicative outcomes vary with increasing sales values (GDVs – as expressed through increasing VLs 1 to 12; L, M & H values for commercial); increasing CIL trial rate; changing scheme type and (for the residential scenarios) affordable housing content with that.

- Taking into account the above comments, the colours therefore indicate general trends as follows:

    - Darkest green coloured table cells (results) - Considered to be very good viability prospects; the best results from the range produced. (RLVs greater than £3m/ha; potentially representative of land with established residential use or upper-end commercial land for example in respect of retail proposals).

    - Paler green coloured table cells (results) - Considered to provide good viability prospects in a range of circumstances, with RLVs in the range £1.3m/ha to £3m/ha and therefore meeting a wide range of likely former commercial use and lower residential values expectations, but possibly not reaching sufficient levels for high-value commercial (e.g. retail) or some residential scenarios. Therefore whilst these results indicate workable schemes on a range of PDL site types, they may be viewed with a lower confidence level overall than the darker green shaded RLV indications (as above).

    - Palest (white/grey coloured table cells (results)) – Positive RLVs, but which are under our base land value comparison of £1.3m/ha and therefore indicating reduced confidence in results relating to PDL scenarios. Potentially representative of lower value PDL (commercial) sites and, should they have some limited relevance locally, greenfield development scenarios where enhancement to existing use values could still be sufficient in a range of circumstances.

- Red coloured table cells (results) – negative RLVs – schemes in financial deficit representative of clearly poor viability outcomes – no prospect of viable schemes based on the assumptions collection used in each case. Under these circumstances especially, as part of our review process we weigh-up the degree to which the assumptions would need to move in favour of viability so that we can form a view on whether that level of shift in assumptions may be realistic or not.

- Footnotes at the bottom – reminder of land value benchmark (comparison) indications applied in arriving at the colour-shading of the RLVs to provide a guide to the results trends; all bearing in mind the context and explanations provided within this report. The does not preclude the use of the results tables for other land value comparisons, by comparing the RLV (per ha) in each cell of the coloured table sections with any particular land value level. This has been mentioned, for example, in respect of typically lower greenfield land enhancement values should those become relevant to local delivery.

3.1.4 In addition, each results Appendix (IIa and IIb) contains sample appraisal summary sheets, which display the key input areas, relationship between those and the outputs (Indicative RLVs) they produced (as transposed to the table discussed above). Bearing in mind the study purpose and nature, and depending on the scheme type, these are not the full appraisals, given the volume and added complexity of information that would involve displaying. They are intended to provide an overview of the main assumptions areas and the outcomes, and to further help an understanding of how the residual land valuation process has been used here to consider the value / costs relationships.

3.1.5 On reviewing the results and the Council taking this further into the wider consideration of its preliminary draft charging schedule (PDCS) CIL rate(s) proposals, a number of key principles have been, and are to be, kept in mind – for example:

a. We can clearly see the significance of the affordable housing impact on development viability (as the % affordable content increases), in comparison with that from CIL where the gradually stepped increasing trial charging rate generally produces small or graded viability impacts. Generally, with increasing affordable housing proportion, we see more areas of red/white shaded results; less green. This is a general feature of this review work more widely – not a Sevenoaks District specific factor.

b. In terms of the scale of CIL impacts relative to other factors such as the sales values and affordable housing, and potential "trade off" between CIL and affordable housing, this means that quite a significant drop in the potential CIL rate and / or sales value (VL) improvement is needed to balance a drop in RLV level that is produced by a step-up in affordable housing proportion. Comparisons would all be affected by factors such as the affordable housing policy step being made, market value levels, affordable housing tenure and affordable housing revenue levels. However, it appears necessary to improve the VL by one or two steps to counterbalance a 10% step-up in affordable housing requirements. There is a form of double viability effect from affordable housing when considering it in parallel with the CIL, in that firstly by itself it has a significant viability impact and, secondly, affordable homes will not pay the CIL charge. Therefore the cost burden will fall on the market homes.

c. The CIL charging rates should not be set up to their potential limits. Bearing in mind that in practice:

   i. Costs will vary from these assumptions levels with varying circumstances and over time (build costs being a key example) – we have allowed appropriately and have not kept these to what might be regarded minimum levels by any means. Some scope may be needed where costs are higher, however, by reason of site specific abnormals, increasing national level carbon reduction agenda requirements, etc.

ii. Land owners' situations and requirements will vary. While, as stated, those will need to be realistic (and, as part of that, assessments will need to be made as to whether there are realistic prospects of securing significant value from existing or alternative uses in the prevailing market), they could be outside the ranges we have explored in making our overviews; including at higher levels.

iii. The economic backdrop and property market remains uncertain and could continue to falter. Reducing sales volumes could further affect prices in time directly impacting the GDV assumptions. This is why we have explored a range of value levels.

iv. The need for residential developments to also accommodate affordable housing provision (as has been assumed, and varied, alongside the trial CIL rates) together with other wider planning objectives such as sustainability and any on-site / local measures needed under s.106. Such aspects will also need to remain priorities of the Council. HCA funding for affordable housing appears to be uncertain and likely to continue being limited in application for the foreseeable future. Again, appropriate revenue assumptions (without grant) have been made.

v. Developer's profit level (and related funders') requirements could well vary. Particularly in the case of commercial schemes, we could see lower profit level requirements than those we have assumed. However, we felt it appropriate in particularly poor commercial market conditions to acknowledge that there may need to be some scope in this regard; or in respect of other commercial scheme costs/risks. This, again, is part of setting assumptions which fit with a balanced approach by ensuring that costs are included at an appropriate level overall, and in any event not so low as to make the viability outcomes look falsely positive.

d. The potential CIL charging rates need to be considered alongside other factors relevant to the locality and the Council's further progression of the development plan, for example regarding:

i. Location and frequency of scheme types relevant to key portions of the local growth planning – considering where development will be located (in relation to the values patterns for example) and on what site types.

ii. Types and frequency of schemes likely to be relevant including accepting that, in practice, variation is very wide – particularly for commercial/non-residential development, where schemes could be seen in many shapes and sizes, uses and combinations thereof. However, it is necessary to consider the local relevance of those alongside their likely typical viability in terms of any scope to support viability.

iii. Respecting any clear values patterns but also understanding that there are bound to be imperfections in defining any viability zones or similar. In practice values can change over a very short distance (within schemes, different sides or ends of roads, with different aspects, school catchments, with other local variations, etc). The charging schedule should be as simple as possible including where there are to be variations by geographical / other zones.

iv. Some schemes will have inherently poor levels of viability even before affordable housing and / or CIL requirements. There will be instances where no amount of adjustment to CIL rates, for example, would overcome viability issues. The economy / market, funding availability and therefore the underlying demand for property of any type and the value flowing from that is likely to be a bigger determinant of viability so that affordable housing and / or CIL charging are not likely to render an otherwise viable scheme unviable providing they are not fixed at too high a level.

v. Conversely some schemes / scheme types may in theory have been able to fund a greater level of CIL payment than the recommended levels (and/or greater levels of other obligations including affordable housing). However, this is appropriate in the context of balance in setting levels, i.e. not adding undue risk to delivery and therefore moving forward with the local economy and growth in accordance with the development plan.

vi. The variety of site types that is expected to come forward – meaning reviewing the results scales in the context of a range of potential land value comparison levels. We do not consider it appropriate to rely on comparisons at a single land value level for each scenario as development will come forward in various forms and on a range of site types over time. In assessing results it has been necessary to consider viability outcomes across the results sets, including the various land value comparison levels.

vii. The scale of affordable housing and local infrastructure needs, and therefore likely provision shortfall and funding gap relating to these, in assessing the balance. The Council needs to optimise affordable housing provision in the circumstances, and secure a meaningful but realistic level of funding through CIL as a key ingredient of the overall funding packages.

viii. The collection of CIL payments from net new development. In practice we understand that a number of developments in the District will entail some level of "netting-off" of existing accommodation in the CIL charging calculations. CIL will not be paid on existing floorspace that is being retained or replaced – it will be charged only on new / added floorspace. This means that the CIL rate will not be applied to the full scale of new development in many cases. This could be by way of replaced or re-used / part re-used buildings. Our appraisals have not factored-in any "netting-off" in this way, because this will have a highly variable influence on scheme outcomes. The "netting-off" effect is however expected to further contribute to ensuring that schemes remain deliverable and that the charging rates(s) are not set "right up to the margin of economic viability" as part of this overall theme (see 3.1.6 below). In some scenarios the ability to "net-off" existing floor space could significantly help overall scheme viability and act as a balance against other costs and obligations.

ix. Continued practical application of affordable housing policy targets and detail (including collective consideration of the effects of numbers rounding, dwelling and tenure mix, dwelling size and construction specification). The Council's brief also asked us to consider what converting existing affordable housing requirements into a CIL (charge per sq m) type approach might mean as an indication of potential CIL rate(s) that included the local affordable housing obligations rather than those being separate to CIL as per the current regulations. This is considered later, necessarily at a high level. *(DSP note - to add)*

x. Potential scope to consider CIL contributions or part contributions 'in-kind' and maintaining a general awareness that whether through payments, provision in-kind, or alongside other costs / obligations, what counts above all for viability is the collective costs and obligations that could be applicable to developments (the costs / obligations could be in various forms and combinations subject to balancing-out within the available viability scope and the operation of the Procedures and Regulations). It follows that a lower CIL rate could provide more flexibility on s.106 for example.

3.1.6 It is important to ensure that affordable housing targets are balanced and with regard to CIL it is important to avoid "setting a charge right up to the margin of economic viability"[2] in accordance with the tone of the Government (CLG) guidance. Local authorities have significant scope to consider exactly how they will assess and arrive at the right balance in a particular area.

3.1.7 A common theme running through all of the results (commercial and residential) is that they are highly sensitive to varied appraisal inputs and to the range of land value comparisons. A relatively small adjustment, particularly in some assumption areas can have a significant effect on the result.

3.1.8 This assessment process explores the degree to which changes in key assumptions produce varying results. In this way it is not a specific valuation exercise (it cannot be) but it has enabled us to consider the likelihood of a wide range of potential CIL charging rates being achievable and suitable. In the case of poor viability results (no or low viability prospects), this included looking at the extent to which assumptions

[2] DCLG – Community Infrastructure Levy Guidance – Charge Setting and Charging Schedule Procedures (March 2010)

would need to vary in order to improve the viability appraisal outcomes sufficiently to create workable scenarios. The opposite was considered for scenarios with good viability prospects (i.e. the potential leeway for those outcomes to decline but still be potentially viable). In both of these cases we considered whether those changes in assumptions amounted to realistic scenarios or not, given what we can currently see of market conditions, etc.

3.1.9 There may be cases where specific developments are unable to bear some or all of the additional cost of CIL (in the same way that is sometimes seen with other obligations on a scheme). Such viability outcomes are unlikely to be solely limited to CIL charging, however. They are more likely to be associated with market conditions (arguably the biggest single factor), affordable housing, scheme design / construction / specification requirements (including but not limited to sustainable construction) and wider planning objectives. Usually the collective costs impact on schemes will be relevant for consideration where viability issues arise in scheme specific cases, so that some level of prioritisation may be required – bearing in mind that CIL payments will be non-negotiable.

3.1.10 As discussed above, one of the variable factors which will contribute positively to viability in some circumstances and could affect the collective view of costs and obligations is the potential deduction of existing floor space from the scale of development that will trigger CIL charging.

3.1.11 It is important to note generally that, when we refer to highly variable outcomes / sensitive results:

- This is not just a Sevenoaks District factor, but one that we firmly believe will have to be recognised in any similar assessment and practical local application of affordable housing targets and the Government's CIL regime – regardless of location.

- These characteristics would apply regardless of the CIL rate(s) set, so that with particular scheme difficulties (for all development types) setting a significantly lower CIL rate would not necessarily resolve any viability issues; we could still see a range of unviable or marginally viable schemes with even a zero (£0) CIL rate. As above, other more significant factors are likely to be tipping such schemes into non-viable territory. The overall results include a range of unviable results in relation to particular scenarios; and especially on some commercial types as will be seen.

3.2 Values patterns and implications - Residential

3.2.1 In the assessment stages, we relied on the market research before deciding on whether any sufficiently clear values patterns were evident for a reliable link with options for the setting of CIL charging rates approach for the District – i.e. that might be varied in some way by geography – particular zones / key settlements / localities or similar.

3.2.2 With reference to the research summarised at Appendix III, we found a range of clear and relatively consistent pointers to residential values variations and patterns that were seen in the District.

3.2.3 As set out at Figure 6 (at 2.3.11 above) these showed overall that high residential values are consistently seen across the central and most southern areas of the District – including the main town of Sevenoaks, local service centres of Westerham and Otford, together with areas northwards to Eynsford and south / south east to rural areas which include some of the highest values seen in the District. Most of the service villages (excluding Hextable, Horton Kirby, South Darenth and West Kingsdown in the north which indicate typically lower values) are within the higher value areas.

3.2.4 In contrast, areas across the northern end of the District (including the secondary town of Swanley, the local service centre of New Ash Green and the northern service villages listed at 3.1.14 above) together with the rural service centre of Edenbridge in the south west. The typical values levels available to support viability across these confined lower values areas of the District are considered to be similar to each other.

3.2.5 This produces a picture which in our view justifies a potential dual charging rate approach for the District (i.e. putting in place higher and lower charging rates corresponding to these two key sets of circumstances) but not a more complicated one. We consider that any further differentiation could become complex and would be difficult to justify in the CIL context given that it would most likely still not reflect all of the very local area subtleties on values changes (as noted for example at 3.1.5 d iii) and building on the principles set out earlier (see section 2.3 on values).

3.2.6 Whilst at Figure 6 (2.3.11) VL 1 values (£2,250/sq m) were included as part of the overall range potentially applicable to the lower value areas of the District (as outlined at 3.1.15) they are considered to be beneath typical levels for new builds even in those areas. At Appendix IIa we can see that VL1 related results are generally poor as would be expected given the relationship with usual build and other development costs at that level. At 30% affordable housing with more than £100/sq m CIL the RLVs turn negative. The same applies at 40% affordable housing combined with more than about £25/sq m CIL charging. Viewed overall, few of the results would support positive land value comparisons of the type most likely to be relevant in Sevenoaks District (PDL), although looking at the smaller schemes with 20% affordable housing there could be some workable scenarios with these limited values if greenfield or other similarly lower value sites became relevant.

3.2.7 VL 2 values (£2,500/sq m), relevant towards the lower end of current values in this District Context, produce improved results as expected. Nevertheless, overall the results at these relatively low value levels suggest scope for only a limited range of viable scenarios based on the assumptions used. Again these would more likely relate to any greenfield or other lower land value scenarios and then probably with a combination not exceeding 30% affordable housing with, say £75-100/sq m CIL. Given local land value levels, a range of PDL scenarios are likely to remain difficult at these value levels, irrespective of CIL and irrespective of affordable housing requirements in many cases too.

3.2.8 Significant improvements in viability are seen on moving to a VL 2 to 3 assumption with VL3 (£2,750/sq m) indicating a greater number of scenarios that become potentially workable while supporting more meaningful levels of obligations including affordable housing and CIL contributions. This (together with VL 4 at £3,000/sq m) aligns more closely with the new build value seen through our research, for example in Edenbridge, albeit that current / recent new builds information is limited. At VL3 we see negative RLVs only from the large all flatted scheme scenario. The smaller schemes considered with 10% equivalent (contribution) and 20% affordable housing indicate some workable PDL scenarios (green shaded results areas) but with the RLVs falling beneath the lower end PDL comparison value of £1.3m/ha as the CIL rate exceeds the £175/sq m trial level. In these smaller scheme instances, it tends to become more relevant to also consider the actual RLVs (left hand side – uncoloured – table areas) and there we can see that in fact a more modest CIL rate would be appropriate. A rate of no more than around £75/sq m may well be more appropriate.

3.2.9 At VL 4 (£3,000/sq m) – potentially the upper end for the lower value areas (as at 3.1.15) and lower end for the higher value areas (as at 3.1.14), we can see again a further improved tone of results. Tested alongside the full range of CIL charging rates, the scenarios with up to 30% affordable housing show positive results, although the RLVs fall to around the £1.3m/ha level at the highest CIL trial levels (£175 - 200/sq m). The 40% affordable housing scenarios suggested broadly equivalent results with £75 - £100/sq m CIL (less in the case of the large all-flatted scheme only).

3.2.10 We consider that the results overview strengthens the needs to consider a CIL charging rate specific to the lower value areas of the District; differential treatment from the higher value areas. Again, recognising the need for judgments rather than having scope to rely on fixed pointers or cut-offs, our overview is that a suitable CIL charging rate for these areas would be around £75/sq m. In all cases at VL 4 this level of charge would be sufficiently beneath the maximum level of CIL charge that could be made based on the assumptions made, including a land value of £1.3m/ha as we consider to be appropriate to most lower value scenarios.

3.2.11 At VL 5 upwards (6 in the case of the larger flatted scheme assumptions), again with each step we see significantly improved results. Depending on the affordable housing and scheme type assumption, values at VL 6 – 9 (as are relevant to the higher value areas) support the tested affordable housing obligations alongside most of the CIL trial rates. This is with RLVs reaching the upper comparison level of £3m plus; after applying up to £200/sq m CIL charging in many cases.

3.2.12 However, we consider that the pitching of the CIL charging rates for the higher value areas should be tempered somewhat from those highest levels trialled. Again there are no fixed cut-offs, but there are a number of pointers towards the right balance being found at a lower rate of around £125/sq m in our view. These include the need in many cases to support 30 or 40% affordable housing, allowing scope for higher values to fall to some extent if relevant with further market uncertainty (placing less reliance on values levels being maintained), the possibility of abnormal costs and rises in build or other costs.

3.2.13 As noted previously, there may be instances of lower value schemes and localities where developments struggle in viability terms, even without any significant CIL and / or affordable housing contribution. Wider scheme details or costs and obligations / abnormals can render schemes marginally viable or unviable prior to the consideration of obligations such as affordable housing or CIL. In some cases, viability is inherently low or marginal, regardless of CIL or other specific cost implications. In this sense, CIL is unlikely to be solely responsible for very poor or non-viability. Once again, these are not just local factors; we note them in much of our wider viability work. The same principles apply to commercial schemes too.

3.2.14 Associated with this, we think it will be necessary to monitor outcomes annually as part of the Council's normal monitoring processes, with a view to informing any potential / necessary review in perhaps 2 or more years time as other policy developments take place; and in response to market and costs movements together with any other key viability influences over time.

3.2.15 The results of the residential appraisals are typically most sensitive to the Value Levels assumed for the market housing that will drive scheme viability. Other factors which can also have a significant effect on viability outcomes are:

- Scheme density – linked to land take (site area occupied) and the land value requirement / expectation.

- Build costs – generally, but including related to sustainable design and construction.
- Other costs side influences – profit levels, finance, fees, etc.
- Any abnormal development costs.

3.2.16 In reviewing the findings and putting forward the above, although not part of the viability testing, in the background we have also had some regard to the proportional cost of the potential (trial) CIL rates relative to scheme value (GDV) and other indicators. These aspects are considered further where some guide information and comparisons are provided – see section 3.11 *(cross-ref TBC on final)* below.

3.2.17 For clarity, our intention is that the residential outcomes and recommendations also apply to sheltered housing schemes (where nursing home style care and support is not being provided).

3.3 Values and implications - Commercial

3.3.1 A similar process was considered with respect to commercial (non-residential) schemes – i.e. whether or not there were any particular values patterns or distinct scenarios that might influence the implementation of a charging schedule on these for this area.

3.3.2 No clear values distinctions for commercial uses were seen by settlement / area. Here the variations are more specifically driven – i.e. by development quality, type, precise location, orientation, visibility, access and parking provision etc; rather than necessarily by the settlement in which a proposal is situated.

3.3.3 In reality, most types of commercial or non-residential development could occur across a range of locations within the District. Conversely, but supporting the same thinking, any larger retail, business development (office or industrial / warehousing), hotel or other mainstream commercial proposals are likely to occur in a relatively limited range of locations most likely restricted to the main towns (Sevenoaks and Swanley) and possibly to the rural / local service centres in smaller scale way. For the types of the development likely to come forward as new schemes, it is difficult to distinguish values on general geographical location alone. This can be seen from existing development. The quality of individual schemes, their particular siting and details seem to be more of a driver of any significant values differences locally. *(TBC on further review by DSP – Appendix III context – as at 2.4.14 & elsewhere above).*

3.3.4 It was considered that the local commercial property market (focussed in Sevenoaks and to the north of the District) should logically be treated as a District-wide one in practical terms, which is part of a larger sub-regional market. We consider that otherwise we would be seeking to fragment it unduly, adding complication and (as with residential) still not reflective of the particular variations which could be seen on a range of site specifics in practice. *(Again, context points to be settled – ongoing review).*

3.3.5 Overall, following the consideration of options we are of the opinion that a simple and clear District-wide application of the CIL by commercial / non-residential development type will be most appropriate here, as has been the case in a number of other local authority CIL cases progressed to this extent to date (including based on our studies). No clear evidence *(to date – TBC)* has been found to support and justify an alternative approach. No amount of attempted sensitivity to particular local value variations is likely to be capable of actually respecting the variations likely to be seen in practice. There are no clear broad patterns without this becoming very complicated. Appendix III contains information on examples.

3.3.6 In carrying out the research for this study however, we developed the view that the key variable characteristics associated with different types of commercial / non-residential development require an approach that varies the CIL rate by commercial use.

3.3.7 Therefore in the following section the outcomes of the assessments are discussed by development type / use – with reference to the commercial / non-residential development scenarios considered.

3.4 Commercial / non-residential factors and findings (general)

3.4.1 As would be expected, the commercial / non-residential appraisal findings are very wide ranging. For this strategic overview rather than detailed valuation exercise we have essentially considered the interaction of rent and yield in presenting a view of sample ranges within which the capital values (GDVs) could fall; based on capitalising estimated rental levels, deducting the various development and other costs and then considering the sensitivity of viability outcomes to changes in these factors.

3.4.2 In this way we have explored various combinations of assumptions (including capitalised rental levels) which produce a range of results from marginal or negative outcomes (meaning very limited or nil CIL scope) to those which produce meaningful and in some cases considerable potential CIL funding scope form a viability point of view. To illustrate the trends we see, the coloured tables in Appendix IIb use the same “colour-coding” principles as the residential results tables (again with the bolder green table shading indicating the best prospects of viable schemes within the results ranges, through paler green, white and red; red indicating a clear lack of viability).

3.4.3 Another factor to which the commercial outcomes are greatly sensitive is the site coverage of a scheme, i.e. the amount of accommodation to be provided on a given site area; the equivalent of residential scheme density. This can affect results considerably, combined with the assumed land buy-in cost for the scheme. The colour-shading of the Appendix IIb results (RLVs per ha) is again based on whether or not the RLV reaches £1.3m, £1.3 – 3.0m or £3m plus / ha. As with the residential results viewing principles, these are purely rough guides to increasing confidence in the results representing viable schemes as the RLVs rise.

3.4.4 Factors such as build costs clearly have an impact, but for the given scheme scenarios are not likely to vary to an extent which makes this a more significant single driver of outcomes than the influence of values (rents and yields). The relationship between values and costs is vital. There are some commercial use types where build costs, or build and other development costs, will not be met or will not be sufficiently exceeded by the completed values (GDVs) so as to promote viable development. Further information is included later in this report.

3.4.5 We will now summarise the assessment findings for the commercial development scenarios considered.

(SDC – please not that DSP is currently reviewing all commercial results – as at draft report stage, Appendices are as those sent with the interim reporting 27.04.12 – high level outcomes and provisional CIL charging rates recommendations will not be affected, but details TBC).

3.5 Retail scenarios

3.5.1 In general, we saw good viability prospects from the sample retail scenarios we ran, based on the range of assumptions applied. These schemes showed the best viability outcomes from the wide range seen from the commercial / non-residential scenarios overview.

3.5.2 As a high level outcome this is consistent with our previous and wider work on CIL viability, as well as with the findings of other consultants engaged in similar work. This tone of results is shown by the largely green coloured cells in the Appendix IIb results summary tables; particularly based on the 6.5% yield view, which is considered to be an appropriate assumption in the CIL context and more likely to be relevant than the 7.5% yield outcomes for this use. However, the results need to be considered collectively and rates not pushed to the margin of viability, as recognised above.

3.5.3 We consider that the CIL charging rate for the larger retail scenarios (supermarkets and retail warehousing) could be set at a level equivalent to the upper parameter for the residential rate - put forward at £125/sq m. This is again a question of making an overview rather than there being any specific pointers or limits to a suitable charging rate. A higher rate could be justified for the larger format retail uses such as these, however we also need to take into account the potential for relatively high land value expectation to be associated with this form of development, together with the significant overall development costs. We can see also that the supermarket appraisals with lower value assumptions produced results indicating poorer viability prospects – so that this sensitivity also needs to be considered.

3.5.4 The retail warehousing scenario produced the most positive outcomes overall owing to the very strong relationship between the values and the relatively low development costs. However, this scenario also starts to produce marginally less favourable outcomes as the CIL rate rises; and more so if lower rental values are assumed. There are a range of factors which, together, suggest that setting retail charging rates right up to or beyond the highest level explored may not be appropriate in Sevenoaks District at this stage. We are of the opinion that, say, £125/sq m for larger retail would strike an appropriate balance; aligned to the suggested upper end residential rate parameters should those be pursued as part of the Council's CIL implementation approach in the District.

3.5.5 Whilst appraising the smaller retail category, principally envisaging new local / neighbourhood convenience stores, we explored the sensitivity of that scenario type to varied size (floor area). However, the key factor differentiating these types of retail scenarios from the larger ones is the basic value / cost relationship related to the type of premises and the use of them. They are simply different scenarios (or "uses") where that relationship is not as positive as it is in respect of larger, generally out of town / edge of town stores. Regulation 13(1) of the CIL Regulations states that differential rates may be set by different intended uses of development. It does not refer specifically to "Use Classes". We are of the opinion that a small retail use is different to a large retail use in viability terms because it displays different characteristics and serves different markets. In his Examination report into the recently conformed Portsmouth CIL Charging Schedule, the Inspector agreed with the above. Since altering the small retail unit floor area does not trigger varying values or costs inputs at this level of review, basically the reported values / costs relationship stays reasonably constant; so that we do not see altering viability prospects as we alter its floor area. This means that the outcomes for the small retail scenarios (as for many others) are not dependent on the specific size of unit and specific floor area will not produce a different nature of use and value / cost relationship.

3.5.6 Whilst it is not critical in viability terms for these reasons, we consider that creating a link with the scale of sales floor space associated with the Sunday Trading provisions (3,000 sq ft / approx. 280 sq m) would be an option and potentially appropriate threshold for any differentiation between CIL charging rates for retail development, linked to the typical intended use.

3.5.7 There are alternatives for potential consideration in terms of differentiating between the smaller and larger retail formats which, given the points above, we consider to be principle that needs to be catered for within the Council's CIL approach. As an example, and alternative could be a higher floor-area threshold of say 500 sq m; again with no fixed rules but seeking an appropriate way of respecting the viability differences between the smaller and larger retail formats. The Council's experience of recent delivery and / or and current / future development proposals may assist in considering this further. *(SDC – may need to clarify whether we need to bring-in town centre (comparison) retail in to this commentary / PDCS consideration – if potential delivery in the lifespan of charging schedule. See also provisional text at 3.5.14 below – TBC).*

3.5.8 Respecting the sensitivities, we consider that a CIL charging rate set at approximately half of the larger retail format charging rate would be appropriate. This would put the charging rate (linked to a threshold as considered above) in the range of our £50 - £75/sq m trial rates. We consider this to be appropriate for the smaller retail formats. With reference to the further information provided at Figure 12 (at 3.11.2 below) simply as an additional guide to the context of the potential CIL charges, a rate of this order would also maintain to a reasonable degree a proportional burden when the CIL charging rate is considered as a proportion of the GDV. Again whilst a higher rate could be justified, it would be preferable in our view to proceed in this way and (as with all CIL aspects) this could be kept under review.

3.5.9 An alternative would be to proceed with a single rate for retail, placed at a mid-point, on the basis that in some cases the increased potential would not be yielded in respect of the larger retail proposals (supermarkets and retail warehousing); and in others there may be a marginally greater viability impact than would have been the case with a lower (smaller retail format) rate. In our view this would be less reflective of the viability scenarios than suitably differentiated rates for retail development.

3.5.10 For smaller new convenience type developments, the actual sums of money available for land purchase can become relatively small. This tends to increase the sensitivity of the viability outcome to increased costs – e.g. from an increasing CIL charging rate.

These types of units could be associated with mixed uses where they will need to provide a positive contribution to overall viability (perhaps as part of supporting other non-viable or less viable uses within mixed developments, local centre improvements or new housing developments, etc).

3.5.11 Again, we can see the deterioration in results as the values reduce – to a greater extent with this smaller retail scenario. The same sensitivity to the yield assumption exists and, depending on the investment view based on the strength of the leaseholder's covenant, etc, this could also be a differentiating factor from the larger retail scenarios.

3.5.12 Overall, we recommend that the Council considers a CIL charging rate applicable to smaller retail that is set well beneath the higher retail rate recommended level. A single rate alternative (i.e. applicable to all) would need to be set beneath the level supportable based on larger retail formats alone. If differentiating as suggested, this does not have to link to a specific floor area size (although it will be appropriate to define clearly at which point the higher retail rate would apply).

3.5.13 While we understand the prospect of new build comparison shopping units to be relatively limited in planning (and in economic) terms in the coming few years, we consider that – should that form of development come forward – it would be appropriate to link that to a similar level of CIL charging proposed for smaller retail developments; rather than to the higher (larger retail) rate. This could be relevant in any parades, neighbourhood centres and similar locations, for example. Town centre shopping development would normally come with higher development costs. A number of town centre retail schemes are currently stalled - nationally. As related to other CIL matters, we suggest that the Council keeps its approach to CIL implementation under review with respect to any necessary widening-out of the current stage testing. *(Provisional text – as at 3.5.7 above – TBC)*

3.5.14 There are a range of retail related uses, such as motor sales units and retail warehousing / wholesale type clubs / businesses, which may also be seen in the District, although not regularly as new builds because such uses often occupy existing premises. Whilst it is not possible to cover all eventualities, and that is not the intention of CIL by our understanding, the Council may wish to consider whether any such retail parallels are appropriate within in its development plan and local context.

3.5.15 We assume that new fast food outlets, petrol stations etc provided for example as part of larger format retail developments, would be treated as part of the retail scheme and (from our wider research) with values and viability at broadly similar levels, this would be an appropriate outcome.

3.5.16 Other uses under the umbrella of retail would be treated similarly. Individual units would be charged according to their size as per the potential dual retail rate scenario put forward above.

3.6 Business Development – Office / Industrial / Warehousing scenarios

3.6.1 In terms of likely scheme viability, these scenarios are simpler to discuss than retail. Whilst, again, actual proposals could be highly variable in nature, this is because the overview results convincingly show that there is no foreseeable scope for any meaningful level of CIL charge to be applied to such schemes in Sevenoaks District (at least not without adding further delivery risk to schemes).

3.6.2 This reflects similar findings across widely varying areas the country in a growing number of local authorities' work on the CIL to date – principally due to the recent / current economic conditions and insufficient demand to underpin development bearing in mind the risks and viability difficulties. The value/cost relationship for a wide range of business development types is simply insufficient to enable the evidencing of a CIL charging rate.

3.6.3 These results indicate that only with the most optimistic GDVs (highest capitalised rental scenarios produced by the most favourable yield and annual rent assumptions combinations), higher density (site coverage) and / or lower land value expectations do we see what we consider to be marginally viable schemes for high-end offices. Even then, those would most likely be on the basis of greenfield or other relatively low value land with a modest CIL charging rate. There would then be little room for increased yield assumptions, minor changes in rental levels or increases in costs / abnormals etc, leading again to negative viability outcomes. All in all this represents a sensitive set of circumstances where, on balance, the potential to add risk to already very difficult delivery prospects points in our view to a nil (£0/sq m) CIL charging rate for business development. Again, this could be kept under review.

3.6.4 Overall, we consider that in order to create meaningful CIL scope on any level of regular basis, the collective assumptions would need to be moved to points that are too optimistic overall at the current time - and that this is likely to be the case for these development types for the short-term future at least. The potential 2-4 years or so likely typical CIL charging schedule review period again could be relevant here in terms of taking a further look to check this picture in the not too distant future (see also 3.12.2 below).

3.6.5 In looking at the results for business uses, it should be noted that the scale of the negative RLVs expressed in £ per Ha terms in the right hand (coloured) section of the Appendix IIb tables in some cases is so great because those figures are a product of the more modest looking deficits on the left hand side (£RLVs) as applied to small site sizes.

3.6.6 The industrial unit type scenarios reviewed produced similar to worse results than offices on the basis of the assumptions applied. As such, we have not considered it appropriate or necessary to further explore where the potentially workable scenarios may lie in terms of wider views of assumptions. In practice, we could also see less favourable yield and rental combinations than those we have reviewed. We would not expect to assume more favourable rental capitalisation than from a 7.5% yield for these scheme types locally in the current ongoing climate of economic uncertainty.

3.6.7 Any infrastructure funding yield benefits from seeking the collection of a nominal / modest level of CIL charge for business uses in our view need to be considered in the context of the non-negotiable nature of CIL and associated risk scenario in light of the balance to be sought.

3.6.8 In summary, and in common with other similar reporting that we and others have completed, we recommend that a zero (£0) CIL charging rate be considered for these (Business) development types.

3.7 Hotels

3.7.1 The hotel scenarios reviewed represent a range of outcomes that are again very sensitive to the values driving the appraisals.

3.7.2 The test scenarios showed that only with what we consider to be an optimistic collection of assumptions, probably including improved values, could we see clear scope for CIL charging. This might only be at levels up to around those applicable to small retail; as above – say £50 to 75/sq m. Given the sensitivities of even those more optimistic scenarios to added cost or other negative influences on viability, however, overall we do not see a picture which represents clear, reliable scope for CIL charging.

3.7.3 We think this represents a case where the Council will need to consider the likelihood of development of this type being pursued or occurring regularly in the coming few years (thinking about what that means for the potential CIL infrastructure funding yield etc) balanced against the potential to add further significant risk to its potential delivery.

3.7.4 On balance, therefore, we recommend that, at the current point, a zero (£0) charging rate should be considered for this use type. In looking for the right balance, it appears that the likely limited CIL yield (contribution to funding gap) potential may not outweigh the added risk to the viability of any new build / extension proposals for hotel use. It appears to be a use where potential viability is quite finely balanced, so that a number of factors could quickly reduce what at this high level review stage appears a potentially workable scenario in certain circumstances. This could be considered further and, again, could be kept under review pending experience of the CIL in operation and of course varying market conditions etc. Experience in practice may influence future reviews.

(DSP note – on updating of Appendix IIb consider scope to add any more specific results commentary).

3.8 Residential Institutions – Care Homes

3.8.1 Proposals falling under this category could again be highly variable in nature, including in terms of the values and other assumptions potentially applicable to varying scheme specifics. Related to the ageing population profile, it is likely to be a form of provision considered relevant as part of the overall accommodation and care offer available within the area.

3.8.2 We have not been able to identify nor been provided with any recent development examples or other comparables / guides as to clear financial assumptions associated with this form of development as would be relevant to Sevenoaks District. In the absence of such information, it has been necessary to make high level assumptions; nevertheless as is appropriate to this level of study. In a similar way to the reviews carried out for other development types, it was possible to consider what would need to change within the assumptions to create scenarios with reasonable viability prospects on a regular basis.

3.8.3 On the assumptions applied, we began to detect a very similar tone of results to those associated with hotels. Therefore, we did not continue with further trials only to produce additional sets of negative RLV results. So, similarly, our evidence suggests poor viability prospects unless assumptions are moved in favour of viability by increasing values and / or reducing costs from the levels assumed. Again, at this point we consider that would need to occur to too significant a degree in order to reliably support strong viability outcomes. Therefore, in our view the discussion on these becomes a similar one about balance and potential added risk to development. Experience in practice could show viability being established across a range of circumstances, but we have not been able to clearly evidence viability to that point at present.

3.8.4 Based on very similar thinking to that above in relation to hotels, therefore, currently we are not able to support any meaningful level of CIL scope in respect of such developments. Within the general monitoring scenario, however, the Council should again keep this under review so as to see how experience in practice may influence any future review – as for hotel developments.

3.8.5 Again, therefore, from our viability viewpoint a zero (£0) CIL charging rate is recommended at this initial stage of implementation CIL.
(DSP note – as hotels – TBC)

3.9 Agriculture

3.9.1 Given the rural setting of large parts of Sevenoaks District, we considered the development of agricultural facilities at a high level – with barns, animal sheds, stores, packing sheds and the like in mind.

3.9.2 We formed the view that whilst, by definition, these types of development would generally be on greenfield / low existing use value land, in the great majority of cases they would be examples of schemes that require investment rather than representing profitable development. This is because usually they would not have a sufficient market value on completion to support their development cost. Many of these facilities would be akin to light industrial construction, but usually it appears with lower-still end values applying to them.

3.9.3 Research confirmed this poor relationship between development values and costs (as very briefly outlined at Figure 15 below) so that we did not pursue it further and recommend that agricultural development of this nature be subject to a £0 (nil) CIL charging rate.

3.10 Other uses – including Community Uses

3.10.1 Following our extensive iterative review process, throughout this assessment we can see that once values fall to a certain level there is simply not enough development revenue to support the developments costs, even before CIL scope is considered (i.e. where adding CIL cost simply increases the nominal or negative numbers produced by the appraisals – makes the RLVs, and therefore viability prospects, lower or moves them further into negative).

3.10.2 In such scenarios, a level of CIL charge or other similar degree of added cost in any form would not usually be the single cause of a lack of viability. Such scenarios are generally unviable in the sense we are studying here – as a starting point. This is because they have either a very low or no real commercial value and yet the development costs are often similar to equivalent types of commercial builds. We regularly see that the even the build costs, and certainly the total costs, exceed levels that can be supported based on any usual view of development viability. These are often schemes that require financial support through some form of subsidy or through the particular business plans of the organisations promoting and using them.

3.10.3 As will be seen below, there are a wide range of potential development types which could come forward as new builds, but even collectively these are not likely to be significant in terms of "lost opportunity" as regards CIL funding scope. We consider that many of these uses would more frequently occupy existing / refurbished / adapted premises.

3.10.4 A clear case in point will be community uses which generally either generate very low or sub-market level income streams from various community groups and as a general rule require very significant levels of subsidy to support their development cost; in the main they are likely to be a long way from producing any meaningful CIL scope.

3.10.5 There are of course a range of other arguments in support of a distinct approach for such uses. For example, in themselves, such facilities are generally contributing to the wider availability of community infrastructure. They may even be the very types of facilities that the pooled CIL contributions will ultimately support to some degree. For all this, so far as we can see the guiding principle in considering the CIL regime as may be applied to these types of scenarios remains their viability as new build scenarios.

3.10.6 In any event, from our viability perspective, a zero (£0) CIL rate is recommended in these instances.

3.10.7 As a part of reviewing the viability prospects associated with a range of other uses, we compared their estimated typical values (or range of values) – with reference to values research from entries in the VOA's Rating List and with their likely build cost levels (base build costs before external works and fees) sourced from BCIS.

3.10.8 Figure 15 below provides examples of the review of the relationship between values and costs in a range of these other scenarios. This is not an exhaustive list by any means, but it enables us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support CIL funding scope. We consider that these types of value / cost relationships would be seen in a wide variety of locations.

Figure 10: Other uses – example value / cost relationships

Example development type	Annual rental value (£/sq m)	Indicative capital value (£/sq m)	Base build cost –BCIS** (£/sq m)	Viability prospects and Notes
Halls – community halls, etc	£10 - 30	£100 - 300	Approx. £1,500 (General purpose halls)	Clear lack of development viability
Community centres, clubs and similar	£20 - 40	£200 - 400	Approx. £1,400 (Community centres)	Clear lack of development viability
Garages & depots	£40 – 75 (max £125)	£400 – 750 (max £1250)	£780 (Builders yards, highways depots and similar)	Similar to low grade industrial (B uses) – costs generally exceed values
Storage – e.g. on farms / other	Wide range say £30 - 80	£300 – 800	Approx. £470 - £530 (agricultural storage to purpose built warehouse)	As above – assumed similar to B type uses. Poor relationship between values and costs. No evidence in support of regular viability.
Surgeries / similar	£90 - 185	£900 – 1,850	Approx. £1,400 - £1,500 (health centres,	Insufficient viability to clearly out-

Example development type	Annual rental value (£/sq m)	Indicative capital value (£/sq m)	Base build cost –BCIS** (£/sq m)	Viability prospects and Notes
			clinics, group practice surgeries).	weigh costs on a reliable basis.
Day nurseries	£80 - 125	£800 – 1,250	Approx. £1,500 - £1,600	Costs generally exceed values. Lack of development viability
Leisure – other bowling / cinema	£115 - £125	£1,533 (@7.5% yield)	Approx. £1,100-£1,200	Likely marginal development viability at best.
Leisure – private health / fitness	£120	£1600 @7.5% yield)	Approx. £1,700 (Gymnasia, fitness centres etc)	Costs outweigh values. No evidence in support of regular viability.

*£/sq m approximation only - prior to all costs allowances (based on assumed 10% yield for illustrative purposes - unless stated otherwise)

**general indication excluding local costs indexing, external works, fees, contingencies, sustainability additions, etc.

3.10.9 With the exception, potentially, of retail linked types such as mentioned at 3.5.14 to 3.5.16 above (should the Council consider those sufficiently relevant to the plan delivery and propose include those with the CIL charging scope), our recommendation is for the Council to consider a zero (£0) CIL rate in respect of a range of other uses such as these. As in other cases, this could be reviewed in future - in response to monitoring information. Our overriding view is that the frequency of these other new build scenarios that could reliably support meaningful CIL scope is likely to be very limited.

3.10.10As alternatives, and we understand that there is no guidance pointing either way, the Council could consider leaving such other proposals to “default” to a nominal rate; or to a higher rate (e.g. £50/sq m) to capture contributions from a small number of developments. That strategy would involve considering the risk that any other developments from a potentially wide range that could come through as new builds or extension schemes (exceeding the 100 sq m CIL Regulations threshold) could be presented with viability difficulties.

3.11 Charge Setting and CIL Rate Review

3.11.1 To further inform the Council's rate setting and ongoing work, also we have considered the range of potential CIL rates (trial rates) that have been viability tested in terms of their proportion of completed development value (sales value or 'GDV'). *(SDC – although it provides a less clear and consistent background measure in our view, we could also look at some examples of trial CIL rates as %s of development costs. To do so we need to fix what we are regarding as developments costs – e.g. build costs (including external works, fees and contingency) / wider development costs.*

3.11.2 The values *(and – if applicable as above – costs)* assumptions used to calculate the following proportions are as assumed within the study. *(SDC – although this is purely a further guide layer, our view is that CIL rates of approximately 3 to 4% GDV for residential are appropriate and this fits with the residential rates recommendations. A broadly similar proportional effect might also be considered for commercial).* See figures 11 and 12 below:

Figure 11: CIL Trial rates as % of GDV – Residential

CIL Rate (£/sq m)	Value Level (VL) – intermediate VLs as examples only (£/sq m)				
	VL 2	VL 4	VL 6	VL 8	VL 10
	£2,500	£3,000	£3,500	£4,000	£4,500
Indicate locality / potential CIL charging zone	Lower values zone				
		Upper values zone			

£25	1%	0.83%	0.71%	0.63%	0.56%
£50	2%	1.67%	1.43%	1.25%	1.11%
£75	3%	2.5%	2.14%	1.88%	1.67%
£100	4%	3.33%	2.86%	2.5%	2.22%
£125	5%	4.17%	3.57%	3.13%	2.8%
£150	6%	5%	4.29%	3.75%	3.33%
£175	7%	5.83%	5%	4.38%	3.89%
£200	8%	6.67%	5.71%	5%	4.44%

Figure 12: CIL Trial rates as % of GDV – Commercial (for development uses associated with CIL scope from viability findings – %s for other development uses not provided)

Scheme Type	CIL Trial Rate (£/sq m)	7.50% Yield & annual rent £ & GDV / sq m			6.50% Yield & annual rent £ & GDV /sq m		
		L £230	M £260	H £290	L £230	M £260	H £290
Large Retail - Supermarket		£3,066	£3,466	£3,866	£3,537	£3,999	£4,460
	£25	0.82%	0.72%	0.65%	0.71%	0.63%	0.56%
	£50	1.63%	1.44%	1.29%	1.41%	1.25%	1.12%

Scheme Type	CIL Trial Rate (£/sq m)	7.50% Yield & annual rent £ & GDV / sq m			6.50% Yield & annual rent £ & GDV /sq m		
		L £230	M £260	H £290	L £230	M £260	H £290
	£75	2.45%	2.16%	1.93%	2.12%	1.88%	1.68%
	£100	3.26%	2.89%	2.59%	2.83%	2.5%	2.24%
	£125	4.08%	3.61%	3.23%	3.53%	3.13%	2.80%
	£150	4.89%	4.33%	3.88%	4.24%	3.75%	3.36%
	£175	5.71%	5.05%	4.53%	4.95%	4.38%	3.92%
	£200	6.52%	5.77%	5.17%	5.65%	5%	4.48%
Large Retail - Retail Warehouse		L £175	M £200	H £225	L £175	M £200	H £225
		£2,333	£2,666	£2,999	£2,692	£3,076	£3,461
	£25	1.07%	0.94%	0.83%	0.93%	0.81%	0.72%
	£50	2.14%	1.88%	1.67%	1.86%	1.63%	1.44%
	£75	3.21%	2.81%	2.5%	2.79%	2.44%	2.17%
	£100	4.29%	3.75%	3.33%	3.71%	3.25%	2.89%
	£125	5.36%	4.69%	4.17%	4.64%	4.06%	3.61%
	£150	6.43%	5.63%	5%	5.57%	4.88%	4.33%
	£175	7.5%	6.56%	5.84%	6.5%	5.69%	5.06%
	£200	8.57%	7.5%	6.67%	7.43%	6.5%	5.78%
Small Retail – e.g. convenience store		L £110	M £140	H £170	L £110	M £140	£ 170
		£1,466	£1,866	£2,266	£1,692	£2,153	£2,615
	£25	1.71%	1.34%	1.10%	1.48%	1.16%	0.96%
	£50	3.41%	2.68%	2.21%	2.96%	2.32%	1.91%
	£75	5.12%	4.02%	3.31%	4.43%	3.48%	2.87%
	£100	6.82%	5.36%	4.41%	5.91%	4.64%	3.82%
	£125	8.53%	6.70%	5.52%	7.34%	5.81%	4.78%
	£150	10.23%	8.04%	6.62%	8.87%	6.97%	5.74%
	£175	11.94%	9.38%	7.72%	10.34%	8.13%	6.69%
	£200	13.64%	10.72%	8.83%	11.82%	9.29%	7.65%

3.11.3 The Council may wish to use the above information as part of the wider context for considering its CIL charging rates and options, in its balancing of objectives and also considering potential CIL yields from various scenarios (meaning here the potential total sums to be collected - based on the assumptions used). Comparison of potential CIL charging rates with current s.106 contributions levels could also be a useful aspect for context / benchmarking what the potential CIL rates mean in practice compared with previous / existing s.106 obligations levels and with regard to any particular implications for scenarios where s.106 may continue to play a major role. *(SDC – DSP could provide comparisons with info on typical previous / existing s.106 from the Council, but in SDC's case - with often relatively modest s.106 sums having been sought - this may not help the messages around seeking usually greater levels of contributions under CIL.....may not help to add positive context for the potential CIL charging rates?)*

3.11.4 In considering the potential "yield" (as at 3.11.3) from CIL and implementing particular options / approaches - as well as looking at any comparisons with s.106 scenarios - the Council will need to factor-in the principle that CIL will not be chargeable on affordable housing.

3.12 Summary – CIL Charging Rate scope and other Recommendations

3.12.1 In summary, from a viability point of view we recommend the following for consideration by Sevenoaks District Council in taking forward the setting of rates within a preliminary draft charging schedule (see figure 13 below):

Figure 13: Recommendations Summary - CIL Charging Rates

Summary on CIL Viability – Potential Rates and Guidance for the Council's consideration
Residential -
Recommendation: Differentiated Rates -   In lower value areas an appropriate rate of £75/sq m (i.e. Swanley, New Ash Green and adjoining areas in the north of the District; Edenbridge in the south west).   In higher value areas an appropriate rate of £125/sq m (i.e. rest of District centred on Sevenoaks, including Westerham, Otford and all areas excluding the suggested lower rate zones as above).
Retail – generally - option to differentiate; alternative to set a single rate.
Retail – large format – supermarkets and retail warehousing – usually out of town centre (TBC)
Recommendation: Rate – suggested not exceeding £125/sq m (being within greater viability scope) - if differentiating.
Retail – small format - principally convenience stores but (if the Council expects significant provision of any such developments within the life of the charging schedule) also applicable to all other retail categories including town centre comparison shopping and potentially to retail linked uses (e.g. motor sales, retail warehousing/wholesaling clubs - should those be included with the charging schedule). (TBC)
Recommendation: Up to approximately half large retail rate – suggested appropriate range £50 to (maximum) £75/sq m - if differentiating.
Retail alternative – single charging rate – necessarily close to suggested lower rate. Suggested not exceeding £75/sq m if considered, but means compromise and

considered by DSP to be a less suitable approach.
Business Development - Office and Industrial (B1, B1a, B2, B8)
Recommendation: Zero rate (£0)
Hotels and Care Homes
Recommendation: Zero rate (£0) on balance in preference to a low / nominal rate (Alternative: nominal / low CIL rate, but difficult to justify in viability terms and added risk to potentially marginal schemes).
Community and other uses, including Agricultural
Recommendation: Zero rate (£0) on balance in preference to a low / nominal rate (Alternative: nominal / low CIL rate, but difficult to justify in viability terms and again added risk to potentially marginal schemes).

3.12.2 In all cases (applicable also to commercial/non-residential scenarios) any rates considered below the levels and parameters that we set out are within the scope of our viability findings.

3.12.3 ***Additional recommendation*: To consider monitoring and review.** The DCLG Charge Setting Procedures (paragraph 75)[3] state that: '*The Government has not specified a recommended lifetime for charging schedules and there is no requirement in the Act placing charging authorities under a duty to review their charging schedules. However, charging authorities are strongly encouraged to keep their charging schedules under review'*. This is important to ensure that CIL charges remain appropriate over time – for instance as market conditions change, and also so that they remain relevant to the gap in the funding for the infrastructure needed to support the development of the Council's area. Although there is no fixed period or frequency for this we recommend that the Council begins to consider its more

[3] DCLG – Community Infrastructure Levy Guidance – Charge Setting and Charging Schedule Procedures (March 2010)

detailed implementation strategies around CIL, including how it will monitor and potentially review CIL collection and levels – informed by the experience of operating it in practice. In discussion with a range of local authority clients, potential review periods (i.e. initial charging schedule life-spans) typically of say 2 to 4 years (as at 3.2.15 and 3.6.4) are currently being discussed at early CIL implementation stages. In due course, we may begin to see patterns and practices emerging on this.

3.12.4 To provide context for these monitoring and review processes, we expect that charging authorities will need to follow their local property and development markets by staying aware of trends in values and costs for example through gathering information on local schemes, tracking market movements and perhaps monitoring trends seen from site specific viability outcomes.

3.12.5 ***Additional recommendation:*** **To implement such monitoring processes and use them to inform the future review of the local implementation of the CIL.** The DCLG CIL Overview[4] document (at paragraphs 19 and 20) touches on the intended open and transparent nature of the levy and in doing so states that charging authorities must prepare short monitoring reports each year.

3.12.6 In our experience of updating viability based work, it is beneficial to do so at points where a key viability influence or influences may be changing or enough is known about it / them to enable full consideration – e.g. associated with reviewing impacts or potential impacts from a notable move in the market, amendment or introduction of other government level or local policies (e.g. on affordable housing or sustainability); rather than at abstract points.

3.12.7 This is because the collective costs and obligations to be carried by a development scheme are key to its viability. In this regard it has been noted that by itself CIL may not be one of the more significant influences on viability. Particularly given that CIL charging will be non-negotiable (and also consistent with the NPPF), it follows that the charging authority (Sevenoaks or any other) will need to be mindful of these

[4] DCLG – The Community Infrastructure Levy - An Overview (May 2011)

collective impacts and will need to continue operating other policy areas with appropriate adaptability where scheme specific issues arise and need to be discussed through the sharing of viability information.

3.12.7 ***Additional recommendation:*** As has been the case with s.106 obligations, **to consider the scope (as far as permitted) to phase CIL payment timings** where needed as part of mitigation against scheme viability and / or delivery issues. Through all of our development viability work, particularly in relation to larger developments and especially longer running / phased residential schemes, we observe the impact that the particular timing of planning obligations have. The same will apply to the payments due under the CIL. Front loading of significant costs can impact development cash flows in a detrimental way, as costs (negative balances) are carried in advance of sales income. Considering the spreading of the cost burden as far as may be permissible even on some smaller schemes, may well provide a useful tool for supporting viability in the early stages.

3.12.8 Allied to this, the Council may wish to consider the extent to which pooled funds might be used to forward-fund or part fund key early infrastructure elements that may be required to facilitate schemes progressing, or proceeding more smoothly. This is not a new principle. Discussions with developers on the timing of affordable housing provision and / or financial contribution obligations, for example, could also continue to be important in this regard. In some cases, an affordable housing element provides valuable and relatively secure cash flow; in others there may be overall scheme benefits from phasing its provision differently.

3.12.9 Within its brief as an added point rather than central to the current CIL considerations, the Council also asked DSP to consider what a charging rate might look like for residential development in the event the government's regulations develop to include affordable housing within the CIL charging regime. In practice, from site to site, the sum added to the rates discussed in this report would vary with the market value, dwelling type and tenure of the affordable dwellings that the sum is to create equivalence with (assuming the principle would be to collect a level of financial contribution broadly equivalent to receiving on-site; for adding to the base CIL charging rate). If this were progressed (nationally) then it would make the scheme appraisal very similar to looking at developments which made CIL payments but then also made a financial contribution towards meeting affordable housing needs in addition to that. This situation will most likely be seen in practice on some individual sites when CIL is implemented in its current form. However, this is quite a complex matter to consider if envisaged as fully imported into the CIL regime. It is quite likely that a complete overhaul of how affordable housing obligations are sought and calculated would be needed, because the floor area of the affordable housing (currently related to the affordable housing policy target %) would need to be factored-in for application to the market housing floor areas in accordance with CIL principles. We consider that the thinking on the level of contribution may need to be considered in one of two ways - as follows.

3.12.10 The first potential route to assessing affordable housing equivalence would be to look at the gap between market sales revenue(s) and the affordable housing transfer payment(s) that would have been made through on-site provision. Detailed work could be carried-out to create a grid indicating these revenue gaps across the wide range of market values (VLs), dwelling types and affordable housing tenure variations that might apply. This grid would look like the affordable housing revenues background assumptions sheet included at Appendix I. This was also explained at 2.3.12 to 2.3.19 above. Depending on how the use of CIL operated for affordable housing (if indeed it develops to that point in the future), it could then be possible to closely estimate the likely revenue gaps across a wide range of situations, or prepare an approach ready for use with specific sites. As an alternative and probably more readily workable scenario in the CIL context, an overview could be made by fixing the revenue gaps based on average %s of MV or on some other assessment of typical figures from within the range shown by the grid.

3.12.11 Depending on how it might operate, the approach to considering affordable housing financially within CIL as at 3.12.10 (seeking to reflect the revenue gaps) may be too complex in the CIL context. As an alternative, therefore, we consider that reference to the affordable housing build costs including external works (and potentially also including the professional fees, contingencies and any sustainability factors, etc) could have the potential to be a more suitable and consistent overview method of "pricing" the affordable housing element to come within the CIL umbrella.

3.12.12 If the approach at 3.12.11 were to be developed, then at present the assumptions set out with in this study (at sections 2.6, 2.7 and Appendix I) would be used to assess on an overview basis the affordable housing total build costs. We consider that this could have the potential to provide a suitable overview basis, subject of course to further development and review. A calculation would need to be carried out whereby the

3.12.13 Purely as an example, we could take the study assumptions for the base build cost for houses including external works (£1,095/sq m), add the 15% for professional fees and contingency plus the 5% sustainable construction cost uplift. There could be other ways of looking at this, but in experience developers generally accept that affordable housing produces little or no land value (particularly rented tenure) but seek to get as close a s possible to recouping reasonable build costs. This example, purely as an indication, would produce a figure in the order of £1,315/sq m prior to allowing for the renewable energy addition as well (approximately a further £40/sq m based on an 85 sq m dwelling). This indicates that a further £1,350 - £1,400/sq m could be an appropriate level of "charge" per sq m of affordable housing brought within these principles; based on substituting this for direct provision. The same calculation would produce a higher figure generally for schemes of or containing flats, although a "blended rate" could be arrived at to reflect a dwelling mix. As above, it can be seen that this is a complicated area which would require detailed consideration in the knowledge of how the CIL would operate to "incorporate" affordable housing funding requirements. Under this example calculation, the base CIL rate parameters for residential (£75 – 125/sq m) would be added to the above. As an aside, this also gives a rough feel for the relative viability impacts of CIL and affordable housing.

3.12.14 Were the above affordable housing to develop (and this would not be on a local-only basis), then as with other aspects of CIL, ongoing monitoring and review would be needed.

Main text of DRAFT V2 study report ends.

May 2012.