

Chichester District Council's answers to Examiner's Preliminary Questions

Draft Charging Schedule (DCS)

- 1. Paragraph 4.1 of the Regulation 19(1) Statement refers to a proposed schedule of minor amendments to the DCS included for the Examiner's consideration. Whilst I note the reference to various modifications throughout the schedule of representations and the suggested amendments to the Payment by Instalments policy at the end of the schedule, I have not been able to find a schedule of minor amendments in the submitted evidence. I would be grateful if you would either point me to this schedule or provide me with a copy and clarify how you wish me to treat any such amendments or modifications.**

This can be found in Appendix 1 of the Regulation 19(1) Statement – the last column labelled 'Suggested modification to DCS'.

- 2. In the DCS, Map 1.1 showing the charging areas for differential rates for residential development does not contain National Grid reference numbers as required by Regulation 12(2)(c)(iii) of the CIL Regulations 2010 (as amended). Whilst this is a detailed point, which has not been raised in representations, it is non-compliant and therefore I would be grateful if the Council would advise how they intend to remedy this point.**

It is suggested that DCS Map 1.1 is replaced with an OS base map which shows the National Grid reference numbers to comply with Regulation 12(2)(c)(iii) of the CIL Regulations 2010 (as amended). The Council requests the Examiner to recommend this as a modification to the DCS. Please find attached DCS replacement Map 1.1.

- 3. Table 7.2 of the DCS and page 11 of the Infrastructure Delivery Plan (IDP) refer to figures of £5,682,406 and £13,455,276 of available and anticipated S106 funding. Where is the evidence to support these figures and how do they break down for the infrastructure categories shown in the Reg. 123 list and on page 11 of the IDP?**

The data underpinning the two figures quoted was drawn directly from S106 monitoring systems maintained by the Council and West Sussex County Council.

- The figure of **£5,682,409** related to all S106 contributions received (by both councils) but not yet spent at May 2014.
- The figure of **£13,455,276** related to all outstanding payments secured through S106 agreements which had not yet been received at the same date.

The table below which is an extract from the monitoring systems referred to above) shows the breakdown of these figures into the broad headings used in the Reg 123 list.

S106 funding identified in Table 7.2 by infrastructure category

<i>Infrastructure Category</i>	<i>Available S106 funding¹</i>	<i>Anticipated S106 funding²</i>
Transport	£2,062,317	£3,256,439
Education	£951,859	£3,257,871
Health	£0	£0
Social Infrastructure	£823,222	£3,199,173
Green Infrastructure	£499,385	£2,349,912
HRA Mitigation	£174,308	£226,308
Public Services	£29,317	£81,750
Affordable Housing	£1,106,797	£1,083,823
Interest	£35,204	£35,204
TOTAL	£5,682,409	£13,455,276

¹ Payments from S106 agreements received but not yet spent

² Contributions secured through S106 agreements that have not yet been received by the councils.

The Council has now reassessed and updated the figures for available and anticipated S106 funding. The figures have been recalculated to exclude S106 monies from planning permissions granted before the Local Plan base date of 1 April 2012. The reason for this is that this development was already committed prior to the start of the Local Plan period and therefore does not contribute towards generating the infrastructure needs identified in the IDP.

The table below shows all contributions secured through S106 agreements relating to development permitted since the Local Plan base date in April 2012. This includes payments already received by the councils (including a small amount of money already spent) and outstanding payments not yet received. The revised breakdown against the broad headings in the Reg 123 list is shown below.

Revised assessment of S106 funding by infrastructure category (April 2015)

Infrastructure Category	S106 funding received & spent	Available S106 funding	Anticipated S106 funding	Total
Transport	£10,465	£153,238	£1,209,211	£1,372,914
Education	£0	£117,208	£1,151,033	£1,268,241
Health	£49,118	£0	£148,880	£197,998
Social Infrastructure	£14,392	£305,231	£3,032,028	£3,351,652
Green Infrastructure	£0	£145,696	£1,315,050	£1,460,746
HRA Mitigation	£0	£10,520	£211,532	£222,052
Public Services	£0	£2,228	£42,615	£44,843
Affordable Housing	£0	£139,196	£856,200	£995,396
TOTAL	£73,975	£873,318	£7,966,549	£8,913,842
TOTAL (excluding affordable housing)	£73,975	£734,122	£7,110,349	£7,918,446

The figures show that a total of £8,913,842 has been secured through S106 agreements since April 2012. However, this figure includes commuted payments towards provision of off-site affordable housing. Local Plan policy generally seeks provision of affordable housing on-site, delivered directly by developers, rather than seeking delivery by means of financial contributions. Therefore, affordable housing has not been listed as an infrastructure category in the IDP. If affordable housing contributions are excluded, the S106 contribution figure totals **£7,918,446**.

The majority of the payments identified through existing S106 agreements have not yet been allocated to specific infrastructure projects. Whilst the relevant S106 agreements identify the broad use of the funding, in many cases they do not specify which projects the payments will be used for. For this reason, it has not been possible to provide a more detailed breakdown.

Viability Study (VS)

- Please clarify the distinction between ‘threshold land value’ used in Sections 5 and 14 of the VS and ‘benchmark land value’ used in the viability summary tables in sections 8 and 9 and the summary viability assessment tables in sections 10 to 14 of the VS.**

The terms ‘threshold’ and ‘benchmark’ are interchangeable in the report. They have exactly the same definition in the context of the viability study.

5. On what evidence are the respective figures of £1,000, £5,000 and £10,000 for site specific S106 costs for residential, smaller retail and larger retail developments based, referred to in paragraphs 6.9 and 6.11 of the VS?

The viability study is based on the premise that once CIL is introduced, the vast majority of planning charges historically covered by section 106 will be within the new charge. The main exceptions are affordable housing (the cost of which is reflected in the assessment of scheme value on the residential testing) and smaller contextual charges which in the residential charge of £1,000 per unit (outside Strategic Development Locations) and £5,000 / £10,000 per unit on the convenience retail.

In practice, there will be no standard charge with each scheme looked at on its own merits and subject to a viability test.

6. Please explain the calculations and evidence supporting the benchmark land values of £310,000 per ha (gross) and £700,000 per ha (net) for residential land at the strategic development locations (SDLs) (in paragraph 8.45 and Table 8.6 of the VS) compared to the figure of £2.55m per ha as the generic benchmark land value for residential land in the southern part of the district.

We have adopted a different approach when looking at strategic sites compared to the generic testing and this is reflected in the benchmark/ threshold land values used in the appraisals. This is essentially because we know more about the strategic sites in terms of the existing use, potential servicing costs and the mix and quantum of future development. This enables a Contextual approach to the testing.

Strategic Site Testing

Three of the four strategic sites are in agricultural related use and we have applied a gross rate of £350,000 per ha or £141,000 per acre. (this is a correction from the viability study which erroneously stated £310,000 per ha or £125,000 per acre). The figure is significantly in excess of the sites existing use values which are in the region of £5-10,000 per acre.

The Shopwyke benchmark figure is slightly lower at £250,000 per ha because the site is brownfield and requires investment in groundwater treatment (8.72 of the VS study).

This approach is in accordance with the guidance within the National Planning Policy Framework (NPPF) which states that:

Plans should be deliverable. Therefore the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the

costs of any requirements likely to be applied to development, such as requirements for affordable housing, local standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and on-site mitigation, provide acceptable returns to a willing land owner and willing developer to enable the development to be deliverable.

Recent Homes and Communities Agency (HCA) guidance entitled 'The HCA area wide viability model (Transparent Viability assumptions)' refers to a figure of up to 20 times agricultural value. Essentially as DCLG recently referred to the uplift it needs to be a 'life changing sum' for the landowner/farmer to extinguish his business and move elsewhere.

We note there is increasing acceptance that a range of c £100,000 to £150,000 per gross acre is an absolute minimum 'benchmark', above which there may be a likelihood of an agricultural site will be released for development.

At £125,000 - £141,000 per acre, the minimum threshold value satisfies the tests within the NPPF, the HCA multiplier of 10-20 times existing use value and is in line with generally accepted figures on the minimum threshold value. It is also a true reflection of the risk and expense required to release the strategic sites for development.

The net figure of £700,000 per ha assumes the value at 50% site coverage and is therefore double the gross figure at £350,000 per ha for the purpose of the residual viability test.

The figures for Shopwyke are at £250,00 per ha gross and £500,000 per ha net reflecting the brownfield nature of the site. All the figures are in the appendices of the Viability Study.

Generic Testing

We do not have the same level of information on sites and development when looking at sites generically. It is difficult if not impossible to adopt a 'one size fits all' approach to existing use values, servicing and reclamation costs and then adjust for size and quantum.

To address this issue when assessing the benchmark / threshold land value, we have assumed the site is fully serviced, free of significant abnormal costs but does not have the benefit of planning permission.

In practice very few sites will be in this condition. The benchmark / threshold land value figure therefore assumes that developers will reflect abnormal site servicing and reclamation costs in the acquisition price from the vendor. These will vary from site to site but the figure adopted provides a significant buffer to cope with costs and uses in all but the most extreme of cases.

The figure of £2.55m per ha was based on conversations with local agents and comparable evidence as to what the fully serviced sites would be worth and also reflective of the Council's then 40% affordable housing policy.

- 7. On what evidence is the figure of £600,000 per ha for the SDL servicing costs based in paragraph 8.48 of the VS? How are these costs distinct from the abnormal development and servicing costs referred to in paragraph 8.44 which are already factored into benchmark land values for the SDLs?**

The strategic site servicing costs are based on the evidence submitted by Savills on behalf of the house builders consortium and also reflective of PBA's experience as a specialist Development and Infrastructure Consultancy. They reflect, where known, the costs attributed to the upgrade of the Tangmere Waste Water treatment works and improvements to the A27 which are necessary to enable delivery of several of the strategic sites.

These costs are in addition to the benchmark / threshold land value for the strategic sites which reflect the minimum land value a vendor will accept.

As outlined in the question above, the approach to servicing costs and abnormals for the SDL is different to that within the generic testing.

- 8. In paragraph 8.41 of the VS a generic S106 contribution of £8,000 per unit is assumed for three of the four SDLs. How does this figure compare with the cost of the respective S106 packages for the three sites in section 15 of the IDP?**

The section 106 packages and the eventual costs are still being finalised for three of the four strategic sites. It is dependent upon inputs and requirements for a wider range of public sector bodies and agencies including the County Council, The NHS, Highways England (formerly the Highways Agency) and several others.

As outlined in the VS, the £8,000 per unit is based on historic 106 payments achieved in Chichester against a background of 40% affordable housing provision which was regularly achieved on a number of sites.

Within the strategic site appraisals, a proportion of the IDP costs are included within strategic site infrastructure and other items within the budget for section 106. Therefore it is not appropriate to do an absolute like for like comparison.

We can confirm the total allowance for infrastructure per site against the known costs for the IDP as follows:

Site	Total Infrastructure and 106 budget allowed for within appraisals	Known budgetary costs in IDP	Surplus budget after CIL
West of Chichester (based on original Local Plan figure of £1,000 homes)	£25,14m	£19,065m	£6,07m
Tangmere	£25,14m	£11,630,000	£13,51m
Westhampnett	£13.99m	£0.261m	£13.72m

The allowances are generous and have been created by the decision to reduce the affordable housing target from 40 to 30%.

9. What is the basis for the selection of the unit sizes of 465sqm and 4000sqm for the viability assessment of convenience retail development and 465sqm and 929sqm for comparison retail development in section 14 of the VS?

The convenience retail tests are based on an in town (smaller) and out of town (larger) format. Although other sizes could be provided we have seen little variation in viability across different formats in Chichester or in other CIL schedules elsewhere.

Our convenience retail charge is set against the lower viability buffer and is comparable to retail charges in other charging schedules.

10. Table 18.1 in Appendix C to the VS provides an appraisal of off-site affordable housing. Please provide a step by step calculation to demonstrate how the policy overage figure is arrived at and to demonstrate that there is sufficient surplus between benchmark and policy off residual land value to fund the policy costs of S106, affordable housing and CIL.

Appendix C is a variation to the tables in the main viability study to confirm that an offsite affordable housing contribution of £300-350m² is affordable when taking into account other 106 costs (£1,000 per unit) and the proposed CIL rates.

Broadly speaking, this will create funding sufficient to 'buy' offsite affordable housing at the stated rate. We cannot be certain that this will be the case, because much depends on factors such as affordable housing policy, transfer rates, sales values and land values.

The cost of the affordable housing financial contribution rate is calculated as follows for a 10 unit scheme in the southern charging zone.

Market value of 10 x 90m2 three bed semi-detached properties - £3,300 per m2	£2,970,000
Approximate value of the same properties with 3 out of 10 units being affordable units (30%)	£2,577,960
Difference (or the cost of the subsidy required to convert 3 units to affordable housing)	£392,040
Expressed as a rate per m2 on the entire scheme (900m2)	£435.6 (rounded up in summary table to £436 m2)

The table in appendix C then also includes the proposed CIL charges, generic 106 and compares the residual land value to the benchmark / threshold figure. It shows that there is still a surplus of £20 m2 after all the planning policy costs are taken into account

We had recommended that the actual figure is reduced from £436m2 down to a figure of between £300 to £350m2 to cover fluctuations in the market. Individual schemes are also subject to viability testing before the final figure is agreed and therefore being close to the buffer is not as critical for assessing this figure compared to CIL testing.

In practice, the changes in national policy to affordable housing thresholds means that these charges will no longer apply on many schemes where an off-site contribution is appropriate and that CIL will be the only planning charge on the smaller schemes.

11. What are the implications for the residential viability appraisals in the VS of the following changes to national policy introduced since the DCS and VS were published:

a. The increase in the threshold at which affordable housing contributions can be sought announced on 28 November 2014?

The implication of the statement has been to improve viability of residential schemes beneath the threshold levels of 10 in urban areas and 5 in rural. This potentially creates an opportunity to increase the CIL levels for schemes that no longer have to contribute to affordable housing either on site or offsite.

The Council have considered the issue and decided not to pursue a higher CIL allowance on smaller schemes and therefore there is no reason to alter the viability testing.

b. The withdrawal of the Code for Sustainable Homes confirmed on 25 March 2015?

The withdrawal of the statement will potentially improve viability but does not alter the figures within our VS as we did not seek to anticipate either future policy changes or the impact on residential development. At page 26 of the VS report we noted that

'Costs may alter in future. In particular, there may be national policy change regarding Code for Sustainable Homes building standards. The final effect of these changes on viability is difficult to foresee. While we have reviewed current Government research on cost impacts of CSH we note that past forecasts of price changes (such as that predicted in the original Cyril Sweete work) have never affected costs to the extent forecast. When these future requirements come into force, they will impact on both development costs and land values. We have not incorporated these possible impacts into our calculations, because CIL should deal with current market conditions, not forecasts of potential future change. Our approach to incorporating these (and other) potential but unknown costs is to set a wide margin for error that will cover variations in factors such as build costs, site conditions, and timing.'

The BCIS indices are based on actual tender price data recorded across the UK. These costs include some schemes which are CSH4 compliant and others which are not. In the longer term the removal of these standards may lead to lower build costs but the evidence is not available to demonstrate a material change.

Regulation 19 (1) Statement (CIL-03)

- 12. The Council's response to representation 25 under the 'Who Will Pay' section of CIL-03 refers to viability testing which shows that other types of retirement housing (than Class C2) can bear the proposed CIL charge. Where is the evidence for this viability testing of other forms retirement housing?**

The Viability Study did not have a specific retirement living appraisal as the evidence showed that the values for this sector were comparable and in some cases higher than standard apartment accommodation. To verify this proposition we have updated the apartment comparable evidence base and produced a generic retirement living appraisal in the attached Addendum for the two proposed charging zones.

Reg. 123 list and S106 contributions

- 13. Whilst it is not the purpose of the examination to challenge the Reg 123 list, to test the evidence for the infrastructure funding gap I need to understand more clearly the elements of infrastructure that are proposed to be funded from CIL and those which would be funded from site specific S106/S278 agreements, as follows:**
- a. With reference to the known figures in the table at paragraph 7.2 of the IDP, please provide a breakdown of the projects that make up those figures and, based on the draft Reg 123 list, whether each**

project will be delivered via S106/S278 agreements or require pooled funding from CIL.

Table 7.2 in the Draft Charging Schedule is based on the figures set out in paragraph 7.2 of the IDP. Since the publication of the IDP in October 2014, the Council has updated some of the infrastructure cost estimates as set out previously. In addition, as explained in the answer to Q3 above, the Council has also recalculated the figures for S106 funding already secured since the Local Plan base date of 1 April 2012.

Table 7.2 in the DCS identifies known strategic infrastructure costs of £70,417,900. The Council has now revised this figure upwards to **£79,231,980**, as shown in the table below. The table shows the known infrastructure costs broken down by the broad infrastructure categories in the Reg 123 list. The figures are further disaggregated into infrastructure that will be delivered via CIL and that which will be provided through S106/S278 agreements, including infrastructure directly relating to the Strategic Development Locations (SDLs).

Known strategic infrastructure costs by infrastructure category

<i>Infrastructure Category</i>	<i>Area-wide to be funded from CIL</i>	<i>To be funded from S106/S278</i>		<i>Total</i>
		<i>Area wide</i>	<i>SDLs</i>	
Transport	£8,182,000	£12,967,000 ²	£3,095,000	£24,244,000
Education	£29,000,000		£19,000,000	£48,000,000
Health	£3,300,000			£3,300,000
Social Infrastructure ¹	£600,000+		£2,500,000	£3,100,000+
Green Infrastructure ¹	£10,000+			£10,000+
HRA Mitigation		£191,780	£386,200	£577,980
Public Services ¹	TBC			
TOTAL	£41,092,000	£13,158,780	£24,981,200	£79,231,980

¹ Includes substantial infrastructure not yet costed.

² Includes £12,817,000 towards the A27 junctions, the majority of which will be funded by the SDLs.

Appendix 1 presents a detailed schedule of all identified Plan area-wide infrastructure projects (i.e those not intended to be provided or funded directly by the SDLs), indicating whether these will be funded through S106 or CIL (either alone or in conjunction with other sources of funding which may become available).

It should be noted that many of the infrastructure needs have not yet been costed in detail. This applies in particular to social infrastructure, green infrastructure and public services. In addition, some of the identified infrastructure is likely to be partly

funded from other public sources (e.g schools through the Basic Need Grant). However, the exact split between CIL or S106/S278 and other sources is not yet known.

The table below compares the known strategic infrastructure costs against the S106 contributions already secured through planning agreements (as set out under Q3 above). For the reasons explained under Q3, the table excludes S106 contributions towards affordable housing.

Comparison of known infrastructure costs and S106 funding already secured by infrastructure category

<i>Infrastructure Category</i>	<i>Known strategic infrastructure costs</i>	<i>S106 funding already secured</i>
Transport	- £24,244,000	£1,372,914
Education	£48,000,000	£1,268,241
Health	£3,300,000	£197,998
Social Infrastructure [#]	£3,100,000+	£3,351,652
Green Infrastructure [#]	£10,000+	£1,460,746
HRA Mitigation	£577,980	£222,052
Public Services [#]	TBC	£44,843
TOTAL	£79,231,980	£7,918,446

[#] Includes substantial infrastructure not yet costed.

Since the publication of the IDP and Draft Charging Schedule in Autumn 2014, the Council has also updated its estimate of anticipated CIL receipts. These are now expected to total **£26,933,760**, which is a lower figure than the previous estimate of £32,843,400. This reflects the fact that a number of developments identified in the Local Plan have recently gained planning permission ahead of the introduction of CIL. These sites will therefore contribute towards infrastructure needs through S106 contributions rather than through CIL payments as previously expected.

Based on the updated figures, the Council has prepared a revised version of Table 7.2 which is presented below. This shows a revised funding gap of **£18,398,574**. However, it should again be emphasised that much of the infrastructure need has not yet been costed in detail.

Revised Table 7.2 showing updated infrastructure costs and S106 contributions already secured (April 2015)

Known strategic infrastructure costs	£79,231,980
Less infrastructure directly related to the SDLs to be funded through S106/S278	£25,981,200
Less existing S106 funding already secured since 1 April 2012	
- Received & spent	£73,975
- Available (received but not yet spent)	£734,122
- Anticipated (agreed but not yet received)	£7,110,349
Total	£7,918,446
Less other known funding	Unknown
Less anticipated CIL receipts	26,933,760
Funding gap	£18,398,574

- b. In section 16 of the IDP, from the lists of Plan Area Wide Infrastructure projects to be funded from developer contributions, please indicate in an annotated list whether each would be funded via S106/S278 agreements (and if so from which site) or from pooled CIL funding.**

Appendix 1 presents an updated schedule of all identified Plan area-wide infrastructure projects (i.e those not intended to be provided or funded directly by the Strategic Development Locations). The schedule indicates whether S106 or CIL is intended to be used as a funding source (either alone or in conjunction with other sources of funding which may become available). For each broad infrastructure category, the schedule identifies the total amount of S106 contributions received or due from existing planning permissions granted since the start of the Local Plan period (1 April 2012).

The Council accepts that there are a number of gaps in the information currently available and is currently working with infrastructure providers and parish councils to identify and cost infrastructure projects in detail.