Rotherham Metropolitan Borough Council
Community Infrastructure Levy Study
Final Report
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# CONTENTS

EXECUTIVE SUMMARY ................................................................. 3
1 STUDY SCOPE AND APPROACH ...................................................... 7
2 LEGAL REQUIREMENTS .............................................................. 10
3 DEVELOPMENT CONTEXT .......................................................... 15
   History ................................................................................... 15
   Development central to the delivery of the Local Plan ......................... 16
   Uses less likely to come forward .................................................. 18
   Implications ............................................................................ 19
4 INFRASTRUCTURE ASSESSMENT .................................................. 20
   Infrastructure definition ............................................................ 20
   CIL infrastructure requirements ................................................ 22
   DCLG consultation on further reforms to CIL ................................ 23
   Infrastructure assessment for Rotherham ....................................... 24
5 RESIDENTIAL VIABILITY ASSESSMENT ......................................... 29
   Housing market context ........................................................... 29
   Approach to residential viability assessment .................................... 38
   Assumptions used to inform the residential appraisals ....................... 39
   Sales values tested ...................................................................... 45
   Residential appraisal outputs ..................................................... 48
6 COMMERCIAL VIABILITY ASSESSMENT ......................................... 52
   Assumptions used to inform the commercial appraisals ....................... 53
   Commercial appraisal outputs .................................................... 55
7 SUI GENERIS USES .................................................................... 59
   Types of development and likely viability ......................................... 59
8 RECOMMENDATIONS AND IMPLEMENTATION ................................ 61
   Proposed preliminary draft consultation stage CIL charge .................... 61
   CIL Revenue projections ........................................................... 62

## APPENDICES

Appendix 1 – Planning application assessment
Appendix 2 – House sales
Appendix 3 – Developer consultation
Appendix 4 – Summary of residential viability assumptions
Appendix 5 – Bassingthorpe farm context plan
Appendix 6 – CIL infrastructure schedule and funding gap
EXECUTIVE SUMMARY

1. This report provides the economic viability and infrastructure evidence to inform the Community Infrastructure Levy (CIL) charge to be set by Rotherham Metropolitan Borough Council (RMBC).

2. At the heart of the CIL charge setting process, is the need ‘to strike what appears to the charging authority to be an appropriate balance between the desirability of funding infrastructure and the potential effects of the imposition of the charge on the economic viability of development across its area’. This decision is informed by the viability and infrastructure evidence for that area. A number of local considerations such as the development taking place in the area, the planning pipeline of consented sites, past and anticipated future delivery and the authorities own attitude to ‘development risk’ have informed the CIL charge rates being consulted on.

3. The viability assessments for both residential and non residential development are based on a simple residual land value approach. The implications of affordable housing and other policy requirements of the emerging Core Strategy have been incorporated in the assessment. The viability assumptions have been based on industry standard data, transactional data for the area, and information provided by the development industry and RMBC. The assumptions reflect the current market and delivery taking place. The appraisals are intentionally at on a broad, strategic level, compliant with CIL guidance to avoid focus on the implications on individual development sites, though the proposed strategic site has been tested too.

4. The appraisal findings were considered by RMBC in arriving at an agreed set of charges to consult for the preliminary draft consultation stage of the CIL charge setting process. Table 1 below summarises the recommended CIL charges by use and zones. Map 1 overleaf shows the proposed residential charge zones.

Table 1 Proposed CIL Recommendations for Rotherham

<table>
<thead>
<tr>
<th>Proposed Charging Zone</th>
<th>Proposed Rate £psm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Zone 1 High</td>
<td>£65</td>
</tr>
<tr>
<td>Broom, Moorgate, Whiston, Wickersley,</td>
<td></td>
</tr>
<tr>
<td>Bramley and Ravenfield</td>
<td></td>
</tr>
<tr>
<td>Residential Zone 2 Medium</td>
<td>£30</td>
</tr>
<tr>
<td>Rural North West, the Dearne and South</td>
<td></td>
</tr>
<tr>
<td>Rotherham.</td>
<td></td>
</tr>
<tr>
<td>Residential Zone 3 Low</td>
<td>£15</td>
</tr>
<tr>
<td>Rotherham Urban Area and East Rotherham</td>
<td></td>
</tr>
<tr>
<td>Residential Zone 4 Strategic site</td>
<td>£15</td>
</tr>
<tr>
<td>Bassingthorpe Farm Strategic Site</td>
<td></td>
</tr>
<tr>
<td>Rotherham wide</td>
<td>£60</td>
</tr>
<tr>
<td>Convenience retail</td>
<td></td>
</tr>
</tbody>
</table>
The infrastructure assessment has identified a CIL funding gap of £57m

5. If all planned growth takes place, then the CIL income based on the above CIL charges is estimated at just under £18m (see table 8.2). The infrastructure funding gap assessment shows that the total infrastructure required in Rotherham is estimated to cost about £95m.
Of this, £38m funding is anticipated from mainstream or known sources, leaving a CIL funding gap of just over £57m. Comparing the estimated CIL funding gap of £57m, against the forecast CIL revenues of £18m demonstrates that the infrastructure funding gap is nearly three times greater than the anticipated CIL revenues.

6. This funding gap is to be expected, as it is acknowledged that a CIL charge will generally not meet an authority’s entire infrastructure funding requirement and a funding gap is part of the CIL evidence. The Rotherham Infrastructure Delivery Plan sets out a number of measures to manage this funding gap and ensure that critical infrastructure needed to meet the needs of growth is delivered in a timely manner. One key element of this is the need to establish an infrastructure delivery mechanism either using the Council’s existing S106 review group or another group that takes a lead in the planning, costing, prioritisation, funding, phasing and delivery of infrastructure to support the delivery of growth and CIL spend.

Regs 123 list

7. Once CIL is in place, it is recommended that all future developer contributions to support part of the cost of infrastructure requirements should be funded via CIL, (apart from site specific infrastructure requirements at Bassingthorpe Farm for education and recreation or policy mitigation measures). The intention is the use of S106 agreements will be scaled right back and the primary mechanism for seeking developer contributions will be the CIL charge. This will make administering developer contributions simpler for the local authority (after the initial set up of CIL) and has the added advantage that developers will know clearly what is expected upfront and take account of this in their development appraisals.

8. Having assessed the S106 contributions currently required of development, and the likely cost of CIL, it is considered that in the majority of cases, the expected CIL charge will replace the amounts currently paid for s106 contributions. So for most developments the total cost is not expected to increase (i.e. the developer contributions will roughly remain the same post implementation of the CIL charge); however the mechanism used to capture this will change to be compliant with the new developer contribution legislation. Those developments that have been below the s106 thresholds will now be required to pay a CIL charge (as there are no threshold limits for CIL). Historically, a number of such developments which had a cumulative impact on infrastructure did not contribute to the cost of infrastructure (due often the cost of preparing a s106 legal agreement for small schemes). The CIL charge will apply to all relevant development making it a fairer and more transparent system.

9. It should be noted that any s278 or site specific policy mitigation measures will still continue to apply. There may be some changes to the CIL Regulations during 2014 following the 2013 CIL reform consultation and these will need to be kept under review – in particular the treatment of S278 highway requirements and in-kind contributions.

Review of CIL and future implementation

10. Future regulatory requirements, changes in house sales values, build costs, changes in land values and potential grant funding for affordable housing could all impact on viability,
and these factors should be kept under regular review and the local authority should look to review policy / CIL charges as appropriate.

11. Going forward, noting there is an infrastructure funding gap, RMBC will need to establish an infrastructure delivery mechanism (either using the existing S106 review group or another group) to take a lead in the planning, costing, prioritisation, and delivery of infrastructure to support the delivery of growth and CIL spend.
1 STUDY SCOPE AND APPROACH

1.1 Peter Brett Associates LLP have been commissioned by Rotherham Metropolitan Borough Council to produce a Community Infrastructure Levy (CIL) evidence to inform their Preliminary Draft Consultation for CIL.

1.2 Before a charging authority can apply a CIL, it has to produce a CIL charging schedule. This charging schedule has to be informed by relevant infrastructure funding and viability evidence. The process of developing a CIL charging schedule is illustrated in Figure 1.1 below.

Figure 1.1 Evidence to inform CIL charging schedule

![Diagram of CIL charging schedule process]

Source: Peter Brett Associates 2013

Study objectives

1.3 The objectives of this study are to help the client team make informed decisions about the following:

- The viability assumptions which reflect development currently taking place and sensitivity testing possible future changes;
- The infrastructure funding gap to inform the CIL and initial consideration of a CIL Regs 123.
- Recommendation on the CIL charge to support the delivery of strategic infrastructure.

Study approach

1.4 Our approach to arriving at the CIL charge is based on the following:

- Assess the economic geography of Rotherham in informing the CIL charge zones.
- Consider the impact of policies such as affordable housing, zero carbon and landscape management.
- Review industry standards, transactional data and consult with the development industry to inform the assumptions inputs.
- Undertake a number of residential and non residential viability appraisals to inform the CIL charge
- Consult with service providers, review the infrastructure delivery schedules, assess the infrastructure funding gap and consider appropriate future funding mechanism (CIL or s106).
- Hosted a workshop with the CA and service providers to present initial findings and seek views on priorities and emerging charges.
- Prepare report setting out the viability and infrastructure evidence and proposed CIL charge for the preliminary draft consultation stage of CIL.

1.5 The assessment recently completed for the Core Strategy Whole Plan Viability Study (May 2013) forms the starting point for this CIL assessment. Feedback from the developer consultation event held in December 2012, Planning Advisory Service (PAS) review feedback on the Whole Plan Viability Study, various focused service providers meetings and a client prioritisation and CIL rate setting workshop has helped to inform this study. A Planning Advisory Service advisor has also provided support as a ‘critical friend’ at the client team CIL charge rate setting workshop held in June 2013.

1.6 The key messages from the Developer Workshop held in December 2012 were as follows:
- There is a need for the viability assessment to consider three (high, medium and low) value zones – this has been addressed for this CIL study.
- The threshold land values used for the WPV assessment are too low – no evidence was provided to substantiate this, however as we have introduced a range of value zones, this has reflected a range of threshold values based on our research of available evidence.
- Profit should be measured as a percentage of gross development value – this has been addressed within this CIL report.
- The developer’s residual balance is finite and choices will have to be made as to the total ‘ask’. The study considers the total ask, and demonstrates how key requirement can be met. However, there is also an expectation from the CIL charging authority (in keeping with Harman guidance and CIL legislation) that, developers and landowners too will need to reflect future policy requirements in their negotiations over land values and developer profit margins.

1.7 From the client team the key messages informing this viability assessment were as follows:
- The policy level for affordable housing of 25% should be incorporated in the viability assessment.

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1 [http://rotherham.limehouse.co.uk/portal/planning/](http://rotherham.limehouse.co.uk/portal/planning/)
There is a desire to ensure all neighbourhoods that are affected by new development receive an element of neighbourhood funding from CIL.

Other policy requirements included in the Core Strategy have been intentionally worded to allow a degree of flexibility depending on viability.

The delivery of the Bassingthorpe Farm strategic sites is critical to the delivery of the plan, and the viability assessment should take account of the higher on site infrastructure requirements for this location.

1.8 From the infrastructure service providers the key messages were as follows:

- Guidance was required as to which mechanism (CIL or S106) would best support the delivery of critical infrastructure. In some instances it was still possible to use either.
- Particularly clarity was needed on how best to support the delivery of Bassingthorpe Farm and ensure that essential infrastructure both on-site and off-site was provided in a timely way.
2  LEGAL REQUIREMENTS

Introduction

2.1 The Community Infrastructure Levy (CIL) is a new planning charge that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from developers to help pay for infrastructure that is needed as a result of development. Local authorities who wish to charge the levy must produce a charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, a draft of the schedule has to be approved by an independent examiner.

2.2 The requirements which a CIL charging schedule has to meet are set out in:

   - The Planning Act 2008 as amended by the Localism Act 2011;
   - The CIL Regulations 2010, as amended in 2011, 2012 and 2013; and
   - The CIL Guidance issued under S221 of the Planning Act 2008, which is statutory guidance, i.e. it has the force of law and the authority must have regard to the guidance.

2.3 To help charging authorities meet these requirements, the Government has also produced non-statutory information documents, comprising:

   - CIL overview documents;
   - Documents on CIL relief and on collection and enforcement.

2.4 Summarised below are the key points from these various documents.

Finding the balance

2.5 Regulation 14 requires that a charging authority ‘aim to strike what appears to the charging authority to be an appropriate balance’ between:

   a) The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and

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

2.6 By itself, this statement is not easy to interpret. The statutory guidance explains its meaning. This explanation is important and worth quoting at length:

   DCLG (April 2013) Community Infrastructure Levy Guidance
'By providing additional infrastructure to support development of an area, the levy is expected to have a positive economic effect on development across an area. In deciding the rate(s) of the levy for inclusion in its draft charging schedule, a key consideration is the balance between securing additional investment for infrastructure to support development and the potential economic effect of imposing the levy upon development across their area. The Community Infrastructure Levy regulations place this balance of considerations at the centre of the charge-setting process. In meeting the requirements of regulation 14(1), charging authorities should show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant Plan and support the development of their area. As set out in the National Planning Policy Framework in England, the ability to develop viably the sites and the scale of development identified in the Local Plan should not be threatened.'

2.7 The above quote from the statutory Guidance sets the development of the area firmly in the context of delivering the Core Strategy. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the Guidance. For example, in guiding examiners, the Guidance makes it clear that the independent examiner should establish that:

‘…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.’

2.8 Common sense suggests that an appropriate balance is not easy to find, and must be a matter of judgment as much as rigorous calculation. It is not surprising, therefore, that charging authorities are allowed discretion in this matter. This is set out in the legislation and guidance. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlight the discretion):

‘must aim to strike what appears to the charging authority to be an appropriate balance…’

and the statutory guidance says

‘The legislation… requires a charging authority to use appropriate available evidence to ‘inform the draft charging schedule’. A charging authority’s proposed levy rate (or rates) should be reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence… there is room for some pragmatism.’

2.9 Regulation 14 effectively recognises that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Core Strategy can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should ‘use an area based approach, which involves a broad test of viability across their area’, supplemented by sampling ‘…an appropriate range of sites across its area…’ with the focus ‘…in particular on strategic sites on which the relevant Plan relies…’

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9 DCLG (April 2013) Community Infrastructure Levy Guidance (para 28)
10 DCLG (April 2013) Community Infrastructure Levy Guidance (Paras 23 and 27)
2.10 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable. The levy may put some schemes at risk in this way, so long as, in aiming to strike an appropriate balance overall it avoids threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

**Keeping clear of the ceiling**

2.11 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

> ‘Charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. Charging authorities should show, using appropriate available evidence, including existing published data, that their proposed charging rates will contribute positively towards and not threaten delivery of the relevant Plan as a whole at the time of charge setting and throughout the economic cycle.’

2.12 There are two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base; and
- A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

**Varying the charge**

2.13 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, or both. (It is worth noting that the phrase ‘use of buildings’ indicates something distinct from ‘land use’). As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.14 The guidance also points out that there are benefits in keeping a single rate, because that is simpler, and charging authorities should avoid ‘undue complexity’.

2.15 Moreover, generally speaking, ‘it would not be appropriate to seek to differentiate in ways that ‘impact disproportionately on particular sectors, or specialist forms of development’; otherwise the CIL may fall foul of State Aid rules.

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11 DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 30)

12 The Regulations allow differentiation by “uses of development”. “Development” is specially defined for CIL to include only ‘buildings’, it does not have the wider ‘land use’ meaning from TCPA 1990, except where the reference is to development of the area, in which case it does have the wider definition. See S 209(1) of PA 2008, Reg 2(2), and Reg 6.

13 DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 37)

14 DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 37)
2.16 It is worth noting, however, that the guidance is clear that ‘In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability.’

**Supporting evidence**

2.17 The legislation requires a charging authority to use ‘appropriate available evidence’ to inform their charging schedules. The statutory guidance expands on this, explaining that the available data ‘is unlikely to be fully comprehensive or exhaustive’.

2.18 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and effort analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Core Strategy. This suggests that the viability calculations may leave aside geographical areas and types of development which are expected to see little or no development over the plan period.

**Chargeable floorspace**

2.19 CIL will be payable on ‘most buildings that people normally use’. It will be levied on the net additional floorspace created by any given development scheme. Any new build that replaces existing floorspace that has been in recent use on the same site will be exempt from CIL, even if the new floorspace belongs to a higher-value use than the old.

**What the examiner will be looking for**

2.20 According to statutory guidance, the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation;
- The charging authority’s draft charging schedule is supported by background documents containing appropriate available evidence;
- The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority's area; and
- Evidence has been provided that shows the proposed rate would not threaten delivery of the relevant Plan as a whole.

**A meaningful contribution to neighbourhoods**

2.21 More broadly, the CIL Guidance says that charging authorities ‘should consider relevant national planning policy (including the NPPF in England) when drawing up their charging schedules’. In addition, where consideration of development viability is concerned, the CIL Guidance draws specific attention to paragraphs 173 to 177 of the NPPF.

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15 DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 34)
16 Section 211 (7A) of the Planning Act 2008
17 Section (April 2013) *Community Infrastructure Levy Guidance* (Para25)
18 DCLG (Nov 2010) *Community Infrastructure Levy – An Overview* (paragraph 37)
19 DCLG (Nov 2010) *Community Infrastructure Levy – An Overview* (paragraph 38)
20 DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 9)
2.22 The only policy requirements which relate directly to CIL are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Since April 2013\(^{21}\) this policy requirement has been complemented with a legal duty on charging authorities to pass a specified proportion of CIL receipts to local parish councils, or spend it on behalf of the neighbourhood if there is no local council for the area where development takes place.

**Summary**

2.23 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule should:

- ‘Aim to strike what appears to the charging authority to be an appropriate balance’ between the need to fund infrastructure and the impact of CIL’; and
- ‘Not threaten delivery of the relevant plan as a whole’.

2.24 As explained in statutory guidance, this means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that, in the judgment of the local authority, the net outcome of these two impacts should be positive. This judgment is at the core of the charge-setting process.

2.25 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability for the bulk of sites;
- CIL charging rates may vary across geographical zones and building uses (and only across these two factors). But there are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules; and
- Charging rates should be informed by ‘appropriate available evidence’, which need not be ‘fully comprehensive or exhaustive’.

2.26 While charging rates should be consistent with the evidence, they are not required to ‘mirror’ the evidence\(^{22}\). In this and other ways, charging authorities have discretion in setting charging rates.

2.27 In the analysis and recommendations set out, these legal and statutory guidance requirements are aimed to be met and also attempt to maximise achievement of the Councils’ own priorities, using the discretion that the legislation and guidance allow.

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\(^{22}\) Planning Act 2008 (Section 212 (4) (b))
3 DEVELOPMENT CONTEXT

Introduction

3.1 To help ensure that the CIL supports the development in Rotherham in general and delivery of the Council priorities in particular, the nature of this development and their objectives need to be understood. In this section, firstly a review of recent patterns of development in undertaken – this provide a broad indication of what may happen in the future – and then a review of objectives and proposals in the emerging Local Plan is undertaken. At the end of this section, the implications of this analysis for the charging schedule are considered.

History

3.2 Patterns of past development can provide a guide to the likely patterns of future development. Figure 3.1 below analyses the amount of net residential completions in Rotherham. This shows a significant decline in completions from 2003, but surprisingly, there is a slight upturn in delivery from 2006 to 2009 which bucks the general national trend. Interestingly delivery during 2011 /2012 has risen close to the long term average – fuelled partly by the delivery of development at Waverley and Wath upon Dearne regeneration area.

Figure 3.1 Past Housing Completions in Rotherham

![Housing Completions in Rotherham Chart]

Source: RMBC Housing & Economic Growth Background Paper – 2013

3.3 Figure 3.2 provides a trajectory of expected completions to 2028.
3.4 The future growth delivery trajectory shows that a considerable uplift will be required from 2016 onwards to support the housing requirements of the area. This is consistent with the Savills projections for the housing market (see table 5.3 later) which shows the Yorkshire regional economy is expected to improve at that point.

**Development central to the delivery of the Local Plan**

**Residential development**

3.5 Figure 3.3 overleaf shows the quantity and broad direction of residential growth proposed in the Rotherham Core Strategy. There are a number of substantial consented sites as shown in red. 7,740 new dwellings are proposed\(^{23}\).

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\(^{23}\) Note the amount of dwellings without planning permission, on sites proposed to be allocated via the Draft Sites and Policies Document at the time of consultation – May 2013.
Figure 3.3 Proposed housing growth to 2028

Source: PBA 2013 based on information from RMBC

Employment development

3.6 The Core Strategy identifies a number of locations for employment development. As detailed in the Draft Sites and Policies document the main areas of growth allocated for employment are summarised below:

<table>
<thead>
<tr>
<th>Broad Location</th>
<th>Quantum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aldwarke</td>
<td>48 ha mixed industrial</td>
</tr>
<tr>
<td>Waverley Advanced Manufacturing park</td>
<td>34 ha advanced manufacturing</td>
</tr>
<tr>
<td>Wath, Brampton &amp; West Melton</td>
<td>14 ha of mixed industrial</td>
</tr>
<tr>
<td>Aston, Aughton &amp; Swallownest &amp; Wales</td>
<td>37 ha of mixed industrial</td>
</tr>
<tr>
<td>Dinnington, Aston &amp; Laughton Common</td>
<td>26 ha of mixed industrial</td>
</tr>
<tr>
<td>Maltby, Hellaby &amp; Bramley:</td>
<td>57 ha of mixed industrial</td>
</tr>
</tbody>
</table>
3.7 We note that regeneration funding for the Waverley Advanced Manufacturing Park Enterprise Zone has been announced recently by the Government in June 2013 to help support the development of these areas. The provision of new employment growth is critical to the delivery of the Core Strategy and the need for continuing government intervention has been necessary in this area where there is not a strong speculative market.

**Retail development**

3.8 The emerging Core Strategy has 9,000 sqm gross of convenience (food) retail space identified - the majority will be focused on the urban area (Rotherham town centre) and a small amount at Wickersley/Bramley (up to 1500 sqm).

3.9 The Core Strategy also includes capacity for 11,000 sqm of comparison goods, split as follows:
- 3,000 sqm of comparison goods (i.e. high street/town centre retail) and
- 8,000 sqm of bulky goods (i.e. warehouse type retail).

3.10 Again the policy indicates that this growth should be focused in and around Rotherham town centre.

**Education, health and community facilities**

3.11 In order to support the growth planned for Rotherham communities will require new and improved social, health, and educational facilities. Planning policy will therefore support the development of education and health care facilities, including GP surgeries and health centres, libraries and community centres.

**Uses less likely to come forward**

3.12 Some uses are currently considered unlikely to come forward to a substantial degree over the plan period. These do not currently merit special treatment but will be kept under review. They are as follows:
- Hostels
- Scrapyards
- Petrol filling stations
- Selling and/or displaying motor vehicles
- Nightclubs
- Launderettes
- Taxi businesses
- Amusement centres
- Casinos

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24 This includes the planning permission granted for the new Tesco store (2561 sqm convenience floorspace and 2411 sqm comparison (high street) retail) – development of this scheme has commenced.
Implications

3.13 We have shown above that the great majority of development is expected to fall within a limited number of development types. These development types will create the greatest amount of new floorspace in Rotherham over the plan period, or be strategically important to the broader objectives of the emerging Local Plan.

3.14 The most important development types are:

- Residential
- Office development
- Industrial and warehousing
- Comparison retail
- Retail warehouse
- Convenience retail
- Education, health and community facilities

3.15 The above analysis suggests that Rotherham should focus the CIL evidence base on these types of developments, aiming to ensure that they remain broadly viable after the CIL charge is levied. As long as the viability evidence shows that these main components are deliverable, then the CIL Charging Schedule will meet this (central) element of the examination. However, it is not necessary to prove that each and every development in these categories will be deliverable: instead, we show that the main elements of these types of development are viable, so as to avoid threatening overall delivery of the Local Plan.
4 INFRASTRUCTURE ASSESSMENT

Introduction

4.1 The core purpose of CIL is about supporting the delivery of growth by ensuring infrastructure can be provided, funded (wholly or partly) by owners or developers of land in a way that does not make development of that area economically unviable.

4.2 The statutory CIL guidance (2013 para 8) expands this by stating that ‘by providing additional infrastructure to support development of an area, the levy is expected to have a positive economic effect on development across an area’ and benefit the local community. It is recognised from the outset that CIL cannot be expected to pay for all the infrastructure required, but is expected to make a significant contribution.

4.3 The justification for a Community Infrastructure Levy (CIL) is based on having an infrastructure funding gap after all other known sources of funding have been taken account of. The following extract from paragraph 17 of the statutory CIL Charge Setting and Charging Procedures Guidance (April 2013) highlights this point:

‘...the CIL examiner will only need to test that the (infrastructure) evidence is sufficient in order to confirm the aggregate infrastructure funding gap and total target amount that the authority proposes to raise through CIL’.

Infrastructure definition

4.4 The 2008 Planning Act section 216 (2) provides an inclusive list of infrastructure for CIL calculation and spending. Infrastructure is defined to include the following:

- roads and other transport facilities;
- flood defences;
- schools and other educational facilities;
- medical facilities;
- sporting and recreational facilities; and
- open spaces

4.5 However, as this list is ‘inclusive’, the Act effectively gives a very broad definition of infrastructure, covering all generally understood meanings of the term and certainly those things listed.

The definition of infrastructure for spending CIL has been widened

4.6 Separately, amendments to s216(1) of the Planning Act 2008 made by the Localism Act 2011, and consequential changes to the CIL regulations have widened the provision setting out how CIL may be spent on infrastructure. Spending can now include ‘relevant revenue costs’. Amended Regulation 59\(^{25}\) now states “A charging authority must apply

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\(^{25}\) Definition of infrastructure was amended in the 2012 CIL Regulation following the Localism Act.
CIL to funding the provision, improvement, replacement, operation or maintenance of infrastructure”

4.7 The terms ‘provision, improvement, replacement, operation and maintenance’ are not defined in the legislation. They take their usual meaning in English and so give charging authorities wide discretion over the way their CIL is spent on infrastructure to support the development of their area, (providing there is justification to do in the development needs identified in the Core Strategy).

Clarity about infrastructure needs and developer expectations

4.8 The Government expects charging authorities to work proactively with developers to ensure they are clear about the charging authorities’ infrastructure needs, what developers will be expected to pay for and through which route (i.e. CIL or s106). This is important to recognise - developers need to make informed decisions about the total cost of their development and the amount they can afford to pay / bid for land. To do this, they need transparency about the infrastructure and policy requirements so that these costs can be factored into their site appraisals.

4.9 Regulation 123 of the CIL regulations provides for charging authorities to set out a list (commonly known as the Regs 123 list) of those projects or types of infrastructure that they intend to fund through CIL (and so will not double charge using s106). Indeed we consider it is important to start thinking about the funding mechanism to be adopted from the early stages of the CIL charge setting process so that a charging authority has a clear plan of how to enable the delivery of growth to take place.

4.10 The intended consequence of CIL is that S106 requirements should be scaled right back to dealing only with those matters that are directly related to a specific site (and are not in a regulation 123 list). Used appropriately, in the case of Rotherham, having assessed the infrastructure requirements and mechanisms available, CIL can bring the following benefits.

4.11 Firstly ensuring the cumulative impact of growth on infrastructure is met by a wider range of developments. At present, the majority of planning applications received in Rotherham are for less than 14 units (as demonstrated in table 4.1 overleaf) and so fall below the threshold levels for developer contributions for affordable housing, education and recreation infrastructure. CIL does not relate to these threshold sizes and so nearly all development would be liable to the charge. This means that those vast majorities of smaller developments that have a cumulative impact on infrastructure will also be liable to pay some CIL charge – so making it a much fairer and more transparent system.

Note: It does not necessarily follow that if an infrastructure item is on the Regs 123 list then it will automatically be funded - the decisions on how spend the CIL proceeds will be for the Charging Authority to determine based on assessed priorities at any given point in time. However the aim of the list is to avoid double funding using s106 and CIL proceeds.
Table 4.1 Size of past planning applications

<table>
<thead>
<tr>
<th>Units</th>
<th>2008</th>
<th></th>
<th>2009</th>
<th></th>
<th>2010</th>
<th></th>
<th>2011</th>
<th></th>
<th>2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
<td>Count</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>32</td>
<td>42.7%</td>
<td>42</td>
<td>53.8%</td>
<td>43</td>
<td>43.0%</td>
<td>58</td>
<td>47.2%</td>
<td>34</td>
<td>46.6%</td>
</tr>
<tr>
<td>2</td>
<td>19</td>
<td>25.3%</td>
<td>9</td>
<td>11.5%</td>
<td>17</td>
<td>17.0%</td>
<td>21</td>
<td>17.1%</td>
<td>9</td>
<td>12.3%</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>5.3%</td>
<td>7</td>
<td>9.0%</td>
<td>7</td>
<td>7.0%</td>
<td>8</td>
<td>6.5%</td>
<td>7</td>
<td>9.6%</td>
</tr>
<tr>
<td>4</td>
<td>9</td>
<td>12.0%</td>
<td>6</td>
<td>7.7%</td>
<td>9</td>
<td>9.0%</td>
<td>8</td>
<td>6.5%</td>
<td>7</td>
<td>9.6%</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
<td>6.7%</td>
<td>3</td>
<td>3.8%</td>
<td>4</td>
<td>4.0%</td>
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<td>8.1%</td>
<td>4</td>
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<td>1.3%</td>
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<td>2.0%</td>
<td>5</td>
<td>4.1%</td>
<td>2</td>
<td>2.7%</td>
</tr>
<tr>
<td>7</td>
<td>0</td>
<td>0.0%</td>
<td>1</td>
<td>1.3%</td>
<td>0</td>
<td>0.0%</td>
<td>6</td>
<td>4.9%</td>
<td>2</td>
<td>2.7%</td>
</tr>
<tr>
<td>8</td>
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<td>2.7%</td>
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<td>3.8%</td>
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<td>4.0%</td>
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<td>1.6%</td>
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<td>0.0%</td>
</tr>
<tr>
<td>9</td>
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<td>2.7%</td>
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<td>4</td>
<td>4.0%</td>
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<tr>
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<td>2.7%</td>
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<td>3.0%</td>
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<td>0.8%</td>
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<tr>
<td>14</td>
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<td>0.0%</td>
<td>3</td>
<td>3.8%</td>
<td>3</td>
<td>3.0%</td>
<td>0</td>
<td>0.0%</td>
<td>2</td>
<td>2.7%</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
<td>100.0%</td>
<td>78</td>
<td>100.0%</td>
<td>100</td>
<td>100.0%</td>
<td>123</td>
<td>100.0%</td>
<td>73</td>
<td>100.0%</td>
</tr>
<tr>
<td>&gt;14</td>
<td>5</td>
<td>6</td>
<td>13</td>
<td>10</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: RMBC June 2013

4.12 Secondly, developers will have upfront knowledge about precisely what they will have to pay for infrastructure and Local Plan policy requirements without having to enter protracted negotiations – saving time for the developer and the local authority and enabling better cost estimation. For transparency a charging authority should set out how their s106 policies will be revised once CIL is in place. RMBC officers have commenced work on this with individual service providers to inform the Sites and Policies Local Plan document currently being prepared. Our recommendation from this assessment is that once CIL is introduced, the need for s106 will be scaled right back to limited site specific requirements not already considered as part of this assessment or for S278 highway works.

4.13 Thirdly, the Charging Authority can plan effectively for infrastructure delivery as it too can estimate the likely income expected to fund infrastructure through CIL.

4.14 Finally, the infrastructure service providers can have some certainty about likely CIL income to pay for specific projects and so can use the anticipated CIL income as a lever to bid for other sources of funding and so better plan infrastructure delivery.

**CIL infrastructure requirements**

4.15 The CIL Guidance (April 2013) sets out what infrastructure evidence is needed. It states that a charging authority needs to identify the total cost of infrastructure that it desires to fund in whole or in part from the levy. In order to do this, the charging authority must use the ‘appropriate available evidence’\(^{27}\) to consider:

- what additional infrastructure is needed in its area to support the development and growth needs set out in the Core Strategy, and

\(^{27}\) DCLG (April 2013) CIL Guidance para 12.
what other funding sources are available (for example, core Government funding for infrastructure, which will continue following the introduction of a levy; anticipated section 106 agreements; and anticipated necessary highway improvement schemes funded by anyone other than the charging authority)

4.16 It is important to note that the ‘role’ of the infrastructure evidence for the CIL examination is not to show the Core Strategy is deliverable - that is the role of the Core Strategy examination. The purpose of the CIL examination is to show that the intended CIL funding target is justifiable given local infrastructure needs and is based on appropriate evidence.

4.17 It is also not necessary, for CIL purposes, to identify the entire infrastructure needed to support growth, instead a selection of projects can be included as an indication of the type of work likely to be undertaken. The legislation recognises that there will be uncertainty in pinpointing other infrastructure funding sources, particularly beyond the short-term.

**DCLG consultation on further reforms to CIL**

4.18 DCLG have recently consulted (April 2013) on possible reforms of the CIL Regulations (possibly for 2014). There are a number of items within the consultation that could impact on the infrastructure evidence preparation which the charging authorities should be mindful of now. The main areas of possible change are outlined below.

*Early preparation of the Regs 123 List*

4.19 The early preparation and consultation of the ‘infrastructure list’ (Regs 123 list) – the suggestion is that for transparency reasons, the Regs 123 list should be published along with the preliminary draft charging schedule and should be part of the appropriate available evidence to inform the draft charging schedule at examination. The charging authority will also need a better understanding of how infrastructure is likely to be funded - via s106 or CIL. We consider it is wise to commence early thinking on this and have already started the process as part of this assessment.

*Treatment of S278 highway costs*

4.20 The possible consideration of S278 requirements in the Regs 123 list – this relates to agreements made under the Highways Act to ensure delivery of necessary highway works. Currently the limitations on planning obligations in Regulation 123 do not apply to s278 agreements. Based on our consultation with the Rotherham Transport team, it will be difficult to estimate site specific s278 requirements stemming from development at this strategic level. We would advise RMBC to make these comments to the DCLG team, (even though the date for the consultation has now ended). For now our viability appraisals have assumed that these type of works will be treated as a necessary part of the ‘site opening costs’ by the developer and will be factored into development appraisals to reflect the value paid for land.

*Payment in kind considerations*

4.21 A further area for consultation relates to payment in kind in the form of either land or actual infrastructure instead of cash for CIL. Currently, charging authorities can accept land payment for CIL, however the consultation looks to extend this to include
infrastructure as an in-kind payment mechanism - where both the developer and charging authority agree. The charging authority may prefer this as it takes the burden of infrastructure provision away from them, but there could be issues of still passing ‘cash’ as a meaningful proportion onto neighbourhoods. The consultation document raises a number of issues relating to how to calculate the cost of providing the infrastructure and EU procurement rules. The charging authority should consider how these issues will affect their delivery of infrastructure. Work on considering in-kind payments will follow once there is clarity about priorities and funding mechanisms. This issue is likely to be particularly relevant to Bassingthorpe Farm and so should be developed at the working group currently set up to look at Bassingthorpe Farm.

Infrastructure assessment for Rotherham

4.22 The infrastructure assessment for Rotherham has been based on the Core Strategy Infrastructure Delivery Study (2012)\textsuperscript{28}. This assessed the infrastructure requirements stemming from the growth needs of the emerging Core Strategy and forms the basis for estimating the infrastructure costs and known available funding to determine the CIL infrastructure funding target.

4.23 The infrastructure evidence contained in the Core Strategy IDP (2012) was reviewed by PBA as part of this CIL study. Key service providers were consulted jointly with the client team to reflect known changes that have taken place since the evidence was prepared in 2011, with a particular focus on education, transport and open space infrastructure.

4.24 Table 4.2 overleaf provides a summary of the CIL Infrastructure schedule for Rotherham. A detailed schedule is included in appendix 6. The key changes since the IDP was prepared are as follows:

- The scale of growth proposed at Bassingthorpe Farm during the plan period has been reduced from 2,400 units to 1,700 units. This infrastructure and cost requirements from this change have been reflected in the education assessment.
- A number of cycle routes have been deleted from the transport section as the schemes are being funded through existing programmes.
- Further consideration has been given to including anticipated funding which is not in place at the moment but could be included based on past trends.
- An assessment has been included based on discussions with some service providers (transport, education and open space) of whether in the future the infrastructure would be funded by CIL or S106.

\textsuperscript{28}http://www.rotherham.gov.uk/directory_record/120258/ksd04_rotherham_infrastructure_delivery_study_2012/category/295/key_supporting_documents_ksd
The CIL infrastructure funding gap

4.25 Table 4.2 shows that the estimated total infrastructure requirements in Rotherham are estimated at about £95m. Of this, £38m funding is anticipated from mainstream or known sources, leaving a CIL funding gap of just over £57m as justification for a CIL levy.

Table 4.2 CIL Infrastructure Funding Gap

<table>
<thead>
<tr>
<th>Rotherham Infrastructure Schedule - July 2013 update</th>
<th>Estimated gross cost</th>
<th>Known / reasonably anticipated funding via mainstream / public agency</th>
<th>CIL Infrastructure Funding Gap</th>
<th>Regs 123 list s106</th>
<th>Regs 123 list CIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) TRANSPORT - HIGHWAY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub total Highways</td>
<td>£10,561,216</td>
<td>£3,438,000</td>
<td>£7,123,216</td>
<td>£7,123,216</td>
<td>£0</td>
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<tr>
<td>PUBLIC TRANSPORT</td>
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<td></td>
</tr>
<tr>
<td>Sub total Transport</td>
<td>£14,535,000</td>
<td>£5,100,000</td>
<td>£9,435,000</td>
<td>£9,435,000</td>
<td></td>
</tr>
<tr>
<td>(B) EDUCATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub total Education</td>
<td>£15,564,000</td>
<td>£4,222,000</td>
<td>£11,342,000</td>
<td>£4,442,000</td>
<td>£6,900,000</td>
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<tr>
<td>(C) HEALTH</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub total Health</td>
<td>£9,500,000</td>
<td>£4,750,000</td>
<td>£4,750,000</td>
<td></td>
<td>£0</td>
</tr>
<tr>
<td>(D) RECREATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub total Recreation</td>
<td>£23,250,389</td>
<td>£17,208,648</td>
<td>£6,041,742</td>
<td>3,954,246</td>
<td>£2,087,496</td>
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<tr>
<td>(E) LIBRARY &amp; COMMUNITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub total Libraries and Community</td>
<td>£2,644,084</td>
<td>£1,322,042</td>
<td>£1,322,042</td>
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<td>£0</td>
</tr>
<tr>
<td>(F) EMERGENCY, WASTE and FLOOD DEFENCE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub total Emergency, Waste and Flood Defence</td>
<td>£19,918,258</td>
<td>£2,459,129</td>
<td>£17,459,129</td>
<td>17,459,129</td>
<td></td>
</tr>
<tr>
<td>TOTAL INFRASTRUCTURE</td>
<td>95,972,947</td>
<td>38,499,819</td>
<td>57,473,129</td>
<td>48,485,633</td>
<td>8,987,496</td>
</tr>
</tbody>
</table>


4.26 The infrastructure funding gap is to be expected, and indeed necessary to justify the CIL. It is never the intention of CIL to plug the aggregate infrastructure funding gap. As has been discussed with the client team, the Rotherham Infrastructure Delivery Plan sets out a number of measures to manage this funding gap and ensure that critical infrastructure needed to meet the needs of growth is delivered in a timely manner.

4.27 One key element of this is the need to establish an infrastructure delivery mechanism either using the existing S106 review group or another mechanism that takes a lead in supporting the planning, costing, funding, phasing and delivery of infrastructure to support the delivery of growth and CIL.

Service provider perspectives on the use of S106 and CIL

4.28 We undertook a series of focused infrastructure service provider meetings with the Education team, Transport team and Recreation team of RMBC. The main aim of this was to consider which mechanism to adopt in a post CIL era towards some of the cost of infrastructure - either CIL or S106 (assuming it is possible to use either). The key messages from these interviews are summarised below.
Future education requirements could be met by s106 after 2014

4.29 The assessment of likely education infrastructure indicates that the majority of needs will fall within the five pooled contributions and so could be met via S106, except for the growth proposed in central Rotherham. However, to move towards a simpler, fairer system, we recommend that all future education infrastructure (apart from Bassingthorpe Farm) should be funded (in part at least) from CIL – so providing developers clarity and avoiding the need for a complicated Regs 123 list.

Transport requirements are best met by CIL due to the strategic nature of schemes

4.30 The majority of the transport requirements would be best met by CIL in the future as collection from s106 could be restricted. S278 requirements would continue to be met as they are now, but a watching brief should be kept on how DCLG respond to their latest consultation (see paragraph 4.16 above).

4.31 The main issue identified relate to how to manage the impact of Bassingthorpe Farm. This will need further consideration with the Bassingthorpe Farm team, but the general view is that pre-CIL implementation some contributions will be required for transport infrastructure via S106 and post CIL implementation this is likely to be via CIL.

4.32 The second issue relates to the treatment of the s106 requirement to fund sustainable transport measures for those dwellings not in a sustainable location. Moving forward, the broader definition of the use of CIL for this would permit this cost to be funded\(^29\) from CIL proceeds especially if contributions for a time limited period to help support habit changes to meet sustainable travel patterns.

Recreation requirements can be met in part by CIL and in part by mitigation policy

4.33 The current thinking from the Recreation service provider is that where there is a gap in provision or accessibility to open space, there will be a need to provide new open space and facilities ‘on site’ as part of policy site mitigation measures. If there is existing provision nearby then enhancing this will be the preferred option rather than new provision. In the exceptional circumstances, when there is not existing provision or new provision cannot be provided on site, then a 106 agreement may be required to provide new off site provision.

4.34 So to provide clarity, the distinction between CIL and S106 will therefore be determined by the type of provision required:

- On- site provision will be provided as part of policy mitigation measures (but will only be required if there is not existing provision in an accessible location).
- Any improvements to existing provision will be undertaken using CIL proceeds\(^30\)
- If new off site provision is required, this will be funded by S106,

\(^29\) Note the actual spend priorities for any CIL income will be determined by the charging authority – here we are simply stating that this item fits within what is eligible for CIL spend.

\(^30\) Note the actual spend priorities for any CIL income will be determined by the charging authority – here we are simply stating that this item fits within what is eligible for CIL spend.
Strategic named parks and strategic green infrastructure corridors will be channelled for CIL funding.

4.35 These distinctions will avoid any double funding from CIL and s106. The complication (and so a possible exception to the use of s106) is the need for new provision. We have included a nominal sum of £800 per unit in the viability appraisal to cover the possible need for new open space provision based on cost guidance from the service provider. The emerging Regs 123 list and s106 policies will clarify the distinctions between what might be funded by CIL and what might fall into the s106 category. The later is expected to be fairly rare, as the preference is for on-site provision or for upgrade of existing.

**S106 is likely to be scaled back post CIL**

4.36 The current thinking is that most of the future infrastructure requirements will be part funded via CIL and the use of s106 will be considerably scaled back. The only known items to be funded by s106 relate to site specific infrastructure requirements at Bassingthorpe Farm for education and open space. However, thinking on this will develop over coming months as the client team considers this further with the individual service providers.

**Bassingthorpe Farm indicative split between CIL and s106**

4.37 The original IDP (2012) prepared for the Core Strategy included various requirements for Bassingthorpe Farm. We have worked with key service providers and the client team to refine the 2012 IDP. The CIL IDP list now reflects the revised plan level growth proposed for Bassingthorpe Farm (of 1700 units).

4.38 In table 4.3 overleaf, we compare (where possible) our latest assessment with the infrastructure cost estimates included in the DTZ Bassingthorpe Farm viability study (June 2013). We then consider which developer contribution mechanism (CIL or s106) might be suited for the various infrastructure requirements for Bassingthorpe Farm. Note this list should be treated as ‘work in progress’ and further discussion is needed with the Bassingthorpe Farm project team on our suggested approach.

4.39 Based on the assessment set out in table 4.3, we have factored in an S106 cost of £5,000 per unit for the Bassingthorpe Farm urban extension in our appraisals.

---

31 This study was commissioned jointly on behalf of the site owners and RMBC.
<table>
<thead>
<tr>
<th>Bassingthorpe Farm</th>
<th>DTZ study Assumptions</th>
<th>PBA CIL Assumptions</th>
<th>CIL</th>
<th>S106</th>
<th>Notes June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off site transport</td>
<td>£4,864,000</td>
<td>£5,894,201</td>
<td>£5,894,201</td>
<td>£0</td>
<td>See PBA June IDP list % costs for highway works increased based on service provider revisions</td>
</tr>
<tr>
<td>All education</td>
<td>£8,400,000</td>
<td>£6,944,000</td>
<td>£44,000</td>
<td>£6,900,000</td>
<td>Reduced cost due to reduced number of units based on revised costs from service provider</td>
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<tr>
<td>Landscape, open space, parks, GI, allotments etc</td>
<td>£1,766,400</td>
<td>£4,650,078</td>
<td>£2,325,039</td>
<td>DTZ assumed 16sqm per person @ £20 per sq.m (2.3 persons per dwelling). PBA worked with service provider and assumed that part of this provision will be met from site preparation costs so we have included 50% in S106 costs</td>
<td></td>
</tr>
<tr>
<td>Landscape management</td>
<td>£2,400 per unit</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
<td>DTZ assumed this as part of building costs schedule, PBA included in Landscape total costs above</td>
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<td>Allotments</td>
<td>£5,687,751</td>
<td>£0</td>
<td>£0</td>
<td>£0</td>
<td>Building Regs includes various lifetime design requirements which is already factored into the build costs - so PBA have not included an additional cost.</td>
</tr>
<tr>
<td>Lifetime homes</td>
<td>£545 per unit</td>
<td>£0</td>
<td>n/a</td>
<td>n/a</td>
<td>RMBC will need to decide whether to wait for national standards to impose this policy requirement. Costs variable depending on allowable solutions</td>
</tr>
<tr>
<td>Low carbon energy</td>
<td>£11,700 per unit</td>
<td>£0 - £5,500 - £11,700 units</td>
<td>tbd</td>
<td>tbd</td>
<td>DTZ assumed this as part of building costs schedule, PBA included in Landscape total costs above</td>
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<tr>
<td>Refurbish library</td>
<td>£496,000</td>
<td>£0</td>
<td>£496,000</td>
<td>Suggest this cost should be moved to strategic CIL mechanism rather than s106</td>
<td></td>
</tr>
<tr>
<td>Refurbish community centre</td>
<td>£499,200</td>
<td>£0</td>
<td>£499,200</td>
<td>Suggest this cost should be moved to strategic CIL mechanism rather than s106</td>
<td></td>
</tr>
<tr>
<td>Doctor's surgery</td>
<td>£2,000,000</td>
<td>£1,000,000</td>
<td>£1,000,000</td>
<td>Assumed 50% of cost to be met by NHS England - and rest could be either via CIL or s106 - assumed CIL for now.</td>
<td></td>
</tr>
<tr>
<td>New fire station</td>
<td>£1,680,000</td>
<td>£1,500,000</td>
<td>£1,500,000</td>
<td>Assumed cost to be part funded via CIL</td>
<td></td>
</tr>
<tr>
<td>SUDS provision and maintenance</td>
<td>£600,000</td>
<td>£0</td>
<td>n/a</td>
<td>n/a</td>
<td>Assumed as part of site opening up costs met by developer</td>
</tr>
<tr>
<td>Total number of units</td>
<td>2,400</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
<td>Acknowledge overall capacity is more than this, but the current plan period quantum has been included for IDP assessment.</td>
</tr>
<tr>
<td>Estimate total</td>
<td>£96m</td>
<td>£20m</td>
<td>£5.5k</td>
<td>£5k</td>
<td>Estimate costs have been rounded and exclude the cost of low S106 Assessment per unit</td>
</tr>
</tbody>
</table>

S106 Assessment per unit - Based on the estimated site specific infrastructure requirements - we have factored a cost estimate of £5k per dwelling for the Bassingthorpe Farm s106 viability assessment.

CIL assessment per unit - To achieve a contribution of £5,500 per unit (based on the cost of infrastructure shown above, the average CIL target will be approximately £55 per sq.m – however, note that CIL charge is based on the viability evidence (which we show later is much lower than the £55 k per unit if we based the the requirement on the cost.

Source: PBA July 2013
RESIDENTIAL VIABILITY ASSESSMENT

Introduction

5.1 This section sets out the findings of the viability assessment for both residential developments and considers the implications of this on the variable CIL charge options. The viability assumptions are informed by an analysis of the housing market context.

Housing market context

5.2 We consider how past housing sales values have shaped land values in the Yorkshire region and look at future house price forecasts before considering what is currently happening at a local level in Rotherham.

Past trends in sales values follow a national pattern

5.3 Figure 5.1 below shows price performance across Yorkshire and Humber region based on Land Registry data over the last ten years. This shows that house price growth in Yorkshire has generally tracked national house price changes.

Figure 5.1 Yorkshire House Price Index 2006 – 2013

Patterns in land value have followed house sales value to some extent

5.4 Figure 5.2 overleaf shows there is a clear interaction between changes in house prices in the Yorkshire & Humber region and land values. In general terms as house prices increase so do land values. During the market upturn in 1987 house prices in the Yorkshire and Humber region increased by 40 per cent and land values increased by two and half times. The subsequent downturn saw average new build house prices across the region fall by 18 per cent from their peak and land values across the region fell by 28 per cent. The peak to trough on house prices was over a four year period. Effectively the market bottomed out in mid-1994.

5.5 Following 1994 both land values and house prices steadily increased until the early 2000s. From the early 2000s to 2007 average houses prices in the region increased by two and a quarter times from £64,000 to £184,000, during the same period land prices increased three and half times from £690,000 per hectare to £2.5 million per hectare.
Since the peak of the market average house prices have seen a peak to trough fall of 20 per cent and land values have halved (as at July 2010).

**Figure 5.2 House price values compared with land values in Yorkshire**

![Graph showing house price values compared with land values in Yorkshire](image)

Source: Valuation Office Agency January 2010 and Nationwide House Price Index ‘November 2012

5.6 It is clear from the medium term trend analysis that during the market upturn of the late 1980s the increase in land values was much higher than the increase in house prices. Looking back land values only fell marginally after the late 1980’s peak and not falling anywhere near to their pre ‘boom’ value.

**Likely future trends in regional house values**

5.7 To provide some indication into likely future residential development market conditions, we undertook a review of published research and market commentaries of agents focussing on residential development markets. Most notably, Savills ‘Residential Property Focus’ of Q1 2013 was given consideration. Its summary projections, (figure 5.3 overleaf), show that residential values in the Yorkshire and Humber are forecast to initially fall in the next year and then rise in the next five years.
Figure 5.3 Regional house price growth projection

<table>
<thead>
<tr>
<th>Region</th>
<th>Actual 2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Syrs to end 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>-1.1%</td>
<td>0.5%</td>
<td>1.5%</td>
<td>2.0%</td>
<td>3.5%</td>
<td>3.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>London</td>
<td>0.7%</td>
<td>1.5%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>5.0%</td>
<td>4.5%</td>
<td>21.0%</td>
</tr>
<tr>
<td>South East</td>
<td>-0.2%</td>
<td>1.5%</td>
<td>3.5%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>19.5%</td>
</tr>
<tr>
<td>South West</td>
<td>0.2%</td>
<td>1.0%</td>
<td>2.5%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>15.5%</td>
</tr>
<tr>
<td>East</td>
<td>-1.9%</td>
<td>1.0%</td>
<td>3.0%</td>
<td>3.5%</td>
<td>4.5%</td>
<td>4.0%</td>
<td>17.0%</td>
</tr>
<tr>
<td>East Midlands</td>
<td>-0.8%</td>
<td>0.5%</td>
<td>2.0%</td>
<td>2.5%</td>
<td>4.0%</td>
<td>3.5%</td>
<td>13.0%</td>
</tr>
<tr>
<td>West Midlands</td>
<td>-0.8%</td>
<td>0.0%</td>
<td>0.5%</td>
<td>1.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>North East</td>
<td>-1.3%</td>
<td>-0.5%</td>
<td>-0.5%</td>
<td>0.0%</td>
<td>2.5%</td>
<td>3.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td>North West</td>
<td>-1.6%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.5%</td>
<td>2.5%</td>
<td>3.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Yorks &amp; Humber</td>
<td>-2.5%</td>
<td>0.0%</td>
<td>-0.5%</td>
<td>0.5%</td>
<td>2.5%</td>
<td>3.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Wales</td>
<td>-2.7%</td>
<td>0.5%</td>
<td>1.5%</td>
<td>2.0%</td>
<td>3.5%</td>
<td>3.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Scotland</td>
<td>-3.3%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.5%</td>
<td>2.5%</td>
<td>3.0%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Source: Savills Research forecasts based on Nationwide actuals

5.8 Our assessment of the housing market in Rotherham is based on interviews with agent’s and developers currently active in the area, site visits, desk research of over 3,500 transactional data provided by the Land Registry (for new and old properties), the DTZ study for Bassingthorpe Farm and feedback from those attending the Developer Workshop held in December 2012 (see appendix 3).

5.9 The majority of current developments areas are on former pit villages where new land has been allocated and new communities are being developed such as at Wath, Waverley, and Treeton. These all have similar values. The land is normally reclaimed former colliery land with developments generally comprising thirty five units or more.

5.10 Figure 5.4 overleaf shows the areas where recorded new and second hand house sales transactions have taken place – there is a concentration in the Dearne Valley area, Wickersley, Waverley, Maltby, Aughton, Rawmarsh, Wales and Kiverton.
5.11 The agent opinion is that Rotherham does not have a particularly strong market and dwellings need to be competitively priced. The strongest demand at present in most locations is for provision of ‘move on’ accommodation of three and four bedroom dwellings. The apartment market is very difficult and there has been a definite shift away from this product.

**Approach to CIL charge zone setting**

5.12 As discussed in Section 2, CIL Regulation 13 allows the charging authority (CA) to introduce charge variations by geographical zone, by use, or both. We set out how we arrived at the residential CIL zones here.
5.13 Our first step is arriving as the charge zones is to create a ‘snap shot’ sales value heat map. Figure 5.5 below shows average sales prices of all (new and old) semi-detached properties transacted in Rotherham over 2012-2013. This map is helpful in providing an initial overview of areas where values are likely to vary in price – for instance around Wickersley and Rawmarsh. However, there are some problems in relying solely on this map to inform charge zones as it does not reflect new sales values, and it can be skewed by outlier transactions; also some data is simply not recorded (if it does not fit into the Land Registry criteria for new development).

**Figure 5.5 Average Sales Price for all Semi Detached Properties**

Source: PBA 2013 (based on Land Registry data)
5.14 We then overlay the planned growth and consented (non CIL liable) development over a heat map (see figure 5.6) so that we focus effort on areas that are important to the delivery of the Plan. Our aim is to ensure that the areas where there is likely to be new planned growth is set in the value zones that reflect their general values. Figure 5.6 shows where the bulk of the unconsented and consented growth will be distributed.

**Figure 5.6 Planned growth and sales value heat map for Rotherham**

Source: PBA 2013 (based on revised growth data provided by RMBC and map produced for IDP study in 2012)

**Market sales value variations across Rotherham**

5.15 We then seek to better understand sales values based on desk top research and consultations. We consider research data for current new residential house prices to inform variations in sales values. Appendix 2 sets out the research information that has informed this stage. Through out the process, we talk to agents, developers and RMBC officers to sense test our emerging assessment and refine the CIL charge zone boundaries.

5.16 Barratt Homes are developing a number of schemes within the Rotherham boundary including schemes at Parkside Gardens in Brinsworth, The Edge at Waverley and Meadow Walk at Brampton. In addition, they are bringing forward the Hedgerows at Thurcroft. The majority of these developments provide three and four bedroom dwellings
with the schemes at Brinsworth and Catcliffe, including 1 bedroom apartments. Other active developers in the area include Taylor Wimpey with schemes at the Wickets at Rawmarsh, the Banks at Waverley and Kingfisher Walk at Wath. Jones Homes have developed the Arundel Park scheme at Treeton and Ben Bailey Homes have a number of schemes including Wharf Road at Kilnhurst and Wentworth Gardens at Manvers. Harron Homes are developing at Waverley and Wath upon Dearne.

5.17 Analysis of residential property prices across Rotherham, combined with the Developer Workshop feedback to the Whole Plan Viability Study demonstrates that there are variations in sales values at a local level. The general view was that there are three main sales values ranging from less than £1,600 psm (£150psf), to around £1770 psm (£165psf), and greater than £1,950 psm (£180 psf).

5.18 The mid value range reflects the bulk of delivery currently taking place, however, future growth will be in all three value areas so we need to consider the scope for CIL charge variation.

Table 5.1 Current new sales value to inform CIL charge zones

<table>
<thead>
<tr>
<th>Location</th>
<th>Growth units</th>
<th>Value band</th>
<th>Developer asking price (£ psm)</th>
<th>Achieved or 10% discount from asking price</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bassingthorpe Farm</td>
<td>1700</td>
<td>mid - high</td>
<td>£1722 - £1915</td>
<td>£1,730</td>
<td>DTZ study - PBA study</td>
</tr>
<tr>
<td>Brampton, Wath upon Dearne &amp; West Melton</td>
<td>0</td>
<td>mid</td>
<td>£2,080</td>
<td>£1,870</td>
<td>Barratts &amp; Harron Homes - DTZ</td>
</tr>
<tr>
<td>Aston, Aughton &amp; Swallowest</td>
<td>430</td>
<td>mid</td>
<td>n/a</td>
<td>£1,750</td>
<td>Land Registry new sales</td>
</tr>
<tr>
<td>Swinton &amp; Kilnhurst</td>
<td>80</td>
<td>mid</td>
<td>£1,527</td>
<td>Land Registry new sales</td>
<td></td>
</tr>
<tr>
<td>Wales &amp; Kiverton Park</td>
<td>170</td>
<td>mid</td>
<td>£1,820</td>
<td>Land Registry new sales</td>
<td></td>
</tr>
<tr>
<td>Thurocroft</td>
<td>0</td>
<td>mid</td>
<td>£1,937</td>
<td>£1,743</td>
<td>Persimmon Homes - DTZ</td>
</tr>
<tr>
<td>Thorne Hesley</td>
<td>150</td>
<td>n/a</td>
<td>£1,660</td>
<td>Land Registry</td>
<td></td>
</tr>
<tr>
<td>Wickersley, Listerdale &amp; Ravenfield</td>
<td>550</td>
<td>high</td>
<td>£2,750</td>
<td>Land Registry new sales</td>
<td></td>
</tr>
<tr>
<td>Bramley</td>
<td>0</td>
<td>high</td>
<td>£1,920</td>
<td>Land Registry new sales</td>
<td></td>
</tr>
<tr>
<td>Brinsworth</td>
<td>0</td>
<td>high</td>
<td>£2,078</td>
<td>£1,870</td>
<td>Barratts - DTZ</td>
</tr>
<tr>
<td>Catcliffe, Treeton, &amp; Orgreave</td>
<td>0</td>
<td>high</td>
<td>£2,100</td>
<td>£1,890</td>
<td>Arundel Park, Wood Lane Treeton - Jones Homes - Barratts - DTZ</td>
</tr>
<tr>
<td>Waverley</td>
<td>0</td>
<td>high</td>
<td>(2000 - 2300) £2150</td>
<td>£1,935</td>
<td>Taylor Wimpey - DTZ</td>
</tr>
<tr>
<td>Rest of Rotherham Urban</td>
<td>2870</td>
<td>low</td>
<td>£1,730</td>
<td>£1,560</td>
<td>Ben Bailey Homes - DTZ</td>
</tr>
<tr>
<td>Kilnhurst - Wharf Road</td>
<td>low</td>
<td>£1,730</td>
<td>£1,560</td>
<td>Ben Bailey Homes - DTZ</td>
<td></td>
</tr>
<tr>
<td>Summervale, Doncaster Rd, Rotherham</td>
<td>low</td>
<td>£1,720</td>
<td>£1,530</td>
<td>Ben Bailey Homes - DTZ</td>
<td></td>
</tr>
<tr>
<td>Wentworth Grange, Manvers, Rotherham</td>
<td>Mid</td>
<td>£1,680</td>
<td>£1,560</td>
<td>Ben Bailey Homes - DTZ</td>
<td></td>
</tr>
<tr>
<td>Kingfisher Walk - Rotherham</td>
<td>Mid</td>
<td>£1,840</td>
<td>£1,656</td>
<td>Taylor Wimpey - DTZ</td>
<td></td>
</tr>
<tr>
<td>The Wickets - Rotherham</td>
<td>Mid</td>
<td>£1,850</td>
<td>£1,665</td>
<td>Taylor Wimpey - DTZ</td>
<td></td>
</tr>
<tr>
<td>Dinnington, Anston &amp; Laughton Common</td>
<td>950</td>
<td>low</td>
<td>n/a</td>
<td>£1,540</td>
<td>Land Registry</td>
</tr>
<tr>
<td>Maltby &amp; Hellaby</td>
<td>665</td>
<td>low</td>
<td>n/a</td>
<td>£1,450</td>
<td>Land Registry</td>
</tr>
</tbody>
</table>

Source: PBA July 2013 (based on Land Registry, DTZ study and consultations)

5.19 Table 5.1 shows four CIL charge zones - high, mid, low and Bassingthorpe Farm SUE. The low zone values are generally concentrated around £1,450 - £1,650. The mid zone values are concentrated around £1,660 – £1,750, whilst the high zone values are concentrated around £1,890 – £2,750. As confirmed by the consultees there are also
values above and below the general ranges. Our aim is to generally ‘reflect these ranges rather than to precisely mirror them.

CIL charge zones map

5.20 We then apply some ‘sense testing’ to arrive at a CIL charge zones map that is readily recognisable and reflects the sales values on the ground. We use strong physical routes (where possible) to shape the boundaries for the different zones, and keep settlement groups that perform similarly in the same zone. Bassingthorpe Farm has been included as a strategic allocation and the latest CIL guidance permits creating separate CIL zones for strategic sites.

5.21 We have consciously not set the CIL zones around existing policy boundaries - for instance the Rotherham Urban Area (shown in a blue pentagon shape in figure 5.6 above does not form a charge zone), as CIL charge zones cannot be based purely on policy boundaries, they must be justified by viability evidence. We do however take a pragmatic approach to establishing the zone boundaries using strong physical infrastructure such as roads, railways or waterways to define the boundaries.

5.22 Table 5.1 was used to group the various growth related developments into sensible CIL charge value zones. Figure 5.7 overleaf shows the proposed residential CIL charge zones map for Rotherham based on our sales value assessment and sense testing with the client team.

5.23 Finally we test the emerging zone through formal development appraisals to inform the CIL charges for the various zones.
Figure 5.7 Proposed CIL Charge Zones for Rotherham

Residential
LDF Core Strategy Infrastructure Delivery Plan Period 2013 - 2028

<table>
<thead>
<tr>
<th>Map Key</th>
<th>Broad Location</th>
<th>Sites with planning consents</th>
<th>Core Strategy Growth (rounded)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bassingthorpe Farm</td>
<td>6</td>
<td>1,700</td>
</tr>
<tr>
<td>2</td>
<td>Rest of Rotherham Urban Area</td>
<td>880</td>
<td>2,870</td>
</tr>
<tr>
<td>3</td>
<td>Dringston, Anston &amp; Laughton Common</td>
<td>350</td>
<td>950</td>
</tr>
<tr>
<td>4</td>
<td>Brampton, Wash, and West Melton</td>
<td>1,500</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Swinton &amp; Klinhurst</td>
<td>480</td>
<td>80</td>
</tr>
<tr>
<td>6</td>
<td>Bramley, Wickersley &amp; Ravenfield</td>
<td>250</td>
<td>550</td>
</tr>
<tr>
<td>7</td>
<td>Maithy &amp; Hellaby</td>
<td>50</td>
<td>650</td>
</tr>
<tr>
<td>8</td>
<td>Aston, Aughton &amp; Swallownest</td>
<td>130</td>
<td>430</td>
</tr>
<tr>
<td>9</td>
<td>Wales &amp; Kiterton Park</td>
<td>200</td>
<td>170</td>
</tr>
<tr>
<td>10</td>
<td>Thurnscoe</td>
<td>300</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Thorpe Hesley</td>
<td>20</td>
<td>150</td>
</tr>
<tr>
<td>12</td>
<td>Waverley New Community</td>
<td>2,500</td>
<td>0</td>
</tr>
<tr>
<td>13</td>
<td>Catcliffe, Treeton &amp; Orgreave</td>
<td>100</td>
<td>70</td>
</tr>
</tbody>
</table>

Consented Sites
Residential Growth Area
Rest of Rotherham Urban Area

Charge Zone:
Zone 1 (High) - Broco, Moorgate, Whiston, Wickersley, Bramley and Ravenfield
Zone 2 (Medium) - Rural North West, the Deane and South Rotherham
Zone 3 (Low) - Rotherham Urban Area and East Rotherham
Zone 4 (SUE) - Bassingthorpe Farm SUE

Source: PBA July 2013
Approach to residential viability assessment

5.24 We use the residual approach to development viability assessment for residential development. Our financial viability model takes the difference between the value and costs of a development scenario (which includes policy costs) and compares the ‘residual’ with a threshold land value benchmark to determine the balance available to support CIL. This approach is in line with accepted practice and as recommended ‘Viability Testing Local Plans Guidance’ by the Local Housing Delivery Group chaired by Sir John Harman (June 2012).

Assumptions used to inform the residential appraisals

5.25 The assessment is based on current costs and values and the appraisal of hypothetical development schemes. Our method is illustrated in figure 5.8 below.

Figure 5.8 Approach to residual land value assessment

We undertook this assessment using our whole plan viability model which Peter Brett Associates have developed in Microsoft Excel. The model provides the flexibility to input a wide range of policy variables across a number of development scenarios. No standard assumptions are made by the model, so that each appraisal is entirely bespoke.

5.27 Assumptions are inputted with respect to:

- The proportion of the net site area that is developable for housing (i.e. not required, for example, for open space, infrastructure or other non-housing requirements);
- The density of development;
- The level of affordable housing and the mix of shared ownership, affordable rented and social rented;
- The average size of houses;
- Build cost per sq.m;
- Sales value per sq.m;
- Sales rates
- Threshold land value per net hectare;
- Typical S106 / S278 costs;
- Costs for site opening costs (for Bassingthorpe Farm)
- Professional fees;
- Costs of sales and marketing; and
- Finances costs.

5.28 At this stage, any potential CIL charge has been excluded from our assessment; however we do make an allowance for residual s.106/278 which will still apply after the adoption of the CIL charging schedule. The potential level of contributions is discussed separately below.

5.29 Our calculations use 'readily available evidence', which has been informed and adjusted by an assessment of local transactions and market demand. This kind of strategic viability assessment involves a high degree of generalisation. Therefore the assumptions adopted in this assessment are intentionally cautious and in most circumstances the approach will return a more conservative estimate of what is viable and what is not, than might be expected on the basis of anecdotal information on the price paid for development sites in the past and Land Registry reports.

**Information sources**

5.30 Information on the per sq.m values of new residential development was gathered through an analysis of new properties that are currently for sale. Information on the price and size of new houses and apartments was gathered and used to determine a value per sq.m for each dwelling. These per sq.m values could then be averaged and used as the basis for analysis of differences between areas and development types. The sources of this information included the website of developers themselves and other websites that focus on selling newly built residential property such as Rightmove, smartnewhomes.com and newhomesforsale.co.uk.

5.31 Information on construction costs for residential development was gathered from Build cost Information Service (BCIS)\(^\text{32}\). Our build costs assumptions are considered to cover realistic costs for current and forth coming energy efficiency standards incorporated in the Building Regulations, although we note that costs may alter in future. Whilst we have

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\(^{32}\) The Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors (RICS) produces a range of detailed guidance on the cost of rebuilding houses and flats.
reviewed current Government research on cost impacts of CSH\textsuperscript{33} we note that past forecasts of prices changes (such as that predicted in the original Cyril Sweete work)\textsuperscript{34} 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, but we do advise the client team to monitor the impact of any potential regulatory requirements to assess the impact on viability and the CIL charge.

5.32 In respect of residential development land prices/values, we took account of recent Valuation Office Agency (VOA) reports covering this issue, as well as the findings of consultations with local agents and residential developers. Our assumptions have also been informed by a review of viability evidence submitted to RMBC by developers to re-negotiate S106 agreements and an assessment of planning applications.

5.33 The Whole Plan Viability Study (May 2013) assumptions were tested at a Developer and Infrastructure Provider workshop comprising of some 27 attendees (see appendix 2) including land agents, developers and property agents and infrastructure providers. The initial viability assumptions were discussed in detail at the workshop and reviewed by PAS.

5.34 Revisions to CIL Viability Study assumptions have been made to reflect comments received to the Whole Plan Viability Study, (where it was justified by evidence to do so).

5.35 A summary of the assumption used for the viability appraisals are included in appendix 4. It is important to emphasise that in reality, the assumptions outlined here will vary considerably for site specific scenarios. For the purpose of this CIL assessment the assumptions we have used are based on hypothetical scenarios for each of the charge zones and for the Bassingthorpe Farm SUE. The assumptions have been sufficiently evidenced to meet the CIL regulation requirements.

**Land acquisition cost**

5.36 Clearly, the value of a piece of land to a developer will vary significantly from one site to the next as a result of its specific characteristics, including:

- Size and shape;
- Topography and ground conditions;
- Location and potential sales values;
- Capacity of and ease of connection with surrounding infrastructure e.g. local utility networks;
- Whether the site is allocated and/or benefits from a suitable planning permission; and
- The nature of the planning permission and Developer Contributions that can reasonably be expected.

\textsuperscript{33} DCLG (2011) Cost of Building to the *Code for Sustainable Homes (Updated Cost Review)*

\textsuperscript{34} Cyril Sweete for DCGL (2008) *Cost Analysis of The Code for Sustainable Homes*
5.37 In order to test viability in planning an appropriate threshold land value is needed. As stated in the Harman report a threshold land value is based on providing a competitive return to the land owner, and also factoring in future policy requirements for unconsented sites.

**Our approach to calculating the threshold land value**

5.38 Broadly speaking there are two different approaches to arrive at an appropriate threshold land value:

- Assessing the uplift from an existing use value
- Assessing the discount from the market value of a site, adjusted to allow for the costs of planning policy and risk of obtaining planning permission.

5.39 These two approaches start from different bases, but should theoretically produce a similar threshold land value estimate.

**Approach One - Existing use value uplift**

5.40 To derive an appropriate threshold land value from the existing use value (say agricultural use or industrial use) it is necessary to work upwards in value. Harman guidance acknowledges that in order for development to come forward a ‘competitive return to the land owner’ (also referred to as a premium) is necessary.

5.41 There is no set rule as to how much of a premium should be applied on top of the existing use value. We can sensibly expect that a minimum uplift in value would be required in order to allow the seller to pay stamp duty, sales fees, legal costs and disruption. But that bare minimum is not an incentive to persuade a landowner to sell.

5.42 Beyond that bare minimum, an incentive (referred to as a ‘premium’) is required to encourage the landowner to sell. It is difficult to say what premium a seller would require in order to sell the land. This is because there are inevitable differences in each deal. For example, the motivations of the parties involved in the transaction may vary, as might perceptions of future market prospects. We cannot know these individual circumstances, so the Harman guidance stipulates that an appropriate premium should be determined by local precedent.

5.43 Agricultural land in the area is typically priced between £19,000 per ha to £24,000. In order to inform residential land values, a multiplier of between 15 and 25 times is often applied. This would give residential land values in the region of £300,000 - £500,000 per ha.

5.44 An alternative use for some sites being considered for residential development is for employment development. Poor quality employment land in Rotherham typically has a value of £220,000 - £250,000 per ha. An uplift of c30% over industrial land values is often used as a proxy for considering residential land values. This suggests residential land values in the region of £300,000 per ha. The 2011 VOA Property Market Report states

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35 Viability Testing Local Plans – Advice for Planning Practitioners – Local Housing Delivery Group – Chaired by Sir J Harman – June 2012
that serviced employment land in Sheffield (0.5 – 1ha) typically has a value of £495,000 per ha. Using this as a guide, would suggest £650,000 per ha for residential land value.

5.45 Developers indicated that land values for semi serviced sites (no abnormals and limited infrastructure costs) were typically in the region of £350,000 to £550,000 – this is similar to the values mentioned in paragraph 5.43 above.

5.46 The consultees attending the Dec 2012 Developer Workshop stated that the land value used in our initial appraisal (of around £440,000 per ha) was very low and may run the risk that land may not be released for development due to the reward to landowners not being sufficient to make them part with their assets. It is important to note that little actual transitional evidence was submitted by the attendees. The consultee who made the comment above, was discussing the mid zone value area – for the CIL assessment we are proposing three value zones including a lower one where this rate is likely to be relevant, and have increased the threshold values for the mid zone.

**Approach Two - Market value discount**

5.47 To derive an appropriate threshold land value from the market value it is necessary to work downwards. Market value is based on transactional evidence. It is the value at which sites are being bought and sold at, and represents the value at which land can be delivered with the knowledge of current planning policy. It benefits from being based on comparable market evidence.

5.48 However, the threshold land value cannot be straightforwardly derived from current market values - a discount should be introduced to allow for any future changes in planning policy and the risk of securing planning consent. There is no set rule for the amount of discount that should be applied to the market value of a site.

5.49 In addition to agent and developer consultation we researched the VOA published data and information from the UK Land Directory. The 2011 VOA Property Market Report assessment of residential land value for Sheffield (the nearest area to Rotherham) was £1.33m per ha. However, it is not clear what level policy requirements are assumed in coming to these values. We discussed land values with agents active in the local market. They indicated that a fully serviced residential site was currently likely to be priced at around £740,000 per ha in Rotherham for a mid zone value site.

5.50 Figure 5.7 overleaf illustrates how the two approaches to arriving at a threshold land value work, with a range of land values informed by our research included for the three zones.

5.51 We rely on both approaches to come to a threshold land value. We examine comparable evidence, looking at sites with and without planning permission whilst taking into consideration existing uses. Given the complexities of development across a whole plan area, and limited nature of publically available transactional data, we have based this assessment on appropriate available evidence for a strategic assessment of this nature.

5.52 It is important to stress that there is no single threshold land value at which land will come forward for development, much depends on the land owner and their need to sell or wait in the hope that land values might improve and on the condition and location of the site.
Guidance does not provide a clear approach to this, though we are mindful of the way CIL Examiners have responded to this issue in various presentations and CIL reports.

**Figure 5.7 Establishing the Threshold Land Values for Rotherham**

5.53 Reflecting the findings of the analysis set out above, we have used the following threshold land values (reflecting unconsented sites with policy requirements excluded) as a basis to inform our viability assessments:

- High value zone - £850,000 per net ha
- Mid value zone - £700,000 per net ha
- Low value zone - £450,000 per net ha
- Bassingthorpe Farm - £350,000 per net ha

*The actual amount paid to land owners could be considerably less*

5.54 LPAs cannot dictate or predict land sales costs, so reasonable assumptions must be made. However, it is important to stress that in reality there is no single threshold land value – much will depend on a willing buyer and willing seller and the local market conditions and quality and location of land.
5.55 Our assessments set out in this section to test the range of likely market conditions evident within Rotherham, but also seeks to ensure that as far as is possible in all other respects, we are comparing like with like. Therefore, our assumption in terms of threshold land is that all sites will be cleared and remediated (if they are brownfield) and fully serviced land\textsuperscript{36} (if they are greenfield) so that in either scenario they are readily developable. For sites that are not in this condition, these costs would be subtracted from the land value in the offer that any rational developer would make to a landowner.

5.56 In reality, a developer will often agree to pay something close to the existing use value for say agriculture or employment (depending on the sites credible current use), and there will be an agreement in place with the landowner to share any profits after costs (including an appropriate developers return) have been deducted. Thus there is scope, once the planning policy requirements and site investigations have been undertaken to assess the worth of the land more specifically to the site. This will have to factor in the actual planning policy requirements for such items as CIL, affordable housing, etc and come to a more realistic view on the actual value of the land.

\textbf{Approach to gross and net developable land}

5.57 Our approach to differentiating between gross and net land within the larger schemes, is to assume that the land values per hectare assume that land to be used for ‘non developable’ areas are included within the cost of the net land value paid. As part of the overall land acquisition figure, we have assumed that the developers would acquire land for non-developable uses as part of the overall package based on a price paid for net developable land. Much depends on the shape, constraints and orientation of the site and policy requirements for open space, green infrastructure, roads, cycle ways, SuDs schemes and other land requirements which will impact on the land take.

\textbf{Approach to abnormal development costs}

5.58 As set out at para. 5.54 above, our assumptions in terms of land values assume that greenfield sites are serviced parcels and brownfield sites are fully cleared and remediated and that, in either case, sites are readily developable. In the case of brownfield sites (often requiring significant investment in demolition and remediation) which are often regeneration priorities, there is a desire to ensure that such sites are not rendered unviable by CIL.

5.59 Unfortunately the regulations governing CIL do not permit charge rates to be varied according to the greenfield/brownfield status of sites, only by different uses of the buildings or where a separate viability zone that is definable in a plan can identified. However, we note that the majority of the unconsented brownfield sites are concentrated in central Rotherham which is designated as a low value area and this will be reflected in the CIL charge. Other areas with high concentrations of brownfield land, particularly in

\textsuperscript{36} A ‘fully serviced site’ takes the guess work out of abnormal and infrastructure costs and looks at the land value of a site that is ready to develop. A contaminated site with abnormal costs may cost the owner/promoter of the site more to fully service, but once the contamination has been removed by the landowner, the site will be sold for the same amount as one with no contamination.
the Dearne Valley have now be largely consented and so will not be liable to a CIL charge.

**Sales values tested**

5.60 We tested the following four value zones (based on table 5.1 above):

- High zone based on sales value of £1950 psm
- Mid zone based on sales value of £1,730 psm
- Low zone based on sales value of £1,470 psm
- Bassingthorpe Farm based on a sales value of £1,730 psm

5.61 Five different development scenarios (2, 14, 20, 35 and 100 units) were tested as these reflect the variations in the type of development currently taking place in Rotherham. However, as we have shown in table 2 of the Executive Summary, the bulk of the planning applications received are for less than 14 units (which is the current threshold for s106 affordable housing requirement). For Bassingthorpe Farm we assessed a separate specific scenario for 1,700 dwellings, including site opening costs, and higher onsite infrastructure costs for s106 at £5,000 per unit.

5.62 In total 16 separate appraisals were undertaken which applied different combinations of assumptions with respect to threshold land values; sales values per sq.m; build costs, and unit size as guided by our assessment and consultation feedback from the Developer Workshop held in December 2012.

**Impact of Core Strategy policy requirements on development viability**

5.63 We reviewed the impact of the emerging Core Strategy policy requirements on the viability assessment and set out how these are treated here.

5.64 Affordable housing policy at 25% has been incorporated as a fixed policy cost in our viability assessments.

5.65 Since the generic figures used to test the WPV study, there has been a more detailed assessment of how to fund and deliver the essential infrastructure to support growth. The client team view is that CIL provides the most transparent, fair and flexible approach to meeting this. So instead of seeking various site specific s106 requirements, once CIL is in place, most of the infrastructure requirements will be met using CIL (as match funding to lever in other sources of funding from the key service providers). This will ensure that all development (including those currently below s106 thresholds levels) will contribute a small amount towards the cumulative cost of infrastructure. £800 per unit has been included for s106 / s278 in the viability assessment. The intention is that once CIL is in place, it will be the main developer contribution requirement so providing a simpler system for the charging authority and clarity for the developer. Work on preparing an initial Regs 123 list has commenced and will develop as work on CIL progresses.

5.66 Other policy requirements associated with sites specific mitigation measures will be met as part of development costs. For instance policy requirements to provide open space (where there is an identified gap) will be met as part of the development. RMBC is no
longer able to take on the adoption of open space without charge (it will do so but at a cost, and adoption by the Council is optional). Most developers are now opting to set up management trusts with providers such as Greenspace who then take on the management of open space and the cost of this is passed onto residents via a nominal annual management fee for this service. Thus no additional cost has been included in the viability assessment as the professional fees allowance accounts for the setting up of the management trust. There could be longer term implications over the ownership and safeguards of the open space that will need to be considered by RMBC.

5.67 The zero carbon policy could potentially create either a cost on development or revenue, and as such will be sought flexibly where it is deliverable within a scheme. National standards on this area are expected to come out in 2016 – there will need to be some monitoring to assess the impact of this regulation and if it impacts adversely on viability there may be a need to review the CIL charge. For the present time the effect of this policy requirement is assumed as cost neutral for the CIL viability assessment as it is only required where it is viable and could in some instances be a generator of energy related revenue streams.

5.68 Other costs such as life time home standards are already incorporated to some extent in build costs as they are part of Building Regulation requirements and no additional local policy requirements are currently being sought.

**Build costs and other cost assumptions**

5.69 We have assumed the following build costs per sq.m for houses is based on BCIS averages for the area with uplift for external works, contingency and energy efficiency measures to be introduced via the Building Regulations in October 2013.

<table>
<thead>
<tr>
<th>Table 5.2 Build costs assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BCIS Build costs15th June 2013 - Rebased to Rotherham - 2 - storey</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>BCIS Cost</td>
</tr>
<tr>
<td>Externals</td>
</tr>
<tr>
<td>contingency</td>
</tr>
<tr>
<td>CSH4 @ £15 psm</td>
</tr>
<tr>
<td>CIL study</td>
</tr>
<tr>
<td>Developer consultees</td>
</tr>
</tbody>
</table>

Source PBA/ BIS 2013

5.70 For all scenarios, we have assumed a development density for housing of 35 dwellings per ha. Our assumed average unit sizes for houses are 110sq.m in respect of market housing in the higher zone areas, 90sq.m in the low zone area, and 80sq.m for affordable housing. These figures reflect the findings of our research into houses currently being marketed, as well as comments received from our interviews.

5.71 Other costs, such as professional fees and the cost of sales and marketing are inputted at industry standard rates and provision is made for Stamp Duty Land Tax at prevailing rates.
5.72 Finance costs are calculated using a cash flow assessment that forms part of the model and takes account of prevailing interest rates and likely sales rates.

**Bassingthorpe Farm is treated as a strategic site**

5.73 The April statutory CIL Guidance (2013) recognises the scope to differentiate strategic sites, paragraph 35 of the guidance states:

5.74 “In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability.”

5.75 Given the importance of the Bassingthorpe Farm Sustainable Urban Extension (SUE) – (see appendix 5 for a concept plan) to the overall delivery of the Core Strategy, this has been treated as major strategic site as described in the CIL guidance.

5.76 The development economics of large residential development sites is different to that of smaller sites. Land cost will typically be much lower per ha, reflecting the risks, abnormalities, existing use value, scale of development and servicing costs. The following assumptions have informed our viability assessment of the Bassingthorpe Farm SUE:

- We have assumed that Bassingthorpe Farm will be brought to the market as a partially serviced site, in that any costs associated with abnormalities, such as flooding, contamination etc, will have been cleared by the land owner or master developer and this will be reflected in the price paid for the land by the developer. We note that some site remediation may require initial support to kick start delivery here.

- We have included an allowance for site opening costs (e.g. utilities extensions, spine roads, strategic landscaping and drainage systems and the like) for Bassingthorpe Farm of £350,000 per net ha. This equates to approximately £17m or £10,000 per unit. Our wider stakeholder feedback has indicated that the typical range for these costs can be anything from £200k - £600k per net ha, much will depend on the specific characteristics of the site and scale of site. We note that the DTZ study for Bassingthorpe Farm includes various costs. However, it was not possible to separate out the abnormal site remediation from the site opening costs.

- We have re-assessed the site specific infrastructure requirements that will need to be met by s106 developer contribution (once CIL is in place) – see appendix 6. The current thinking is for a new Primary School and Secondary School expansion, at a total cost for education of £6.9m and open space and recreation provision at an approximate cost of £2.3m (excluding that which will be provided as part of the site opening requirements for SUDs etc.). This equates to a S106 cost per dwelling for £5000. We have factored this into the Bassingthorpe Farm appraisal.

- We have assumed an increased sales rate for the SUEs based on the likelihood that two or three developers will be operating on sites at any one point in time, based on a total delivery of 100 per annum.

- We have assumed a base build cost of £870 per sq.m reflecting economies of scale.

- We have assumed a conservative sales value of £1,730 but note from the recent examples of Waverley and Wath upon Dean, that strategic sites such as Bassingthorpe Farm will create their own value zones as part of ‘place shaping’.
Residential appraisal outputs

5.77 Applying these assumptions, a number of viability assessments were undertaken. The findings of the residential viability appraisals are set out in tables 5.3 to 5.6.

An explanation of how to interpret the appraisal output tables

5.78 We provide a brief explanation of how to interpret the information contained in the summary appraisal tables. Reading the tables from left to right, successive columns are as follows:

- Number of dwellings for each of the three value zones we have looked at viability assessments for 2, 14, 20, 35, 100 and 1,700 dwellings.
- Net site area based on 35 dwellings per ha
- Total floor space, this is the total floorspace created by the development.
- CIL chargeable floor space, this is the total floorspace less that deducted for affordable housing as it is not liable for CIL.
- The residual value expressed as per £ per Ha and as £ per sq.m. The residual site value is the difference between the value of the completed development and the cost of that development (including the developer’s profit, policy costs, site servicing costs etc).
- The (threshold land value expressed as £ per net ha and £ per sq.m. This is the assumed value that a developer would pay to secure a site of this size reflecting future policy requirements and need to secure planning consent.
- We then take the threshold land value from the residual land value to arrive at the CIL balance or ‘overage’ available to contribute towards any CIL charge.
- This CIL balance or ‘overage’ is an estimate of the CIL ‘maximum theoretical CIL’ i.e. the maximum CIL that could be charged consistent with the development being financially viable. Given the variations surrounding strategic viability appraisals, this overage is an approximate indicator, and as such we seek to have a considerable buffer between the overage and any CIL charge. We do not recommend that this theoretical maximum be directly translated into a CIL charge.

5.79 Note that the CIL overage is not a direct calculation of deducting the benchmark value from the residual land value. As affordable housing is not liable to CIL charge, we make an allowance for this in our analysis. The overall scheme residual value is analysed across the whole scheme i.e. total net developable area and total gross internal floor area (GIA) sq.m. The CIL overage is calculated from the CIL chargeable floor area (total GIA minus GIA of affordable units).
### Summary of residential appraisal findings

Table 5.3 Higher value zone @ sales value of £1950 psm; build costs of £950 psm CIL charge range from £45 - £75. Proposed CIL charge @ £65 psm

<table>
<thead>
<tr>
<th>No of dwellings</th>
<th>Rotherham CIL appraisal - affordable @ 25%</th>
<th>Residual Value</th>
<th>Threshold land value</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net site area ha</td>
<td>Total GIA Floor Space</td>
<td>CIL Chargeable Floor Space</td>
<td>Per Ha</td>
</tr>
<tr>
<td>High Value Area @ £1950 per sq.m build cost @ £950 psm</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2</td>
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<td>14</td>
<td>0.40</td>
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<tr>
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<tr>
<td>100</td>
<td>2.86</td>
<td>35</td>
<td>10,250</td>
<td>8,250</td>
</tr>
</tbody>
</table>

Table 5.4 Mid value zone @ sales value of £1,730 psm, build costs are at £870. CIL charge range of £30 - £45 psm. Proposed CIL charge @ £30 psm

<table>
<thead>
<tr>
<th>No of dwellings</th>
<th>Rotherham CIL appraisal - affordable @ 25%</th>
<th>Residual Value</th>
<th>Threshold land value</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net site area ha</td>
<td>Total GIA Floor Space</td>
<td>CIL Chargeable Floor Space</td>
<td>Per Ha</td>
</tr>
<tr>
<td>Middle Value Area @ £1,730 per sq.m build cost @ £870 psm</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>0.06</td>
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</table>
Table 5.5 Low value zone @ Sales value of £1,470 per sq.m build costs at £780 psm. CIL charge range of £10 - £25 Proposed CIL charge @ £15 psm

<table>
<thead>
<tr>
<th>No of dwellings</th>
<th>Net site area ha</th>
<th>Density</th>
<th>Total GIA Floor Space</th>
<th>CIL Chargeable Floor Space</th>
<th>Residual Value</th>
<th>Threshold land value</th>
<th>Balance</th>
<th>Analysed over CIL Chargeable Floor Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Value Area @ £1,470 per sq.m build cost @ £780 pms</td>
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<td></td>
<td></td>
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<td>£450,000</td>
<td>£141 £58,512 £23</td>
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</table>

Table 5.6 Bassingthorpe Farm assessed at Sales value of £1,730 psm build cost @ £870, site opening cost at £350,000 per net ha (£17m) equates to £10,000 per dwelling. CIL charge range £10 - £20 Proposed CIL charge @ £15 psm (estimated CIL contribution £2.55m)

<table>
<thead>
<tr>
<th>No of dwellings</th>
<th>Net site area ha</th>
<th>Density</th>
<th>Total GIA Floor Space</th>
<th>CIL Chargeable Floor Space</th>
<th>Residual Value</th>
<th>Threshold land value</th>
<th>Balance</th>
<th>Analysed over CIL Chargeable Floor Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bassingthorpe Farm</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1700</td>
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<td>140,250</td>
<td>£434,023</td>
<td>£121</td>
<td>£350,000</td>
<td>£98 £84,023 £29</td>
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</tbody>
</table>
5.80 The summary of appraisal findings in tables 5.3 to 5.6 above show that all of the scenarios tested are broadly viable on the basis of the assumptions made. It is clear from these findings that sales values are the primary driver of development viability.

5.81 Similarly, land acquisition costs also have a material impact on viability. However, LPAs cannot dictate land values, and in reality there will not be a single threshold land value, so reasonable assumptions must be made.

5.82 However, there is a general expectation across the market that land costs will ultimately have to go through a period of rebalancing to reflect current market pressures. Some sites, particularly those purchased without planning permission and where there is a risk it will not be achieved could be acquired relatively cheaply. Where this is the case, higher contributions could be achieved than if a more typical land cost is applied. Conversely, other sites may well command a higher sales price, in which case Developer Contributions based on more typical land costs could potentially cause some hardship and delay in delivery in respect of sites where the land deal is already concluded.

**Proposed Residential CIL Charge**

5.83 Based on the viability assessment, we recommend the following CIL charge zones and CIL charges as set out in table 5.7 below:

<table>
<thead>
<tr>
<th>Proposed Charging Zone</th>
<th>Proposed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zone 1 High Broom, Moorgate, Whiston, Wickersley, Bramley and Ravenfield</td>
<td>£65</td>
</tr>
<tr>
<td>Zone 2 Mid Rural North West, the Dearne and South Rotherham.</td>
<td>£30</td>
</tr>
<tr>
<td>Zone 3 Low Rotherham Urban Area and East Rotherham.</td>
<td>£15</td>
</tr>
<tr>
<td>Zone 4 SUE Bassingthorpe Farm Strategic Site</td>
<td>£15</td>
</tr>
</tbody>
</table>
6 COMMERCIAL VIABILITY ASSESSMENT

6.1 We used the Argus developer software appraisal model for our commercial viability assessments using a residual value approach to assess viability. The following scenario were agreed with the client team at our initial inception meeting (CIL Study brief February 2012) and revised to reflect the type of growth most relevant to Rotherham:

6.2 **Office scenarios tested** - We have produced indicative development appraisals of hypothetical schemes, comprising 2787 sq.m (typical 2-3 storey business park style scheme).

6.3 **Employment scenarios tested** - We have produced indicative development appraisals of a hypothetical scheme, comprising a scheme of 3,500 sq. m which could be potentially either let as a single unit or subdivided into smaller units.

6.4 **Retail scenarios tested** - We have produced indicative development appraisals of hypothetical schemes for convenience and comparison retail.

*Convenience retailing:*
- An out of town grocery store of 1,500 sq. m;

*Comparison retailing*
- A 650 sq. m in-town high street scheme,
- A 3530 sq. m out-of-centre retail park /retail warehouse type scheme.

**Consultation feedback to inform the assumption inputs**

6.5 Our appraisals were informed by stakeholder consultations with leading commercial agents active in Rotherham (see appendix 3). The main points made by these agents are summarised below:

- **Office development** – is operating in a very difficult market. Sheffield has a stronger office market but currently there is lack of demand from occupiers which has resulted in prime quoting rents at £160 psm with vast incentives. Rotherham’s market is not as strong as Sheffield and there are existing brand new offices which are available at £110 psm or less with incentives. These have been empty for a number of years.

- **Industrial** – there is reasonable demand for good quality industrial units around the Templeborough area and to a lesser extent around Dinnington and South Rotherham. Rents are between £43 - £65 psm with incentives. Very few schemes have been developed in the last 5 years without grant assistance. Land values have dropped since the peak with current values around £247 - £430k per ha for potential schemes. Sites with good infrastructure and close to motorways command better values closer to the peak while secondary areas are discounted heavily.

- **Retail comparison in town centre** - town centre retail has struggled and values have reflected the current state of the market. However, the Core Strategy has an allocation of 3,000 sqm of comparison goods (high street / town centre retail) and an allocation of 8,000 sq.m of bulky goods (warehouse type retail). The policies indicates that this should be in/around Rotherham town centre, however we are
informed that the likely demand is for out of town centre for such development indeed a recent planning application for Cortonwood retail park has been refused (see below).

- Retail comparison out of town – Our assessment of out of centre comparison retail is based on retail warehouse / retail park type developments. It assumes a typical scheme away from the defined town centres. Out of town retail has reasonable demand and can command higher rents for units with good parking. Comparable evidence is scarce, and there is little evidence of new build accommodation being brought forward in the current market. So where possible, we have based our assumptions on existing developments. For instance, Rotherham has two areas (Cortonwood and Parkgate) with very strong out of town retail parks and our values have been based on these figures. We understand there has been an application for 9,177 sqm gross for comparison retail units (6 units of size 1100 sqm upwards) at Cortonwood retail park which was refused by RMBC and the application is expected to be going to appeal.

Assumptions used to inform the commercial appraisals

6.6 There will always be a range of data and options on the assumptions to use in a study such as this. 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). However, we caution that these assumptions reflect this strategic assessment and any site specific assessment could vary considerably from this. The main assumptions are summarised in table 6.1 below.
### Table 6.1 Commercial assumptions used for the viability model

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Source</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales value of completed</td>
<td>Land Registry, CoStar and</td>
<td>Property values are derived from different sources, depending on land</td>
</tr>
<tr>
<td>scheme</td>
<td>EGi</td>
<td>use.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>For non-residential uses, we used the <a href="http://www.costar.co.uk/">CoStar</a> and <a href="http://www.egi.co.uk/">EGi</a> databases, supplemented by discussions with local property agents.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Offices: £134.55 sq m capitalised at 9% yield rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Light industrial: £53.80 sq m Capitalised at 9.5% yield rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retail (convenience): £161.46 sq m capitalised at 7.5% yield rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retail Warehouse(comparison): £135.00 sq m capitalised at 7.5% yield</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retail (Town Centre) : £130.00 sq m capitalised at 8% yield rate</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Architect</td>
<td>Industry standard</td>
<td>We assumed 8% of development costs based on accepted industry standards</td>
</tr>
<tr>
<td>Marketing</td>
<td>Industry standard</td>
<td>We assume £1000 per unit based on accepted industry standards.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For non-residential appraisals, we have assumed 10% of the first year’s annual rental. This is supplemented with appropriate legal and marketing costs based on the quantum of development.</td>
</tr>
<tr>
<td>Sales agent</td>
<td>Industry standard</td>
<td>1% of Gross Development Value on the market sale property for</td>
</tr>
<tr>
<td></td>
<td></td>
<td>residential and commercial properties.</td>
</tr>
<tr>
<td>Sales legal</td>
<td>Industry standard</td>
<td>Approximately £5000-£20,000 per transaction on commercial properties depending on the size and nature of the product.</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>Industry standard</td>
<td>Commercial: Our finance charges for commercial projects are also at 7%.</td>
</tr>
<tr>
<td>Commercial voids</td>
<td>DCLG&lt;sup&gt;39&lt;/sup&gt;</td>
<td>To take account of unoccupied property rates on commercial property during void periods. Rates are set by HM Treasury at 48.5 pence in the pound.</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>Industry standard</td>
<td>For non-residential appraisals, we also have assumed a 20% profit as a minimum return. This is based on our knowledge of comparable schemes and on knowledge of institutions lending criteria. It represents a developer’s minimum return on a speculative investment.</td>
</tr>
</tbody>
</table>

<sup>37</sup> [http://www.costar.co.uk/](http://www.costar.co.uk/)

<sup>38</sup> [http://www.egi.co.uk/](http://www.egi.co.uk/)

project. In practice this may vary with pre-let commercial projects being able to proceed with a reduced profit (reflecting the lower risk) and more speculative projects in uncertain markets requiring a higher profit margin.

Source: PBA (2012)

Commercial appraisal outputs

6.7 The summary findings for each of the commercial uses appraised are set out in table 6.2 overleaf. We use the same approach as for the residential appraisal to assess the CIL charge, in that we look to see what surplus or overage is available after the land value is deducted.

6.8 The overage values from the commercial appraisals are shown in black for viable uses and minus red for uses that are not viable. The final overage column shows that in the current economic climate, very little speculative development is viable apart from convenience retail and retail warehouse type developments. All other uses are shown in red are not viable for a CIL charge. That is not to say that commercial developments for some users, especially tailor made products for expansions or relocation would not come forward.

6.9 As the Core Strategy includes some convenience and bulky goods floorspace, we recommend that a CIL charge can be considered for these uses as set out in paragraph 6.10 overleaf.
Table 6.2 Commercial appraisal summary of residual outputs

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Site Area</th>
<th>Floorspace</th>
<th>Residual Land Value</th>
<th>Bench Land Value</th>
<th>CILOverage</th>
<th>CIL Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ha</td>
<td>sq m (private only)</td>
<td>Total</td>
<td>Per ha</td>
<td>Total</td>
<td>Per ha</td>
</tr>
<tr>
<td>Industrial</td>
<td>0.50</td>
<td>3,500</td>
<td>£1,250,642</td>
<td>£2,501,284</td>
<td>£216,125</td>
<td>£432,250</td>
</tr>
<tr>
<td>Office</td>
<td>0.50</td>
<td>2,787</td>
<td>£1,710,640</td>
<td>£3,421,280</td>
<td>£216,125</td>
<td>£432,250</td>
</tr>
<tr>
<td>Convenience Retail</td>
<td>0.40</td>
<td>1,500</td>
<td>£735,413</td>
<td>£1,838,533</td>
<td>£592,800</td>
<td>£1,482,000</td>
</tr>
<tr>
<td>Comparison Retail - Town Centre</td>
<td>0.05</td>
<td>650</td>
<td>£75,072</td>
<td>£1,501,440</td>
<td>£43,225</td>
<td>£864,500</td>
</tr>
<tr>
<td>Retail warehouse / parks</td>
<td>0.80</td>
<td>3,530</td>
<td>£1,007,049</td>
<td>£1,258,811</td>
<td>£691,600</td>
<td>£864,500</td>
</tr>
</tbody>
</table>

Source: PBA (2013)

6.10 Based on the appraisal findings, we recommend the following CIL charges for non – residential uses:

- Convenience retail @ £60psm
- Retail warehouse / retail parks @ £30psm
- All other uses @ £0psm
7 SUI GENERIS USES

7.1 By their very nature, sui generis uses cover a very wide range of development types. The approach taken to this issue has been to consider the types of premises and locations that may be used for sui generis uses and assess whether the costs and value implications have any similarities with other uses.

Types of development and likely viability

7.2 The other types of development we have considered are:

- **Hostels** (providing no significant element of care) – these are likely to be either charitable or public sector uses such as probation hostels, half-way houses, refuges etc., or low cost visitor accommodation such as youth hostels. Our view is that the charitable uses are dependent upon public subsidy for development and operation, and therefore not viable in any commercial sense. Youth Hostels are operated on a social enterprise basis with small financial returns. Neither of these scenarios offers significant commercial viability.

- **Scrapyards** – it is unlikely that there would be new scrapyard/recycling uses in the Borough in the future, even given the potential for the price of metals and other materials to rise. A further consideration is that these uses are likely to occupy the same sorts of premises as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.

- **Petrol filling stations** – we are aware that recent new filling stations have generally come forward as part of larger supermarket developments, with independent filling stations closing. It seems unlikely that there will be significant new stand-alone filling station development in Rotherham Borough.

- **Selling and/or displaying motor vehicles** – sales of vehicles are likely to occupy the same sorts of premises and locations as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.

- **Nightclubs** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- **Launderettes** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- **Taxi businesses** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- **Amusement centres** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- **Casinos** – under the current law casinos can only be built in 53 permitted areas or one of the 16 local authorities allocated one of eight large and eight small casinos.
under the provisions of the Gambling Act 2005. For a casino to be built in Rotherham Borough the Council would have to apply for a special licence and undertake a public consultation. We are not aware of any such proposals at the present time.

**CIL charge recommendation**

7.3 On this basis of this assessment we do not recommend any CIL charge for all other non-residential uses.
8 RECOMMENDATIONS AND IMPLEMENTATION

Introduction

8.1 This section sets out the proposed recommendations for the Preliminary Draft Charging Schedule (PDCS) CIL charge, bringing together the conclusions of the preceding sections.

Proposed preliminary draft consultation stage CIL charge

8.2 Table 8.1 below summarises the findings and recommendations of the previous sections of this report into a clear and simple proposed charging schedule. The charges set out below reflect the viability evidence and comply with the CIL regulations in every respect, as we understand them. We believe that it is exactly this kind of clarity and simplicity that is being and will be sought by inspectors.

Table 8.1 Proposed CIL Charges £psm

<table>
<thead>
<tr>
<th>Proposed Charging Zone</th>
<th>Proposed Rate £psm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Zone 1 High</td>
<td>£65</td>
</tr>
<tr>
<td>Broom, Moorgate, Whiston, Wickersley, Bramley and Ravenfield</td>
<td></td>
</tr>
<tr>
<td>Residential Zone 2 Mid</td>
<td>£30</td>
</tr>
<tr>
<td>Rural North West, the Dearne and South Rotherham.</td>
<td></td>
</tr>
<tr>
<td>Residential Zone 3 Low</td>
<td>£15</td>
</tr>
<tr>
<td>Rotherham Urban Area and East Rotherham</td>
<td></td>
</tr>
<tr>
<td>Residential Zone 4 SUE</td>
<td>£15</td>
</tr>
<tr>
<td>Bassingthorpe Farm Strategic Site</td>
<td></td>
</tr>
<tr>
<td>Rotherham wide</td>
<td>£60</td>
</tr>
<tr>
<td>Convenience retail</td>
<td></td>
</tr>
<tr>
<td>Rotherham wide</td>
<td>£30</td>
</tr>
<tr>
<td>Retail warehouse / retail park</td>
<td></td>
</tr>
<tr>
<td>Rotherham wide</td>
<td>£0</td>
</tr>
<tr>
<td>All other uses</td>
<td></td>
</tr>
</tbody>
</table>

Defining retail use

8.3 We are mindful of the various discussions currently taking place over the of various retail uses, and have avoided the use of any size thresholds in the definitions set out below for the two retail use charges proposed. Instead a broader definition of ‘use’ as clarified by the CIL Guidance (2013 paragraph 35) for retail use has been adopted. This will be kept under review for the next stage of CIL consultation, to consider if there is any further guidance issued on this.

8.4 A retail warehouse and retail park is are described as stores selling comparison goods such as bulky goods, furniture, other household and gardening products, clothing, footwear and recreational goods. These stores will comprise of single storey format (with
flexibility to include an internal mezzanine floor) and will have dedicated free car parking provision to serve the units.

**A simple Regs 123 list is proposed**

8.5 Once CIL is in place, it is recommended that all future developer contributions to support part of the cost of infrastructure requirements should be funded via CIL, (apart from site specific infrastructure requirements at Bassingthorpe Farm for education and recreation).

8.6 The intention is the use of S106 agreements will be scaled right back and the primary mechanism for seeking developer contributions will be the CIL charge. This will make administering developer contributions simpler for the local authority (after the initial set up of CIL) and has the added advantage that developers will know clearly what is expected upfront and take account of this in their development appraisals.

8.7 Having assessed the S106 contributions currently required of development, and the likely cost of CIL, it is considered that in the majority of cases, the expected CIL charge will replace the amounts currently paid for s106 contributions. So for most developments the total cost is not expected to increase (i.e. the developer contributions will roughly remain the same post implementation of the CIL charge); however the mechanism used to capture this will change in order to be compliant with the CIL legislation.

8.8 Those developments that have been below the s106 thresholds will now be required to pay a CIL charge (as there are no threshold limits for CIL). Historically, a number of such developments which had a cumulative impact on infrastructure did not contribute to the cost of infrastructure (due often the cost of preparing a s106 legal agreement for small schemes). The CIL charge will apply to all relevant development making it a fairer, simpler and more transparent system.

8.9 It should be noted that any s278 or site specific policy mitigation measures will still continue to apply. There may be some changes to the CIL Regulations during 2014 following the recent consultation and these will need to be kept under review – in particular the treatment of S278 highway requirements and in-kind contributions.

**CIL Revenue projections**

8.10 In order to give RMBC an estimate of the likely potential income from CIL, table 8.2 sets out an assessment of the scale of development of each type likely to be forthcoming over the plan period. It shows the estimate CIL revenues of just under £18m would generate at the proposed charging rates, and note that some of this will be have to be paid to the local parish councils where the growth takes place. Table 8.2 also provides an annualised figure in the final column of just of £1.6m (if all the growth takes places as forecast).
Table 8.2 Rotherham estimate CIL revenue projections based on recommended CIL charges

<table>
<thead>
<tr>
<th></th>
<th>CIL Charge £ per sq.m</th>
<th>No. units in plan period (note 1a)</th>
<th>Market units (note 1b)</th>
<th>Unit floorspace (sq. m) (note 2)</th>
<th>Gross floorspace (sq. m) (note 3)</th>
<th>Estimated net additional proportion (see note 4)</th>
<th>Estimated net additional floorspace (sq. m)</th>
<th>Estimated CIL revenue in plan period</th>
<th>Estimated annual CIL revenue (see note 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Houses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>high zone</td>
<td>65</td>
<td>1,518</td>
<td>1139</td>
<td>110</td>
<td>125,235</td>
<td>95%</td>
<td>118,973</td>
<td>£7,733,261</td>
<td>£703,024</td>
</tr>
<tr>
<td>mid zone</td>
<td>30</td>
<td>2,392</td>
<td>1794</td>
<td>100</td>
<td>179,400</td>
<td>95%</td>
<td>170,430</td>
<td>£5,112,900</td>
<td>£464,809</td>
</tr>
<tr>
<td>low zone</td>
<td>15</td>
<td>2,558</td>
<td>1919</td>
<td>95</td>
<td>182,258</td>
<td>95%</td>
<td>173,145</td>
<td>£2,597,169</td>
<td>£236,106</td>
</tr>
<tr>
<td>Bassingthorpe Farm SUE</td>
<td>15</td>
<td>1,700</td>
<td>1275</td>
<td>110</td>
<td>140,250</td>
<td>95%</td>
<td>133,238</td>
<td>£1,998,563</td>
<td>£181,688</td>
</tr>
<tr>
<td>Non-residential</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail warehouses / park</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td>8,000</td>
<td>95%</td>
<td>7,600</td>
<td>£228,000</td>
<td>£20,727</td>
</tr>
<tr>
<td>Convenience retail</td>
<td>60</td>
<td></td>
<td></td>
<td></td>
<td>6,439</td>
<td>95%</td>
<td>6,117</td>
<td>£367,023</td>
<td>£33,366</td>
</tr>
<tr>
<td>Offices &amp; Industrial</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£0</td>
<td>£0</td>
</tr>
<tr>
<td>Other chargeable</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£0</td>
<td>£0</td>
</tr>
<tr>
<td>Total</td>
<td>8,168</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£18,036,916</td>
<td>£1,639,720</td>
</tr>
</tbody>
</table>

Note 1a: Unit figure taken from the Core Strategy and adjusted for additional allocation by client team - July 2013
Note 1b: affordable housing is not liable for CIL. We assume that an average of 25% affordable housing is achieved.
Note 2: the average unit size is based on our analysis of new build properties
Note 3: office and industrial floorspace relates to the figure is based on the Core Strategy.
Note 4: CIL is levied on net additional floorspace, so an allowance is made for existing buildings demolished to make way for new development.
Note 5 Parish council CIL allowance for 15% will need to be paid from the CIL Revenue

Source: PBA 2013 (based on client input on proposed floor space in the emerging Core Strategy)
Infrastructure funding gap and prioritisation

8.11 The assessment shows that there is a potential CIL infrastructure funding gap of over £57m once all known and anticipated sources of funding have been taken account of. This gap is to be expected, as it was never the intention of CIL to plug the entire infrastructure funding gap. However, given that there is a funding gap, some important decisions will need to be made about CIL spend priorities. It is recommended that an infrastructure delivery mechanism / group be established to take a lead in supporting the planning, costing, funding, phasing and infrastructure to support the delivery of growth and prioritise CIL spending.

CIL relief and discretionary relief

8.12 Affordable housing automatically receives 100% relief from paying CIL. A charity is also exempt from paying CIL where they are the landowner and if the development is to be used wholly or mainly for a charitable purpose. The charging authority (CA) may also choose offer relief to a charity landowner where their development will not be used for a charitable purpose, but the proceeds (e.g. from rental) will be used for such a purpose. This is a decision taken locally, although there are detailed rules governing entitlement to such relief and its amount. The Charging Authority must publish its policy for giving relief in such circumstances.

8.13 This is a decision taken locally, although there are detailed rules governing entitlement to such relief and its amount. The CA must publish its policy for giving relief in such circumstances.

Exceptional circumstances relief

8.14 A Charging Authority can also give relief from the levy in exceptional circumstances, defined in the Regulations as being where a specific scheme would not be viable if it were required to pay the levy and a signed S106 agreement that was greater than the value of the CIL charge applicable. Where a CA wishes to consider claims for exceptional circumstances relief it must first give notice publicly of its intention to do so. Claims for relief on chargeable developments from landowners should then be considered on a case by case basis. In each case, an independent person with suitable qualifications and experience must be appointed by the claimant with the agreement of the CA to assess whether:

- the cost of complying with the signed Section 106 Agreement is greater than the levy’s charge on the development; and
- paying the full CIL charge would have an unacceptable impact on the development’s economic viability.

8.15 Relief can then be offered as long as the total relief received by the claimant in any three year period across all its operations in Europe did not exceed a value equivalent to 200,000 euros.
Instalment policy

8.16 Regulation 69B set out the simplified criteria for enabling a charging authority to instigate an instalments policy for CIL payments. The policy should apply across the area and only contain the following information:

- the effective date of the policy, and number of instalment payments;
- the amount or proportion of CIL payable in any instalment;
- when the instalments are to be paid based on time from commencement; and
- any minimum amount of CIL below which CIL may not be paid in instalments.

8.17 We have worked with the client team in developing a draft instalments policy based on the type of development scenarios that have taken place in the past. This will be issued at the same time as the PDCS. The policy is intended to reduce the financial burden on developers who need to invest up front in infrastructure and construction before they can recoup any development costs through disposals.

Administration charges

8.18 There is provision within the CIL regulations (Regulation 61) to use up to 5 per cent of the CIL receipts towards the administration and set up expenses related to the operation and management of the levy. This will provide the Charging Authority with a useful source of funding to take a proactive approach towards infrastructure delivery and explore opportunities for generating revenue as well as charging.

8.19 The viability assessments undertaken as part of this study have not taken account of any additional administration charges that may be levied on developers; rather, they have assumed that the administration charge will be drawn from the levy as proposed.

Monitoring and review

8.20 There are no prescribed review periods for a CIL charging schedule; it is a decision for the charging authority. We would expect this period to be between three to five years, although much will depend on market conditions and their impacts on development viability, as well as additional lessons learnt from the implementation of the CIL.

8.21 Clearly, the viability of most forms of development has been negatively affected by the recent recession and could be considered to be at or close to the trough in the market cycle at this time. We suggested that the Council implements a programme of monitoring market conditions in relation to a series of trigger points for a review. We suggest this monitoring takes place on a 6-monthly basis.

8.22 It is known that development viability is most sensitive to changes in development value. Typically a 10% change in the value of development can increase or decrease viability by approximately 30%. Similarly, a 10% change in build costs can affect development viability by approximately 20%. Other factors which have a significant impact on viability include the density of development and policy requirements, both of which are likely to stay broadly the same over the time period being considered.

8.23 A review of the Charging Schedule should automatically occur if:
- The rate of residential development falls below 50% of the long term average for two consecutive years; or
- There is a significant revision to or departure from the Development Plan or a major windfall development is permitted.

8.24 It should be noted that there is a requirement for the Charging Authority to publish a report on its website at the end of each year showing the level of CIL receipts collected and how these have been utilise