Peterborough Community Infrastructure Levy

Draft Charging Schedule Viability Study

On behalf of **Peterborough City Council**

Project Ref: 26358-002 | Rev: -- | Date: April 2014

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Document Control Sheet

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Date: **April 2014**

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Revision	Date	Description	Prepared	Reviewed	Approved

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1 Introduction

1.1 Introduction

1.1.1 Peter Brett Associates LLP (PBA) (formerly Roger Tym & Partners) was commissioned by Peterborough City Council (hereafter referred to as 'the Council') to provide specialist services for the development and preparation of a Community Infrastructure Levy (CIL) for the council.

1.1.2 Previously, the Council has prepared an consulted upon its Preliminary Draft CIL Charging Schedule (PDCS). Based on the comments received as part of the consultation on the PDCS and it's evidence base, further research and analysis has been undertaken. The evidence base has now been updated and this report supersedes and wholly replaces the Viability Study undertaken to inform the PDCS.

1.1.3 This report is structured in the following way.

- In Section 2 we set out the legal requirements that a CIL Charging Schedule must comply with. This work informs the rest of the report.
- Section 3 examines the planning and development context in order to ensure that CIL supports development. This work has important implications for the structure of the Charging Schedule.
- Sections 4 – 7 look at the viability of different kinds of development in different parts of Peterborough.
- Section 8 sets out analysis of the charge rate options then takes this analysis, and translates them into a recommended Draft CIL Charging Schedule (DCS)
- Section 9 details how the CIL Charging Schedule, if adopted by the Council, can be implemented taking into account exceptional circumstances, discretionary relief, instalment policy, administration charges, monitoring and review.

2 Legal Requirements

2.1 Introduction

2.1.1 The Community Infrastructure Levy (CIL) is a planning charge that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development. Local authorities who wish to charge the levy must produce a draft 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, the draft schedule has to be tested by an independent examiner.

2.1.2 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[1], as amended in 2011[2] , 2012[3], 2013[4] and 2014[5].
- The CIL Guidance, which was updated in February 2014. The Planning Act 2008 gives the Government the power to issue CIL guidance to which authorities and examiners must have regard. This power gives particular weight to parts of the updated CIL guidance setting out what authorities should or must do. [6].

2.1.3 Below, we summarise the key points from these documents. The 2014 Regulations have altered key aspects of setting the charge for authorities who publish a Draft Charging Schedule for consultation under CIL Regulation 16 after they became law on 24 February 2014.

2.2 Striking the appropriate balance

2.2.1 The revised Regulation 14 requires that a charging authority '*strike 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.

[1] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[2] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[3] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[4] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[5] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf
[6] DCLG (February 2014) Community Infrastructure Levy Guidance

2.2.2 By itself, this statement is not easy to interpret. The statutory guidance explains its meaning. A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for an authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area. .

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.' [7]

2.2.3 In other words, the 'appropriate balance' is the level of CIL which maximises the delivery of development in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

2.2.4 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. This has been reduced by the 2014 Regulations, but remains.. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike an appropriate balance…' ie. it is recognised there is no one perfect balance;

and the statutory guidance says

'Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.'

and

'A charging authority's proposed 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.' [8]

2.2.5 The Statutory Guidance sets the delivery of development in the area firmly in the context of implementing the Local Plan. 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…..' [9]

[7] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2)
[8] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)
[9] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)

2.2.6 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

2.2.7 The revised Regulation 14 effectively continues to recognise that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Local Plan can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should '*use an area based approach, involving a broad test of viability across their area*', supplemented by sampling *'…an appropriate range of types of sites across its area…*' with the focus *'...on strategic sites on which the relevant Plan relies…*' [10]

2.2.8 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 strike an appropriate balance overall, it avoids threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

2.3 Keeping clear of the ceiling

2.3.1 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:

'…..if the evidence pointed to setting a charge right at the margins of viability……It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[11]

2.3.2 We would add 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.
- 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.

2.4 Varying the charge

2.4.1 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[12] 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.

2.4.2 The guidance also points out that charging authorities should avoid '*undue complexity*' when setting differential rates, and *'….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.'* [13]

[10] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

[11] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

[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 (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)

2.4.3 Moreover, generally speaking, '*Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'*; otherwise the CIL may fall foul of State Aid rules.[14]

2.4.4 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [15]

2.5 Supporting evidence

2.5.1 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[16]. The statutory guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[17]

2.5.2 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 cost 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 Local Plan. 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.

2.6 Chargeable floorspace

2.6.1 CIL will be payable on most buildings that people normally use and will be levied on the net additional new build floorspace created by any given development scheme[18]. The following will not pay CIL:

- New build that replaces demolished existing floorspace that has been in use for six months in the last three years on the same site, even if the new floorspace belongs to a higher-value use than the old;
- Retained parts of buildings on the site that will not change their use, or have otherwise been in use for six months in the last three years;
- Development of buildings with floorspace less than 100 sqm (if not a new dwelling), by charities for charitable use, of homes by self-buiders, and of social housing as defined in the regulations.

2.7 What the examiner will be looking for

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

- The charging authority has complied with the requirements set out in legislation.
- The draft charging schedule is supported by background documents containing appropriate available evidence.

[14] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2;2;2;6)
[15] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)
[16] Section 211 (7A) of the Planning Act 2008
[17] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)
[18] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Sections 2:1:1, 2:1:2 and 2:3:12)

- The proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area.

- Evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole.[19]

2.8 Policy and other requirements

2.8.1 Above, we have dealt with legal and statutory guidance requirements which are specific to establishing a CIL. More broadly, the CIL Guidance says that charging authorities *'….should consider relevant national planning policy when drafting their charging schedules. This includes the National Planning Policy Framework in England and Planning Policy Wales in Wales'*. In addition, where consideration of development viability is concerned, the CIL Guidance draws specific attention to paragraphs 173 to 177 of the NPPF. [20]

2.8.2 The only policy requirements which refer 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 councils, to spend it on behalf of the neighbourhood if there is no local council for the area where development takes place. Whilst important considerations, these two points are outside the immediate remit of this study.

2.9 Summary

2.9.1 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a Draft for consultation after 24 February 2014, when the 2014 Amendment Regulations become law should:

'*strike 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*'.

2.9.2 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 the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

2.9.3 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability.

- CIL charging rates may vary across geographical zones, building uses, and scale of development (and only across these three 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.

[19] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)

[20] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Sections 2:2 and 2:2:1):

[21] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive'.

2.9.4 While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence. In this, and other ways, charging authorities have discretion in setting charging rates.

2.9.5 In our analysis and recommendations, we aim both to meet these legal and statutory guidance requirements and to maximise achievement of the Councils' own priorities, using the discretion that the legislation and guidance allow.

3 Planning and Development Context

3.1 Introduction

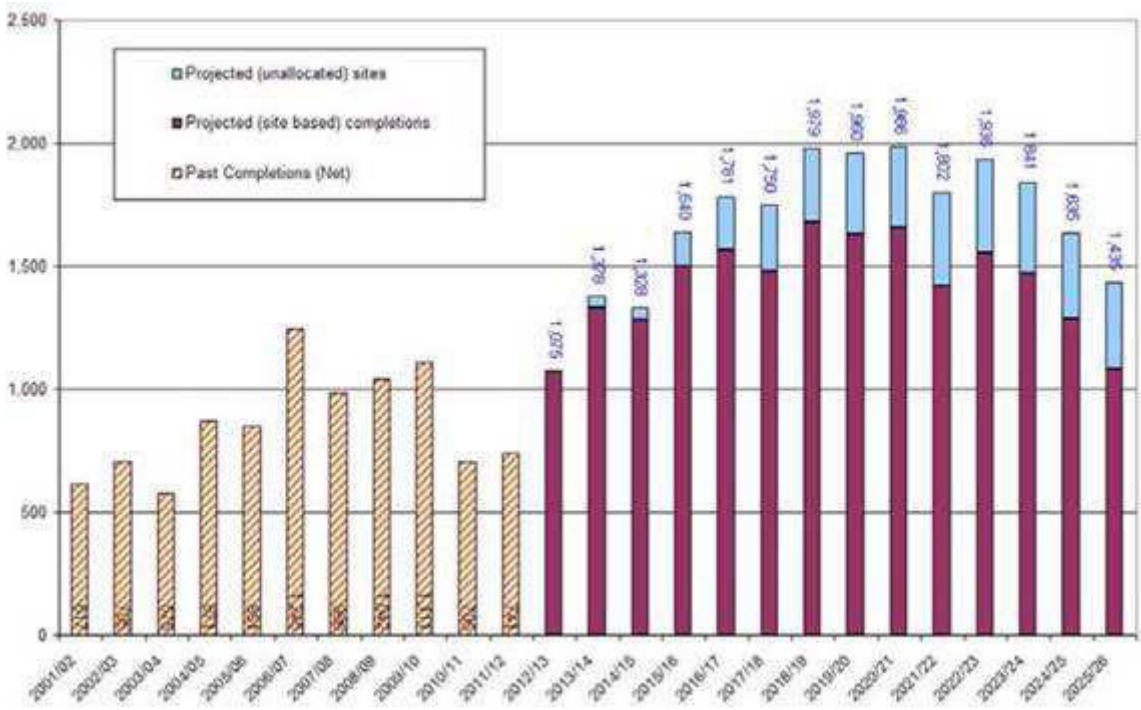
3.1.1 To help ensure that the CIL supports the development of Peterborough in general, and delivery of the city council's priorities in particular, we need to understand the nature of this development and these objectives. In this chapter we therefore first review recent patterns of development – which provide a broad indication of what may happen in the future – and then review the objectives and proposals in the adopted Core Strategy.

3.1.2 At the end of this chapter, we look at the implications of this analysis for the charging schedule.

3.2 History

3.2.1 Patterns of past development provide one guide to the likely patterns of future development. Figure 3.1 below analyses the amount of net residential completions over the period 2001/2 to 2011/12 and also the projected completions for the remainder of the plan period.

Figure 3.1: Peterborough Housing Trajectory 2001/2 - 2025/26



Source: Peterborough Annual Monitoring Report (2012)

3.2.2 This data shows a relatively low level of completions in 2010/11 and in 2011/12, reflecting the downturn in the wider economy. Over the 5 years to 20-11/12, 4,556 net additional dwellings were completed. For the five years from 2012/13, the total number of units expected to be delivered in Peterborough is 7,202.

3.2.3 Tables 3.1 and 3.2 below show the net change in employment floorspace in Peterborough over the period 2007 – 2013 and the scale of unimplemented permissions for employment floorspace.

Table 3.1: Employment Floorspace change 2007 - 2013

	Office (B1a / B1b)		Industry (B1c-B8)		B1/B2/B8 Mixed		Total (B1-B8)	
Status	**Area (ha)**	**Floorspace (m2)**	**Area (ha)**	**Floorspace (m2)**	**Area (ha)**	**Floorspace (m2)**	**Area (ha)**	**Floorspace (m2)**
Completed (Gains) 1 April 2007 - 31 March 2013	10.47	31,656	19.65	91,636	4.83	22,560	34.95	145,852
Annual Average	*1.75*	*5,276*	*3.28*	*15,273*	*0.81*	*3,760*	*5.83*	*24,309*
Completed (Losses) 1 April 2007 - 31 March 2013	-8.69	-31,885	-14.03	-44,848	0	0	-22.72	-76,733
Annual Average	*-1.45*	*-5,314*	*-2.34*	*-7,475*	*0.00*	*0*	*-3.79*	*-12,789*
Net Change	**1.78**	**-229**	**5.62**	**46,788**	**4.83**	**22,560**	**12.23**	**69,419**
Annual Average	*0.30*	*-38*	*0.94*	*7,798*	*0.81*	*3,760*	*2.04*	*11,570*

Table 3.2: Unimplemented permissions for employment development

	Office (B1a / B1b)		Industry (B1c-B8)		B1/B2/B8 Mixed		Total (B1-B8)	
Status	**Area (ha)**	**Floorspace (m2)**	**Area (ha)**	**Floorspace (m2)**	**Area (ha)**	**Floorspace (m2)**	**Area (ha)**	**Floorspace (m2)**
Under Construction At 31 March 2013	1.01	6,331	18.68	28,925	0.00	0	19.69	35,256
Not Started – Full At 31 March 2013	1.23	13,500	21.25	77,456	50.30	185,660	72.78	276,616
Outline At 31 March 2013	1.29	6,000	23.14	98,720	46.3	297,303	70.73	402,023
Sub Totals	*3.53*	*25,831*	*63.07*	*205,101*	*96.60*	*482,963*	*163.20*	*717,213*
Losses Not Started At 31 March 2013	-0.37	-2,534	-4.42	-11,682	0.00	0	-4.79	-14,216
Net Totals	**3.16**	**23,297**	**58.65**	**193,419**	**96.60**	**482,963**	**158.41**	**699,679**

3.2.4 The scale of development of employment uses has been somewhat depressed in recent years as a result of the economic climate. Indeed, the amount of office floorspace has reduced slightly, although the level of industrial and mixed employment floorspace has increased by approximately 70,000 sq. m.

3.3 Future Development and the Core Strategy

3.3.1 The Peterborough Core Strategy was adopted in February 2011. Its key objectives are for sustainable development and growth that improves the quality of life for Peterborough's residents whilst providing a healthy, safe and exciting place to live, work and visit[22].

3.3.2 The Core Strategy also makes provision for a significant level of growth over the period to 2026, including 25,450 new dwellings and 20,000 new jobs on 214.5 ha of employment land. It also notes, at Section 6.6, that *'The proposed levels of growth will place a significant burden on our existing infrastructure and services, and will require the provision of new and improved services and facilities*' and emphasizes the need to '*ensure that the provision of all the relevant supporting infrastructure is in place to help in the creation of sustainable communities*'.

[22] The overall priorities for Peterborough can be summarised into three basic themes which set the context for the spatial strategy and policies that follow. **1.** Growth that is viable, deliverable and accompanied by appropriate infrastructure; **2.** Sustainable development that contributes to Peterborough's ambition to be the Environment Capital of the UK; **3.** Improvements in the quality of life of people and communities through new development, regeneration, the provision of services and facilities, and the protection and enhancement of our heritage and environmental assets.

3.3.3 The scale of housing growth in Peterborough will require a number of urban extensions. The Core Strategy allocates 4,100 dwellings to the Hampton Township, 1,500 to Stanground South, 1,200 dwellings at Paston Reserve, and identifies the areas of Norwood (2,300 dwellings) and Great Haddon (5,300 dwellings) as locations for new urban extensions.

3.4 Development Central to the Delivery of the Core Strategy

3.4.1 A review of the Core Strategy suggests that a number of development types are going to be critical to the delivery of the Core Strategy. These types of development will deliver the overwhelming majority of growth in Peterborough over the plan period. Below, we show what these uses are.

3.4.2 It is important not to focus on floorspace alone in this review. Some developments sought in the Core Strategy might not represent a very large slice of floorspace delivery, but might be very important local aspirations that deliver Peterborough's wider aspirations for its community and economy. We have therefore included these uses in our review.

Residential development

3.4.3 Core Strategy Policy CS2 plans for 25,500 additional dwellings to be delivered in Peterborough between 2009 and 2026.

3.4.4 The residential development strategy for Peterborough is for development to be focussed in the following locations:

- The City Centre;
- In and adjoining the Urban Area of Peterborough;
- The Rural Area; and
- Small Villages

3.4.5 The majority of residential development over the plan period is to be focused in and adjoining the Urban Area of Peterborough. This area is expected to deliver approximately 20,100 dwellings.

3.4.6 Peterborough City Centre is identified to deliver, along with other uses, a total of 4,300 dwellings. The delivery of some 600 dwellings is allocated to the two Key Service Centres of Eye/Eye Green and Thorney. A further 450 dwellings will be divided between Ailsworth, Barnack, Castor, Glinton, Helpston, Newborough, Northborough and Wittering, which are identified as Limited Growth Villages.

3.4.7 As at April 2014, the Council had a residual housing requirement of some 21,309 dwellings reflecting 83.6 per cent of the overarching Core Strategy target. Of this residual requirement, there are sites with planning permission totalling 8,281 dwellings. Therefore, the potential requirement which may be subject to CIL is some 13,028 dwellings, less affordable provision.

Office and industrial development

3.4.8 Core Strategy Policy CS3 makes provision for the development of between 213 and 243 ha of employment land between April 2007 and March 2026.

3.4.9 The preferred economic growth scenario, 'Environment Plus', makes provision for employment growth of 24,600 jobs between 2001 and 2021. This is based on expansion of the environmental cluster, alongside growth of local trade and traditional business and other existing clusters. The employment growth envisages 11,000 jobs on employment land and

the remaining 13,600 jobs located in retail, education and health facilities etc. A high proportion of these jobs are expected to be in 'high end' professional occupations in senior roles such as management.

3.4.10 The Policy CS3 identifies a broad distribution of employment land as follows:

- Hampton - approximately 43 ha;
- Alwalton Hill - approximately 40 ha;
- Stanground South - approximately 5.5 ha;
- Great Haddon - approximately 65 ha;
- Norwood - approximately 2 ha;
- The City Centre - approximately 3.5 ha;
- Elsewhere within and adjoining the urban area of Peterborough - in the range of 51 to 81 ha; and
- Villages - approximately 3 ha.

3.4.11 The Core Strategy is underpinned by, amongst other things, the Employment Land Review[23] which concludes that there are sufficient sites available in Peterborough to deliver on its employment land needs.

3.4.12 The growth in B1 occupiers is envisaged to be largely from business, financial and professional services. The Employment Land Review suggests a focus on units in the size range 1,000 sq.m to 5,000 sq.m. The B2 requirement is shown to decline. However there may still be demand for new premises; new operations or upgrading with the bulk of demand likely to be in small and medium sized units on existing industrial estates. It also notes the trend in B8 requirements to large distribution units similar to the well located commitments at Gateway Peterborough and Pro-Logis' Kingston Park. These sites will generally be well located in relation to the parkway system and the A1.

Retail development

3.4.13 The Core Strategy, supported by the Peterborough Retail Study[24], identifies the amounts of convenience and comparison floorspace to be built in particular locations in Peterborough.

3.4.14 The study identifies significant capacity for additional comparison goods floorspace in Peterborough which should be directed towards the City Centre. There is forecast to be capacity to support a further 21,912 sq.m (net) comparison goods floorspace by 2016, rising to 55,383 sq.m (net) by 2021 and 94,206 sq.m (net) by 2026. The proposed North Westgate scheme in the city centre for a retail led mixed use development on land north of the Queensgate Centre would potentially absorb a significant proportion of the forecast capacity up to 2021.

3.4.15 Retail warehousing is identified as performing well across Peterborough. However it is recommended that retail capacity should be directed to the city centre and this should not be compromised by further out of centre development. Furthermore, given the timescales likely to be required in delivering the proposed North Westgate scheme, retail capacity should be protected in line with objectives and policies of the emerging Peterborough City Centre Plan.

[23] *Peterborough Employment Land Review* (2008)
[24] GVA (2009) *Peterborough Retail Study*

3.4.16 The study identified capacity of 556 sq.m (net) convenience floorspace by 2011, rising to 2,143 sq.m (net) by 2016, 4,372 sq.m (net) by 2021 and 6,664 sq.m (net) by 2026. Further convenience floorspace will be required to support the proposed urban extensions.

3.4.17 Both Great Haddon and Paston Reserve/Norwood are identified as proposed urban expansion areas where the development of retail floorspace will be required. The study recommends a new District Centre for Great Haddon anchored by a foodstore of some 1,890 to 3,780 sq.m (net). At Paston Reserve/Norwood it is recommended that a new local/neighbourhood centre is developed with conveniecne floorspace of between 1,150 and 2,300 sq.m (net).

Education, health and community facilities

3.4.18 There is expected to be a need for additional school places to accommodate growth, particularly in the proposed urban extensions. Core Strategy Policy CS5 identifies the need for the urban extensions at Great Haddon and Norwood to incorporate nursery and primary schools, alongside a secondary school on site if required, or contribution to off site provision.

3.4.19 In addition, the urban extensions at Great Haddon and Norwood should provide, amongst other things, community and health facilities to meet local needs without having an unacceptable impact on the vitality and viability of existing centres.

Hotels

3.4.20 While hotels are unlikely to generate large amounts of new floorspace, Core Strategy Policy CS18 supports the expansion of Peterborough's business tourism sector including the provision of high quality hotels and accommodation.

Theatres/Cinemas/Other Leisure

3.4.21 Whilst Peterborough benefits from two city centre theatres, the Core Strategy supports the development of a larger theatre which would attract larger shows and productions to the city. The Core Strategy also identifies a need for further leisure facilities in the city centre, including the provision of a cinema, potentially as part of the North Westgate scheme. The emerging City Centre Plan identifies the North Westgate area for a mix of uses, including leisure.

Uses less likely to come forward

3.4.22 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

3.5 Implications

3.5.1 We have shown above that the great majority of Core Strategy development is expected to fall within a limited number of development types. These development types will create the greatest amount of new floorspace in Peterborough over the plan period, or be strategically important to the broader objectives of the Core Strategy (hotel development falls into this category).

3.5.2 The most important development types are:

- Residential
- Office
- Light industrial
- Warehousing and distribution
- Convenience retail
- Comparison retail
- Education, health and community facilities

3.5.3 The above analysis suggests that we 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 our viability evidence shows that these main components are deliverable, then we will pass this (central) element of the examination. However, we do *not* need to prove that *each and every* development in these categories will be deliverable: instead, we need to show that the main elements of these types of development are viable, when seen at a district-wide level.

4 Residential Viability Testing

4.1 Introduction

4.1.1 This section provides an overview of the residential property market in Peterborough. It also sets out the evidence for, and the details of, the assumptions we have made in respect of development archetypes, as well as the likely costs and revenues of development that feed in to our viability assessments.

4.2 Market Overview

4.2.1 Much of the recent residential development in Peterborough has been at locations within and adjoining the Peterborough Urban Area, with a number of major national house-builders bringing forward schemes, including Barratts' developments at St. Peter's Mede and Water's Reach and Persimmon's Cardea scheme, as well as developments by smaller regional housebuilders such as Larkfleet Homes.

4.2.2 Our analysis of houses currently being marketed in the area, included in the Technical Note that accompanies this report, suggests that four bedroom detached and semi-detached properties are the most predominant house types currently being developed, although 3-bed semis and townhouses of three and four bedrooms are also fairly common.

4.2.3 Only two apartments were being marketed at the time of our research, reflecting the difficulties in access to mortgage finance faced by the kind of first time/young house purchasers and buy-to-let investors that are likely to be attracted to such property. The knock-on effect of this has been difficulty in accessing development finance for apartment schemes, given the increased risk that sales will be both slower and at lower values.

4.2.4 In order to deliver Peterborough housing growth objectives the Core Strategy recognises that significant residential development will be required at the identified urban extensions of Hampton, Stanground South, Great Haddon, Paston Reserve and Norwood. Just over 1,000 of the 25,500 new homes to be built over the plan period are proposed outside of the Peterborough urban area in the outlying villages.

4.2.5 Figures 4.1- 4.4 below show how sales prices vary across Peterborough using Land Registry data from a three year period from January 2011 to January 2014 to provide a statistically robust data set. Achieved house prices are averaged at a ward level, outliers are then removed and each ward is then re-averaged and banded. The results are presented separately for each house type, so that the data is not skewed by an over-representation of a particular house type. Larger versions are provided at Appendix A.

Figure 4.1: Sales Value Heat Mapping - Detached

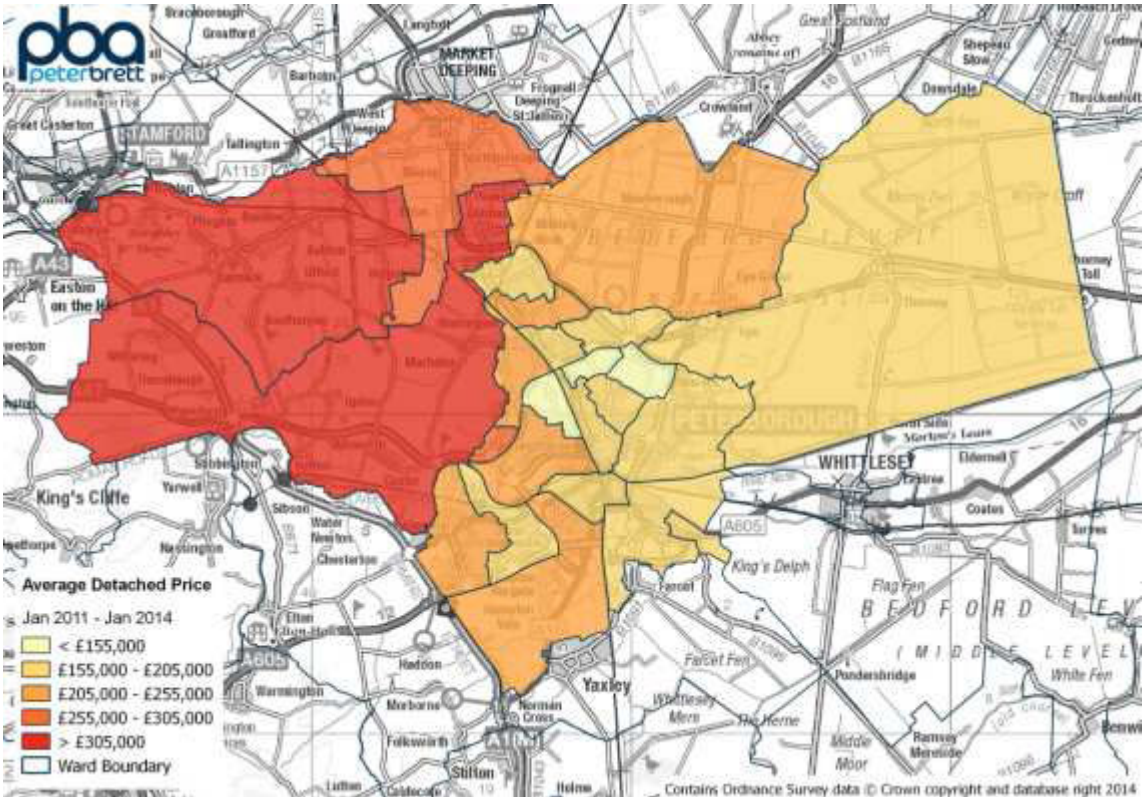


Figure 4.2: Sales Value Heat Mapping – Semi-detached

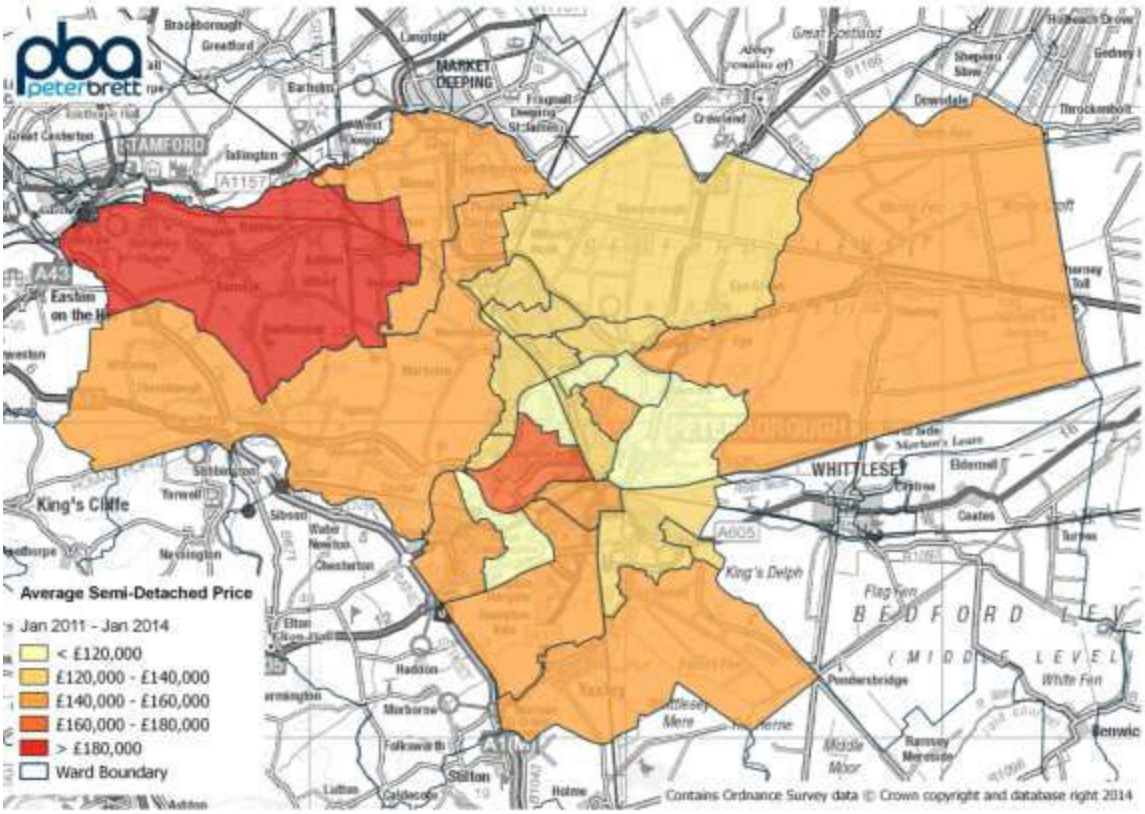


Figure 4.3: Sales Value Heat Mapping -Terraced

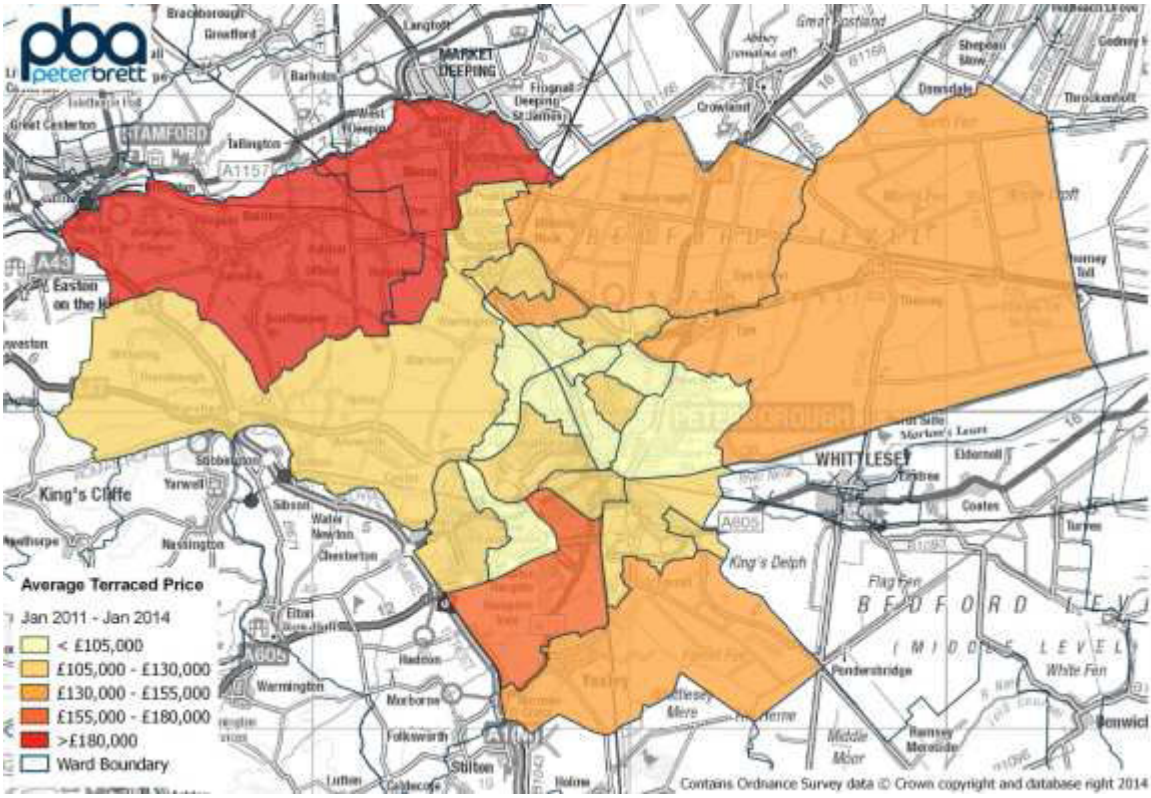
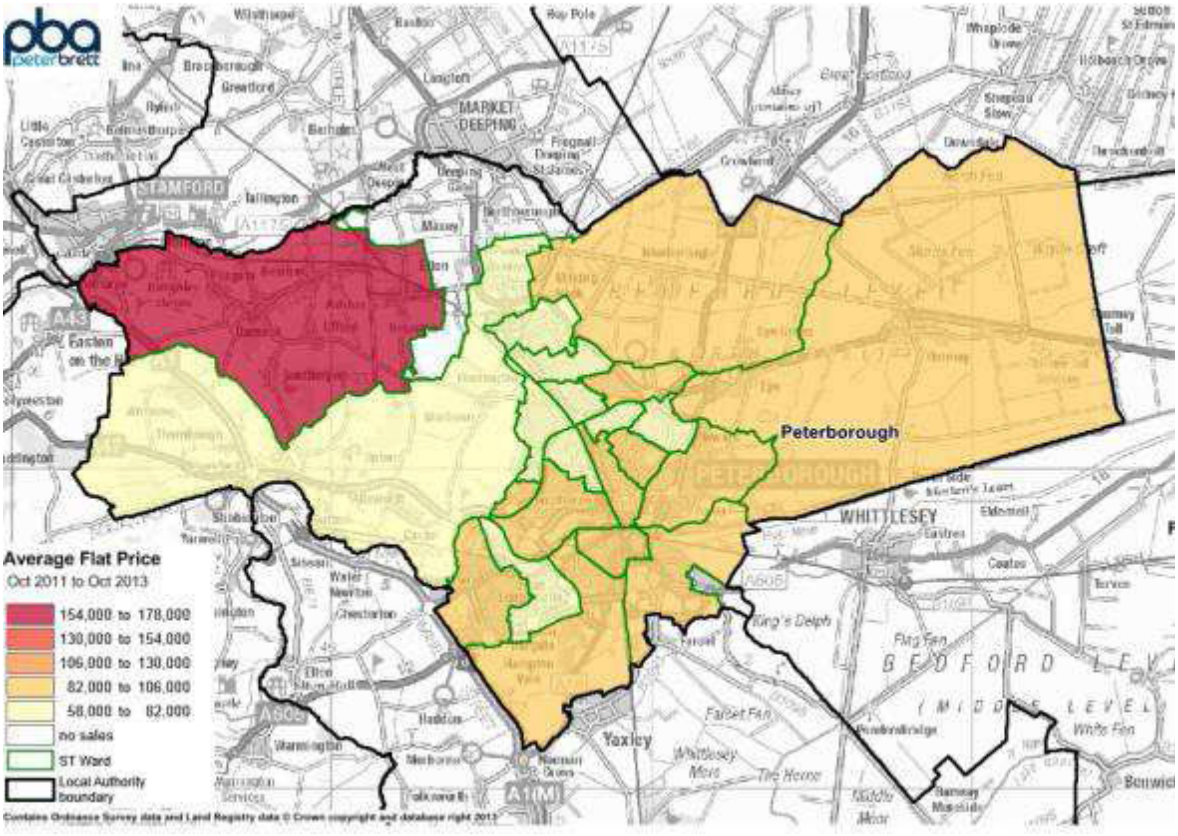


Figure 4.4: Sales Value Heat Mapping – Apartments



4.2.6 The sales value heat mapping presented above does seem to show a pattern of areas with consistently higher values and those with consistently lower values. For example, the three wards to the west of the area have consistently higher values, whilst the central area appears to have consistently lower values.

4.2.7 Guidance states 'Charging Authorities can set differential levy rates for different geographical zones provided that those zones are defined by reference to the economic viability of development within them.'[25] This evidence, if supported by the viability assessments could provide the rationale and necessary evidence base for charge variation by zone in Peterborough.

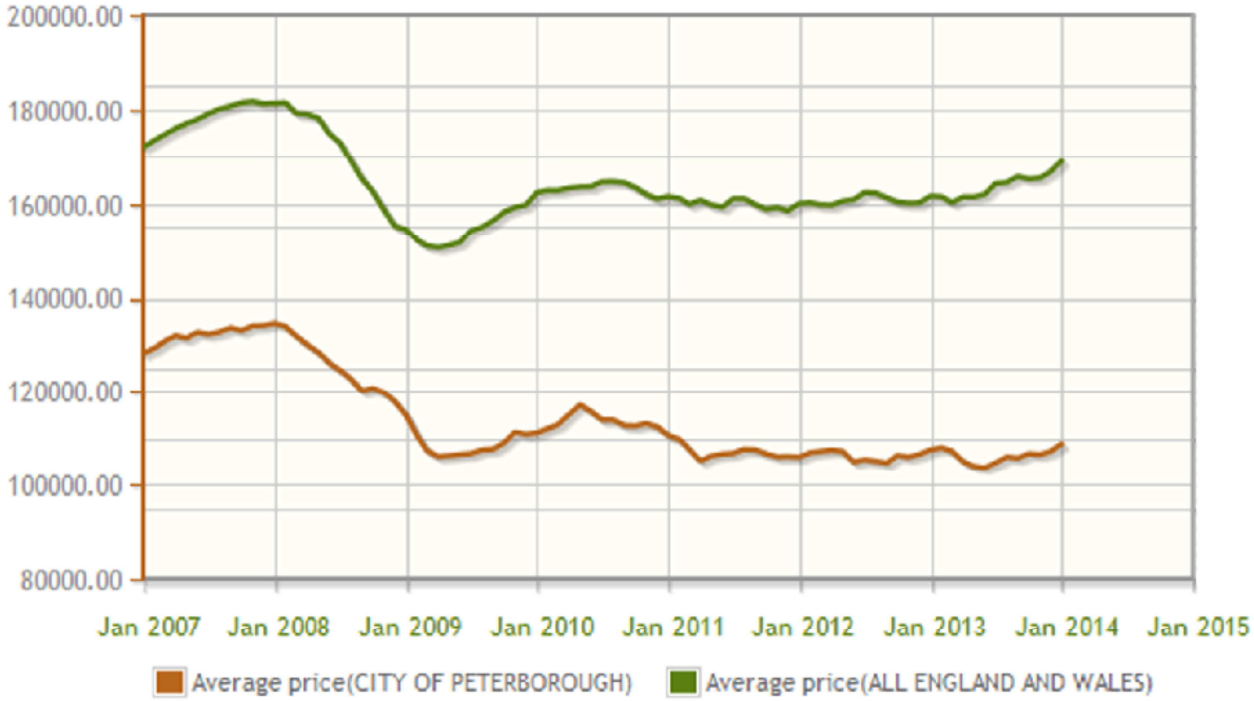
4.3 Market Trends and Trajectory

4.3.1 Figures 4.5 and 5.6 below shows average house prices in Peterborough, relative to the average for East Anglia as a whole and England and Wales since 2007.

Figure 4.5: Average House Prices – Peterborough and East Anglia

[25] DCLG (December 2012) *CIL Guidance* (para 34)

Figure 4.6: Average House Prices – Peterborough and England & Wales



4.3.2 It is clear from the above, that average house prices in Peterborough are below the national and regional averages, although there has been a steady improvement since mid-2013. The peak of the recent market cycle in Peterborough was in early 2008, a few months later than that for England and Wales as a whole. Values were lowest in Peterborough in the second quarter on 2013, whereas the trough for both East Anglia and nationally was in early 2009.

4.3.3 Looking forward, the latest projections of house prices prepared by Savills in their Residential Property Focus (Q4 2013), shown below, suggests that values will increase significantly over the next two years across the East of England as a whole, growing at 7% in 2014, 6% in 2015, and decreasing slowly to 4% by 2018.

4.3.4 For the purposes of CIL charge setting, it is current market conditions that must be the primary consideration. However, we have also sought to 'future-proof' this analysis to some extent by considering several sales value scenarios. These are discussed and set out below but can be considered to reflect a reference case current market conditions scenario, and scenarios around it that broadly reflect both better and worse locations in Peterborough under current market conditions, and how values could change in future.

Figure 4.7: Savills Residential Values Forecast

	Forecast					
	2014	2015	2016	2017	2018	5yrs to end 2018
UK	6.5%	5.0%	4.5%	4.0%	3.0%	25.2%
London	8.5%	6.0%	4.0%	2.0%	2.0%	24.4%
South East	7.0%	6.5%	6.0%	5.0%	4.0%	31.9%
South West	7.0%	6.0%	5.5%	4.5%	3.5%	29.4%
East of England	7.0%	6.0%	5.5%	5.0%	4.0%	30.7%
East Midlands	6.0%	5.0%	4.5%	4.0%	3.0%	24.6%
West Midlands	6.0%	4.5%	4.0%	4.0%	3.0%	23.4%
North East	5.0%	4.0%	3.0%	3.0%	2.0%	17.6%
North West	5.5%	4.5%	3.0%	3.0%	2.0%	19.3%
Yorks & Humber	5.0%	4.5%	3.5%	3.5%	2.5%	20.5%
Wales	6.0%	4.0%	3.5%	3.5%	2.5%	21.0%
Scotland	4.5%	4.5%	3.5%	3.5%	2.0%	19.3%

Source: Savills Residential Property Focus (Q4 2013)

4.4 Approach to Assessing Viability

4.4.1 Viability assessment is at the core of the charge-setting process. The purpose of the assessment is to identify charging rates at which the bulk of the development proposed in the Development Plan is financially viable, in order to ensure that the CIL does not put at risk the overall development planned for the area.

4.4.2 PBA has a bespoke excel-based model for assessing the viability of residential development as part of CIL studies. The model takes as its basis a hypothetical hectare of land and allows us to assess the value of a development by reference to the density of development, the proportion and type of affordable housing, the size of houses and typical sales values being achieved.

4.4.3 The model also enables us to input the cost of acquiring the land and to calculate all the other principal costs associated with development, including construction costs, fees, contingency and finance costs, amongst others.

4.4.4 Following consultation on the original study, representations were received with regard to the assumptions made in testing residential viability and the outcomes of those assessments. Taking account of these representations (where supported by evidence), we have made revisions to our assessments and updated key data analysis and the assumptions.

4.4.5 We have also applied a revised model for the purposes of this assessment that allows more detailed and refined residual value assessments to be undertaken. The revised model differs somewhat in that the 'developer's margin' is an input to the model and the output is a residual land value, rather than the previous model that assumed land values as an input to the model, with the output being a residual level of profit.

4.4.6 No standard assumptions are made by the model, so that each appraisal is entirely bespoke. Assumptions are inputted with respect to:

- The proportion of the site that is developable for housing (i.e. not required, for example, for open space, infrastructure or other non-housing requirements);
- The density of development and the mix between houses and apartments;
- The level of affordable housing and the mix of shared ownership, affordable rented and social rented;
- The average size of houses and apartments;
- Build cost per sq.m;
- Sales value per sq.m;
- Sales rates
- Land price per gross hectare (including associated purchase costs);
- Typical s.106 costs;
- Costs for secondary infrastructure;
- Professional fees;
- Costs of sales and marketing; and
- Finances costs.

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

4.4.8 As mentioned above, the model allows each variable to be changed to assess different development and market scenarios. In total, 15 separate scenarios applying different combinations of assumptions with respect to land price; sales values per sq. m; site size and development characteristics were tested. In addition, we have also sought to test the viability of those strategic sites within Peterborough that do not already benefit from planning permission. These assessments are based on the information currently available on the scale and nature of development likely to take place.

4.5 Key Assumptions

4.5.1 Common to both residential and non-residential assessments is the need to gather robust market data – any assessment of viability can only be as good as the assumptions (and the information they are based on) that go into it. This section of the report also, therefore, sets out the sources of information that have informed the assumptions that underpin the viability assessments, along with the assumptions themselves.

4.5.2 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. This is an important point to bear in mind later when it comes to debating what is considered an ‘appropriate balance’.

Information Sources

4.5.3 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, taking account of typical levels of discounting from asking prices. 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.

4.5.4 In addition to this, we also undertake in-depth analysis of the Land Registry data on residential sales prices. This gives achieved sales values broken down by dwelling type and enables us to isolate 'new-build' houses from re-sales. It does not, however, provide information on floorspace and as such we use our analysis of properties currently being developed to inform assumptions on the average floorspace of each house type. In turn, this enables us to draw conclusions of achieved sales values on a per sq. m basis.

4.5.5 Information on construction costs for residential development was gathered from the Building Cost Information Service (BCIS). Our build costs assumptions are considered to cover realistic costs for current building regulations requirements, although costs may alter in future.

4.5.6 Based on the findings from these sources, we arrived at initial conclusions with respect to each of the assumptions. These were then tested through a range of formal and informal consultations with a number of local house-builders and agents and revisions/additional scenarios were made to reflect comments received, where it was justified by evidence to do so.

Consultation

4.5.7 An integral part of the CIL process is to engage with stakeholders that have an active interest in the area, as well as those individuals who have an in-depth knowledge of the area in terms of values and so on. To date, two methods of consultation have taken place.

4.5.8 The first has been a series of informal telephone consultations with residential agents, commercial agents and developers. These were carried out at a relatively early stage in the project, to help us corroborate (or give cause to amend) our initial assumptions, based on analysis of transactional and other market data.

4.5.9 The second method was a more formal 'stakeholder workshop' for developers, agents, registered providers and other interested parties. The workshop was focussed around a presentation which set out the approach to the viability assessments and the assumptions that underpin them. Discussions took place in respect of each key assumption and adjustments were made to some assumptions following the workshop, where appropriate evidence was provided to warrant doing so.

Land Acquisition Cost

4.5.10 Clearly, the value of a specific piece of land to a developer will vary significantly from one site to the next as a result of its unique 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 in an adopted development plan and/or benefits from a suitable planning permission; and

- The nature of any planning permission and the level of any developer contributions that can reasonably be expected.

4.5.11 As such, it is inadvisable to be drawing detailed conclusions based on comparable evidence in isolation without: firstly a reasonable volume of transactions from which to consider averages and trends; and secondly without very detailed information on each of the transactions themselves that may help to explain why a particular value was achieved in that case.

4.5.12 Whilst our assessments seek to test a range of likely market conditions evident within Peterborough, we also seek to ensure that, as far as is possible in all other respects, we are comparing like with like. Therefore, our assumptions in terms of land are that all sites will be cleared and remediated (if they are brownfield) and fully serviced parcels (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 gross land value in the offer that any rational developer would make to a landowner in any case. This approach reflects what happens in practice in land transactions and is an approach that has been found sound in examinations elsewhere.

4.5.13 We have gathered details on comparable residential land transactions in the area. This information has informed our assumptions in respect of land values, but was provided on a confidential basis and as such cannot be included as part of this report.

4.5.14 In respect of residential development land prices/values, we also took account of recent Valuation Office Agency (VOA) reports covering this issue. In July 2009, the VOA's assessment of residential land value in Peterborough was £1.4m per ha. More recent data from the VOA is only available for the larger conurbations including Cambridge (£2.9m per ha in January 2011) and Norwich (£1.6m per ha in January 2011). The latest VOA data suggests that residential land values in the East of England have declined in the region of 20 to 40 per cent since July 2009. Applying that reduction to the stated 2009 values for Peterborough suggests values of £840,000 - £1.12m per ha. This data must be qualified, however, as it is unclear what level of affordable housing or other policy costs are taken into account in arriving at the values. As such, they should be treated with some caution.

4.5.15 As a further layer of analysis, we have considered existing and alternative use values and the uplift factors/multipliers that can be applied to them to inform conclusions on residential land values. Of course, it is difficult to generalise about existing or alternative use values across a whole local authority, but we have sought to consider the principal uses that may be relevant.

4.5.16 Some of the land on which new residential development will take place is likely to be agricultural. The VOA's 2011 Property Market Report indicates that the highest average value agricultural land in Cambridgeshire is worth approximately £18,500 per hectare. In order to inform residential land values, a multiplier of c15 times agricultural values, plus the cost servicing the sites is often applied. This would give residential land values in the region of £630,000 per ha.

4.5.17 An alternative use for some sites being considered for residential development is for employment development. The 2009 VOA Property Market Report states that employment land in Peterborough typically has a value of £550,000 per ha. The most recent data (only available for Cambridge and Norwich) suggest there has been little movement in employment land values since 2009, with values in Cambridge having fallen slightly and values in Norwich having risen slightly. An uplift of c30% over this alternative use value is often as a proxy for considering residential land values. Assuming consistent values for Peterborough since 2009, this suggests residential land values of £715,000 per ha.

4.5.18 We have also sought to complement this information through consultation with local land agents and developers and has provided us with a qualitative information on current perceptions in the local development industry of prevailing residential land values in Peterborough. These consultations

have revealed that residential land values in Peterborough are generally considered to range between £0.6m per ha and £1.1m per ha, net of policy costs and abnormals.

4.5.19 In coming to a view on the net land values (a figure net of policy requirements and so on), we have also taken into account our knowledge of other comparable locations in the sub-region and the residential values being achieved there and their relative strength or weakness as a residential location in comparison to Peterborough.

4.5.20 Based on all of the above, we have assumed the following land values:

- £700,000 per net developable ha in low value areas;
- £900,000 per net developable ha in the mid value areas; and
- £1.1m per net developable ha in the higher value areas.

4.5.21 For the purposes of the appraisals, land values have been increased for the 0.25ha models based on the fact that there is generally a premium on smaller sites. The values assumed are increased by 10% over the figures assumed for 1 ha scenarios. Similarly, there are inherently greater risks involved in developing larger sites and, as such, somewhat lower land values should be assumed. A reduction of 10% was applied.

4.5.22 It is clear that these assumed values are higher than those of the existing/alternative uses considered above, and is likely to provide a more than adequate return to motivate a reasonable landowner to sell. We consider that these assumptions reflect what a readily developable residential site might achieve in current market conditions given a reasonable seller and a reasonable buyer.

4.5.23 Notwithstanding the above, it is clear that some sites, including the larger sites identified in the adopted Core Strategy, will have high levels of abnormal development costs related to remediation and infrastructure issues. It is not the role of planning policy to make provision for specific interests to ameliorate the costs associated to their own use of their land in order to ensure it can be profitably developed.

Sales Values

4.5.24 In order to establish typical sales values in Peterborough, we undertook a detailed review of new-build housing that is currently on the market in the city. Information on the asking 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. Following consultation on the PDCS, we have refreshed and updated this exercise.

4.5.25 The assessment of new build houses currently on the market revealed asking price values within a broad range between £1,400 per sq. m and £2,900 per sq. m, although more commonly between £1,700 and £2,600 per sq. m. The average asking price houses in the most recent data was £2,009 per sq. m. This compared to £2,080 in the previous data. However, the latest data included a large proportion of 3-storey townhouses which are known to have lower sales values on a per sq. m basis, as well as lower build costs. Similarly, a small number of bungalows are also currently being marketed. These tend to have above average sales values and build costs on a per sq. m basis. Excluding both of these, average asking prices shown by the current data are £2,117 per sq. m.

4.5.26 Taking the two sets of data together, the average asking price for 2 storey houses is £2,132 per sq. m. It is important to note that that these figures are based on asking prices and it is typical that some level of discounts will be offered to buyers. Discounts are typically around 5%, but can be as much as 10% off the asking price. Applying a 5% discount from the average house asking price above gives a likely average achieved price in the region of £2,025 per sq. m.

4.5.27 The average asking price for apartments in Peterborough, combining the two data sets, is £2,164 per sq. m. Applying a 5% discount to this figure suggests apartment values in the region of £2,056

4.5.28 Due to the relatively low levels of new build properties currently being marketed, we have also taken into account Land Registry data for achieved sales prices on newly built homes. Our analysis of this data suggests that on the basis of our assumed property sizes, as shown below, suggests the following values averaged for each house type:

- Detached (based on average unit size of 120 sq. m) – £2,043 per sq. m
- Semi-detached (based on average unit size of 90 sq. m) – £ 1,918 per sq. m
- Terrace (based on average unit size of 80 sq. m) – £ 2,100 per sq. m
- Flat (based on average unit size of 45sq. m) – £2,187 per sq. m

4.5.29 It is worthy of note that detached housing is by far the most common, with a total of 254 transactions noted over the two year period to the end of October 2013. There were 180 new-build terraced house transactions and 138 semi-detached transactions over the same period. A weighted average across the three house types suggests sales values of £2,031 per sq. m.

4.5.30 Based on our analysis of both new-build comparables currently on the market (allowing for discounts from asking prices) as well as of Land Registry data for new-build properties (assuming an average size for each dwelling type), we have drawn out three sales value scenarios that reflect the range of market conditions in Peterborough. For houses these scenarios are as follows:

- Lower value scenarios – £1,900 per sq. m
- Moderate value scenarios - £2,050 per sq. m
- Higher values scenarios - £2,200 per sq. m

4.5.31 The equivalent value scenarios of apartments are:

- Lower value scenarios – £2,000 per sq. m
- Moderate value scenarios - £2,150 per sq. m
- Higher values scenarios - £2,250 per sq. m

Build costs

4.5.32 There are a number of further assumptions that need to be included in the assumptions that complete the inputs into the viability modeling used. An important input is the build costs associated with bringing forward a new residential development, for this we utilise the Build Cost Information Service (BCIS) database which provides build cost data that is indexed for specific locations. The figures are correct for Peterborough as of December 2013.

4.5.33 The basic build cost used for houses is £845 per sq. m. This reflects the BCIS mean average figure for 'Estate Housing Generally' (£843 per sq. m) as well as the median average for 2 storey estate housing (£844 per sq. m). We consider that this figure reflects the cost implications of current building regulations. On top of this, we make allowances for external works at 10% and contingencies at 5%.

4.5.34 On top of this, we have added £10 per sq. m to market housing build costs in moderate value scenarios to reflect the higher specification, and a further £10 per sq. m in higher value scenarios. In

respect of larger site scenarios (5ha), we have assumed a saving of 2.5% on build costs as economies of scale are reflected in tender prices.

Development Characteristics

4.5.35 Another key assumption to take into consideration when carrying out development viability modeling is the development densities. This will enable the total developable floorspace to be calculated and therefore the cost values and the sales values of the hypothetical development schemes. The densities have been broken down by reference to the nature of development likely to take place in different parts of Peterborough. In order to meet market demands, it is reasonable to assume that smaller houses will be built at slightly higher densities in lower value areas, whilst lower density larger houses are more likely in higher value areas. Clearly, in the town centre we would expect apartments to be the predominant dwelling type. The assumed densities are as follows:

- Lower value scenarios – 38 dph and 100 sq. m average dwelling size
- Moderate value scenarios – 34 dph and 110 sq.m average dwelling size;
- Higher value scenarios – 30 dph and 120 sq. m average dwelling size;
- Affordable dwellings (all scenarios) - 75 sq. m average dwelling size
- Apartments – 80dph and 55 sq. m in low value, 60 sq. m in moderate and 65 sq. m in high value scenarios.

Policy Costs

4.5.36 The proportion of affordable housing has a significant impact on development viability. Typically, developers will realise between 40% and 70% of the full market value for the affordable units they build, which is usually less than they cost to build. This means that they have a negative impact on the viability of development, coming off the 'bottom line' in the same way that Developer Contributions would. In addition, any land that is used to provide affordable housing is land that has been paid for but cannot be used for market housing to generate value.

4.5.37 The policy requirement for affordable housing is 30% of units, split between social rented and shared ownership at 70% and 30% respectively. This level of provision has been factored in to the viability assessments. We have attributed value to the affordable units at a blended rate of 50% of open market value, based on consultations with local Registered Providers.

4.5.38 We have also made an allowance for 'residual' Section 106 costs. These are based on a detailed analysis undertaken by PCC as to the levels of contributions sought for different items, the likely future relationship between CIL and S106 and compliance with the Regulation 122 tests. This analysis suggested the following assumptions:

- 0.25 ha site scenarios - £100 per dwelling
- 1 ha site scenarios - £3,193 per dwelling
- 5ha site scenarios - £3,216 per dwelling

Assumptions Summary

4.5.39 The key assumptions discussed above, as well as the other assumptions made as part of the viability assessments are summarized in Table 4.1 below:

Table 4.1: Assumptions Summary

<table>
<tr><th>Assumption</th><th>Source</th><th>Notes</th></tr>
<tr><td colspan="3">Revenue</td></tr>
<tr><td>Sales value of completed scheme</td><td>Land Registry, PBA research</td><td>The sales value assumptions are based on analysis of asking prices of new-build houses currently on the market broken back to give average per sq. m values as described above (making allowances for discounting) along with analysis of achieved sales price data of new-build houses from Land Registry. This data is then supplemented following conversations with agents and house builders' sales representatives, which allows us to form a view on new build sales values. Values used are as follows.
Houses
<table><tr><th></th><th>Average prices per sq m</th></tr><tr><td>Lower Value</td><td>£1,900</td></tr><tr><td>Moderate value</td><td>£2,050</td></tr><tr><td>Higher Value</td><td>£2,200</td></tr></table>
Apartments
<table><tr><th></th><th>Average prices per sq m</th></tr><tr><td>Lower Value</td><td>£2,000</td></tr><tr><td>Moderate value</td><td>£2,150</td></tr><tr><td>Higher Value</td><td>£2,250</td></tr></table></td></tr>
<tr><td>Development characteristics</td><td>Analysis of recent development; experience, Peterborough Core Strategy & Urban Design Compendium</td><td><table><tr><th></th><th>Density</th><th>Average unit size</th></tr><tr><td>Lower Value</td><td>38 dph</td><td>100 sq. m</td></tr><tr><td>Moderate value</td><td>34 dph</td><td>110 sq. m</td></tr><tr><td>Higher Value</td><td>30 dph</td><td>120 sq. m</td></tr></table></td></tr>
<tr><td>Policy Costs</td><td>Core Strategy</td><td>Affordable housing
30% on schemes of 15 units or more (split 70% social rente; 30% shared ownership)
'Residual' S106
0.25 ha site scenarios - £100 per dwelling
1 ha site scenarios - £3,193 per dwelling
5ha site scenarios - £3,216 per dwelling</td></tr>
<tr><td colspan="3">Development Costs</td></tr>
<tr><td>Construction</td><td>BCIS</td><td>BCIS is a national database of build costs published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification. It also allows us to 'index' the build cost prices so that they are specific to Peterborough.
Build costs used are derived from the recent actual prices in the marketplace. As early as 2009, the market across the UK was</td></tr>
</table>

		building at round Code for Sustainable Homes Level 3 to 4 for private and Level 4 for social housing[26]. The following costs have been used in this study and are considered to cover realistic costs for Code Level 4 (even though this is not a requirement of policy): • **Build costs houses - £845 per sq m** • **Build costs flats - £980 per sq m** Costs may alter in future. In particular, there may be national policy change regarding Code for Sustainable Homes building standards. The final effect of these changes on viability is difficult to foresee. While we have reviewed current Government research on cost impacts of CSH[27] we note that past forecasts of price changes (such as that predicted in the original Cyril Sweete work)[28] 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. Our approach to incorporating these (and other) potential but unknown costs is to set a wide margin for error that will cover variations in factors such as build costs, site conditions, and timing.
Net Developable Area	Industry Standard	Whilst a site may have a gross area of 1ha, for example, it is not possible to bring forward development on 100% of the site. Allowances need to be made for infrastructure requirements, open space provision as well as other potential on-site provisions. As a consequence of this, on 1 ha sites the net developable area is considered to be 95% with this increasing to 100% for 0.25 ha sites as there is likely to be less on-site provision of items such as open space required and decreasing to 70% for 5ha scenarios where on-site open space and such like are likely to be required. .
Contingency	Industry standard	Contingency is an expression of risk relating to a specific scheme and will vary from site to site. We have adopted an **average of 5%** though in practice it will vary.
External works	Industry standard	On-site preparation for internal access roads and other external works. This will vary from site to site, but we have assumed a figure of **10% of construction costs**
Professional fees	Industry standard	10%
Finance	Industry standard	7%
Profit	Industry standard	20% on value of market units 6% on value of affordable units
Stamp duty on land purchase	HMRC	up to £125,000 **0.00%** Over £125,000 to £250,000 **1.00%** Over £250,000 to £500,000 **3.00%** Over £500,000 to £1m **4.00%** Over £1 million **5.00%**

[26] In 2009, the NHBC stated that Code 3 and 4 was the level most commonly specified in new building. See NHBC (2009, revised Jan 2010) *The Code for Sustainable Homes Simply Explained*

[27] DCLG (2010) *Code for Sustainable Homes – a Cost Review*

[28] Cyril Sweete for DCGL (2008) *Cost Analysis of The Code for Sustainable Homes*

Fees on land purchase	Industry Standard	Agent – 1% Legal - 0.5%
Build/sales rate	Industry standard	Low value areas – 6 sales per quarter Moderate value areas – 7.5 sales per quarter High value areas – 9 sales per quarter
Benchmark land value	PBA Research + Consultation with agents & developers	Lower value - £700,000 per ha Moderate value - £900,000 per ha Higher value - £1,100,000 per ha

4.6 Findings

4.6.1 Using the assumptions outlined above, a number of residential viability appraisals were undertaken. At this stage of the process the assessments that have been based around hypothetical sites of 0.25 ha, 1 ha and 5ha. These sites were tested at the three value scenarios – low, moderate and high – and reflect likely the typical range of sites and market conditions seen in Peterborough. The findings of theses viability appraisals are set out in Table 4.2 below.

Table 4.2: Residential Summary Findings

0.25ha

Site	Site area per ha	CIL Chargeable GIA sq m	Residual value per ha	Residual value per sq m	Benchmark land value per ha	Benchmark land value per sq m	Overage per ha per ha	Overage per ha per sq m
Low value	0.25	950	£1,450,249	£382	£770,000	£203	£680,249	£179
Moderate value	0.25	935	£1,678,893	£449	£990,000	£265	£688,893	£184
High value	0.25	900	£1,990,569	£553	£1,210,000	£336	£780,569	£217

1ha

Site	Site area per ha	CIL Chargeable GIA sq m	Residual value per ha	Residual value per sq m	Benchmark land value per ha	Benchmark land value per sq m	Overage per ha per ha	Overage per ha per sq m
Low value	0.95	2,527	£755,232	£284	£700,000	£263	£55,232	£21
Moderate value	0.95	2,487	£1,086,229	£415	£900,000	£344	£186,229	£71
High value	0.95	2,394	£1,366,556	£542	£1,100,000	£437	£266,556	£106

5ha

Site	Site area per ha	CIL Chargeable GIA sq m	Residual value per ha	Residual value per sq m	Benchmark land value per ha	Benchmark land value per sq m	Overage per ha per ha	Overage per ha per sq m
Low value	3.50	9,310	£780,208	£293	£630,000	£237	£150,208	£56
Moderate value	3.50	9,163	£1,106,896	£423	£810,000	£309	£296,896	£113
High value	3.50	8,820	£1,401,037	£556	£990,000	£393	£411,037	£163

4.6.2 The figures in the final column is the 'overage' expressed as a value per sq. m. It can be seen as the maximum potential CIL charge rate or the 'ceiling' of viability. In setting rates, it will be necessary to draw down from these theoretical maxima in order to ensure that the majority of development remains viability after the charges are applied, as explained elsewhere in this report.

4.6.3 It is clear from the above that all of the scenarios tested are viable, showing overages of between £21 per sq. m and £217 per sq. m.

Apartments

4.6.4 Apartment developments have been particularly badly affected by the recent recession. In particular, the restrictions on the availability of mortgage finance have been most severe on those seeking to purchase lower price homes, especially apartments. As such, apartments have suffered a significant fall in sales values over the last 5 years. This is compounded by the fact that many of the main regional cities were significantly over-supplied with apartments through the development boom of the late 1990s and early 2000s. Another compounding factor is that banks are also reluctant to lend money to develop apartments on the basis that they are seen as too risky as a result of the factors mentioned previously.

4.6.5 This conclusion is supported by the fact that very few apartments are currently being developed in Peterborough. Where they are being built, they tend to be in the very highest value areas, where prospective purchasers are unlikely to have problems with access to mortgage finance. Furthermore, the sentiment of local developers and agents was that they were not looking to develop apartments in current market conditions.

4.6.6 Nonetheless, we have undertaken sample appraisals of hypothetical apartment schemes. The site area is in line with the smallest housing development scenario assessed above at 0.25 ha, as well as for a scheme of 14 units – under the affordable housing threshold. Our findings are set out in Table 4.3 below.

Table 4.3: Apartment Summary Findings

14 unit apartment

Site	Site area per ha	CIL Chargeable GIA sq. m	Residual value per ha	Residual value per sq m	Benchmark land value per ha	Benchmark land value per sq m	Overage per ha per ha	Overage per ha per sq m
Low value	0.175	630	£906,775	£252	£770,000	£214	£136,775	£38
Moderate value	0.186	698	£1,268,511	£338	£990,000	£264	£278,511	£74
High value	0.200	840	£1,743,172	£415	£1,210,000	£288	£533,172	£127

0.25ha Apartment

Site	Site area per ha	CIL Chargeable GIA sq m	Residual value per ha	Residual value per sq m	Benchmark land value per ha	Benchmark land value per sq m	Overage per ha per ha	Overage per ha per sq m
Low value	0.25	770	£209,636	£68	£770,000	£250	-£560,364	-£182
Moderate value	0.25	840	£719,388	£214	£990,000	£295	-£270,612	-£81
High value	0.25	910	£1,120,549	£308	£1,210,000	£332	-£89,451	-£25

4.6.7 The findings in the tables above show that apartment development where affordable housing is required are not currently viable. For schemes that are below the affordable housing threshold, the overages range between £38 per sq. m and £127 per sq. m.

4.7 Major Residential Development Sites

4.7.1 In addition to the generic scenario assessments set out above, we have also undertaken high level viability assessments or the three major residential development sites identified in the Peterborough Core Strategy and not developed. These are Great Haddon, Hampton and Norwood.

4.7.2 Our assessments of these sites are based on the characteristics of development proposed at each site, as currently understood. This includes the sites areas (gross and net developable), the number and mix of dwelling types proposed, the likely level of developer contributions and so on. It should be noted, however, that full details are not available in some respects and informed assumptions have been made in some respects.

4.7.3 Clearly, such major residential developments are required to provide for many infrastructure requirements on site. As such, the costs and land take of these requirements are taken into account in our assessments. This has the effect of reducing the amount a developer is likely to pay for land and the viability of development. Wherever appropriate, other assumptions remain the same as applied to the generic assessments, including in respect of sales values, build costs and the like.

4.7.4 Conversely, such large scale residential development sites are likely to have been acquired based on existing, largely agricultural land values, perhaps with some uplift to take account of the potential scope for residential development or according to option agreements whereby land values will reflect the ultimate viability of development.

4.7.5 The findings of our assessments of the major residential development sites are set out in Table 4.4 below. Where apartments are proposed, we have included these as a separate phase so as to show the relative viability (and scope for CIL) of houses and apartments.

Table 4.4: Major Residential Development Sites

Hampton

Site	Site area	CIL Chargeable GIA	Residual value		Benchmark land value		Overage per ha	
	per ha	sq m	per ha	per sq m	per ha	per sq m	per ha	per sq m
Phase 1	15	57155	£377,679	£99	£250,000	£66	£127,679	£34
Phase 2	15	57155	£377,679	£99	£250,000	£66	£127,679	£34
Phase 3	15	57155	£377,679	£99	£250,000	£66	£127,679	£34
Phase 4	15	57155	£377,679	£99	£250,000	£66	£127,679	£34

Norwood

Site	Site area	CIL Chargeable GIA	Residual value		Benchmark land value		Overage per ha	
	per ha	sq m	per ha	per sq m	per ha	per sq m	per ha	per sq m
Phase 1	15	46690	£404,354	£130	£250,000	£80	£154,354	£50
Phase 2	15	46690	£404,354	£130	£250,000	£80	£154,354	£50
Phase 3	15	46690	£404,354	£130	£250,000	£80	£154,354	£50
Phase 4	15	46690	£404,354	£130	£250,000	£80	£154,354	£50

Great Haddon

Site	Site area	CIL Chargeable GIA	Residual value		Benchmark land value		Overage per ha	
	per ha	sq m	per ha	per sq m	per ha	per sq m	per ha	per sq m
Phase 1	40	101745	£373,510	£147	£250,000	£98	£123,510	£49
Phase 2	40	101745	£373,510	£147	£250,000	£98	£123,510	£49
Phase 3	40	101745	£373,510	£147	£250,000	£98	£123,510	£49
Phase 4	20	40068	-£846,830	-£423	£250,000	£125	-£1,096,830	-£547

4.7.6 The findings shown above reveal overages of between £34 per sq. m and £50 per sq. m for all sites and phases where only houses (rather than apartments) are proposed. A large negative overage is shown for the phase that comprises apartments.

4.8 Conclusions

4.8.1 The assessments set out above show that the majority of residential development is viable and generates an overage from which a CIL charge could be drawn of vary degrees. Some scenarios, most notably apartment developments above the affordable housing threshold, are shown to be unviable and should not therefore attract a CIL charge.

4.8.2 In setting charge rates, it is necessary to draw away from the theoretical maxima identified above in order to take account of potential market changes and sites where costs may be slightly higher than typical and/or values somewhat lower. The need to balance generating adequate revenues to fund infrastructure delivery with maintaining the viability of development is the key test in this respect.

4.8.3 When deciding upon a charge rate it is important to take the lowest common denominator across the comparable schemes. In this case the 0.25ha scenario and 14 apartment scenario will be treated individually, whilst the 1ha and 5ha scenarios should be considered jointly.

5 Non-residential Viability Assessment

5.1 Introduction

5.1.1 This section of the report sets out our findings with respect of office, industrial and retail development in Peterborough. It considers current market conditions, shows how we arrive at the assumptions that feed in to our viability assessments and draws conclusions on the viability of each type of development.

5.1.2 The values and viability of different types of retail development can vary substantially. As such, we have sought to test different retail uses separately. In order to vary charges by use, it is necessary to have clear definitions of each use. These are as follows:

- High Street Comparison Retail – High street comparison retail development will usually involve redevelopment of existing buildings to provide new retail accommodation that better meets the demands of modern retail businesses. Typically such development will provide a wide range of unit sizes, including one or two large spaces for 'anchor tenants' and a much larger number of small spaces. They will typically have frontage on to areas of high footfall, aiming to capture the passing trade of shoppers on foot, who are also likely to visit other stores and other parts of the centre, many of whom will arrive in the centre by non-car modes.

- Retail Warehouses – Retail warehouses are usually large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods. They can be stand-alone units, but are also often developed as part of retail parks. In either case, they are usually located outside of existing town centres and cater mainly for car-borne customers. As such, they usually have large adjacent, dedicated surface parking.

- Supermarkets – Supermarkets are large convenience-led stores where the majority of custom is from people doing their main weekly food shop. As such, they provide a very wide range of convenience goods, often along with some element of comparison goods. In addition to this, the key characteristics of the way a supermarket is used include:

    - The area used for the sale of goods will generally be above 500 sq. m.
    - The majority of customers will use a trolley to gather a large number of products;
    - The majority of customers will access the store by car, using the large adjacent car parks provided; and
    - Servicing is undertaken via a dedicated service area, rather than from the street.

- Neighbourhood Convenience - Neighbourhood convenience stores are used primarily by customers undertaking 'top-up' shopping. They sell a limited range of convenience goods and usually do not sell comparison goods. The key characteristics of their use include:

    - Trading areas of less than 500 sq. m[29];
    - The majority of customers will buy only a small number of items that can be carried around the store by hand or in a small basket;

[29] Convenience stores with trading areas of more than 500sq. m are likely to have potential to be used as a main food shopping destination, rather than simply providing for 'top-up' shopping. This threshold effectively delineates between full service supermarkets and small format convenience store operations, between which there is a demonstrable difference in development viability.

- The majority of customers will access the store on food and as such there is usually little or no dedicated parking; and
- Servicing is often undertaken from the street, rather than dedicated service areas.

5.2 Market Overview

Offices

5.2.1 Peterborough City Centre is not seen as a major office centre and primarily draws on demand from a localised catchment. Within the region the larger and better connected centres of Cambridge and Norwich are the major office locations. Within the city centre office stock is mainly over twenty years old and clustered around the Northminster and Priestgate areas. Although the supply of high quality office space in the city centre is limited there has been no significant development of new build office floorspace in recent years.

5.2.2 A large proportion of office floorspace in Peterborough is in out of centre locations including Orton Southgate and Hampton. The main business parks with office floor space in Peterborough are Cygnet Park, Swan Court, Peterborough Business Park, Minerva Business Park and Axon Business Park.

5.2.3 Occupier demand for new office floorspace is currently weak owing to the economic downturn. Our analysis of recent market trends and conversations with commercial agents suggest that the general opinion is that current office rents and yields are not at a level to sustain speculative office development unless it is part of a mixed use scheme (in the case of the latter, office space would have to be cross subsidised by other more valuable uses).

Industrial and warehouse

5.2.4 We have appraised industrial and warehouse space as a single use. In most of the District, the new space developed is likely to consist mostly of small units, largely occupied by services and light industry rather than traditional manufacturing.

5.2.5 There are several industrial parks in Peterborough which contain the majority of industrial and warehouse floorspace including Bakewell Business Park, Axis Park, Kingston Park and Fengate, St David's Square.

5.2.6 It is difficult for private sector developers to fund speculative employment space. The perceived higher risk of such developments and the relatively low returns will limit the potential for new development. The longer term trend is therefore perhaps towards owner-occupier design and build development and the refurbishment of existing buildings.

'High Street' Comparison Retail

5.2.7 With the exception of Central London, town centre (high street) comparison retailing in the UK is in a period of transition. The majority of comparison retail-led town centre regeneration schemes have stalled due to a combination of weak consumer demand, constraints on investment capital and poor retail occupier performance. There have been a number of insolvencies, and the traditional high-street operators are frequently struggling, particularly in secondary retail locations such as those in borough's local centres.

5.2.8 Colliers retail market report (Autumn 2011) states that 'Secondary retail locations will continue to suffer as a result of the growing consumer trend of fewer shopping trips and the focus on the large retail destinations and online. Furthermore, daily/weekly shopping that would once have taken place in the local town centre is increasingly shifting to supermarkets, which now provide a wide range of comparison goods and services alongside the traditional convenience offer. Put simply, many towns

do not need the same number of shops that historical trends justified and, thus, unless this outdated retail stock is converted into another use, the vitality of these town centres will continue to diminish'.

5.2.9 Developers in the sector have therefore being going through a process of redesigning existing schemes in order to make them deliverable in the current economic climate and more appropriate to future consumer demand. This has often involved reducing the scale of potential developments and targeting better quality, financially stable retail operators.

5.2.10 Peterborough is following the trend of other retail centres. From the market research that has been carried out it can be seen that the retail market is one that is struggling, and relatively few transactions are taking place.

5.2.11 It is difficult to model the viability of town centre retail development as values are usually more sensitive to location and size of unit than office or residential development. Operators are very sensitive to footfall patterns which can lead to large variations in values – even on the same street. Our response is therefore to adopt 'overall' rental values to understand the broad potential range of comparison retail viability in the centre and also an examination of development outside of the main shopping area using a broad average.

5.2.12 Rental values in town centre retail units can vary significantly on a per sq. m basis according to a number of factors, particularly the location, quality and size and configuration of the units. In particular, the proportion of Zone A floorspace will have a significant impact on rental values considered on an overall basis.

5.2.13 Peterborough is the main retail centre and contains a number of national retail multiples and has the greatest volume of recent transactional evidence on which to base rent assumptions. The prime retail area of Peterborough is focussed around the Queensgate Shopping Centre, Long Causeway and Westgate. Typical rents in this area range between £25-£30 per sq. ft/£270-£320 per sq. m.

Retail Warehousing/Retail Parks

5.2.14 We have also considered retail warehouse development. This is commonly located out of centre, often on or close to major transport interchanges. It has been less prevalent in recent years as a result of the weakness in the wider economy that has reduced retail spending and led to several notable failures in the retail warehouse sector. However, there is still the potential for such development. Retail warehousing traditionally offered bulky comparison goods. They are large stores specialising in the sale of household goods (such as DIY items and other ranges of goods catering mainly for car-borne customers). As a property class it has continued to perform relatively well with new operators entering the sector which has had a beneficial impact on values and viability.

Supermarkets

5.2.15 Supermarkets cover the provision of everyday essential items including food, drinks, newspapers/ magazines and confectionary. The sector is dominated by superstores and supermarkets which offer a wide range of these types of goods with supporting car parking.

5.2.16 The supermarket sector is one of the best performing investment assets in the UK, with the main operators seeking to expand and seek a greater degree of market share by the development of new store formats and the securing of prime locations both in town and out of town. As such, these are the basis of the viability assessments in terms of key assumptions. Smaller stores will attract lower rental values and will have high yields, and will therefore be substantially less valuable. Small 'neighbourhood' convenience stores are therefore excluded from this assessment and tested separately.

5.2.17 Within supermarket retail, viability is remarkably insensitive to precise location. Data from CBRE shows that grocery viability is similar in locations throughout the UK with a premium being paid for schemes in London. There is very little investment adjustment (around 1% on yield) between major

supermarket developments based on the transactional evidence for leases of similar length and terms. Although there are some small regional variations on yields, they remain strong across the board with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for convenience retail can be approached on a wider regional or even national basis when justifying CIL charging.

5.2.18 Leases to the main supermarket operators (often with fixed uplifts) command premiums with investment institutions.

5.3 Assumptions

5.3.1 As previously stated, central to the assessments is the need to gather robust market data. This section of the report also, therefore, sets out the sources of information that have informed the assumptions that underpin the viability assessments in relation to office and industrial uses, along with the assumptions themselves.

Information Sources

5.3.2 The approach taken to establishing the likely values of new development was to review recent rental and investment transactions in Peterborough. The transactional data was derived from the Focus/CoStar database, which provides details of the vast majority of transactions, broken down by use. The information includes some or all of the following:

- The address of the property;
- Names of the lessor and lessee and their respective agents;
- The size of the property;
- The length of the lease and other key terms;
- Quoting and/or the achieved rental value on leases; and
- The price paid/capital value and yield on investment purchases.

5.3.3 The analysis of transactional data from Focus/CoStar focussed specifically on more modern accommodation in similar locations to where future growth is envisaged, wherever possible, so that the information gleaned from the transactions was most relevant and comparable to the types and locations of development likely to occur. Where adequate volumes of transactional data for directly comparable property was not readily available, assumptions were based on informed judgement as to the likely values that new development (of the type envisaged and in the locations proposed) would attract, combined with findings of consultations with agents and developers.

5.3.4 Cost data for office and industrial development types have principally been sourced from the BCIS index of construction prices. This provides build costs for a wide range of different forms of development indexed for Peterborough.

5.3.5 In addition to transactional data that provided intelligence on prevailing yields for different property types in Peterborough, we also took account of recently published market commentaries by major commercial property agents. Most notable amongst these was CBRE's 'Prime Rent and Yield Monitor Q1 2013'. As necessary, adjustments were made to the figures quoted by CBRE to take account of the relative attractiveness of Peterborough and its prime locations.

5.3.6 Once we had drawn initial conclusions as to the likely rental values and yields of each development type, a series of consultations with local agents and developers who are active in the Peterborough market were undertaken in order to test the assumptions, with revisions made to reflect comments received where it was justified by evidence to do so.

5.3.7 Circumstantial evidence on the appetite for development was also taken into account. An absence of existing buildings or proposals for certain types of development which might be expected to be acceptable in suitable locations is taken as prima facie evidence that achieving viability is a challenge.

Assumptions

5.3.8 In the calculations we have used '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.

Table 5.1: Non-Residential Assumptions

Assumption	Source	Notes			
Scenarios					
Commercial unit sizes	Client team & Stakeholder consultations	Through the course of the development plan period the Council envisages commercial development to occur. We have reflected future commercial development through testing the following commercial uses and unit sizes:			
			GIA sq.m	NIA sq.m	
		Town Centre Office	6,000	5,100	
		Business Park Office	4,000	3,400	
		Industrial	4,000	3,600	
		High Street Comparison Retail	6,000	4,800	
		Retail Warehouse	4,000	3,600	
		Supermarket	4,000	3,600	
		Neighbourhood Convenience	1,200	1,080	
Net to gross site developable area	Industry standards & Stakeholder consultations	We have assumed the following net to gross site development percentages (also expressed as total net developable are per ha) to allow for roads, SuDs, landscape and open space:			
			site coverage expressed as a percentage		Net developable site area (ha)
		Town Centre Office	40.00%		0.25
		Business Park Office	40.00%		0.50
		Industrial	50.00%		1.00
		High Street Comparison Retail	120.00%		0.50
		Retail Warehouse	50.00%		1.00
		Supermarket	50.00%		1.00
		Neighbourhood Convenience	40.00%		0.20
Costs					
	BCIS online version adjusted for Peterborough	Build costs are based on median rates adjusted for location derived from BCIS Review of Building Prices online version data of actual prices in the marketplace. All major non-domestic development which does not qualify for assessment under Code for Sustainable Homes will to be built to a minimum of BREEAM (Building Research Establishment Assessment Method) Very Good standard.			
		Town Centre Office		£1,175	sq m
		Business Park Office		£1,035	sq m
		Industrial		£440	sq m
		High Street Comparison Retail		£855	sq.m
		Retail Warehouse		£580	sq.m
		Supermarket		£1,175	sq.m
		Neighbourhood Convenience		£1,000	sq.m
Plot external	Industry standards	Plot externals cover build costs for site preparation and includes items such as internal access roads, landscaping, open space, drainage, utilities and services within the site. We have allowed the following percentage of build costs for these items. **10%** These exclude abnormal site development costs and exceptional offsite infrastructure.			
Developer contribution (Section 106 /or CIL)	Client team & Stakeholder consultations	For this assessment we have been asked to factor S106 contributions for convenience retail. We have not been asked to factor any S106 or developer contribution into the appraisals for other commercial uses. Decision on this will be determined later. Contributions to infrastructure costs such as education, open space and transportation etc. will need to be factored into this and decisions on strategic infrastructure cost contributions that may be via a CIL will need to be factored in.			
					Apply?
		Town Centre Office	£0	psm	Yes
		Business Park Office	£0	psm	Yes
		Industrial	£0	psm	Yes
		High Street Comparison Retail	£0	psm	Yes
		Retail Warehouse	£0	psm	Yes
		Supermarket	£0	psm	Yes
		Neighbourhood Convenience	£0	psm	Yes
		Residual S106			
		Office, Industrial, High Street Comparison Retail	£10	psm	Yes
		Retail Warehouse	£50	psm	Yes
		Supermarket	£100	psm	Yes

Professional Fees	Industry standards	Professional fees relate to the costs incurred to bring the development forward and cover items such as; surveys, architects, quantity surveyor etc. Professional fees are based upon accepted industry standards and are calculated as a percentage of build costs at **12%**
Contingency	Industry standard & developer workshop	Contingency is based upon the risk associated with each site and has been calculated as a percentage of build costs at **5%**
Sale fees	Industry standards	These rates are based on industry accepted scales at the following rates: Marketing £25,000 Letting agent fee (not applied to care homes) 10% Letting legals (not applied to care homes) 5%
Finance costs	Industry standards	Based upon the likely cost of development finance we have used current market rates of interest. **7%**
Stamp Duty on Land Purchase	HMRC	These are the current rates set by Treasury at the following rates: up to £125,000 0.00% up to £150,000 Over £125,000 to £250,000 1.00% Over £150,000 to £250,000 Over £250,000 to £500,000 3.00% Over £250,000 to £500,000 Over £500,000 to £1m 4.00% Over £500,000 Over £1 million 5.00%
Professional fees on Land Purchase	Industry standards	Fees associated with the land purchase and disposal of completed scheme are based upon the following industry standards: Surveyor - 1.00% Legals - 0.75%
Profit	Industry standards	A developer's return is based upon their attitude to risk. A developer's attitude to risk will depend on many factors that include but not exclusive to, development type (e.g. Greenfield, Brownfield, refurbishment, new build etc), development proposal (uses, mix and quantum), credit worthiness of developer, and current market conditions. We have applied a rate that is acceptable to both developers and financial institutions in the current market. The developer return is a Gross Margin and therefore includes overheads. The developer return is calculated as a percentage of costs at the following rate: **20%**
Time-scales - build rate units/per annum	Stakeholder consultations	Build rate time-scales reflect solely the construction period of the commercial unit itself and assumes a cleared service site free of abnormals. The build rates for each of the commercial uses are set out as follows: **Start** **Finish** Town Centre Ofice 01 January 2014 01 January 2015 Business Park Office 01 January 2014 01 October 2014 Industrial 01 January 2014 01 October 2014 High Street Comparison Retail 01 January 2014 01 June 2015 Retail Warehouse 01 January 2014 01 October 2014 Supermarket 01 January 2014 01 January 2015 Neighbourhood Convenience 01 January 2014 01 October 2014
Revenue		
Rents, yields and incentives	CoStar/Focus and Stakeholder consultations	When testing viability of commercial development it is assumed that the completed scheme is sold as a fully let investment on practical completion, with adjustment to the income stream to reflect tenants incentives. The capital values of the completed commercial units have been calculated through capitalising a market rent with an appropriate yeild as follows: **Rent** **Yield** **Rent free (months)** Town Centre Ofice £140 9.00% 12 Business Park Office £160 8.50% 12 Industrial £65 8.75% 12 High Street Comparison Retail £300 8.25% 12 Retail Warehouse £180 8.00% 12 Supermarket £200 5.25% 12 Neighbourhood Convenience £155 6.50% 12
Benchmark land value per ha		
Commerical land vaules	Stakeholder consultations/ CoStar	Our estimates of benchmark land values are based on market comparables dervied through consultation with stakeholders and analysis of published data on CoStar. At this current point in the economic cycle there is much uncertainty surrounding land values due to the small number of transactions occurring. Where necessary we have considered transactions in the wider market area. Town Centre Ofice £750,000 per net developable hectare Business Park Office £500,000 per net developable hectare Industrial £500,000 per net developable hectare High Street Comparison Retail £10,000,000 per net developable hectare Retail Warehouse £2,000,000 per net developable hectare Supermarket £2,500,000 per net developable hectare Neighbourhood Convenience £900,000 per net developable hectare

5.4 Findings

5.4.1 The findings of the viability assessments are set out in Table 5.2 below. The appraisals work on the assumption of an indicative scenario that may come forward on a typical site. The value is a function of prevailing rental levels, capitalised using an assumed yield relevant to the use and the location, less the value of any likely inducements such as rent free periods. Costs take account of land acquisition costs, build costs, professional fees and all other associated development costs.

Table 5.2: Summary Findings

	GIA	NIA	Net site area ha	Residual value		Benchmark		CIL Overage	
				Per Ha	Per £psm	Per Ha	Per £psm	Per Ha	Per £psm
Town Centre Ofice	6,000	5,100	0.25	-£15,059,796	-£627	£750,000	£31	-£15,809,796	-£659
Business Park Office	4,000	3,400	0.50	-£2,037,289	-£255	£500,000	£63	-£2,537,289	-£317
Industrial	4,000	3,600	1.00	-£483,299	-£121	£500,000	£125	-£983,299	-£246
High Street Comparison Retail	6,000	4,800	0.50	£9,367,497	£781	£10,000,000	£833	-£632,503	-£53
Retail Warehouse	4,000	3,600	1.00	£2,421,927	£605	£2,000,000	£500	£421,927	£105
Supermarket	4,000	3,600	1.00	£3,354,136	£839	£2,500,000	£625	£854,136	£214
Neighbourhood Convenience	1,200	1,080	0.20	£1,030,016	£172	£900,000	£150	£130,016	£22

Offices

5.4.2 Table 5.2 shows that speculative office development is not currently viable in the town centre on the basis of the assumptions made, showing a negative overage. Business park office development is also shown to be unviable, and is unlikely to take place speculatively.

5.4.3 That is not to say, however, that no office development will take place in Peterborough for the foreseeable future. Where a developer can attract a substantial pre-let or space is sought by an owner occupier whose property needs have changed may well lead to office development taking place. The development economics for owner occupiers are quite different to that for speculative development. The driver for new development of office premises by owner occupiers is often to achieve business efficiencies, rather than to generate development profit; as such development by owner occupiers remains a distinct possibility. Furthermore, office floorspace could be delivered as part of a mixed use development which could be cross-subsidised by more viable uses.

Industrial and Warehouse

5.4.4 We have concluded that, based on our research and the assumptions made, speculative industrial and warehouse development is not currently viable. However, as we note with regards to offices, development by owner occupiers remains a possibility even in current market conditions.

5.4.5 It is also likely that wider economic conditions will improve over the plan period. This will have a materially beneficial impact on the viability of development because the perceived risk will fall and yields will fall accordingly, whilst rental values are also likely to rise as businesses seek to grow, demand more space and hoard less cash.

5.4.6 Moderate changes in rental values and yields, which are certainly within the range of foreseeable market change over the next 5 years, could well see a return to viability of speculative office or industrial development. The fact that such development is not currently viable is not a result of existing or proposed policy requirements of the council, but rather as a result of wider economic conditions and their impact on development values.

High Street Comparison Retail

5.4.7 Peterborough City Centre is experiencing the same pressures as other retail destinations following the economic downturn and the difficulties facing a number of national retailers. Viability for new

build comparison retail-led town centre schemes is marginal or unviable across many town and city centres.[30]

5.4.8 It is difficult to accurately estimate likely land acquisition costs, which are a major factor in redevelopment projects, given the fact that a large number of titles often have to be assembled. Land acquisition is often the principal barrier to town centre retail developments, in both practical and viability terms.

5.4.9 Our analysis suggests that high street comparison retail development within Peterborough is currently unviable, but only marginally so. Therefore, any improvement in the market as retail spending increases and confidence returns to the sector could lead to a rise in rental values and/or strengthening yields which may mean that this kind of development becomes viable. Whether any CIL charge is appropriate in such circumstances, however, remains questionable.

Retail Warehousing

5.4.10 Our assessment of out of centre comparison retail is based on retail warehouse type developments. It assumes a typical scheme away from the defined town centres. Construction costs and rental values for retail warehousing are generally lower than for superstores, whilst yields are higher, reflecting the fact that some operators in the out of town retailing sector have struggled and failed during the recent recession. That said, other operators continue to perform strongly and are continuing to invest in additional retail warehouse space.

5.4.11 The assessment shows that retail warehouses generate a surplus that could support a potential CIL charge of up to a maximum of £105 per sq. m. As noted previously, it is necessary to draw down from this theoretical maximum in setting charge rates.

Supermarkets

5.4.12 Supermarkets continue to be one of the best performing sectors in the UK. Leases to the main supermarket operators (often with fixed uplifts) command premiums with investment institutions. Our testing of supermarkets has focussed on larger out of town grocery stores. Nevertheless our evidence base would suggest rents and yields are broadly similar to those achieved for supermarkets by major operators in smaller format stores in city/town centres. Whilst development costs are relatively high, the strength of covenant provided by their operators and the rents that they achieve outweighs these costs.

5.4.13 We have concluded that supermarkets are viable in Peterborough and generate a significant level of surplus, equating to a maximum potential CIL charge rate of £214 per sq.m.

Neighbourhood Convenience Retail

5.4.14 The viability assessment for neighbourhood convenience stores shows that a relatively small overage of £22 per sq. m is likely to be generated.

5.5 Conclusions

5.5.1 Retail warehouse, supermarket and neighbourhood convenience developments are the only uses that are shown to generate an overage from which a CIL charge could be drawn in current market conditions.

[30] Financial Times December 29 2011 *UK retail insolvencies expected to soar*

6 Education, Health and Community Facilities Assessment

6.1 Introduction

6.1.1 We see this category as including, but not necessarily being limited to:

- Schools, including free schools;
- Community facilities, including community halls, community arts centres, and libraries;
- Medical facilities; and
- Emergency services facilities.

6.2 Viability Analysis

6.2.1 A number of these facilities may be delivered in Peterborough over the plan period and would potentially occupy net additional floorspace (thereby creating development which is liable for CIL).

6.2.2 We do not recommend that the Council proposes to levy a CIL charge on these uses, for the following reasons.

- Ordinarily it is not possible to deliver new capital build state-led community, health, emergency services or education projects (including free schools, which are state provided) without funding support of the type that CIL is hoping to create. Raising a CIL against these uses would simply result in a circular funding stream that would require a return of the CIL funds raised to these uses. This would, amongst other things, incur management costs and so be inefficient.
- Completed developments of these types are not commercial in nature. They do not have a commercial value in themselves. They therefore do not create a residual site value. In other words, considered from a commercial perspective, such developments are not viable.
- Non-state education projects such as private schools generally have charitable status. They will therefore be exempt from CIL. There is therefore no point breaking out a separate charge in the schedule.

6.2.3 There is the exception of primary care facilities that are predominantly occupied by GPs. There is a commercial market for properties of this sort. We have analysed the price paid for completed investments across the country by specialist investments in the field and concluded that, again, the sites used are usually sourced on a preferential basis and the land values generated are not significant in most cases. It is possible that privately-funded BUPA-type health provision might be developed, but this is likely to be de minimis.

6.2.4 Given that these facilities are commonly not commercially-driven developments, it is considered that there can be no evidence to justify a change from the CIL charge for such uses. Indeed, there is simply no evidence to suggest that ‘value capture’ could be achieved from such uses which usually require public funding to be delivered.

7 Sui Generis Uses

7.1 Introduction

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

7.2 Development Types and Likely Viabilities

7.2.1 For the purpose of this study we have considered the following additional types of development across the borough:

- **Scrapyards** – the likelihood of new scrapyard/recycling facilities in the borough is low. Even with the rising prices in scrap metal and other recyclable materials. They are unlikely because of the comparatively low value compared to existing uses across Peterborough. There is also no demand anticipated for scrapyards in the foreseeable future. A future consideration is that these uses are likely to occupy similar premises as many B2 uses and therefore viability will be covered by the assessments of B2 use viability.

- **Petrol Filling Stations** – the large majority of petrol filling stations that come forward at present are generally alongside supermarket development proposals. It is of our opinion that petrol filling stations are not a likely development product to be brought forward in the near future.

- **Selling and/or displaying motor vehicles** – car forecourts are prevalent in parts of Peterborough, most notably near Peterborough town centre. These type of premises are likely to occupy similar locations as B2 uses. The viability of these types of developments will be covered under the B2 viability assessment.

- **Nightclubs** – these uses are likely to be in the same type of premises as A1 town centre retail uses, covering similar rental and purchase costs. They are therefore considered to be 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 and 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 and 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 Peterborough the council would have to apply for a special license and undertake a public consultation. We are not aware of any specific proposals for a casino in Peterborough at the present time.

7.3 Scope for CIL

7.3.1 It is important to note that the above list is not exhaustive, it is not possible to fully anticipate the levels and type of development that will come forward and so there is the possibility for unforeseen applications being submitted.

7.3.2 Given the minimal scale of development likely to occur for these uses, the likelihood is that they will be changes of use rather than new development. Because of this, and their relatively marginal viability, we propose a nil rate.

8 Charge Zones and Recommended Rates

8.1 Introduction

8.1.1 This section of the report sets out how we approach identifying potential CIL charging rates based on the viability evidence presented above. This is achieved by first establishing the maximum potential rates that are consistent with maintaining the viability of the bulk of development planned in the Core Strategy. We then need to draw down from the theoretical ceiling in order to ascertain an acceptable level of CIL.

8.1.2 This exercise is carried out separately for residential and non-residential uses, bringing the final conclusions together in a summary table which will form the basis of the Draft Charging Schedule.

8.2 Residential

8.2.1 In Section 5, we set out the findings of the viability assessments in terms of the overage generated by each scenario, which can be seen as the maximum potential charge rates. In setting charge rates, it is necessary to draw away from the theoretical maxima identified in order to take account of potential market changes and sites where costs may be slightly higher than typical and/or values somewhat lower. The need to balance generating adequate revenues to fund infrastructure delivery with maintaining the viability of development is the key test in this respect.

8.2.2 To achieve this balance, our approach is that charge rates should be between 50% and 75% of the identified theoretical maximum. This range is applied to show that the charge rate is based on an equitable proportion of the 'surplus' development value and is contributing to the Charging Authority's CIL revenues, whilst also demonstrably drawing down from the ceiling of viability. Where within this range the charge is set, can be considered a matter of discretion for the Charging Authority, taking account of their attitude to risk in respect of the scale and rate of development likely to come forward in future.

8.2.3 Simplicity in the charging schedule is also extremely desirable. As such, when seeking to set a charge rate for each market area, it is sensible and appropriate to take the 'lowest common denominator of the scenarios assessed for each. Our assessment and proposed residential charge ranges are set out in the table below.

Table 8.1: Maximum residential rates and recommend rate ranges

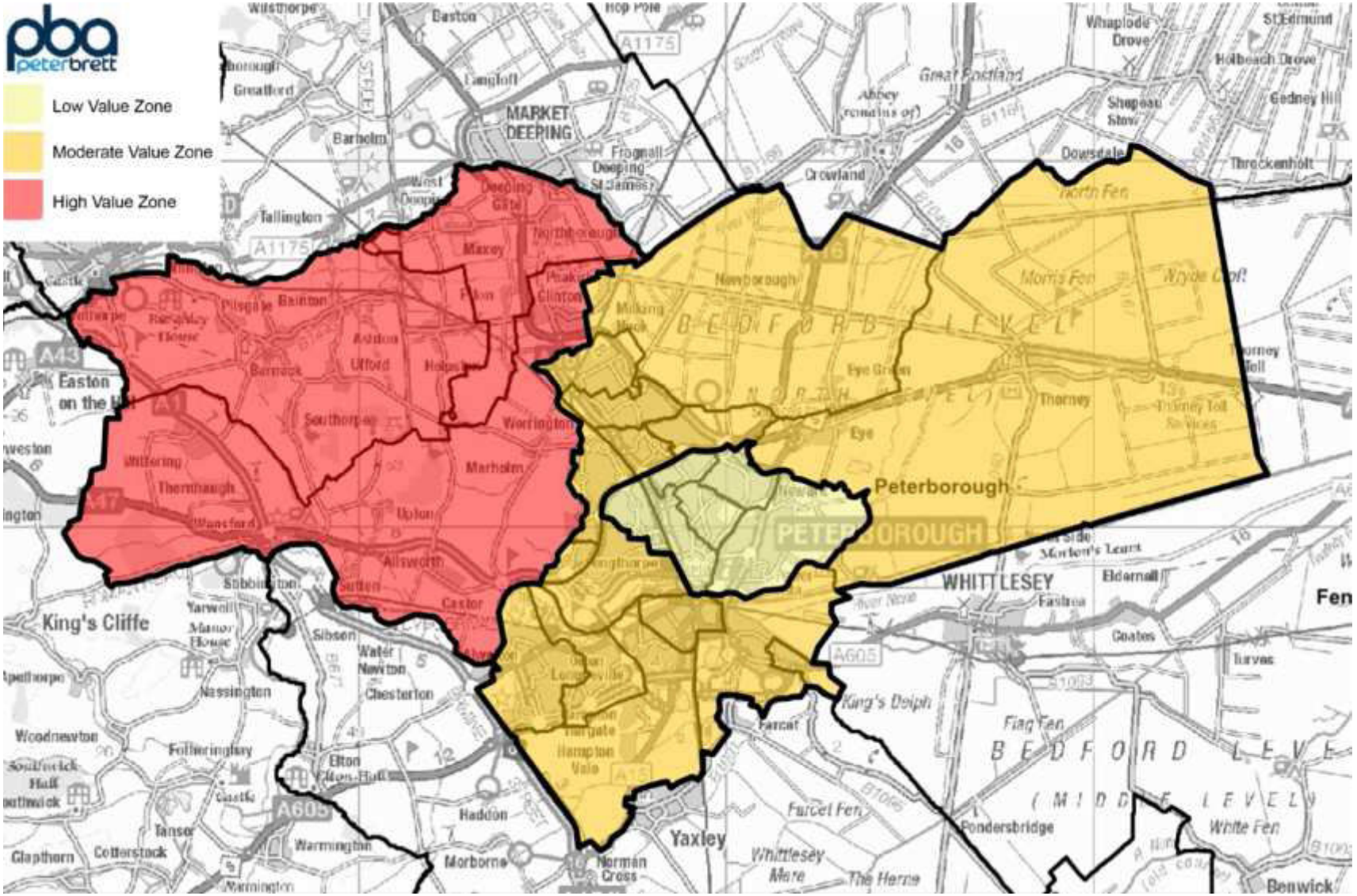
Site Type	Scenario	Maximum Potential CIL Rate (per sq. m)	Potential CIL Rate Range (per sq. m)
0.25 ha	Low Value	£179	£90 - £134
	Moderate Value	£184	£92 - £138
	High Value	£217	£108 - £163
1 ha	Low Value	£21	£10 - £16
	Moderate Value	£71	£35 - £53
	High Value	£106	£53 - £79

5 ha	Low Value	£30	£15 - £23
	Moderate Value	£79	£39 - £59
	High Value	£119	£59 - £89
14 apartment scheme	Low Value	£38	£19 - £29
	Moderate Value	£74	£37 - £56
	High Value	£127	£63 - £95
Strategic Sites	Hampton	£34	£17 - £25
	Norwood	£50	£25 - £37
	Great Haddon	£49	£24 - £37

Proposed Charging Zones

8.2.4 Based on the findings of the 'Heat Mapping' as set out in Section 4 above, we propose a three zone approach to CIL charges for residential development. In defining the zones, we have sought to group together wards which share similar values across each house type. The mapping clearly shows a consistent pattern of higher values to the west of Peterborough, lower values in Central Peterborough, and moderate values elsewhere. The proposed charge zones follow ward boundaries and are shown in Figure 8.1 below.

Figure 8.1: Proposed Residential Charge Zones



8.2.5 For clarity, the proposed zones cover the following wards:

- Low value zone – Central, Dogsthorpe, East, North, Park and Ravensthorpe.
- Moderate value zone – Bretton North, Bretton South, Eye and Thorney, Fletton, Newborough, Paston, Stanground Central, Stanground East, Orton Longueville, Orton Waterville, Orton with Hampton, Walton, Werrington North and Werrington South.
- High value zone – Barnack, Glinton and Wittering and Northborough.

8.2.6 Simplicity, as previously outlined, is important when producing the DCS; but it is also important to maximise the revenue opportunities to deliver infrastructure without constraining development.

8.2.7 The evidence gathered supports both suggested options. However, in order to maximise the revenues generated by the council, we recommend option 2 using three zones. The higher value areas show a level of viability that can accommodate the higher rate of £80 per sq. m which will increase the revenues generated and therefore the money contributing towards infrastructure projects.

8.3 Non-Residential Development Viability

8.3.1 The findings of the non-residential viability appraisals are set out in Section 5. The assessments showed that only supermarket, retail warehouse and neighbourhood convenience retail development are viable as speculative developments on the basis of the assumptions made. We consider charge rate options for these uses below. The analysis of potential CIL rate ranges, applying the same approach of drawing down to between 50% - £75% of the maximum potential charge rates, is shown below.

Table 8.2: Maximum non-residential rates and recommended rate ranges

Scenario	Maximum Potential CIL Rate (per sq. m)	Potential CIL Rate Range (per sq. m)
Retail warehouse	£105	£52 - £79
Supermarket	£214	£107 - £161
Neighbourhood Convenience	£22	£11 - £17

8.4 Draft Charging Schedule

8.4.1 Taking account of the rate ranges identified above; the desirability of a relatively simple charging schedule, and the need to balance maintaining development viability with the need to fund infrastructure required to enable growth, the Draft Charging Schedule is as follows:

Table 8.3: Draft Charging Schedule

Use	Value Area	Proposed CIL Charge (per sq. m)
Market houses on sites 15 units or more and apartments on sites of less than 15 units	Low Value	£15
	Moderate Value	£45
	High Value	£70
Market houses on sites of less than 15 units	Low Value	£100
	Moderate Value	£120
	High Value	£140
Houses at major residential development sites comprising over 500 units		£15
Retail warehousing		£70
Supermarkets		£150
Neighbourhood Convenience Retail		£15
All other development		£0

8.5 Revenue Projection

8.5.1 A revenue projection has been formulated to give the council an indication of the potential CIL revenues produce by the set rates. The table below aligns the rates with the level of development suggested over the development plan period. The CIL revenues are then calculated as a total for the plan period and then broken down into annual figures.

Table 8.4: Revenue Projections

CIL Revenue Projections	2015-2031								
Assumes Gt Haddon has planning permission by April 2015									
	CIL Charge per sq.m	No. units in plan period (note 1a)	Market units (note 1b)	Unit floorspace (note 2)	Gross floorspace (see note 3)	Estimated net additional proportion (see note 4)	Estimated net additional floorspace	Estimated CIL revenue in plan period	Estimated CIL revenue per annum
Residential									
<15 Units									
Houses Low	£100	20	20	100	2,000	95%	1,900	190,000	11,875
Houses Moderate	£120	238	238	110	26,180	95%	24,871	2,984,520	186,533
Houses High	£140	189	189	120	22,680	95%	21,546	3,016,440	188,528
Apartments Low	£15	47	47	45	2,115	95%	2,009	30,139	1,884
Apartments Moderate	£45	76	76	45	3,420	95%	3,249	146,205	9,138
Apartments High	£75	5	5	45	225	95%	214	16,031	1,002
15+ Units									-
Low	£15	180	126	100	12,600	95%	11,970	179,550	11,222
Moderate	£45	2,143	1,500	110	165,003	95%	156,753	7,053,891	440,868
High	£75	1,703	1,192	120	143,035	95%	135,883	10,191,258	636,954
Apartments	£0	1,158	811	45	36,477	95%	34,653	-	-
Strategic Sites	£15	2,300	1,610	110	177,100	95%	168,245	2,523,675	157,730
									-
Non-residential									-
Retail - convenience	£150				11,500	95%	10,925	1,638,750	102,422
Retail warehouse	£70				15,000	95%	14,250	997,500	62,344
Retail - Neighbourhood Conv.	£15				6,250	95%	5,938	89,063	5,566
Retail - TC comparison	£0				4,000	50%	2,000	-	-
Industrial/warehousing	£0				150,000	95%	142,500	-	-
Office	£0				122,000	95%	115,900	-	-
Total								**29,057,022**	**1,816,064**

9 Implementation

9.1 Introduction

9.1.1 This final section of our report sets out some of the issues involved in adopting and implementing the CIL.

9.2 Exceptional Circumstances & Discretionary Relief

9.2.1 Affordable housing is automatically exempt from paying CIL. In addition, the authority has the option to offer discretionary relief from CIL charges where the landowner is a charitable body and if the development is in line with its charitable purpose. 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.

9.2.2 A CA can also give relief from the levy in exceptional circumstances, for example 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 offer 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.

9.3 Instalment Policy

9.3.1 Regulation 69B set out the simplified criteria for enabling a charging authority to instigate an instalments policy for CIL payments. The policy should 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.

9.3.2 It will be useful to assess the general timeframes for the delivery of development schemes and then consider the phasing of the payments. A possible starting point could be a phased schedule of payments spread over two to three years with two or three payments over this timeframe. This will 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. The council may wish to consider a minimum amount below which CIL may not be paid in instalments. Any such decision will need to be informed by an assessment of the level of 'smaller' developments that are anticipated.

9.3.3 Developments which are likely to have a more significant cashflow implication are likely to be those which have a construction period which extends beyond a year or where the scale of the

charge exceeds approximately £250,000 (very broadly equivalent to the likely charge from 50 houses).

Administration charges

9.3.4 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.

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

Use of CIL Receipts for Revenue Purposes

9.3.6 The CIL Regulations do allow for CIL receipts to be used for revenue purposes, (maintenance, management etc). However, the clear primary intent of the CIL is to deliver a pot of funding for capital investment in essential infrastructure, rather than to plug shortfalls in revenue budgets. In order to maximise the social and economic benefits of CIL, it is important that capital infrastructure spending is prioritised over revenue spending on maintenance and the like.

9.3.7 Therefore, it is proposed the CIL receipts in Peterborough will only be used for revenue spending in highly exceptional circumstances. It is important that other approaches to resolving any revenue budget problems, particularly approaches to negotiating and securing Commuted Sums, is fully exhausted before any calls on CIL receipts are made for revenue purposes.

Monitoring and Review

9.3.8 There are no prescribed review periods for a CIL charging schedule; it is a decision for the CA. 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.

9.3.9 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.

9.3.10 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 c30%. Similarly, a 10% change in build costs can affect development viability by c20%. 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.

9.3.11 We therefore propose the following guidelines: If three or more of the following criteria are met, then a full review of the Charging Schedule should be considered:

- a 5% change in residential sales values since the date of adoption;
- a 10% change in residential build cost since the date of adoption;

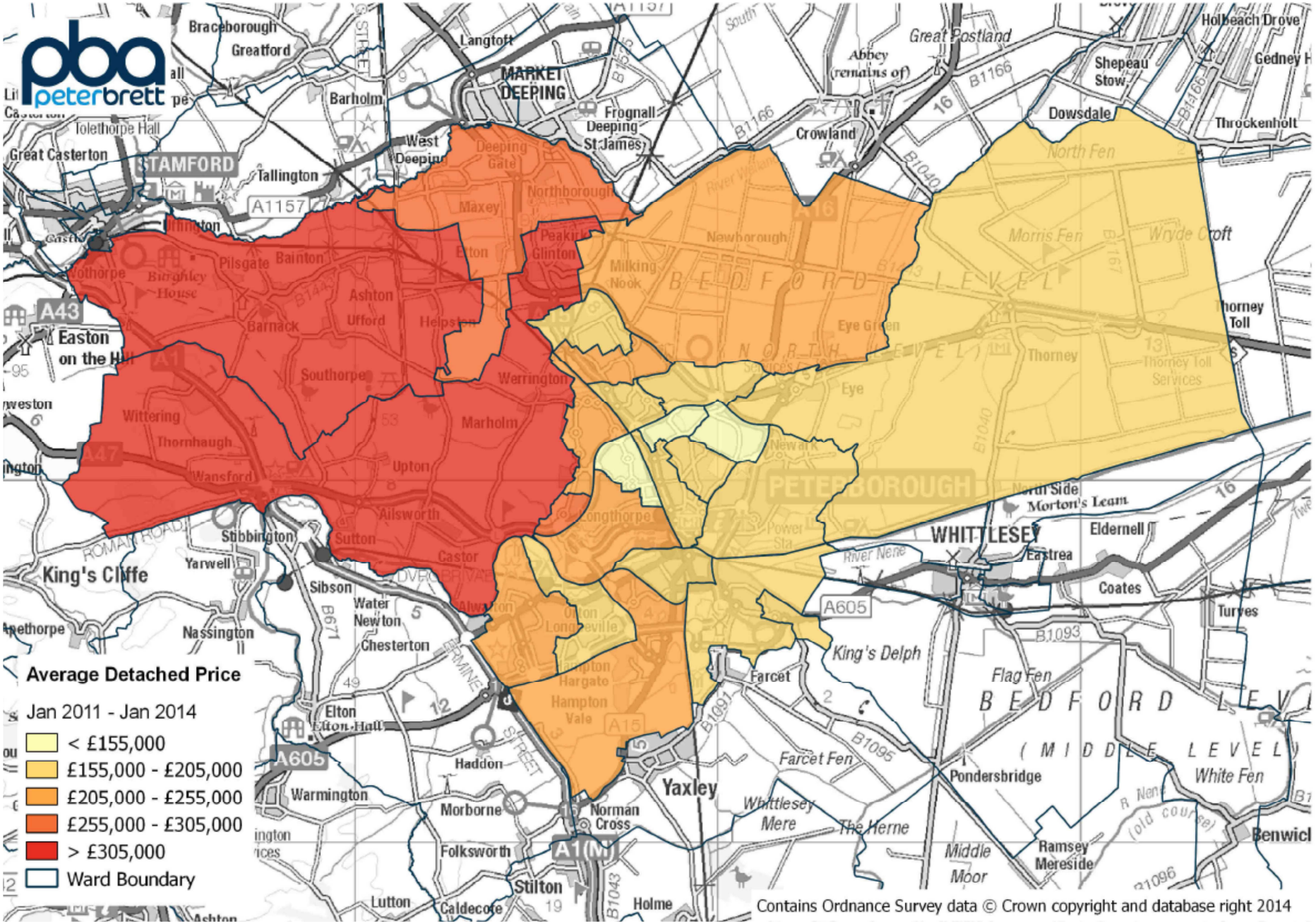
- a 10% change in office rental values since the date of adoption;
- a 10% change in office yields since the date of adoption;
- a 10% change in office build costs since the date of adoption;
- a 10% change in industrial rental values since the date of adoption;
- a 10% change in industrial yields since the date of adoption;
- a 10% change in industrial build costs since the date of adoption;
- a 10% change in town centre comparison retail rental values since the date of adoption;
- a 10% change in town centre comparison retail yields since the date of adoption;
- a 10% change in town centre comparison retail build costs since the date of adoption;
- a 10% change in supermarket rental values since the date of adoption;
- a 10% change in supermarket yields since the date of adoption;
- a 10% change in supermarket build costs since the date of adoption;
- a 10% change in retail warehouse rental values since the date of adoption;
- a 10% change in retail warehouse yields since the date of adoption;
- a 10% change in retail warehouse build costs since the date of adoption;

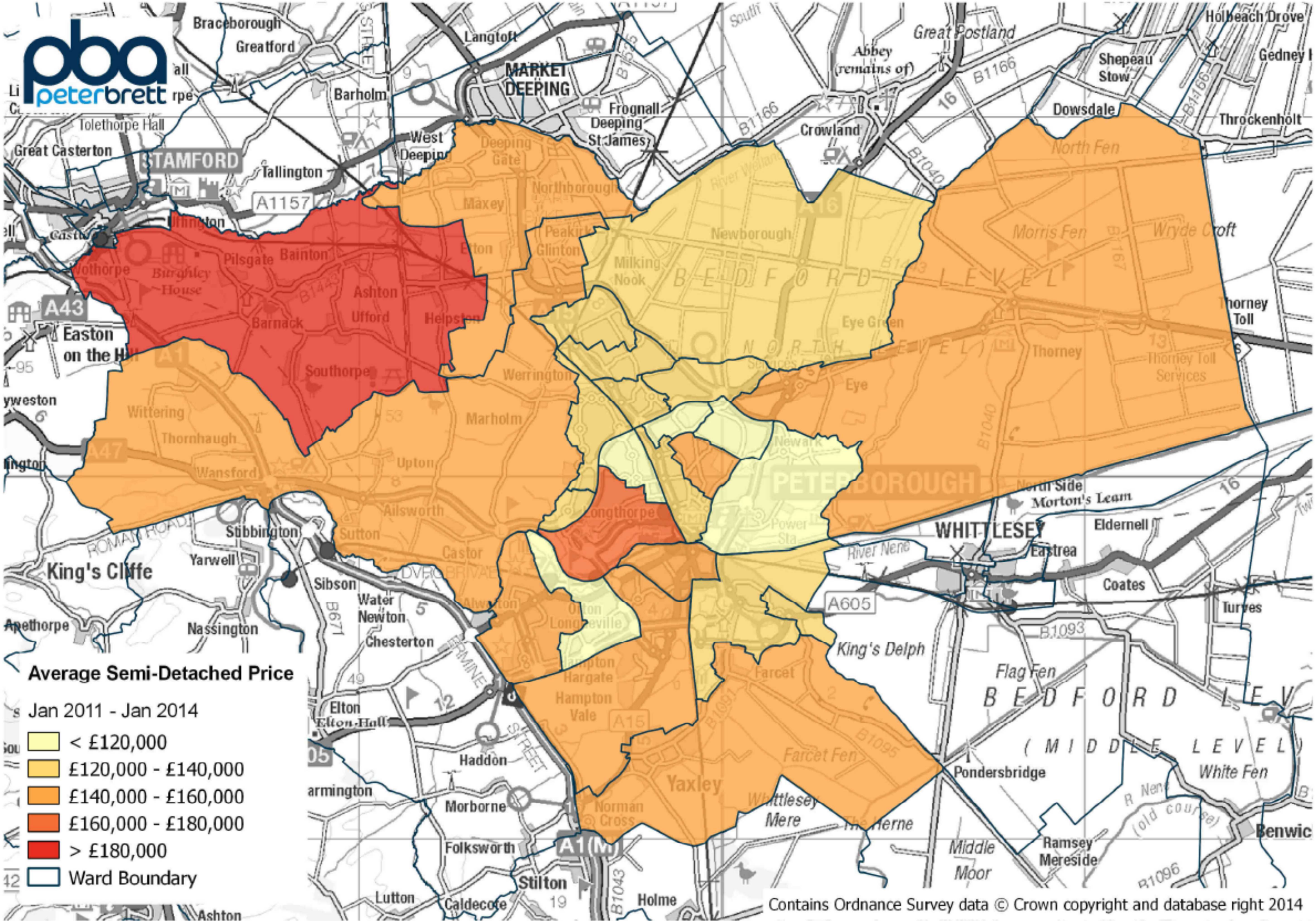
9.3.12 A review of the Charging Schedule should automatically occur if:

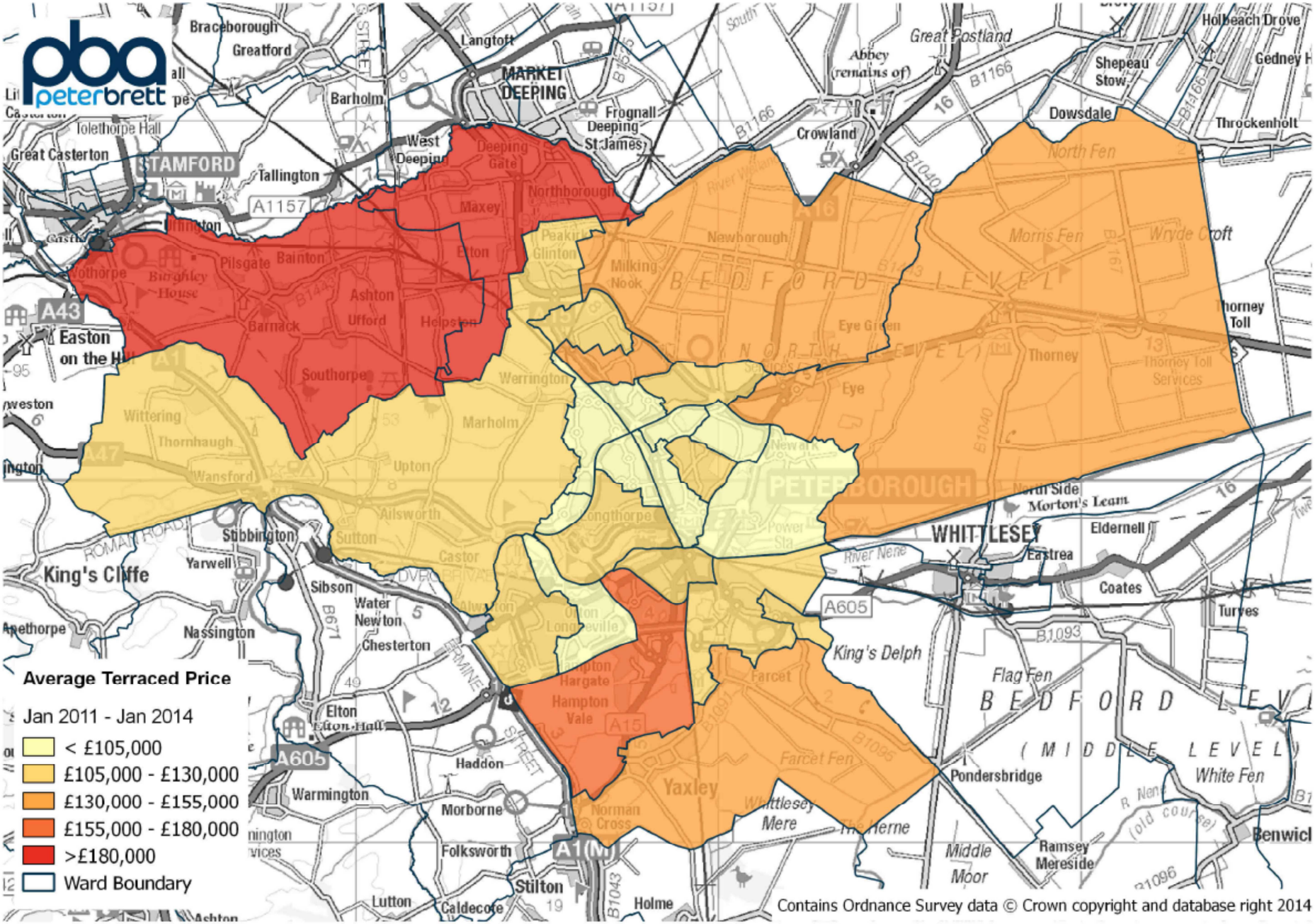
- The rate of residential development falls below 50% of the long term average for two consecutive years; or
- There is a significant revision to or departure from the Development Plan or a major windfall development is permitted.

9.3.13 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 utilised.

Appendix A Residential Heat Mapping


Average Detached Price
Jan 2011 - Jan 2014
< £155,000
£155,000 - £205,000
£205,000 - £255,000
£255,000 - £305,000
> £305,000
Ward Boundary
Contains Ordnance Survey data © Crown copyright and database right 2014


peterbrett
Average Semi-Detached Price
Jan 2011 - Jan 2014
< £120,000
£120,000 - £140,000
£140,000 - £160,000
£160,000 - £180,000
> £180,000
Ward Boundary
Contains Ordnance Survey data © Crown copyright and database right 2014
MARKET DEEPING
STAMFORD
PETERBOROUGH
WHITTLESEY
BEDFORD LEVEL
Yaxley
King's Cliffe
Crowland
Thorney
Eye
Werrington
Marholm
Wittering
Wansford
Castor
Longthorpe
Farcet
Hampton Vale
Stilton
Newborough
Helpston
Barnack
Southorpe
Ufford
Ashton
Bainton
Pilsgate
Burghley House
Deeping Gate
Maxey
Northborough
Peakirk
Glinton
Milking Nook
Eye Green
Newark
North Fen
Morris Fen
Wryde Croft
Thorney Toll
Eastrea
Eldernell
Coates
Turves
King's Delph
Flag Fen
Pondersbridge
White Fen
Whittlesey Mere
Norman Cross
Sutton
Stibbington
Sibson
Water Newton
Chesterton
Elton
Haddon
Morborne
Folksworth
Caldecote
Holme
Ramsey Mereside
Middle Moor
Dowsdale
Throckenholt
Great Postland
Frognall
Deeping St James
Tallington
Barholm
Braceborough
Greatford
Langtoft
Great Casterton
Tolethorpe Hall
Easton on the Hill
Thornhaugh
Upton
Ailsworth
Yarwell
Nassington
Apethorpe
Alwalton
Orton Longueville
Hampton Hargate
Farcet Fen
A1157
A43
A47
A605
A15
A1(M)
B1093
B1095
B1040
B1166
B1043


Average Terraced Price
Jan 2011 - Jan 2014
< £105,000
£105,000 - £130,000
£130,000 - £155,000
£155,000 - £180,000
>£180,000
Ward Boundary
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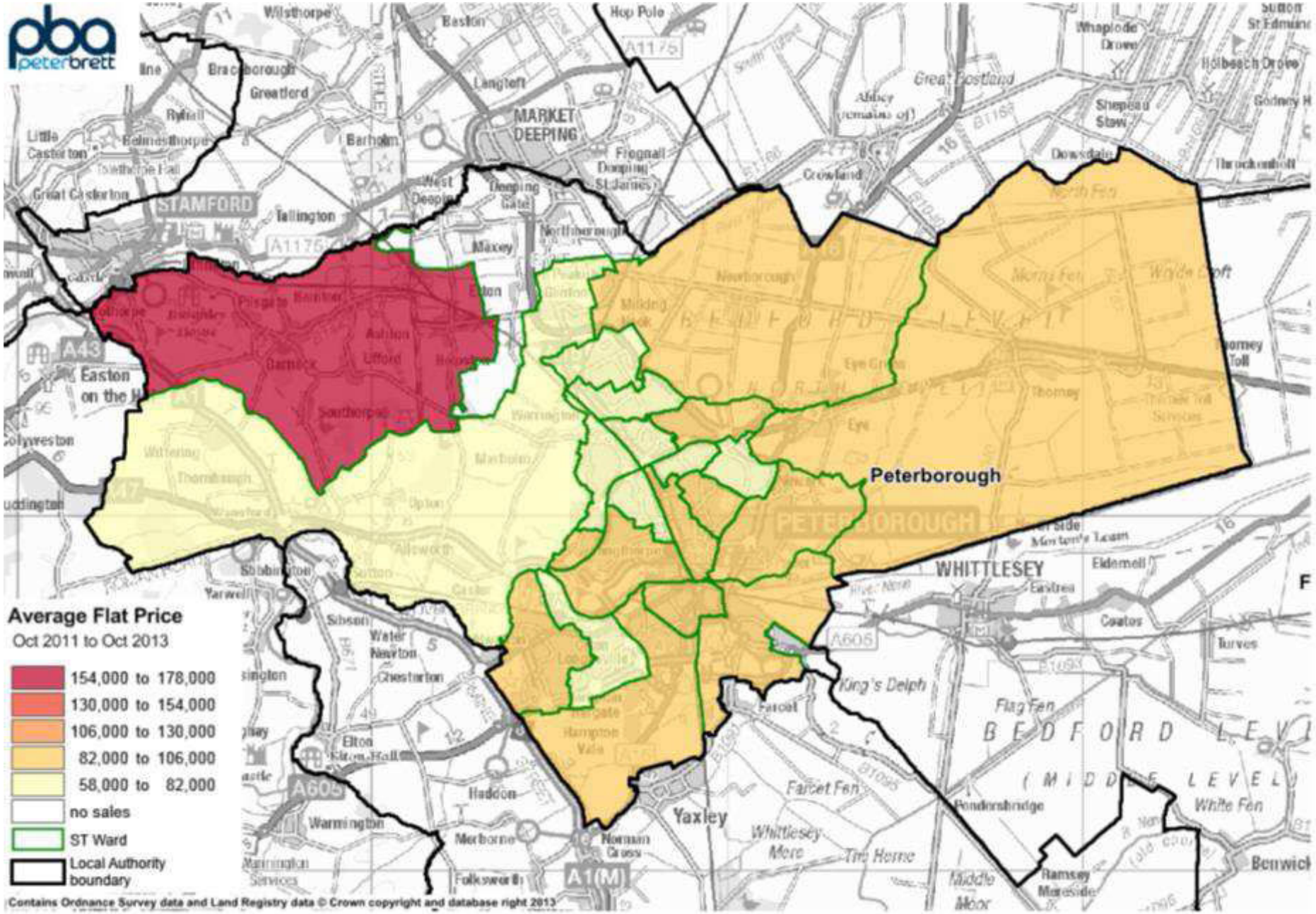
Average Flat Price
Oct 2011 to Oct 2013
154,000 to 178,000
130,000 to 154,000
106,000 to 130,000
82,000 to 106,000
58,000 to 82,000
no sales
ST Ward
Local Authority boundary
Peterborough
STAMFORD
MARKET DEEPING
WHITTLESEY
Yaxley
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