Preliminary Draft Charging Schedule

Summary of Representations January 2013

CIL Preliminary Draft Charging Schedule Representations Summary Table

Issues Identified in Representations	Identified by:	Examples of Representation with Evidence Provided	Central Bedfordshire Council Initial Response	Action Taken
A. Residential CIL Charge				
1.) Geographical Differentiation Housing market evidence and analysis needs to be clear and transparent. Differentiation is required to be detailed and "fine grained".	Pegasus & Turner Morum for Willis Dawson David Lock Assoc for O&H and ORS Gladmans	House price data is flawed- only a simple summary table is provided for the whole area, which is recognised in the SHMA (Strategic Housing Market Assessment) as in fact 4 separate housing markets. No analysis is provided on basis of differentiation. Area A covers a “wide variety of settlements, several market areas”. “It is integral ….that differential rates are based on accurate, up-to-date housing market intelligence.”	Evidence is presented within the Appendices to the report. Annex 1 offers details of house prices across 4 distinct areas or housing markets in-line with the SHMA report. The CIL charge has to have regard for local differences without becoming overly complex.	Further analysis of Land Registry information in 2014/15 showed that there are three house price areas in Central Bedfordshire (described in this report as Area A, Area B and Area C) and it is appropriate to consider setting a different CIL rate for each Area. CBC / Three Dragons (3D) viability refresh considered comparative examples of differentiation evidence supplied to other examinations.

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			As above	
Concerns about the lack of evidential differentiation between urban / rural areas, considered distinctly separate local housing markets	David Lock Assoc. for O&H and ORS Optimis Consulting Wilkinson Partnership Mr Brooks Savills on behalf of Bedford Estates JLL for Aspire Group & 4dplan	Areas are based on policies not viability, where is the evidence? Areas should be made up on a settlement by settlement analysis as demonstrated in Bedford Borough.	Three areas are the minimum necessary to reflect variation in viability, given the special circumstances with Strategic Urban Extensions (SUEs)	Analysis of Land Registry information shows that there are three house price areas in Central Bedfordshire (described in this report as Area A, Area B and Area C) and it is appropriate to consider setting a different CIL rate for each Area.
		Threat to economic development of small towns and villages. One charge should be applied to the whole area.	The nature of CBC area is that no area is remote from larger settlements so it is considered that the implications of the urban /rural split are unfounded.	None
		Rates will have negative		None

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		impact on rural areas by discouraging brownfield regeneration exacerbating "rural deprivation and fuel poverty".	No evidence is provided to support this concern.	
		Should be a fourth rate area for urban brownfield land at a rate of £50 pm2.	3 areas are considered the preferred balance between simplicity and revenue generation. It is also clear that there is very little brown field land that is available for development in Central Bedfordshire.	The Council will not be offering discretionary relief. The EVA has identified areas based on land values and house prices.
		"distinct housing markets….seem appropriately identified"	Noted	
		Support proposed areas and reduced rates for SUEs.	Noted	
Rationale for SUE boundaries is not clear. What is the definition?	Various e.g. David Lock Assoc for O&H and ORS Others include: Arlesey Consortium	"Should apply to all urban extensions… not just those in the south". Should apply to named developments not geographical area.	The SUEs and their boundaries are those that are allocated in the submitted Development Strategy 2014 other than Chaul End which is a not a strategic scale site.	The 2015 viability study assesses residential viability through the use of notional one hectare (ha) tiles, case studies representative of the types of development planned to come forward and through the strategic urban extensions identified in the Development

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Cross-boundary CIL & s106 issues at Wixams need special attention.	Savills Bedford Borough Council Framptons	Should include proposed extensions at Wixams; Arlesey etc. which have exactly the same issues and costs. SUEs should apply to developments over 500 units. Cross-subsidy of infrastructure at Wixams may be threatened by different approaches to CIL rates. Map is not rational in its exclusion of Flitwick in Area B	Different sized SUE's will not have the same costs. Further analysis of SUE viability is being undertaken by CBC in house. Noted Comment noted	Strategy. As above. As above. All boundaries were updated and were based on evidence of house prices from the Land Registry.
2.) Proposed Residential Rate Levels Proposed rates are too high.	Optimis David Lock See also Arlesey Consortium;	"Approach taken is incorrect…focussing on the maximum CIL that can be levied". Only sees CIL as a revenue stream and does not	All charging authorities (CAs) must determine their own approach but the evidence underpinning the rates will be reviewed.	The 2015 refresh of viability study undertaken by 3D in 2013, to take account of changes in guidance and the cost of complying with the policies in the draft

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	O'Neill Homes; Aragon Land; Warmingtons; Framptons; Mr Woodhouse Nb. Mr Brooks	recognise the potential negative impact.		Development Strategy, as well as changes in other costs and values affecting land use development. In addition, the study assesses the impact on viability of introducing a (CIL). New rates have been identified which include a 30% buffer from the theoretical maximum CIL charging rate. CIL rates are lower in the 2015 Viability Analysis. **<u>PDCS 2013 Rates</u>** • £225/sq m in Area A, • £150/sq m in Area B • £45 for the Sustainable Urban Extensions (SUEs) **<u>New DCS 2015 Rates</u>** • Sites of 10 dwellings or fewer in Value Area A - £330/sq m • Other residential development in Value Area A - £130/sq m • Sites of 10 dwellings or fewer in Value Area B - £245/sq m

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				- Residential development in Value Area B - £75/sq m - Sites of 10 dwellings or fewer in Value Area C - £135/sq m - Residential development in Value Area C - £40/sqm Housing for older persons (sheltered and extra care) - £0/sqm Residential development on SUEs - £0/sq m
Rates do not meet the Guidance tests:	Gladmans/GL Hearn Turnberry Planning for Cranfield University	Increase of Area A CIL rate over existing s106 charges demanded by the calculator rate is excessive and unrealistic. Proposed rates are too large a % of GDV - represents nearly 10% for 3 bed unit. “somewhat at a loss to understand the justification for setting CIL rates which are over twice that proposed in...surrounding district authorities (including Bedford and North Herts)”.	Noted – rates will be reviewed. Noted – rates will be reviewed.	As above and research to inform the study has included: Analysis of Land Registry data for house sales and land transactions in Central Bedfordshire. Consultation with estate agents, house builders and the promoters of the SUEs. Review of the CBC and DCLG proposed minimum space standards for residential

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				development.
		Rate for Area C is too low. S106 will not be sufficient to address the wider infrastructure needs these areas will create.	There are similar or larger differentials in other CA areas of the country which have been agreed. Rates will be reviewed.	Use of updated build cost information from RICS's Building Cost Information Service. Specialist cost information inputs from EC Harris on complying with the Development Strategy's policy costs applying to development generally, as well as s106 and infrastructure costs for SUEs
		They are higher than most London authorities and CBC isn't London.	London also pays a mayoral CIL. Rates will be reviewed.	Specialist commercial development value inputs from Lambert Smith Hampton, particularly for logistics/warehouse, industrial and office development.
		"You're proposing that small Bedfordshire villages should pay nearly half the Knightsbridge rates…..I suggest you read the BNP Paribas report; its financially realistic"	CBC is aware of the BNP work for Bedford Borough. Rates will be reviewed.	An analysis of publicly available data to identify other value and cost inputs for the viability assessment.
		Combined future cost of CIL + reduced s106 could be £265 per m2, 3.5 times the existing s106 cost. Similarly	Further work on current and future s106 costs will be undertaken to analyse these points further	Use of the Three Dragons Toolkit, adapted for Central Bedfordshire to analyse scheme viability for residential

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		cost per plot could be £25k or higher		development and of Three Dragons bespoke model for the analysis of non-residential schemes.
		Case study appraisals iii, iv and vi rely on reductions in affordable housing and/or s106 requirements. Viability is therefore identified as a concern which will impact on AH provision.	The modelled, reduced rate of 30% AH in the Pre-Submission Development Strategy is non-negotiable requirement not a target.	
		In Area A landowners “will have an additional £100k burden placed upon them in terms of reduction in values”.	The Council has adopted proposed rates which, whilst potentially depressing land values in some instances, will not make development unviable	
Strategic Urban Extensions:	Pegasus for Willis Dawson	“No explanation whatsoever....for the… level of £45 for SUEs”. Until s106 /CIL relationship is properly defined for SUEs they should be zero rated.	CBC has significant Infrastructure needs as an area committed to growth. Therefore all developments must contribute to the infrastructure deficit if it is proved viable to do so.	Since the 2013 viability study further information on the specific infrastructure costs associated with SUEs has become available, through the specialist inputs to this study from EC Harris. These costs have been applied to the viability tests for the case studies. In addition, further information has been made available on some of the land budgets for the SUEs and this has been used as the basis for

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				revising the ratio of gross to net developable land. The refreshed viability testing demonstrates that the strategic urban extensions (SUEs) are deliverable but only if development is allowed to proceed at less than policy proportions of affordable housing – although if values change over the long time frames for SUEs it is likely that improved levels of affordable housing may be achieved in the future. Alternatively, CBC may be able to secure additional funding for some of the major infrastructure items required and if so this can be used to help secure additional affordable housing. Therefore it is proposed that the SUE's defined in the Viability study will be 0 rated.
	Turner Morum for Willis Dawson	Difference in CIL rate between Areas A & C is insufficient to reflect additional costs of SUEs as modelled by 3D themselves.	Noted.	

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	JLL for Aspire & 4dplan	SUEs should be zero rated to make them viable as acknowledged and demonstrated by paras 6.21-6.24 of the 3D report.	As to Pegasus above	
	Aragon Land	"It seems an anomaly for the urban extensions to pay such a low rate when the strategic sites are predicated on the basis of needing and delivering key infrastructure."	As above, the proposed CIL rate is solely assessed on ability to pay rather than infrastructure need generated.	
	Central Beds	"We see no reason why developers should get off with such a small charge (for SUEs)…….if anything the argument should be…higher"	As above	
3.) Technical Assumptions & Modelling				
Lack of identified or acknowledged headroom in 3D residential analysis.	Various examples quoted by Pegasus; Savills; Gladmans	Most EVAs identify headroom / safety margin and it has become an acknowledged part of the evidence base at examinations – examples provided. BNP propose min 30% headroom for Bedford	Headroom is understood to be built into the analysis, threshold land values are at upper end of scale, providing ample headroom Agreed that a buffer is required as a contingency against a falling market	The 2014 Viability Refresh has used a 30% 'buffer' for the identified CIL rates. This buffer rate has been used by neighbouring authorities and accepted in various examinations.

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		Borough. Must provide "a buffer for any weakening of the market".	but ultimately Examiners have accepted that land prices will have to reflect market changes.	
	Optimis	Area A charge "will prevent any development from coming forward as landowners will not ultimately be willing to sell land at the benchmark figure quoted	Land prices need to reflect current market, not 2007 conditions. CBC has evidence that this is occurring therefore identified thresholds appropriate.	
Approach on headroom inconsistent between residential and non-residential analysis within 3D EVA		Non-residential analysis proposes headroom "buffer" at no less than 50%, why is this approach not extended to residential?	Accepted.	As above
Additional typologies requested to test viability further	Savills	Brownfield land & abnormal costs not identified as separate typology although 26% of the CBC 5 year land supply is within this category. Costs assumed in typology iii are insufficient. The analysis doesn't reflect the Council's housing trajectory.	Most sites in the Housing Trajectory have already achieved planning permission and therefore will not pay CIL	Brownfield land has been considered but is not a significant issue in CBC due to the lack of large scale developable brownfield sites. This is evidenced by the Council's monitoring of brownfield land.
	Arlesey	"The Council's approach is fundamentally	Purchasers of land undertake due diligence to establish whether	See 1 above.

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	Consortium	flawed…..there is a large gap between the 3,000 dwelling and 200 unit scenarios.”	abnormal costs apply to the land in question. These are reflected appropriately in the land price. Further work will be considered in connection with the analysis of differentiated areas above	
Viability is inflated by extensive use of gross rather than net developable areas in typologies.	Savills	“Some of the gross to net ratios applied within the viability appraisals are inappropriate…with the exception of iii.iv and x all of the typologies assume a net to gross area of 100%.”	As above.	As per the comments the 2015 viability he adjusted the gross to net ratios for the case studies
	Gladmans / GL Hearn	Analysis is flawed due to no allowance for gross to net ratios on typologies other than SUEs. Netting down on 1 ha typologies should be “around 80%”. Detailed analysis to support this view provided from Gladmans own developments.	As above.	Since the 2013 viability study further information on the specific infrastructure costs associated with SUEs has become available, through the specialist inputs to this study from EC Harris. These costs have been applied to the viability tests for the case studies. In addition, further information has been made available on some of the land budgets for the SUEs and this has been used as the basis for revising the ratio of gross to net developable land.

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	Pegasus	All SUEs should be modelled at 45% gross to net to reflect site constraints and mixed use, not just larger ones.		As above, with reference to worked examples
4.) Other Residential Development Costs Cost assumptions are too low because of a number of factors: Sales rates / Cash flow	Savills	3 D have assumed an "ambitious sales rate" of 18 private units per month for SUEs which is "significantly higher" than Savills own evidence.	The viability work has included Discounted Cash Flow analysis.	Build costs are based on BCIS median build costs (5 year period) downloaded on 29th September 2014. An uplift of 12% has been applied to the BCIS costs to allow for external works and this is included in the figures below.
Promotion costs	Optimis GL Hearn for Gladmans	No apparent promotion costs even on larger SUEs 3% marketing fee is too low, minimum is 4% Should be much higher for smaller schemes of larger sites where economies of scale apply.	Understood to be included in general development costs. It is necessary in this type of work to make assumptions across the range of typologies. Prices are based on Land Registry achieved figures.	The cost of borrowing has been assumed to be 6%, changed from 7.5% in the 2013 study reflecting the changes in the cost of finance including the Funding for Lending initiative; and the credit rate has changed from 1.5% to 2% reflecting recent evidence from other development workshops.
Professional fees	Optimis	Values are flawed. Not clear whether gross or not, include asking prices and		Industry standard 12% taken into account

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		discount applied is not clear.		
Sales Values	Optimis	Industry standard is always 20% of GDV not Total Development Costs		
Developers Margin	Savills; GL Hearn	Typologies I, iia and iib at 1 year should be 2 to 2.5 sales per month etc. Detailed analysis provided		Developers profit was reviewed at 20% and viability testing included further allowances for marketing and incentives in the 2015 Viability Study.
Development Periods are too short.	GL Hearn			
Greater transparency required over modelling carried out.	Various from Savills,	"The need for differentiated charges is not adequately set out in the paper"	Transparent & specific details about the modelling are given in Annex 5, 6 & 7	Technical appendix now provides information and data on the specific modelling for the case studies.
Lack of full residential valuation analysis.	GL Hearn, Voluntary Action, Central Beds	"Full appraisal summaries have not been included in the report"	Further information has been made available on request.	
Insufficient incentive built into modelling particularly for SUEs. Risk for return is much higher and planning much longer than on normal schemes.		If 20% profit is acceptable for smaller schemes SUEs should be modelled on 25% GDV and/or SUEs should be zero CIL rated to reflect marginal viability recognised in the Economic Viability	Developer profit range of 17 – 20% acceptable in current market. 20% was adopted following representations at developer workshop. Opening up costs for SUEs reflect risks (see below).	20% is industry recognised and acceptable to use.

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		appraisal. Development Strategy depends on delivering SUEs.		
S278 costs have not been modelled. JLL		Paragraphs 6.21 – 6.24 of the report shows that infrastructure costs on SUE's can be dealt with by s106 and / or pooled S278 contributions therefore a £0 CIL charge is recommended. The amount of money that CIL will raise in the early years versus the interplay between CIL & s106/S278 has not been explored in the report	The modelling includes a significant remnant s106 cost of £3.5k which is higher than many authorities and could also represent occasional s278 payments. s278 is collected under the Highway not Planning Acts and different criteria apply.	Where there is no specific s106 or s278 information available (i.e. for non-SUE development) there will typically be a requirement for s106/s278 of £2,000 per dwelling. This is a reduction on the average £6,500-9,000 which is currently being achieved and assumes that some obligations (such as a contribution to education) which are currently sought through s106 will be funded through CIL. It is also assumed that there will be s106 contributions applying to some commercial developments, and estimates have been made based on current intelligence.
No contingency allowance built in the analysis.	Savills for SEMK Consortium, GL Hearn		Contingency need not be separately identified but should be included in headroom allowance – see above	A 30% buffer has been included which covers the contingency aspect.
Exceptional costs of promotion of Greenfield	Bletsoes, Robinson &	Return to landowner should be x20 agricultural value to	Promotion costs are modelled separately as a developer cost. The	The viability testing has allowed for further allowances

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sites	Hall	cover capital gains liabilities at 28%. Promotion costs at 25% should be added to the multiple, increasing return to landowner to £177,620 per acre.	15x multiple is an accepted industry standard	for marketing.
Assumed sales values do not reflect lower house prices achieved on SUEs	Bletsoes		Sales values on SUEs are approximated at the levels of nearby comparable housing.	Land registry data was also analysed to understand the difference between new build sales and sales of existing dwellings, in order to develop a coefficient to apply to existing sales values. This was used to develop an initial set of house price estimates in the different value zones.
Lack of clarity over future s106 charges	Barford & Co. Phillips Planning Services; Savills; Co-operative Estates	"how can we conclude whether the contributions that will continue to be sought?" costs are bearable and reasonable without any knowledge of the Council's strategy or expectation for	See s278 costs above	As s278 above
B. NON - RESIDENTIAL CIL CHARGES				
5.) Non residential CIL costs and differential charges				
No recognition of retail role in economic development or	Thomas Eggar for ASDA.	Examples of additional costs in i) creating local jobs in Tunbridge Wells and ii)	CBC acknowledges that further assessment is required internally on s106 and s278 costs, as confirmed	Lambert Smith Hampton have found consistent with the market nationally, the regional

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allowance for additional costs incurred through s106; s278; town centre brownfield sites etc.	Co-operative Estates	rejuvenating Romford by transforming a derelict brownfield site. Modelling should account for this type of activity – economics of conversion schemes very different (CIL Reg. 40 refers) Object to the PDCS as drafted with reference to the extensive planning obligations being sought for the mixed development of Adopted Site Allocation MA.8 and present lack of clarity re double-counting	in regard to residential charges. However these have been included in the 3D analysis which is concerned necessarily solely with viability not regeneration policy. As above.	market including the Central Bedfordshire Administrative Area has experienced improving market conditions, particularly along the M1 corridor, fuelled by a stronger economy, increasing business confidence and proximity to London and the Greater London area. Significant infrastructure investment and planned infrastructure projects have improved accessibility to London and begun to address key congestion hotspots, opening land for development and improving the appeal of the location generally
Lack of evidence to justify differential rate based on retail size	WYG for LXB properties Indigo for Sainsbury	There needs to be fine-grained sensitivity testing for different size retail units out of centre. "We …object.in the light of the limited evidence" Proposed charges are unfair, "there is a bias against larger retail development" and	There is a limit to the number of scenarios that can reasonably be costed. CBC is unaware that the modelling undertaken is significantly less than similar work undertaken for similar charging schedules. The proposed rates are based on the viability of the different types of use. Large convenience stores are shown to be very viable in CBC; the	Lambert Smith Hampton (LSH) has provided information on recent land transactions in and around Central Bedfordshire. LSH suggest that since the down turn in 2007, few developers, investors or occupiers have been in a position to purchase sites. Land transactions that have taken place have largely been

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		insufficient justification for the rates adopted.	sub-region and country.	opportunistic with purchasers taking advantage of the buyers' market. However, more recent improving market conditions, economic stability and a diminishing supply of existing buildings has now fuelled an increase in demand for land and build to suit facilities. There has been particular interest in strategic sites along the M1 although the lack of sites has constrained the number of transactions.
	Thomas Eggar for ASDA	CBC approach "falls outside……rate differentials permitted in the CIL Regulations….The viability evidence produced is not sufficiently fine-grained to justify the size threshold proposed."	CBC is following Government guidance, including the latest CIL Consultation, on the use of rate differentials for retail development.	There has been a shift in convenience retail development since the 2013 study was undertaken. Changing patterns of demand have seen the major supermarkets shelve plans for larger format stores in favour of smaller formats, including top-up shopping formats. This suggests that the demand for large scale convenience sites has fallen and that land benchmarks for this use will have remained static at best.
Proposed charge for	Thomas Eggar	"The Viability Report	The decision not to pursue a similar	Lambert Hampton Smith found

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large convenience stores relative to large comparison stores is policy not viability based.		demonstrates that large out of centre retail parks were…capable of bearing a comparable CIL charge"	charge was based on viability concerns for trading conditions in the non-food sector.	supermarkets and local convenience – convenience retail continues to be a well-performing sector in the UK, although we are aware that this is going through a process of change. Leases to the main supermarket operators command a premium with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focusing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for predominantly convenience provision retail can be approached on a wider region or even national basis when justifying CIL charging. Current activity has seen a move from the largest formats towards smaller units. For the purposes of this assessment they have split convenience retailing into small convenience, which is up to the 280 sq m trading area threshold set out in the Sunday

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				Trading Act 1994, and supermarkets, defined as self-service stores selling mainly food, often with car parking. The small convenience stores are tested for redevelopment in town centres on currently used sites and against a cleared/greenfield site (such as local centre on an urban extension).
Concern for convenience viability in town centres		A convenience charge in town centres will be both counter-productive to town centre regeneration and difficult to collect for mixed-use schemes.	Need to cross subsidise town centre redevelopments may allow re-examination of rates, as convenience space will not return substantial revenues.	Town centre comparison retail was tested with town centre retail against a cleared site and against a site in current use. Against a cleared site value, comparison retail is viable but in cases where the site is in current use then it is unable to meet the current use value.
Lack of justification for cost assumptions which are too low	Peacock & Smith for Morrisons	i) Approach to rents is simplistic ii) No rent free periods iii) No justification for 5% BREEAM uplift iv) Larger store yields should be higher v) Long lead-in times should be reflected in increased finance costs		2015 viability report, LSH Report and technical paper evidence.

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		vi) Developers profit 25% of cost		
	Thomas Eggar	Should account for i) s278 costs which are often significant & ii) Planning / development costs of large stores	Accepted. See above.	
Relationship between CIL charge proposed for large retail and related Infrastructure costs	Thomas Eggar	£800k for a 4,000 m store is based not on related infrastructure needs but on "sectors assumed ability to pay	There is no need in regs. for a demonstrable relationship, proposed charge is based on assessed viability	As above
6.) Retail development in SUEs				
Retail charge should be reduced in line with residential charges for SUEs.	JLL for North Houghton Regis	Retail rates should be modelled against site specific costs of a SUE in the same way as residential rates. The report should consider the importance of retail uses in the early stages of delivering major projects.	The additional infrastructure cost of SUEs is addressed in the proposed reduced CIL residential charges. Commercial development is likely to follow rather than lead the development of SUEs and will in the main benefit from serviced sites with basic infrastructure provided. If there are exceptional circumstances not following this	

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		Infrastructure should be solely addressed through s106 and s278**.**	approach they can be addressed through Reg.55 relief.	
WYG for LXB Retail Properties		The headroom is not sufficient because the charge has been set at the maximum recommendation from 3D.	This is set at only 50% of the identified headroom to allow a substantial contingency and sensitivity buffer	50% ‘buffer’ in the 2015 viability study

Central
Bedfordshire

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