



Meeting: **SCRUTINY COMMITTEE**
Date: **WEDNESDAY 18 DECEMBER 2013**
Time: **5.00PM**
Venue: **COMMITTEE ROOM**
To: **Councillors J Crawford (Chair), W Nichols (Vice Chair), L Casling, I Chilvers, M Dyson, M Hobson, D Mackay, J McCartney and D Peart.**

Agenda

1. Apologies for absence

2. Disclosures of Interest

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk.

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

3. Call In – Decision E/13/40 – Community Infrastructure Levy – Non Key Decision

To consider the report from the Democratic Services Officer (pages 1 to 88 attached).

Jonathan Lund
Deputy Chief Executive

| Dates of next meetings |
|--------------------------------|
| 21 January 2014 |
| 26 February 2014 (Provisional) |
| 26 March 2014 (Provisional) |

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Report Reference Number: SC/13/9

Agenda Item No: 3

To: Scrutiny Committee

Date: 18 December 2013

Author: Palbinder Mann, Democratic Services Officer

Lead Officer: Jonathan Lund, Deputy Chief Executive

Title: Call In – Decision E/13/40 – Community Infrastructure Levy – Non Key Decision

Summary:

This report asks the Committee to consider the Call In of the decision made in respect of report E/13/40 – Community Infrastructure Levy which was made by the Executive at their meeting on 5 December 2013.

Recommendations:

The Scrutiny Committee are asked to consider the Call In and recommend one of the following options:

- **Refer the decision back to the Executive.**
- **Agree with the decision made by the Executive and take no further action.**
- **Refer the decision to Council.**

Reasons for recommendation

To ensure the Scrutiny Committee undertakes its role in holding the Executive to account in accordance with the Constitution.

1. Introduction and background

A Call In request has been received from Councillors J Crawford, W Nichols, B Marshall, J McCartney and M McCartney. The request asks the Scrutiny Committee to consider the decision made by the Executive at their meeting on 5 December 2013 in respect of report E/13/40 – Community Infrastructure Levy. The report which was considered by

the Executive and the relevant minute extract from the meeting are attached.

2. The Report

2.1 The Constitution states that Call In should only be used where Councillors have evidence which suggests that the decision-maker(s) did not take the decision in accordance with the principles set out in Article 13 of the Constitution. This is attached at Appendix A.

2.2 Report E/13/40 was called in on the following grounds:

- There are no clear reasons for the decision.
- The alternative options were not considered.
- It is not clear why the alternative options were not chosen.
- All the relevant matters have not been fully taken into account in reaching a decision.

2.3 The report E/13/40 is attached at Appendix B and the relevant minute extract from the Executive meeting on 5 December 2013 is attached at Appendix C.

2.4 The Scrutiny Committee can decide on the following options when considering the Call In:

- The decision can be referred back to the Executive for reconsideration. Any reasons for this must be set out in writing, with other information which might be useful to the Executive when it reconsiders the matter also being provided.
- The Committee can agree with the decision by the Executive and therefore no further action will be required.
- The decision can be referred to Council for consideration.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

Any legal issues are covered in the original report E/13/40 which was considered by the Executive.

3.2 Financial Issues

Any financial issues are covered in the original report E/13/40 which was considered by the Executive.

4. Conclusion

The Committee is asked to debate the Call In and decide what course of action is appropriate.

5. Background Documents

N/A

6. Appendices

Appendix A - Article 13 of the Constitution – Decision Making

Appendix B – Executive Report E/13/40 – Community Infrastructure Levy

Appendix C – Minute Extract from the Executive Meeting on 5 December 2013.

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Article 13 – Decision-Making

13.1 Principles of decision-making

All decisions of the Council will be made in accordance with the following principles:

In the general public interest, and specifically to guard against the possibility of successful legal challenge to decisions made by the Council or by the Executive, it is necessary to demonstrate:

- (a) that the decision is within the powers of the Council;
- (b) that all relevant matters have been fully taken into account in reaching a decision;
- (c) That all relevant Rules and particularly the Council Procedure Rules, Financial Procedure Rules, Contract Procedure Rules and Access to Information Procedure Rules have been complied with;
- (d) that the decision has taken into account the provisions of the Human Rights Act;
- (e) that the decision is taken after due consultation with, and the appropriate professional advice from, all relevant officers;
- (f) that any councillor concerned has considered whether he/she has any declarable interest in the particular item and if necessary made a declaration of interest;
- (g) that the current scheme of delegation has been complied with;
- (h) that the decision has been taken in an open and transparent manner;
- (i) that the decision is clear in terms of its aims and desired outcomes;
- (j) that the decision has been taken in accordance with the Council's aims and strategies; and
- (k) that the decision is properly recorded and published within the appropriate timescale, together with declarations of interest and background papers.

Selby District Council

REPORT

Reference: E/13/40

Public – Item 5



To: The Executive
Date: 5 December 2013
Status: Non Key Decision
Report Published: 27 November 2013
Author: Andrew McMillan Policy and Strategy
Executive Member: Cllr Mark Crane (Leader of the Council)
Lead Director: Keith Dawson Director Community Services

Title: Community Infrastructure Levy (CIL)

Summary:

This report provides Members with details of the Community Infrastructure Levy progress. The consultants have provided updated viability and infrastructure study information to inform the Council's preliminary draft charging schedule, and this forms the basis of the consultation material. Members are recommended to agree the material for full public consultation.

Recommendations:

- i. To consider the content of this report, and agree the assumptions set out in paragraph 1.6
- ii. To agree the draft charging schedule and consultation material for approval at Executive for public consultation.

Reasons for recommendation

To progress the CIL to public consultation.

1. Introduction and background

1.1 CIL Regulations are a statutory mechanism to set a charging schedule to be placed on development, where it is economically viable and necessary to provide infrastructure required to facilitate new development.

1.2 The levy is designed to be *'fairer, faster and more transparent than the previous system of agreeing planning obligations between local*

councils and developers under section 106 of the Town and Country Planning Act 1990.'

- 1.3 Selby has commissioned (jointly with Ryedale District Council and the North York Moors National Park) specialist consultants Roger Tym (now part of Peter Brett Associates) to undertake this work on our behalf. The CIL will be subject to its own Examination in Public and adoption and must come in to effect by March 2015.
- 1.4 CIL requires an evidence base to justify its existence and its Levy rates. The evidence is in two parts: Firstly, whether there is sufficient residual value in development to withstand a CIL charge, and secondly whether there is a funding gap in the provision of infrastructure projects to facilitate new development.
- 1.5 The consultation material in the appendices sets out more general information about CIL.
- 1.6 The report assumes the following in order to progress CIL:
 - The Council wishes to proceed with developing the CIL
 - That the Authority accepts the consultants evidence and recommendations
 - That the Authority is minded to charge the base charge for development not specifically listed in the Preliminary Draft Charging Schedule.
 - The Authority is minded to accept the maximum 5% top-slice of CIL receipts for administration purposes.

Applying CIL

- 1.7 The Council is the Charging Authority and in most cases the Collecting Authority, but may not necessarily be the spending body. Its responsibilities therefore may be more limited in the actual spending of the CIL levy money, as most infrastructure is provided by 3rd parties.
- 1.8 It is likely that CIL receipts will be far in excess of the level of receipts generated by S106 agreements in the past. However, CIL is not intended to be the be-all funding stream for infrastructure – it is a top-up or pump-prime contribution.
- 1.9 The Council is permitted to top-slice up to 5% of CIL revenue for administration purposes: to collect, monitor and distribute the levy. Officers recommend that this percentage is used in order to make CIL viable internally, as administering CIL requires an investment of resource to ensure it is both a) effective and b) does not put the Council at risk. Resource could be used to ensure that all CIL requirements are met, funds are collected and distributed to parish councils and infrastructure partners, and all funds are accounted for; ensuring that the Council is not exposed to unnecessary risk of refunding CIL monies to developers.

1.10 The CIL Regulations allow both statutory relief and Exceptional Circumstances relief. Statutory relief is applied to charities and social housing units. Exceptional Circumstances relief may be applied at the Authority's discretion where a Section 106 agreement is in place to a value the same or higher than CIL charge.

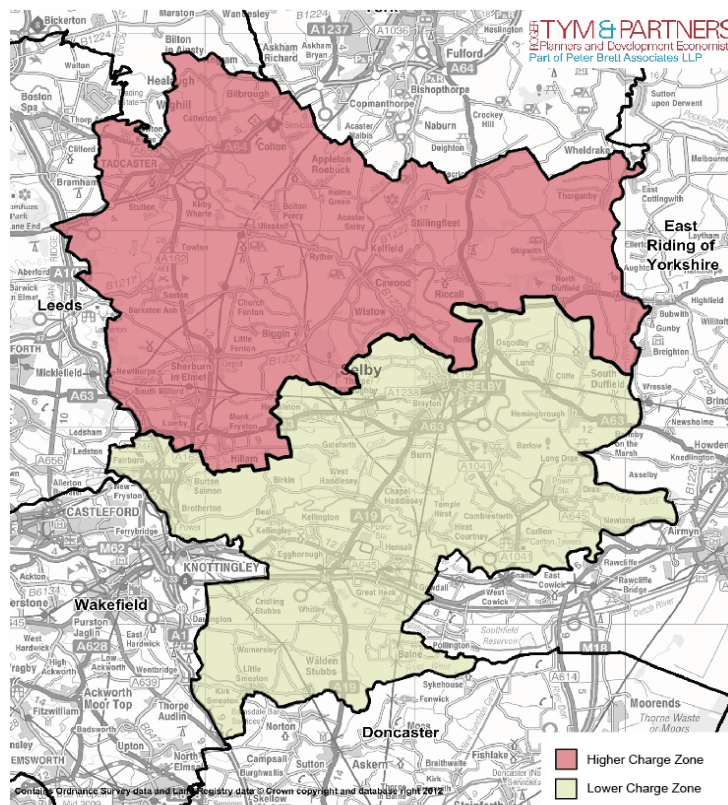
CIL and Parish Councils

1.11 The CIL aims to give communities a greater share of infrastructure funds. As part of the process Parish Councils will be awarded a meaningful proportion of the levy generated in their parish to spend on local infrastructure projects.

2.0 Selby District Council's CIL

2.1 The consultant's initial assumptions and baselines required to undertake the viability calculations have been subject to stakeholder consultation (with local planning consultants, land agents, house builders etc) the results of which have been fed in to the viability modelling. The full findings are set out in the attached consultation material, but the headline figures are shown below:

- Overall there is scope for a CIL charge across the whole District in terms of market housing. The evidence splits the District in to two charging zones as shown below:



- Those zones include the following Wards:
 - Higher charge zone – Appleton Roebuck, Cawood with Wistow, Monk Fryston and South Milford, North Duffield, Riccall with Escrick, Saxton and Ulleskelf, Sherburn in Elmet, Tadcaster East and Tadcaster West.
 - Lower charge zone - Barlby, Brayton, Camblesforth, Eggborough, Fairburn with Brotherton, Hambleton, Hemingbrough, Selby North, Selby South, Selby West and Whitley.
- Preliminary Draft Charging Schedule recommendation taken from the consultant’s report:

| Use | Proposed CIL charge (per sq.m) |
|---|-----------------------------------|
| Private market houses – Higher value zone | £45 |
| Private market houses – Lower value zone | £25 |
| Supermarkets* | £110 |
| Retail Warehouses* | £60 |
| Public/Institutional Facilities as follows: education, health, community and emergency services | £0 |
| All other chargeable development | £10 |

2.2 The CIL regulations state that Charging Authorities must balance the viability of development with the need to fund infrastructure investment. Therefore, it is within the discretion of the Charging Authority to decide whether a base charge should be applied to all development, recognising that *all* development that takes place will have *some* infrastructure implications. Obviously, such a charge would have to be at a level where it is unlikely to be the determining factor as to whether a development takes place or not. Such a ‘*de minimis*’ base charge could be pegged at a ceiling of 1% of the cost of development of the lowest cost development – industrial – which equates to approximately £10/sqm. It should be pointed out that there is an element of risk associated with the use of a base charge, therefore the consultation will seek to obtain public opinion on the basis that the Council does propose to implement the base charge.

CIL income projection

2.3 The report considers that an average house in the higher charge zone is around 120sqm (1,292sqft), and in the lower charge zone it is 100sqm (1,076sqft). This means that the levy on each new dwelling would be in the order of £5400 in the higher zone and £2500 in the lower zone (subject to specific development proposals).

- 2.4 The Consultants note in Figure 10.2 a broad indicative income projection from implementation of CIL for the plan period. Up to 2027, CIL is anticipated to attract in the region of £12,000,000, which equates to around £800,000 per annum. Clearly, the actual CIL income will depend upon specific development proposals put forward.
- 2.5 If the Council did top-slice 5% for administrative purposes, this could equate to some £600,000 over the plan period, or £40,000 per annum.
- 2.6 The projection does not take account of residential windfall development. By applying the Core Strategy's windfall prediction of 105 dwellings per annum, this could yield a further CIL income of £245,000 per annum depending on the location of those windfalls.

Infrastructure need assessment

- 2.7 Following consultation with partner organisations, the consultant's report also sets out a schedule of infrastructure projects that require additional funding of around £117 million, with a funding gap of around £105m. Clearly the infrastructure projects schedule is a frequently-changing agenda, not least as the allocations to be made in the forthcoming SAPP will inevitably add new projects. The CIL Regulations acknowledge that the infrastructure requirements will alter over time and therefore allow for updating. The Examination in Public will consider the range and type of infrastructure projects, as even if some projects are completed before CIL is implemented, similar projects may be revealed later as site allocations are firmed up. Therefore, the schedule of projects does not have to be definitive at this stage.
- 2.8 To implement CIL, the Authority must develop a schedule of spending priorities, known as the Regulation 123 List. The Regulation 123 List is also likely to evolve, for example once projects are completed, or in response to changing Council priorities. To achieve a successful (Sound) CIL, the Council must demonstrate the viability and the funding gap at the point in time of the Examination in Public, with a likelihood of continued need and viability for the reasonable future. It does not have to be definitive for the plan period up-front.
- 2.9 A Regulation 123 List has not yet been prepared, as it will be developed following consultation. The summary table of infrastructure areas (see Appendix A in the consultant's report that forms part of the attached consultation material) is sufficient at this stage as an indicator of potential infrastructure need.

Summary

- 2.10 The consultant's findings show that a Charging Schedule appears to be viable, and the Infrastructure Projects Schedule is well populated, thus demonstrating a funding gap.
- 2.11 It is now appropriate to undertake the statutory consultation steps in order to bring the CIL forward.

3.0 CIL consultation

- 3.1 A 6-week consultation period is proposed for the Authority to consult upon the evidence it has gathered and the proposed CIL charge rates. The Consultants and Officers have prepared material to undertake the statutory consultation process (attached in appendices). The key areas for stakeholder opinions to be sought regarding the Draft Charging Schedule are:
- a. the viability assumptions and calculations
 - b. the options for different charging zones
 - c. the figures that make up the draft charging schedule (the levy rates)
 - d. options for discretionary relief
- 3.2 The Council may also consider how to approach the politically sensitive issue of how to spend the Levy, once collected (the Regulations 123 List). It is likely that several high profile agencies will be seeking money and are likely to lobby Councillors. The public is also likely to have strong opinions on how the money should be spent, and it is likely that there will be differences across the District. Officers recommend that the Council seeks opinions on spending priorities through this consultation, rather than setting out any draft proposals. Opinions may be sought on the following:
- a. the range of projects identified in the Infrastructure Projects Schedule
 - b. whether additional projects should be included in the Infrastructure Projects Schedule
 - c. What priorities the Council should set towards infrastructure funding – and therefore what the Regulation 123 List should include (ie where should the Council direct the money raised by the Levy)
 - d. options for future scheduled reviews of the Regulation 123 List (including a no-specific schedule – ie to respond dynamically to changes).

After this consultation period

- 3.3 The process is broadly the same as other planning policy documents. The responses to that consultation will inform the CIL documentation and where appropriate amendments may be made to the CIL and/or updates to the evidence base made. A final Charging Schedule and Regulation 123 List may be prepared and submitted to the Secretary of State.

- 3.4** It is likely that an Examination in Public (EIP) will be required to hear objections.

Post-Adoption changes to CIL (future processes)

- 3.5** After adoption of the CIL, the Regulation 123 List may be amended at any time in the future by following a simpler consultation exercise (that does not require an EIP). The Charging Schedule (the levy rates) may also be amended at any time, but this would require new viability appraisals, and would be in effect starting the CIL process again from the beginning.

4 Legal/Financial Controls and other Policy matters

4.1 Legal Issues

- 4.2.1 The CIL will be developed in accordance with the CIL Regulations 2010 (amended) and is subject to an Examination in Public to hear objections. Adoption in to the Council's suite of planning documents is scheduled to be by March 2015 at the latest to meet the Government's requirements.
- 4.2.2 The CIL will replace a lot of Section 106 negotiations where those issues are listed on the Regulation 123 List, but other issues will still be subject to Section 106 agreements.
- 4.2.3 The Authority will be the Charging Authority for the purpose of CIL Regulations, but may not necessarily be the spending body. Its responsibilities therefore may be more limited in the actual spending of the CIL levy money.

4.3 Financial Issues

- 4.3.1 Consultants have been commissioned to undertake consultancy work to assess the viability of the CIL in the district, the costs of which have been provided for through the LDF budget. In the short term officers will investigate 'spend to save' options to set up the CIL processes, given that the scheme may generate income to cover administrative costs once adopted.
- 4.3.2 The Council is required to report spending of the CIL levy annually, including for 3rd party spending. However, the Authority is not responsible for under-spending, failure to spend, or any subsequent challenge for refunds or similar claims of those 3rd parties.
- 4.3.3 The implementation of CIL (upon adoption) will require a dedicated Officer resource. It is envisaged that the CIL will fund the post through the 5% top slicing.

5. Conclusion

- 5.1 CIL is a route to assist the delivery of essential infrastructure alongside the Core Strategy Local Plan. It is important that we work closely with our partners - notably NYCC as part of their wider infrastructure

planning functions including education and highways – to ensure that the CIL is used to best effect in the district. For cost savings, it is envisaged that the first stage of consultation will be undertaken in the New Year alongside the Sites Allocations and Policies Local Plan (SAPP) Issues and Options.

6. Background Documents

None

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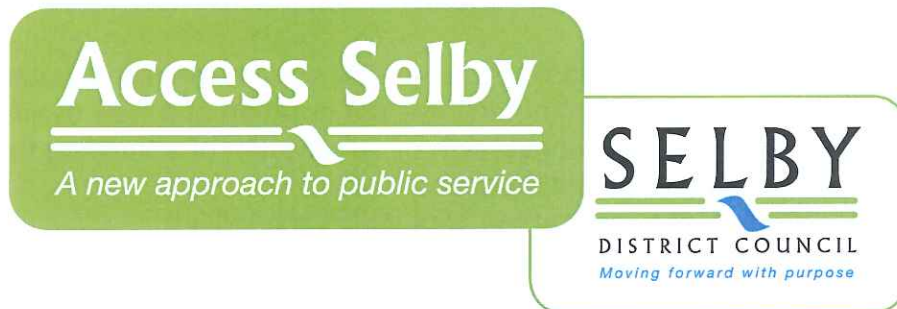
Appendices

1. Draft CIL consultation material (including the consultant's evidence).

Selby District Council

**COMMUNITY INFRASTRUCTURE LEVY
PRELIMINARY DRAFT CHARGING SCHEDULE**

Consultation Document
January 2014



1. Introduction

- 1.1 The Community Infrastructure Levy (CIL) was introduced under the Planning Act 2008 and is defined in the CIL Regulations 2010 (as amended). Local Authorities in England and Wales can elect to prepare and adopt a CIL to assist in funding the infrastructure needed to support planned growth. The CIL is a charge, expressed in pounds sterling (£) per square metre, that is levied on the net additional floorspace created by most new development.
- 1.2 The purpose of this document is to seek views on Selby District Council's Preliminary Draft Charging Schedule (PDCS) for the CIL.

2. The Charging and Collecting Authority

- 2.1 The Council as the local planning authority is a charging authority and may therefore charge the CIL in respect of development in the District. The collecting authority for the finance generated by CIL will typically be the District Council as the charging authority. However, where the County Council grants planning permission for development in the District, it will be the County Council who will be the collecting authority. Where the County Council is the collecting authority it will pass the CIL payment on to the charging authority minus any reasonable administrative expenses incurred in collecting the CIL on the charging authority's behalf. Such instances will be few.

3. What development will be liable to pay CIL

- 3.1 CIL is charged on the gross internal floorspace of new development. Where planning permission is granted for a development that involves the extension or demolition of a building in lawful use, the level of CIL payable will be calculated based on the net increase in floorspace. This means that the existing floorspace contained in the building to be extended or demolished will be deducted from the total floorspace of the new development, when calculating the CIL liability. This means that most developments on previously developed brownfield sites will generally have a lower CIL liability than developments that take place on greenfield sites.
- 3.2 Most development that involves the creation of buildings that people normally use will be liable to pay CIL. However, the regulations provide for a number of exemptions to CIL against which the levy will not be charged, including:
- New buildings or extensions under 100 square metres of gross internal floor space which does not involve the creation of a new dwelling;
 - The changes of use, conversion or subdivision of a building that does not involve an increase in floorspace;
 - The creation of a mezzanine floor within a building;
 - Temporary development permitted for a limited period;
 - Buildings into which people go only intermittently for the purpose of inspecting or maintaining fixed plant or machinery;
 - Structures which are not buildings, such as pylons and wind turbines;
 - Affordable housing;

- Development by charities for charitable purposes; and
- If the development is for a use or geographic area that has a zero or nil charge (£0/m2) set out in a CIL Charging Schedule.

3.3 The Regulations also allow charging authorities to permit discretionary relief from CIL in certain circumstances (e.g. where a reduced or nil payment may be accepted). Should the Council decide to offer discretionary relief it will publish its policy on the grounds for relief in time for the examination of the charging schedule next year. The cases for relief are likely to be rare, but could include the following:

- Development by charities for investment activities from which the profits will be applied for charitable purposes (as defined by Regulation 44);
- Development by charities where relief would normally constitute State aid (as defined in Regulation 45); and
- Where the Council considers there are exceptional circumstances to justify relief (as defined in Regulation 55). In these situations the development site must also have a planning obligation (Section 106 Agreement) relating to the planning permission which is greater than the value of the CIL charge, and the combined cost of the Section 106 agreement and CIL charge would have an unacceptable impact on the economic viability of the development. In such cases the developer would be expected to demonstrate this (as set out in Regulation 57) via an 'open book' approach with an independent valuer.

3.4 Relief can also only be granted if it does not constitute notifiable State Aid (as defined in European law). Given these requirements, most development will not be eligible for charitable or exceptional circumstances relief. However, the District Council will be prepared to consider applications for relief, and will confirm this by issuing a statement before the charging schedule takes effect.

3.5 The Council will have the ability to claw back any CIL relief where a development no longer qualifies for that relief within a period of seven years from the commencement of the development. For example, should a charity develop a building for charitable purposes and subsequently sell the building to the open market after three years, then the Council will be able to claw back the CIL that would have been charged on the building had it been used for private use.

4. How the chargeable amount will be calculated

4.1 The amount of CIL charge a development is liable to pay will be calculated according to Regulation 40 of the CIL Regulations 2010 (as amended). The method involves multiplying the relevant CIL rate for the type/location of the development by the net additional floorspace - and factoring in an inflation measure to allow for changes in building costs over time. A summary of the method is set out below:

$$(\text{CIL rate}) \times (\text{Net additional new build floorspace}) \times (\text{Inflation measure})$$

- 4.2 The inflation measure used will be the national 'All-in Tender Price Index' published by the Building Cost Information Service (BCIS) of Royal Institution of Chartered Surveyors. The inflation measure involves dividing the Index costs from the year planning permission is granted, by the Index costs from the year the Charging Schedule is adopted. Full details of the method are set out in the Regulations.
- 4.3 The CIL Regulations specify that where the overall chargeable amount on a scheme is less than £50, it is deemed to be zero.

5. Evidence to support the CIL

- 5.1 The development of the PDCS has been informed by appropriate evidence which includes:
- The adopted Core Strategy Local Plan;
 - The Draft Infrastructure Delivery Plan (IDP); and
 - A CIL Economic Viability Assessment (EVA).
- 5.2 The Council's adopted Core Strategy specify the amount of new development that is to take place over the plan period to 2027.
- 5.3 The Core Strategy sets out that over the Plan period the Council will make provision for 450 new homes per annum. The focus of growth is the District's main urban settlements of Selby, Sherburn in Elmet and Tadcaster as these have the greatest range of jobs, shops and services and thereby offer the greatest opportunity to deliver sustainable development. In the rural areas, the larger villages provide the focus for growth as these settlements offer the best access to jobs, shops and services. The Core Strategy also makes provision for 37-52 hectares of employment land over the plan period.
- 5.4 The Council's emerging Sites and Policies Local Plan (SAPP) will make allocations of land for housing and employment uses that reflect the housing and employment land targets and settlement hierarchy set out in the Core Strategy. The document will also set out policies to protect the character and heritage of the District and ensure development is of an appropriate scale, type and design. Where required, allocations will also be made for a range of other uses including new transport infrastructure, new sport, open space and recreation facilities, as appropriate. The (SAPP) Issues and Options is out for consultation during the same time period as this CIL consultation.
- 5.5 In order to introduce the CIL local planning authorities, as the charging authority, has to demonstrate that there is a shortfall in funding between the expected total cost of infrastructure needed to support development over the plan period and the level of funding likely to be forthcoming from mainstream sources of funding. The Council's emerging Infrastructure Delivery Plan (IDP) identifies the key infrastructure requirements needed to support the level of planned growth in the District.

- 5.6 Testing the economic viability of development is central to the CIL charge setting process and is required to justify the introduction of the CIL to an authority area. Authorities must ensure that the proposed levy rates will not threaten the ability to develop viably the sites and the scale of development identified in the Local Plan. To this end the Council has commissioned Roger Tym & Partners (now Peter Brett Associates) to prepare a CIL Economic Viability Assessment (EVA) for the District. The EVA is appended to this introduction.
- 5.7 The EVA assesses the viability of the development of a wide range of land uses in the District including housing, office, industry, retail, hotels, community facilities and other sui generis uses, and maps variations in viability across the District. The assessment takes account of the development costs arising from existing and emerging planning policy and regulatory requirements (e.g. affordable housing, sustainable construction & design and open space provision). The assessment also makes an allowance for residual S106/278 contributions for measures that are required to make development acceptable and are directly related in scale and kind to the proposed development. A stakeholder event was held in August 2013 with local property agents and developers to discuss the key assumptions that underpin the viability assessment.
- 5.8 A basic principle of the CIL is that where it is economically viable to do so, development should be charged. However, the CIL is not to be used as a policy tool to encourage certain types of development over others by applying a lower or zero rate where development is viable. Differential rates can be applied to different types of development, or to different geographical areas, based on the outcome of the economic viability assessment. Where it has been demonstrated that it would not be viable to apply a CIL charge on a certain type of development, or in a particular geographic area, either a zero CIL rate or a base rate can be applied.
- 5.9 As can be seen in the EVA, the Council proposes to charge a base rate of £10 per sqm on all other chargeable development not specifically identified in the schedule. This level of charge equates to approximately 1% of the cost of development of the lowest cost development assessed – industrial development – and is therefore considered to be a minimal charge that should not significantly affect the viability of the majority of development proposals.
- 5.10 The EVA concludes that there is scope to introduce a CIL to Selby District and the proposed CIL rates contained in the PDCS reflect the recommendations of the viability evidence. Based on the viability evidence, the Council is proposing to create a differential charging zone for residential development within the northern wards of the District with a higher CIL rate than the rest of the District (see EVA for full details of the proposed zones and rates). This is based on higher sales value within these wards compared to the rest of the District.

- 5.11 The Regulations recognise that the CIL charge may make some development unviable and advises that CIL should not be set at such a low rate as to ensure that every development remains viable. In setting the levy rates the Council has sought to strike an appropriate balance between:
- the desirability of funding from CIL in whole, or in part, the actual and estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and,
 - the potential effects, taken as a whole, of the imposition of CIL on the economic viability of development across its area.

6. Liability and Collection of CIL

- 6.1 The Levy applies to new development for which planning permission is granted after the Charging Schedule has taken effect, and the amount of CIL payable (the 'Chargeable Amount') is calculated on the day that development is first permitted (which can be the day on which planning permission is granted, if it is granted without conditions or reserved matters being attached, or which can be the day on which the last pre-commencement condition or reserved matters is agreed/approved). Where an outline planning permission permits development to be implemented in phases, each phase of the development is a separate chargeable development.
- 6.2 Liability to pay CIL for qualifying development will be assumed at the time planning permission is granted. Payment of CIL is due from the date the chargeable development commences with payment normally required within 60 days. The liable party is required to notify the collecting authority about the start date of the development.
- 6.3 The Council recognises the implications that a large CIL liability required at the commencement of a development project could have on cash flows and the ability to raise finance. Therefore the Council is exploring the option to introduce an instalments policy for the payment of CIL over fixed time periods depending on the amount of CIL liable.

7. Payment in kind

- 7.1 Under the regulations, charging authorities may at their own discretion, consider accepting land as payment in kind in lieu of CIL. This will only normally be considered for land in excess of that needed to deliver the infrastructure required by the permitted development (e.g. if the development permitted requires a new school of scale x, the land for a school of scale x will be provided without cost and not in lieu of CIL). The value of land for in lieu payment will be determined by an independent valuer.

8. Relationship between CIL and S106

- 8.1 The CIL Regulations 2010 include restrictions on the pooling of planning obligations (i.e. S106 Agreements and commuted sums) whereby the Council will not be able to pool more than 5 contributions from separate developments towards a single item of infrastructure not to be funded by the CIL. This means that it will become difficult to deliver larger scale items of infrastructure such as schools, transport schemes etc. where the pooling of many individual planning contributions is often necessary. However, there will continue to be an important role for planning obligations in mitigating the site specific impacts of a development and for providing affordable housing.
- 8.2 As part of the CIL the Council will need to prepare a list, referred to formally as a "Regulation 123 list", setting out the types of infrastructure that it intends to fund through CIL. CIL cannot be used as well as Section 106 to deliver the same piece of infrastructure. The Council will therefore endeavour to produce a list that is clear to ensure that a development is not charged twice for the same infrastructure.
- 8.3 The Regulation 123 list can be reviewed at any time. In line with Government guidance on the preparation and implementation of the CIL the Council will undertake appropriate local consultation when reviewing the Regulation S123 list.
- 8.4 This list has to be published in time for the examination of the Charging Schedule. The Council intends to publish a draft Regulation S123 list alongside the Draft Charging Schedule due to be published for consultation later this year. The emerging Regulation 123 list will need to be discussed with key infrastructure providers such as the County Council and the Environment Agency.

9. Spending of the CIL levy

- 9.1 The finance generated from the CIL must be used to deliver infrastructure in the District that is needed to support the level of housing and employment growth proposed within the Core Strategy and the emerging SAPP. This could include funding new or safer road schemes, schools, health and social care facilities, flood defences, open spaces and leisure facilities. This may be new infrastructure, or may involve repairing, expanding or enhancing existing infrastructure, if that is necessary to support new development. In certain circumstances it may also be spent on the on-going costs of providing infrastructure, which could include maintenance and operational activities.
- 9.2 It is important to note that CIL is not meant to replace mainstream sources of funding for infrastructure and will not cover the full costs of all of the infrastructure projects identified in the Council's Infrastructure Delivery Plan. The Council will work closely with the relevant infrastructure and service providers to discuss the funding of infrastructure projects.

- 9.3 The Regulations also allow up to 5% of the CIL collected each year to be used to pay for the administrative expenses incurred by the charging authority. The District Council anticipates that it is likely to seek an element of reimbursement, to cover the costs associated with collection, implementation and monitoring of CIL. This will be accounted for in the Council's monitoring of the expenditure of CIL.

10. Neighbourhood Funds

- 10.1 Under draft amendments to the CIL Regulations being brought forward by the Government a local council (i.e. parish/town council) with an adopted neighbourhood development plan will receive 25% of the CIL receipts generated by development within the neighbourhood plan area (provided that the development was granted planning permission after the neighbourhood plan was adopted) to spend on local infrastructure. In areas without a neighbourhood development plan in place: the local council will receive 15% of CIL receipts generated by development in the area (with a cap on the CIL revenue the charging authority has a duty to give local councils equal to £100 per dwelling in the area in each financial year).
- 10.2 This 'Neighbourhood Fund' will be passed directly to parish/town councils where development occurs, and these locally elected councils will be directly accountable for its expenditure and reporting.
- 10.3 Draft amendments to the CIL regulations allow the charging authority to require the repayment of neighbourhood funds that remain unspent 5 years after they were transferred to the District Council. Any returned funds are placed in the pooled CIL fund to be spent on district-wide infrastructure projects. The Council will need to determine its position on requiring the return of unspent neighbourhood funds.

11. Reporting

- 11.1 The Council will publish an annual report on the operation of the levy over each financial year. This will form part of the Council's annual Authority Monitoring Report and will include the following information:
- How much CIL monies have been collected;
 - How much of that money has been spent;
 - Information on how CIL monies have been spent, including on which infrastructure projects;
 - how much has been used to cover administrative costs; and,
 - The amount of CIL retained at the end of the reporting year.
- 11.2 Parish and town councils who receive CIL monies will have a duty to report to the District Council annually on how they have used their Neighbourhood Funds.

12. Monitoring and review of CIL

- 11.1 The Council recognises the need to closely monitor the proposed CIL charges, given that changes in the property market, construction costs and changes in local or national policy over time can impact on development viability. Following the intended adoption of the CIL Charging Schedule, the Council intends to review the CIL periodically in response to significant changes in local development viability.

13. Next steps

- 13.1 This Preliminary Draft Charging Schedule is the subject of consultation for six weeks starting on 14 January 2014 and ending at 4.30pm on 28 February 2014.
- 13.2 Following completion of the consultation on the Preliminary Draft Charging Schedule the representations received will be reviewed and if required alternations made or further economic viability testing undertaken. The next stage is to then prepare and publish a Draft Charging Schedule that will be the subject of a further six week consultation to take place later in the year. It is anticipated that an Examination in Public will take place to hear objections before the CIL is adopted and brought in to use.

14. Your views

- 14.1 We would like to receive any comments you may have on the Preliminary Draft Charging Schedule (PDCS) provided below, and on any of the above or accompanying information and material that sets out our approach for introducing CIL. A questionnaire follows the EVA below.
- 14.2 Responses to the questionnaire and any additional comments should be put in writing and sent to:

CIL consultation
Policy & Strategy Team
Selby District Council
Civic Centre
Doncaster Road
SELBY
YO8 9FT

Or policyconsultation@selby.gov.uk

- 14.3 Please note that comments cannot be treated as confidential and that they will be made available as public documents.
- 14.4 For an informal discussion about CIL, please telephone 01757 292092. Please note that any comments you make on the telephone will only be formally considered if they are followed up in writing/email.

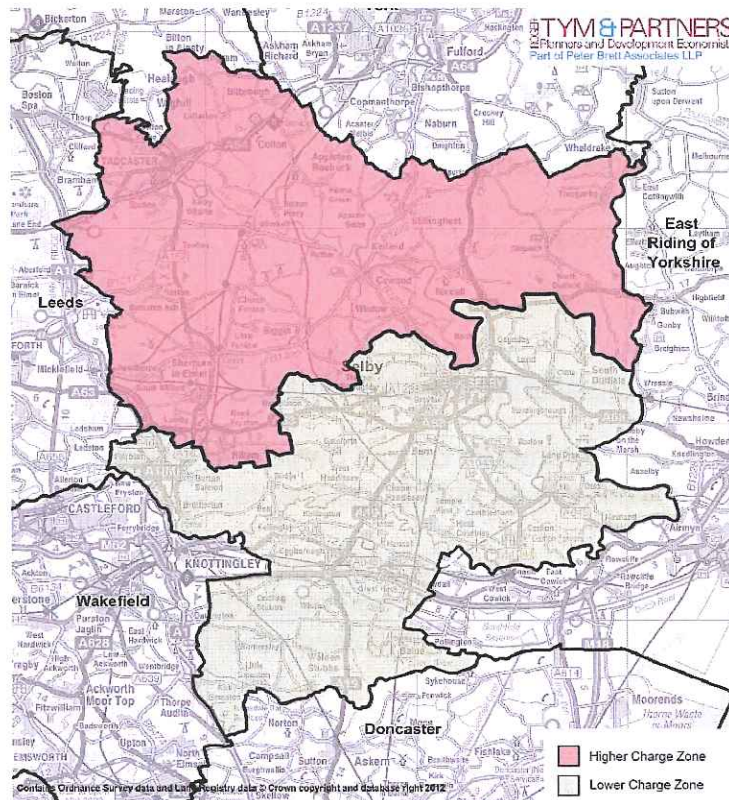
Selby District Council
Community Infrastructure Levy
Preliminary Draft Charging Schedule
Consultation January 2013

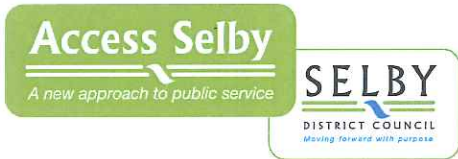
| Use | Proposed CIL charge (per sq.m) |
|--|-----------------------------------|
| Private market houses – Higher value zone | £45 |
| Private market houses – Lower value zone | £25 |
| Supermarkets* | £110 |
| Retail Warehouses* | £60 |
| Public/Institutional Facilities as follows: education, health, community and emergency services | £0 |
| All other chargeable development | £10 |

Proposed Residential Charging Zone:

Those zones include the following Wards:

- Higher charge zone – Appleton Roebuck, Cawood with Wistow, Monk Fryston and South Milford, North Duffield, Riccall with Escrick, Saxton and Ulleskelf, Sherburn in Elmet, Tadcaster East and Tadcaster West.
- Lower charge zone - Barlby, Brayton, Camblesforth, Eggborough, Fairburn with Brotherton, Hambleton, Hemingbrough, Selby North, Selby South, Selby West and Whitley.





Selby District Council
Community Infrastructure Levy
Consultation Comment Form
14 January – 28 February 2014

Your name and address details:

Email address (required)

Your agent name and address details:

Email address (required)

- 1: Do you have any comments to make on the viability assumptions and calculations in the Economic Viability Assessment?

- 2: Do you agree with the higher and lower charging zones?

- 3: Do you have any comments to make on the figures in the preliminary draft charging schedule (the proposed levy rates)? In particular the base charge of £10 per sqm for all other chargeable developments?

- 4: Do you have any comments to make on options for discretionary relief?

- 5: Do you have any comments to make on the range of projects identified in the Infrastructure Projects Schedule?

- 6: Do you know of any additional projects that could be included in the Infrastructure Projects Schedule?

- 7: What infrastructure do you think the Regulation 123 List should include (ie where should the Council direct the money raised by the Levy)?

- 8: How frequently, and/or what triggers do you think the Council should consider to launch a review of CIL and/or the Regulation 123 list?

- 9: Should the Council establish an instalments policy to stagger payments?

- 10: Should the Council use th 'All-in Tender Price Index' published by the Building Cost Information Service (BCIS) of Royal Institution of Chartered Surveyors to deal with annual increases in the levy?

- 11: Any other comments on CIL?

Signature..... Date.....

Please return this form to:
 CIL consultation
 Policy & Strategy Team
 Selby District Council
 Civic Centre
 Doncaster Road
 SELBY
 YO8 9FT

Or policyconsultation@selby.gov.uk

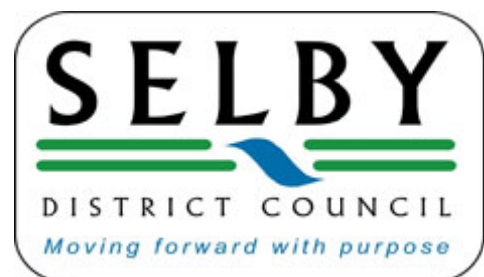
Please note that comments cannot be treated as confidential and that they will be made available as public documents. You must include your contact details, then sign and date the form.

For an informal discussion about CIL, please telephone 01757 292092. Please note that any comments you make on the telephone will only be formally considered if they are followed up in writing/email.

Community Infrastructure Levy

Economic Viability Assessment

On behalf of **Selby District Council**



Project Ref: 27711-002 | Rev: AA | Date: September 2013

Document Control Sheet

Project Name:

Project Ref:

Report Title:

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Date:

| | Name | Position | Signature | Date |
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| Prepared by: | | | | |
| Reviewed by: | | | | |
| Approved by: | | | | |
| <i>For and on behalf of Peter Brett Associates LLP</i> | | | | |

| Revision | Date | Description | Prepared | Reviewed | Approved |
|----------|------|-------------|----------|----------|----------|
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1 Introduction

1.1 Introduction

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

1.1.2 This study 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.
- Section 4 sets out the approach taken in the assessment of infrastructure requirements that will be used to determine the CIL infrastructure funding target.
- Sections 5 to 9 look at the viability of different kinds of development in different parts of Selby.
- Section 10 sets out analysis of the charge rate options.
- Section 11 then takes this analysis, summarises it, and translates these assessments into recommendations for a Preliminary Draft CIL Charging Schedule (PDCS) and makes some very broad projections of revenue arising from the CIL charge.
- Section 12 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 new planning charge that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from developers to help pay for infrastructure that is needed as a result of development. Local authorities who wish to charge the levy must produce a 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 approved 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 2010¹, as amended in 2011², 2012³ and 2013⁴
- The CIL Guidance issued under S221 of the Planning Act 2008, which is statutory guidance, i.e. it has the force of law and the authority must have regard to the guidance⁵.

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

- CIL overview documents; and⁶
- Documents on CIL relief and on collection and enforcement⁷.

2.1.4 Below, we summarise the key points from these various documents.

2.2 Finding the balance

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

- a. The desirability of funding from CIL (in whole or in part) the... cost of infrastructure required to support the development of its area... and
- b. The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

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

¹http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf

²http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf

³ http://www.legislation.gov.uk/ukdsi/2013/9780111534465/pdfs/ukdsi_9780111534465_en.pdf

⁴ http://www.legislation.gov.uk/ukdsi/2012/2975/pdfs/ukdsi_20122975_en.pdf

⁵ DCLG (April 2013) *Community Infrastructure Levy Guidance*

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/36743/Community_Infrastructure_Levy_guidance_Final.pdf

⁶<http://www.communities.gov.uk/documents/planningandbuilding/pdf/1897278.pdf>

⁷<http://www.communities.gov.uk/documents/planningandbuilding/pdf/19021101.pdf>;

<http://www.communities.gov.uk/documents/planningandbuilding/pdf/1995794.pdf>

'By providing additional infrastructure to support development of an area, the levy is expected to have a positive economic effect on development across an area. In deciding the rate(s) of the levy for inclusion in its draft charging schedule, a key consideration is the balance between securing additional investment for infrastructure to support development and the potential economic effect of imposing the levy upon development across their area. The Community Infrastructure Levy regulations place this balance of considerations at the centre of the charge-setting process. In meeting the requirements of regulation 14(1), charging authorities should show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant Plan and support the development of their area. As set out in the National Planning Policy Framework in England, the ability to develop viably the sites and the scale of development identified in the Local Plan should not be threatened'.⁸

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

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

'...evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.'⁹

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

'must aim to strike what appears to the charging authority to be an appropriate balance...'

and the statutory guidance says

'The legislation... requires a charging authority to use appropriate available evidence to 'inform the draft charging schedule'. A charging authority's proposed levy rate (or rates) should be reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence... there is room for some pragmatism.'¹⁰

2.2.6 Regulation 14 effectively recognises that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Core Strategy can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should 'use an area based approach, which involves a broad test of viability across their area', supplemented by sampling '...an appropriate range of sites across its area...' with the focus '...in particular on strategic sites on which the relevant Plan relies...'¹¹

2.2.7 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,

⁸ DCLG (April 2013) *Community Infrastructure Levy Guidance* (para 8)

⁹ DCLG (April 2013) *Community Infrastructure Levy Guidance* (para 9)

¹⁰ DCLG (April 2013) *Community Infrastructure Levy Guidance* (para 28)

¹¹ DCLG (April 2013) *Community Infrastructure Levy Guidance* (Paras 23 and 27)

so long as, in aiming to strike an appropriate balance overall it avoids threatening the ability to develop viably the sites and scale of development identified in the Core Strategy.

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:

‘Charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. Charging authorities should show, using appropriate available evidence, including existing published data, that their proposed charging rates will contribute positively towards and not threaten delivery of the relevant Plan as a whole at the time of charge setting and throughout the economic cycle.’¹²

2.3.2 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- i. 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.
- ii. 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, or both. (It is worth noting that the phrase ‘use of buildings’ indicates something distinct from ‘land use’)¹³. As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy considerations. Nor should differential rates be set by reference to the costs of infrastructure.

2.4.2 The guidance also points out that there are benefits in keeping a single rate, because that is simpler, and charging authorities should avoid ‘undue complexity’.¹⁴

2.4.3 Moreover, generally speaking, ‘it would not be appropriate to seek to differentiate in ways that *‘impact disproportionately on particular sectors, or specialist forms of development’*¹⁵, otherwise the CIL may fall foul of State Aid rules.

2.4.4 It is worth noting, however, that the guidance is clear that ‘In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability.’¹⁶

2.5 Supporting evidence

2.5.1 The legislation requires a charging authority to use ‘appropriate available evidence’¹⁷ to inform their charging schedules. The statutory guidance enlarges on this, explaining that the available data ‘is unlikely to be fully comprehensive or exhaustive’.¹⁸

¹² DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 30)

¹³ 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.

¹⁴ DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 37)

¹⁵ DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 37)

¹⁶ DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 34)

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 effort analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Core Strategy. This suggests that the viability calculations may leave aside geographical areas and types of development which are expected to see little or no development over the plan period.

2.6 Chargeable floorspace

2.6.1 CIL will be payable on ‘most buildings that people normally use’.¹⁹ It will be levied on the net additional floorspace created by any given development scheme.²⁰ Any new build that replaces existing floorspace that has been in recent use on the same site will be exempt from CIL, even if the new floorspace belongs to a higher-value use than the old.

2.7 What the examiner will be looking for

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

- The charging authority has complied with the requirements set out in legislation
- The charging authority’s draft charging schedule is supported by background documents containing appropriate available evidence
- The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority’s area; and
- Evidence has been provided that shows the proposed rate would not threaten delivery of the relevant Plan as a whole.²¹

2.8 Policy requirements

2.8.1 Above, we have dealt with legal and statutory guidance requirements which are specific to CIL. More broadly, the CIL Guidance says that charging authorities ‘should consider relevant national planning policy (including the NPPF in England) when drawing up their charging schedules’. In addition, where consideration of development viability is concerned, the CIL Guidance draws specific attention to paragraphs 173 to 177 of the NPPF.

2.8.2 The only policy requirements which relate directly to CIL are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Whilst important policy considerations, these two points are outside our immediate remit in this study.

2.9 Summary

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

‘Aim to strike what appears to the charging authority to be an appropriate balance’ between the need to fund infrastructure and the impact of CIL on the economic viability of development in the area;
and

¹⁷ Section 211 (7A) of the Planning Act 2008

¹⁸ DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para25)

¹⁹ DCLG (Nov 2010) *Community Infrastructure Levy – An Overview* (paragraph 37)

²⁰ DCLG (Nov 2010) *Community Infrastructure Levy – An Overview* (paragraph 38)

²¹ DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 9)

'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, in the judgment of the local authority, the net outcome of these two impacts should be positive. This judgment is at the core of the charge-setting process.

2.9.3 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability for the bulk of sites;
- CIL charging rates may vary across geographical zones and building uses (and only across these two factors). But there are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive or exhaustive';
- While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence²². In this and other ways, charging authorities have discretion in setting charging rates.

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

²² DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para28)

3 Planning and Development Context

3.1 Introduction

3.1.1 To help ensure that the CIL supports the development of the District in general and delivery of the authority’s priorities in particular, we need to understand the nature of this development and their objectives. In this section 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 examination submission Core Strategy.

3.1.2 At the end of this section, 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. Table 3.1 below analyses the amount of net residential completions over the period 2004/5 to 2011/12. The table shows a fluctuating pattern of housing delivery with some years seeing significant levels of delivery whilst others are low. The pattern shown broadly reflects the impact of the economic downturn.

Figure 3.1 Selby District Council Housing Completions

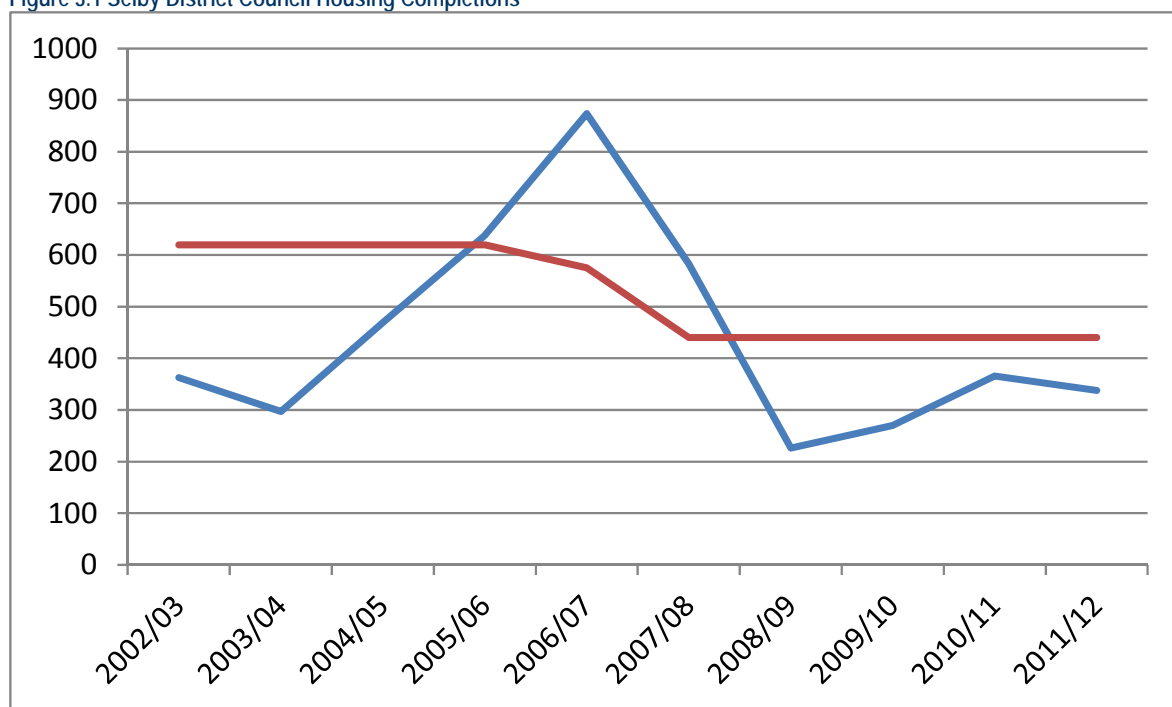


Table 3.1 Selby Housing Completions
Source: Annual Monitoring Report 2011/12

| Year | 2002/3 | 2003/4 | 2004/5 | 2005/6 | 2006/7 | 2007/8 | 2008/9 | 2009/10 | 2010/11 | 2011/12 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| Total Completions | 363 | 297 | 469 | 638 | 874 | 583 | 226 | 270 | 366 | 338 |

- 3.2.2 Over the period 2002/03 to 2011/12 a total of 4,424 net additional dwellings were completed. Assuming an average dwelling size of 120 sq. m (informed by analysis later in the report), equates to a total residential floorspace delivered of 530,880 sq. m.

3.3 Future Development and the Local Plan

- 3.3.1 The Council's Core Strategy sets out the vision and strategy for development across the district over the period to 2027. Essential to the delivery of an effective policy document is a clear vision which is supported by concise objectives. A clear theme that runs throughout the vision and objectives set out in the core strategy is the aspiration to enhance the role of the main service centres (with Selby as the principal town) and the use of sustainable locations for the delivery of development. It is therefore anticipated that development is to be focussed on the main settlements in the district.
- 3.3.2 New housing and commercial development is to be focussed on the principal town of Selby, followed by the local service centres of Sherburn in Elmet and Tadcaster. Outside of these areas, only affordable and local need housing is preferred. For the period covering up to the end of the proposed plan timeframe (to 2027), the total number of units suggested to be delivered is 5340 allocations (450 per annum) plus an anticipated (105dpa) 1400 from windfall, this 6740 new dwellings could potentially lead to an additional 808,800sq. m of residential floorspace. The economy will be supported by the development of employment uses in the three main service centres of Selby, Sherburn in Elmet and Tadcaster.

3.4 Development Central to the Delivery of the Local Plan

- 3.4.1 An analysis of the Core Strategy suggests there are core development types that will be critical to the delivery of the overall aims of the plan. These types of development will deliver the overwhelming majority of growth across the district over the plan period. These uses are discussed further below.
- 3.4.2 In this review it is important to not focus on the floorspace alone. Some developments sought in the plan might not represent a significant proportion of floorspace delivery, but might be important for the local aspirations for the communities and the local economy.

Residential development

- 3.4.3 Policy SP5 – The Scale and Distribution of Housing and the explanatory text highlights the level of housing anticipated and the locations to develop. The anticipated level of 450 net additional dwellings is reiterated in the explanatory text of the policy, but greater clarification is given for locations where development should be focussed.
- 3.4.4 The majority (51%) of housing will be focussed in Selby with 2500 new allocations, followed by Sherburn-in-Elmet (11%) with 700 new allocations and Tadcaster (7%) with 360 new allocations. The remaining 1780 allocations will be distributed among the Designated Service Villages within the District.

Office and industrial development

- 3.4.5 Policy SP13 – Scale and Distribution of Economic Growth makes provision for between 37ha and 52ha of employment land for the period to 2027. The policy goes on to suggest the areas where the Council believes this provision should be distributed. The primary focus will be in Selby followed by smaller sites in Tadcaster, Sherburn-in-Elmet followed by the rural areas of the district.

Retail development

- 3.4.6 Policy SP14 – Town Centres and Local Services highlights the retail requirements for the district. It is apparent that retail may not be the major driving force behind the delivery of the overall strategy.
- 3.4.7 Retail provision will be supported within Selby, Sherburn-in-Elmet and Tadcaster town centres. The plan highlights the need to maintain the balance between maintaining service provisions for local communities whilst allowing for the development of the town centres. To this end, significant levels of retail development are not anticipated.

Uses less likely to come forward

- 3.4.8 Some uses are currently considered unlikely to come forward 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 the district over the plan period, or be strategically important to the broader objectives.
- 3.5.2 The most important development types are:
- Residential
 - Town centre office
 - Business park office
 - Industrial and warehousing
 - Comparison retail
 - Convenience retail
- 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 Infrastructure evidence

4.1 Introduction

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

4.1.2 The statutory CIL guidance (2013 para 8) expands this stating:

'...by providing additional infrastructure to support development of an area, the levy is expected to have a positive economic effect on development across an area and benefit the local community'.

4.1.3 It is recognised that CIL cannot be expected to pay for all the infrastructure required, but is expected to make a contribution. The justification for a Community Infrastructure Levy (CIL) is based on having an infrastructure funding gap after all other known sources of funding have been taken account of. The following extract from paragraph 17 of the statutory CIL Charge Setting and Charging Procedures Guidance (April 2013) highlights this point:

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

4.1.4 It is important to note that the 'role' of the infrastructure evidence for the CIL examination is not to show the Local Plan is deliverable - that is the role of the Local Plan examination. The purpose of the CIL examination is to show that the intended CIL funding target is justifiable given local infrastructure needs and is based on appropriate evidence.

4.2 Infrastructure definition

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

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

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

4.3 Infrastructure evidence for Examination

4.3.1 The CIL Guidance (April 2013) sets out what infrastructure evidence is needed. It states that a charging authority needs to identify the total cost of infrastructure that it desires to fund in whole or in

part from the levy. In order to do this, the charging authority must use the ‘appropriate available evidence’²³ to consider:

- what additional infrastructure is needed in its area to support the development and growth needs set out in the Local Plan, and
- what other funding sources are available (for example, core Government funding for infrastructure, which will continue following the introduction of a levy; anticipated section 106 agreements; and anticipated necessary highway improvement schemes funded by anyone other than the charging authority)

4.3.2 It is also not necessary, for CIL purposes, to identify the entire infrastructure needed to support growth, instead a selection of projects can be included as an indication of the type of work likely to be undertaken. The legislation recognises that there will be uncertainty in pinpointing other infrastructure funding sources, particularly beyond the short-term. Indeed there are a number of sub-regional transport studies taking place that will inform the Selby infrastructure plan as and when the information becomes available.

4.4 Infrastructure delivery and developer expectations

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

4.4.2 Regulation 123 of the CIL regulations provides for charging authorities to set out a list (commonly known as the Regs 123 list) of those projects or types of infrastructure that they intend to fund through CIL²⁴ (and so will not double charge using s106). Indeed we consider it is important to start thinking about the funding mechanism to be adopted from the early stages of the CIL charge setting process so that a charging authority has a clear plan of how to enable the delivery of growth to take place. At this stage, it has been assumed that all the items of infrastructure included in the infrastructure funding gap are likely to be part of the CIL Regs 123 list, though views on this will develop over time and there may be some adjustments later.

4.5 Scaling back S106

4.5.1 The intended consequence of CIL is that S106 requirements should be scaled back to dealing with those matters that are directly related to a specific site or to the delivery of s106 for affordable housing. Used appropriately, CIL can bring the following benefits:

- Firstly ensuring the cumulative impact of growth on infrastructure is met by a wider range of developments. CIL does not have a threshold and so almost all qualifying development would be liable to the charge once in place. This means that the vast majority of smaller developments which have a cumulative impact on infrastructure will also be liable to pay some CIL charge – so making it a much fairer and more transparent system.

²³ DCLG (April 2013) CIL Guidance para 12.

²⁴ Note it does not necessarily follow that if an infrastructure item is on the Regs 123 list then it will automatically be funded - the decisions on how spend the CIL proceeds will be for the Charging Authority to determine based on assessed priorities at any given point in time. However the aim of the list is to avoid double funding using s106 and CIL proceeds.

- Secondly, developers will have upfront knowledge about precisely what they will have to pay for infrastructure and Local Plan policy requirements without having to enter protracted negotiations – saving time for the developer and the local authority and enabling better cost estimation. For transparency a charging authority should set out how their s106 policies will be revised once CIL is in place.
- Thirdly, the Charging Authority can plan effectively for infrastructure delivery as it too can estimate the likely income expected to fund infrastructure through CIL.
- Finally, the infrastructure service providers and neighbourhood communities can have some certainty about likely CIL income to pay for specific projects and so can use the anticipated CIL income as a lever to bid for other sources of funding and so better plan infrastructure delivery.

4.6 Widening the Infrastructure Definition

4.6.1 Amendments to s216(1) of the Planning Act 2008 made by the Localism Act 2011, and consequential changes to the CIL regulations have widened the provision setting out how CIL may be spent on infrastructure. Spending can now include ‘relevant revenue costs’. Amended Regulation 59²⁵ now states “A charging authority must apply CIL to funding the provision, improvement, replacement, operation or maintenance of infrastructure”

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

4.7 DCLG consultation on further reforms to CIL

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

Early preparation of the Reg 123 List

4.7.2 The early preparation and consultation of the ‘infrastructure spending list’ (Reg 123 list) – the suggestion is that for transparency reasons, the Reg 123 list should be published along with the preliminary draft charging schedule and should be part of the appropriate available evidence to inform the draft charging schedule at examination. The charging authority will also need a better understanding of how infrastructure is likely to be funded - via s106 or CIL. We consider it is wise to commence this early thinking however, in the case of Selby, the authority is not sufficiently advanced in the infrastructure plan to do this at this point but will develop thinking on their infrastructure over the coming months and this will begin the process of distinguishing the collection mechanism between s106 and CIL. For now the viability study has assumed a ‘residual’ S106 contribution of £500 per unit.

Treatment of S278 highway costs

4.7.3 The possible consideration of S278 requirements in the Reg 123 list – this relates to agreements made under the Highways Act to ensure delivery of necessary highway works. Currently the limitations on planning obligations in Regulation 123 do not apply to s278 agreements. We consider it maybe will be difficult to estimate site specific s278 requirements stemming from development at this strategic level.

²⁵ Definition of infrastructure was amended in the 2012 CIL Regulation following the Localism Act.

Payment in kind considerations

- 4.7.4 A further area for consultation relates to payment in kind in the form of either land or actual infrastructure instead of cash for CIL. Currently, charging authorities can accept land payment for CIL, however the consultation looks to extend this to include infrastructure as an in-kind payment mechanism - where both the developer and charging authority agree. The charging authority may prefer this as it takes the burden of infrastructure provision away from them, but there could be issues of still passing 'cash' as a meaningful proportion onto neighbourhoods. The consultation document raises a number of issues relating to how to calculate the cost of providing the infrastructure and EU procurement rules. The charging authority should consider how these issues will affect their delivery of infrastructure.

4.8 Infrastructure assessment for Selby

- 4.8.1 The infrastructure assessment for Selby has been prepared by the Selby Charging Authority and it is based on various consultations with infrastructure service providers and critical friend support from PBA. The assessment considered the infrastructure requirements stemming from the growth needs set out in the Core Strategy Local Plan 2013 and forms the basis for estimating the infrastructure costs. At this point in time there are no other identified sources of funding, or secured s106 funds allocated to meet any of the infrastructure items.
- 4.8.2 Appendix A provides a summary of the key elements of CIL Infrastructure schedule for Selby – note that further information maybe be added to this over the coming months, this table must be treated as a 'live' document as it will be updated to reflect new emerging information.

4.9 The Funding Gap

- 4.9.1 The Infrastructure Schedule at Appendix A shows that the estimated total infrastructure requirements in Selby to date is estimated at just under £107m. Currently no mainstream funding has been identified for this assessment and there are no other known mainstream sources of funding.
- 4.9.2 The infrastructure funding gap is to be expected, and indeed necessary to justify the CIL. It is never the intention of CIL to plug the aggregate infrastructure funding gap. A key component of the funding gap in Selby District is the provision of strategic transport improvements and flood risk management measures with a number of specific projects estimated to cost around £10m each for transport and flood prevention infrastructure.

5 Residential Viability Assessment

5.1 Introduction

- 5.1.1 This section sets out the findings of the viability assessment for residential developments and considers the implications of this on the variable CIL charge options. In the case of both residential and non-residential development, we have classified the likely viability using a traffic light system. Green represents viable development, amber represents development at the margins of viability and red represents development that is unlikely to be viable²⁶.

5.2 Market Context

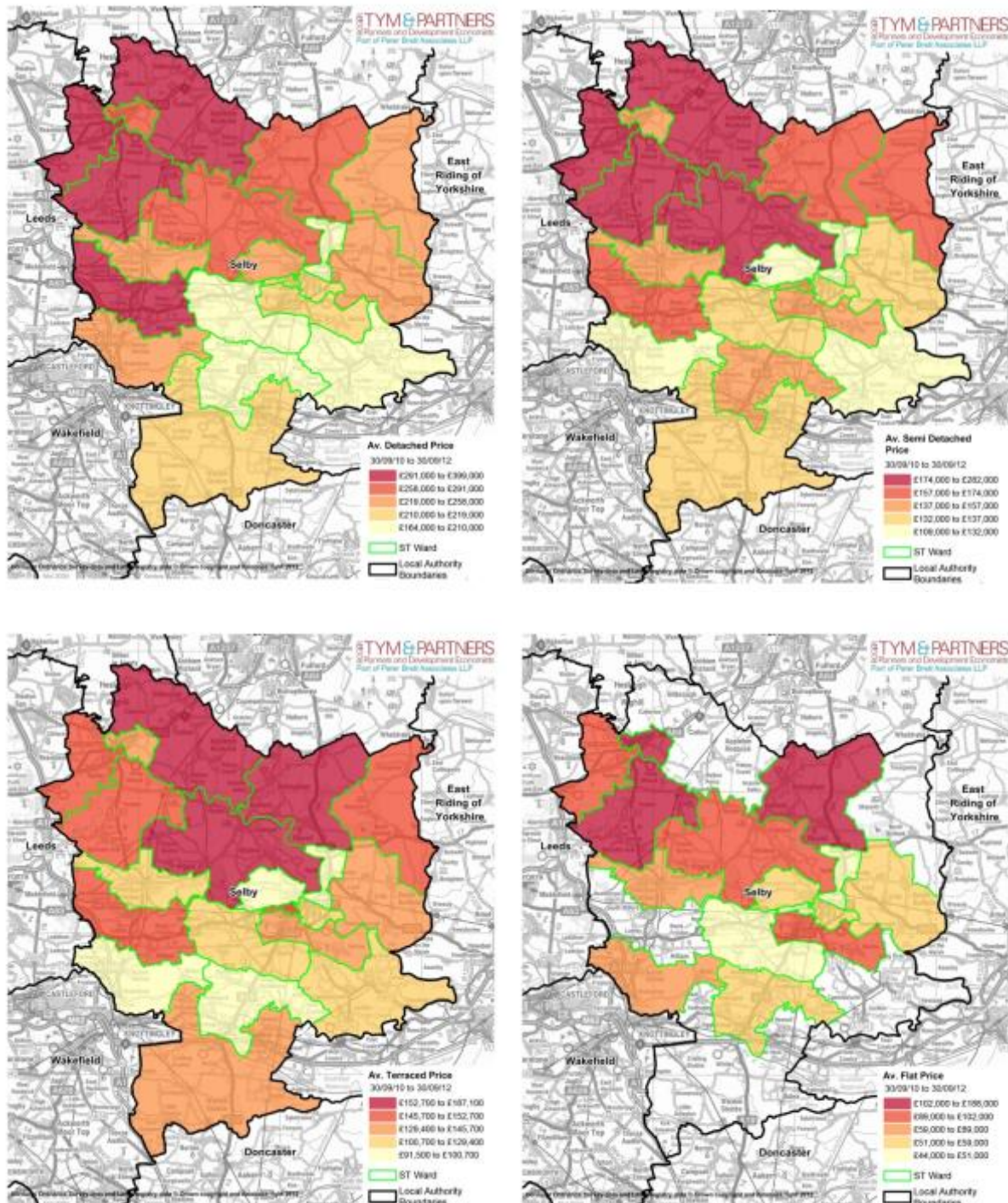
- 5.2.1 We have gathered and analysed a range of readily available data on residential property market conditions (including in relation to sales values, land costs and build costs, amongst other factors) that provide the evidence base for the assumptions that underpin our assessments. Desk based research has only highlighted a limited number of new build properties coming to the market in recent years. In order to create a more solid dataset, information has been included from settlements immediately adjacent to the district boundary.
- 5.2.2 Our analysis of houses currently being marketed across the district suggests that larger properties of three and four bedrooms are being constructed. These are typically detached and semi-detached dwellings.
- 5.2.3 The limited levels of housing that are to be brought forward is to be focussed towards Selby, Sherburn-in-Elmet and Tadcaster.

5.3 Heat Maps

- 5.3.1 The heat mapping shown below gives a visual representation of the average achieved sales prices of properties across the district at ward level. The data covers a two year period from September 2010 to September 2012. This data gives an indication to and provides evidence of the current characteristics being seen in the area.

²⁶ This traffic light assessment must be treated with caution, as explained in the previous section; the appraisals are based on a strategic approach and in no way prejudice any site specific valuations.

Figure 5.1 Average Sales Prices – Detached, semi-detached, terrace and flats



Potential Charging Zones

5.3.2 As discussed in Section 2, CIL Regulations (Regulation 13) allow the CA to introduce charge variations by geographical zone within its area, by land use, or both. There is no requirement on CAs to set differential rates, but statutory guidance notes that ‘some charging authorities may prefer to set uniform rates, because they are simpler’.²⁷ This latter point on simplicity is an important one. All differences in rates need to be justified by reference to the economic viability of development.

²⁷ DCLG (December 2012) *Community Infrastructure Levy Guidance* (11)

Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required at examination, and could be a point of contention.

- 5.3.3 Larger versions of the mapping with keys can be seen at appendix A of this report. The mapping for the average flat prices is sparse because of the lack of data available across the timeframe chosen and the lack of flat developments coming forward. Dark red shows areas of high value whilst the lighter yellow areas show lower values.
- 5.3.4 On review of the heat mapping it is clear that there is scope for a two zone charge rate. The wards of Tadcaster West, Saxton and Ulleskelf, Appleton Roebuck and Cawood and Wistow show consistently higher values across the various development types. We therefore consider there to be scope for a two tier charge rate.
- 5.3.5 Charging zones are discussed further in Section 9.

5.4 Trends & Trajectory

- 5.4.1 Figure 4.2 below shows the average price data across North Yorkshire²⁸ since July 2007. It shows that house prices in the region have tracked those at the national level. The region is also showing to be outperforming the national average, however in recent months this gap is closing as the national average is showing a stronger recovery than north Yorkshire.

As a result of the recent recession, there has been significant turbulence in the housing market, however this is not exclusive to North Yorkshire. Land Registry data for North Yorkshire shows that the market peaked in December 2007 at £197,214 before falling some 17% to its lowest in June 2009 at £164,863. The market showed signs of recovery for a short while, reaching a peak in September 2010 at £176,435 before slipping again to where it currently stands at £167,984 as of September 2013. The North Yorkshire region has consistently outperformed the national average however in recent months the gap has begun to close somewhat.

Figure 5.2 Average House Price Data



- 5.4.2 To provide additional foresight into likely future residential development market conditions, we also undertook a review of published research and market commentaries of agents focussing on

²⁸ Data from the Land Registry. The data does not go to District/District level, therefore North Yorkshire data has been used.

residential development markets. Most notably, Savills (considered to be amongst the market leaders in residential development market research and projections) ‘Residential Property Focus’ of Q2 2013 was given consideration. Its summary projections, Figure 4.3, show that residential values in Yorkshire and The Humber are forecast to hold reasonably steady in the period up to 2015 before seeing growth in 2016 and 2017.

Figure 5.3 Regional House Price Growth Projections

| | Actual | Forecast | | | | | |
|----------------|--------|----------|-------|------|------|------|------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 5yrs to end 2017 |
| UK | -1.1% | 0.5% | 1.5% | 2.0% | 3.5% | 3.5% | 11.5% |
| London | 0.7% | 1.5% | 4.0% | 4.5% | 5.0% | 4.5% | 21.0% |
| South East | -0.2% | 1.5% | 3.5% | 4.0% | 4.5% | 4.5% | 19.5% |
| South West | 0.2% | 1.0% | 2.5% | 3.0% | 4.0% | 4.0% | 15.5% |
| East | -1.0% | 1.0% | 3.0% | 3.5% | 4.5% | 4.0% | 17.0% |
| East Midlands | -0.8% | 0.5% | 2.0% | 2.5% | 4.0% | 3.5% | 13.0% |
| West Midlands | -0.8% | 0.0% | 0.5% | 1.0% | 3.0% | 3.0% | 7.5% |
| North East | -1.3% | -0.5% | -0.5% | 0.0% | 2.5% | 3.0% | 4.5% |
| North West | -1.6% | 0.0% | 0.0% | 0.5% | 2.5% | 3.0% | 6.0% |
| Yorks & Humber | -2.5% | 0.0% | -0.5% | 0.5% | 2.5% | 3.0% | 5.5% |
| Wales | -2.7% | 0.5% | 1.5% | 2.0% | 3.5% | 3.5% | 11.5% |
| Scotland | -3.3% | 0.0% | 0.0% | 0.5% | 2.5% | 3.0% | 6.0% |

Source: Savills Research forecasts based on Nationwide actuals

5.5 Approach to Assessing Viability

- 5.5.1 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.
- 5.5.2 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.
- 5.5.3 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.
- 5.5.4 The output of the model is a residual developer’s margin, expressed as a percentage of the total development costs – a measure commonly used by developers in considering the viability of development. Typically, developers and their funders would seek a minimum return of 20% of cost in current market conditions. Where our model output shows a margin in excess of 20%, we believe there is scope for a CIL charge to be introduced. Our approach to assessing the viability of residential development can therefore be summarised as follows:

| |
|--|
| <p style="text-align: center;">Net development value <i>Minus</i> Reasonable land acquisition costs <i>Minus</i> Total development costs <i>Equals</i> Residual developer's margin (Determines ability to pay for a CIL)</p> |
|--|

5.5.5 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.

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

5.5.7 As mentioned above, the model allows each variable to be changed to assess different development and market scenarios. In total, eight separate scenarios that applied different combinations of assumptions with respect to land price; sales values per sq.m; and the proportion of affordable housing were appraised.

5.5.8 The model has been used for a number of CIL studies for various local authorities. The method and results have been proved sound and robust with successes at examinations. The model has been designed to cover enough detail to produce results that reflect market trends whilst ensuring the inputs and outputs remain as simple as possible for clarity.

5.6 Key Assumptions

- 5.6.1 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.
- 5.6.2 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

- 5.6.3 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. These per sq.m values could then be averaged and used as the basis for analysis of differences between areas and development types. The sources of this information included the website of developers themselves and other websites that focus on selling newly built residential property such as Rightmove, smartnewhomes.com and newhomesforsale.co.uk.
- 5.6.4 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 Code Level 4, although costs may alter in future.
- 5.6.5 Based on the findings from these sources, we arrived at initial conclusions with respect to each of the assumptions. These were then tested through 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. The assumptions were also discussed with locally active developers and agents through a formal stakeholder workshop. This process was undertaken to ensure the assumptions being made were reflective of the current market and enabled us to refine figures where necessary. Following these discussions we have assumed the following data set out below.

Land acquisition cost

- 5.6.6 In respect of residential development land prices/values, we took account of recent Valuation Office Agency (VOA) reports covering this issue, as well as the findings of consultations with local agents and residential developers.
- 5.6.7 Clearly, the value of a piece of land to a developer will vary significantly from one site to the next as a result of its specific characteristics, including:
- Size and shape;
 - Topography and ground conditions;
 - Location and potential sales values;
 - Capacity of and ease of connection with surrounding infrastructure e.g. local utility networks;

- Whether the site is allocated and/or benefits from a suitable planning permission; and
 - The nature of the planning permission and Developer Contributions that can reasonably be expected.
- 5.6.8 Until 2009, the VOA's reports were more detailed however do not provide coverage of areas within Selby. More recent data from the VOA is only available for the larger conurbations in Yorkshire which may not represent the data for the locality. It is important to note that this data does not take account of the impact on land values of policy requirements such as affordable housing.
- 5.6.9 In arriving at initial assumptions on land prices, we took account of both the 2009 data and factored in changes in market conditions since then, as well as the 2011 data, factoring in the perceived strength/weakness of the district to the surrounding areas.
- 5.6.10 In addition to this, we have also discussed land values with developers and agents active in the local market. A summary of the feedback from the residential land agents and developers is that:
- Typical gross residential land values (i.e. before account is taken of policy requirements and site-specific development constraints) can be upwards of £1,000,000 per ha;
 - Net land values are considerably more difficult to draw generalised conclusions from and there have been few recent transactions to provide the basis for analysis, however a range of £400,000 - £850,000 per ha could be considered typical;
 - The minimum land value that many owners of residential land in the district would be willing to accept is approximately £400,000 per ha. A reduction beyond this level may constrain the supply on land on to the market and therefore the ability to meet housing requirements; and
 - That there is little variation between the per ha values of larger sites and small sites, with larger sites usually parcelled off and brought to the market in a series of phases.
- 5.6.11 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.
- 5.6.12 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 North Yorkshire is worth approximately £21,000 per hectare. In order to inform residential land values, a multiplier of between 15 times is often applied, plus the cost of servicing the site. This would give residential land values typically in the region of £550,000 - £650,000 per ha.
- 5.6.13 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 typically has a value of £410,000 per ha, with the top of the market identified as £475,000 per ha. Allowing for value growth since that time (in line with locations still covered in the latest version of the report) of 11%, this suggests current employment land values of £450,000 - £530,000 per ha. An uplift of c30% over industrial land values is often used as a proxy for considering residential land values. This suggests residential land values of £585,000 - £690,000 per ha.
- 5.6.14 LPAs cannot dictate or predict land sales costs, so reasonable assumptions must be made. However, there is a general expectation across the market that land values will ultimately have to go through a period of rebalancing to reflect current market pressures. Some sites, particularly those purchased without planning permission and where there is a risk it will not be achieved could be acquired relatively cheaply. Where this is the case, higher contributions could be achieved than if a more typical land cost is applied. Conversely, other sites may well command a higher land price, in which case Developer Contributions based on more typical land costs could potentially cause some hardship and delay in delivery, in respect of sites where the land deal is already concluded.

- 5.6.15 Our assessments set out in this section seek to test the range of likely market conditions evident across the district, but also seek to ensure that as far as is possible in all other respects, we are comparing like with like. Therefore, our assumption in terms of land is 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
- 5.6.16 Reflecting the findings of the analysis set out above, we have drawn together a range of land value scenarios that provide the basis for our viability assessments. Different scenarios have been developed for moderate and high value areas within the district. As mentioned in para. 4.6.8, the above data does not take affordable housing requirements into consideration. The cost of affordable housing is usually taken off the price offered to the land owner.
- 5.6.17 The land values assumptions, based on serviced land, are:
- Low value - £400,000 per net developable ha
 - Moderate value - £575,000 per net developable ha
 - High value - £850,000 per developable ha
- 5.6.18 A range of development typologies are expected to come forward over the life of the plan. In order to deliver the 440 dwellings per annum as set out in the submission core strategy a range of sites will need to be brought forward. They could range from small sites of 2/3 dwellings up to more significant, multi-phase schemes. We have therefore undertaken generic assessments at 0.25ha, 1ha and 5ha site sizes.
- 5.6.19 It should be noted that our model of sites of 0.25ha is likely to fall beneath the threshold for on-site affordable housing provision as set out in policy SP9. In such cases a commuted sum is sought as an alternative and this figure is built in to the assessments, as detailed below. The impact on viability of the commuted sum is considerably lower than that of on-site provision at policy levels, and as such sites beneath this threshold appear significantly more viable than those above it. In reality, however, this differential would be reflected in land values that would be higher on a per ha basis of those where on-site provision is required. We have therefore applied a premium of 25% to the land value of these smaller sites.

Sales values

- 5.6.20 The assessment of new build houses currently on the market revealed asking price values within a broad range between £1,261 per sq. m and £3,973 per sq. m, although more commonly between two ranges of £1,600-£2,000 per sq. m as a lower range and £2,300 and £3,400 per sq. m as an upper range. The average asking price for 2-storey houses is £2,200 per sq. m.
- 5.6.21 However, if 3-storey townhouses are also included in the analysis, then this figure falls to £2,160 per sq. m, reflecting their unpopularity with buyers. Typically, these townhouses range in value from £1,620 - £1,770 per sq. m.
- 5.6.22 It is important to note 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 £2,100 per sq. m, and a discount of 10% suggests achieved values of c£1980 per sq. m.
- 5.6.23 There were no new build apartments on the market in Selby District at the time the research for this study was undertaken. As such, we have relied on analysis of Land Registry data (see commentary below) on new build flats and inputs from consultees in this respect.

- 5.6.24 In addition to the above empirical analysis of houses currently on the market, we also interrogate Land Registry data on achieved (rather than asking) new house sales prices. This data is broken down by type (detached, semi-detached and terraced) but no floorspace data is available and as such assumptions on the average size of units of each type have to be made in order to deduce sales values per sq. m. The assumptions are informed by our own analysis set out above.
- 5.6.25 Applying average sizes of 120 sq. m for detached houses, 100 sq. m of semi-detached and 80sq. m for terraced houses gives the following sales values:
- Detached - £2,168 per sq. m
 - Semi-detached - £1,765 per sq. m
 - Terraced - £1,864 per sq. m
 - Apartments - £1,564 per sq. m
- 5.6.26 These figures are broadly in line with the discount-adjusted asking prices for houses shown above of £1,980 – 2,100 for houses.
- 5.6.27 On the basis of these analyses, we propose to model three levels of sales values as part of this study. Our 1ha reference case scenarios will adopt a sales value for houses of £2,000 per sq. m, with a higher value scenarios at £2,175 per sq. m and lower value scenarios at £1,830 per sq. m. Larger sites have a greater ability to influence the achievable sales values for properties. As a result of this the sales values have an uplift included as follows. Reference case value at £2,020 per sq. m, £2,190 per sq. m for high value areas and £1,850 per sq. m for lower value areas.

Affordable Housing & Developer Contributions

- 5.6.28 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. However the council due to adopt (December 2013) a set transfer value for the affordable dwellings that are built. Table one in appendix one of the Draft Affordable Housing SPD (July 2013) sets out the transfer prices for different dwelling types, covering various flat and house sizes.
- 5.6.29 Using the figures provided we have used a blended average figure of £805 per sq. m to represent the value of affordable units to the developer.
- 5.6.30 Affordable housing policy requirements vary depending upon the development size. For sites delivering 10 dwellings or more the provision is required on-site. For developments delivering 9 dwellings or less a commuted sum is sought. Based on the figures set out in the draft SPD a commuted sum of £9,225 per dwelling is used.
- 5.6.31 Any potential CIL charge is excluded from the initial appraisals for ease of analysis, although an allowance is made for residual s.106 contributions for measures that are required to make the scheme acceptable and are related in scale and nature to the proposed development. This allowance is £500 per unit, and is based on current developer contributions with costs for items expected to be delivered through CIL stripped out.

Build costs

- 5.6.32 We have assumed the following build costs for houses on small sites based on BCIS median average build cost for 2 storey estate housing across the district. On top of this base figure of £785 per sq. m we have made allowances for external works of 10% of cost, and contingency of a further 5%.

5.6.33 For residential development in more affluent and desirable locations, buyers will often expect higher specification of items such as kitchens, bathrooms and other fixtures and fittings. Conversely, in building affordable housing, a lesser amount is likely to be spent on those fixtures and fittings. As such, we have sought to reflect this in our build cost assumptions as follows:

- Affordable housing: £860 per sq. m
- Low value: £860 sq. m
- Moderate value: £870 per sq. m
- Higher value: £880 per sq. m

5.6.34 Larger development locations will benefit from economies of scale; we have therefore applied a 2.5% reduction on the figures above in the 5ha appraisals. Smaller sites will not benefit from similar economies of scale and therefore we have factored an increase in build costs of 2.5%.

Other assumptions

5.6.35 In addition to the above build cost, a range of other costs of development are taken into account in our viability assessments. We make an allowance for on-site secondary infrastructure (e.g. utilities extensions, spine roads, strategic landscaping and drainage systems and the like, which are part of ordinary development costs and would not be part of any s.106 contribution) of £150,000 per ha in respect of 0.25 ha sites and 1 ha sites. In respect of larger sites this figure increases to £250,000 per ha, reflecting the need to a greater level of on-site secondary infrastructure provision.

5.6.36 We have assumed given the low development density for housing and the nature of development product to be delivered, average unit sizes for houses are 125 sq.m in high value areas, reducing to 110 sq. m for moderate value areas and 100 sq. m for low value areas.

5.6.37 Other costs, such as professional fees (10% of cost on 0.25% and 1ha sites, 8% of cost on 5ha sites), the cost of sales and marketing (3% of value) are inputted at industry standard rates and provision is made for Stamp Duty Land Tax at prevailing rates.

5.6.38 Finance costs are calculated using a cashflow assessment that forms part of the model and takes account of prevailing interest rates (7%) and likely sales rates of between 3 and 12 sales per quarter have been assumed depending on the site size and value area.

Appraisal Findings

5.6.39 The findings of these viability appraisals are set out in Table 4.1 which show the assessed levels of developers return, expressed as a percentage of development costs.

5.6.40 Our appraisals have tested the viability of housing development on sites of 0.25ha, 1ha and 5ha parcels. These scenarios broadly reflect the type of sites likely to come forward in the district over the plan period.

5.6.41 In Table 4.1 below we set out a summary of our appraisal findings.

Table 5.1 Appraisal Summary Findings

| | Land Value (per ha) | Sales value (per sq. m) | Build cost (per sq. m) | Density (dph) | Unit size (sq. m) | Affordable Housing | Margin (% on cost) |
|----------------|------------------------|----------------------------|---------------------------|------------------|----------------------|-----------------------|-----------------------|
| 0.25 ha | | | | | | | |
| Low value | £600,000 | £1,830 | £880 | 40 | 100 | 0% | 37.1% |
| Moderate value | £720,000 | £2,000 | £890 | 36 | 110 | 0% | 42.2% |
| High value | £1,060,000 | £2,175 | £900 | 32 | 125 | 0% | 44.4% |
| 1ha | | | | | | | |
| Low value | £400,000 | £1,830 | £860 | 40 | 100 | 40% | 23.9% |
| Moderate value | £575,000 | £2,000 | £870 | 36 | 110 | 40% | 27.3% |
| High value | £850,000 | £2,175 | £880 | 32 | 125 | 40% | 28.1% |
| 5ha | | | | | | | |
| Low value | £400,000 | £1,850 | £840 | 40 | 100 | 40% | 23.9% |
| Moderate value | £575,000 | £2,020 | £850 | 36 | 110 | 40% | 26.7% |
| High value | £850,000 | £2,190 | £860 | 32 | 125 | 40% | 27.2% |

- 5.6.42 Typically, developers have sought returns/profit margins of a minimum of 20% of development costs although, as a result of the recent recession and its impacts on the risks of development, higher benchmark returns are now being sought. Some developers prefer to consider the performance of projects as a proportion of Gross Development Value (GDV). Therefore, in coming to conclusions in respect of potential charge rates in Section 9, we consider developer's margin as both a percentage of development costs and as a percentage of GDV. In respect of the latter, we consider the benchmark minimum return to be 20% of GDV on private dwellings and 6% of GDV on affordable dwellings (reflecting the minimal risk of developing affordable housing).
- 5.6.43 Table 4.1 shows that, on the basis of the assumptions made, that each of the scenarios modelled generates a margin of greater than 20% of development costs. On the basis of these assessments, there is therefore scope for some level of CIL charges to be introduced in Selby.
- 5.6.44 As mentioned above, small sites where on-site provision of affordable housing is not required appear substantially more viable than larger sites where on-site provision is required. In reality, the viability of such sites will vary significantly and the costs of acquiring such sites could be well be higher than assumed. Similarly, the developers of such sites are unlikely to have access to the same economies of scale as larger developers. Given the greater variability and uncertainty around the development of such sites, and the fact that it is not possible to vary CIL charge rates according to the scale of development, we propose to base our assessment of potential charge rates on the 1ha and 5ha scenario findings. These assessments show level levels of viability and are considered to be a more conservative and robust basis on which to base charges. Furthermore, such sites will also represent the majority of future housing supply in Selby.

6 Office and Industrial Viability Assessments

6.1 Introduction

- 6.1.1 In this section, we provide an overview of recent market developments, perform a viability analysis of office and industrial development, and use this analysis to make recommendations about a sensible level of CIL charge for this use.
- 6.1.2 Office development in town centres can be substantially different in viability terms to that in business park locations, particularly as a result of differences in land assembly costs on development and design standards. As such they are assessed separately as part of this study.
- 6.1.3 The viability assessment model for non-residential development assesses a single square metre of development, in order to directly demonstrate any potential charge rate on a per sq. m basis. In identifying appropriate assumptions in terms of rental values, yields and so on, some consideration has to be given to the likely nature of development to come forward. Typically, for town centre office development this is likely to be four storey developments at say 80% site coverage. At business park locations, office development is more likely to be 2 or 3 storeys and site coverage more like 40%. Typical industrial development is, of course, single storey and with site coverage also in the region of 40%. These figures do not feed directly in to the model, but rather inform the assumptions made in other respects.

6.2 Market context

Offices

- 6.2.1 The majority of office provision within the area is located within business parks, most notably Selby Business Park. It is located to the south of the town off Bawtry Road. This provides larger and more modern office accommodation with dedicated parking and as such appears to attract larger businesses which are likely to provide a stronger covenant and may mean lower yields. Rental values range between £6-£10 per sq.ft/£65-£108 per sq.m.
- 6.2.2 Whilst some of these rental values relate to existing stock which is often older and less attractive to tenants than new build office space would be, some transactions also relate to newer stock that is only 3 or 4 years old. It is likely, therefore, that new development of office floorspace may well command rental values at the upper end of the scale identified above or beyond it.
- 6.2.3 Whilst it is difficult to determine yields from the transactional data, based on our understanding of the area and other similar locations, we would expect office yields in the town centre to be in the region of 9%, and slightly lower for business park development.

Industrial and warehouse

- 6.2.4 Industrial floorspace in the area has seen a greater number of transactions and so more data is available. The primary location for industrial premises is Sherburn-in-Elmet. The town has experienced increased levels of development in the manufacturing and distribution sectors thanks to its proximity to the Leeds City Region and the A1M. The transactional data shows units sizes ranging from c30sq. m up to c60,000 sq. m. The majority of recent lettings have been agreed on short term leases lasting for three years, which will have a negative (upward) impact on yields. In general rents are between £5.25 and £6 per sq.ft/£55 to £65 per sq. m for moderately sized units.
- 6.2.5 The highest rental values in the district are achieved at Blackwoodhall Business Park, where significant lettings have taken place at £5.68 per sq.ft/£60.60 per sq.m. Industrial yields have been badly affected by the long-term decline in the manufacturing sector and by the recent recession which has forced yields upwards as investors factor in the risk of business failures. Therefore, we

would expect yields for new speculative industrial development to be in the region of 8.5%-9%, although this assumption will be subject to testing with local agents.

6.2.6 A number of significant freehold sales have recently taken place within Sherburn in Elmet. Four sales took place at Cosmic Park (Sherburn Distribution Park) ranging from £320,000 for a 5,889 sq.ft unit to £1.45m for a 28,400 sq.ft unit. The most significant transaction to take place on the distribution park however was the freehold investment sale of a 586,241 sq.ft unit for £43.3m, with Sainsburys taking up the lease for an unexpired term of 15.5 years. The data shows that the net initial yield for this unit is 6.35%.

6.3 Assumptions

6.3.1 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

6.3.2 The approach taken to establishing the likely values of new development was to review recent rental and investment transactions within the district. 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;
- The price paid/capital value and yield on investment purchases.

6.3.3 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.

6.3.4 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 Selby.

6.3.5 In addition to transactional data that provided intelligence on prevailing yields for different property types in the district, 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 2012'. As necessary, adjustments were made to the figures quoted by CBRE to take account of the relative attractiveness of the district environment.

6.3.6 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 district 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.

- 6.3.7 The assumptions on land and purchase costs have been derived from the Valuation Office Agency's Property Market Reports, specifically the July 2009 version (the most recent to include figures for locations contained within the district boundary) and the January 2011 version (the latest report, but which only provides figures for Leeds and Sheffield in Yorkshire and The Humber). These reports provide information on the value of a cleared development site situated in an established industrial location with a site area of 0.5 to 1.0 hectare. In addition, it has been assumed that development will be restricted to industry or warehousing and other provisions based on market expectations for the locality. This information was supplemented by consultations with local agents and developers.
- 6.3.8 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.

Value assumptions

- 6.3.9 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 6.1 Office and Industrial Assumptions

| Town Centre Office | |
|-----------------------------|-------|
| <i>Rent per sq. m</i> | £110 |
| <i>Yield</i> | 9.00% |
| <i>Build cost per sq. m</i> | £1050 |
| Business Park Office | |
| <i>Rent per sq. m</i> | £120 |
| <i>Yield</i> | 8.50% |
| <i>Build cost per sq. m</i> | £900 |
| Industrial | |
| <i>Rent per sq. m</i> | £65 |
| <i>Yield</i> | 8.50% |
| <i>Build cost per sq. m</i> | £450 |

- 6.3.10 Further assumptions are as follows:

- External works at 10% of build cost
- Professional fees at 10-12% of build costs, depending on use;
- Likely residual s.106 contributions based on experience of developments elsewhere and the type of development expected to come forward in Harrogate;
- Marketing and cost of sales at 5% of development value;

- Contingency at 5% of costs;
- Interest at 10% on all costs (excluding developer's margin) broadly equating to an annual rate of 7% on an 18 month build period; and
- Developer's margin at 20% of cost.

6.4 Appraisal Findings

6.4.1 The findings of the non-residential viability appraisals are set out in Table 6.2. It shows the high-level viability assessment for each use based on a comparison of the costs and values of development. 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. Development costs take account of land acquisition costs. No CIL charge is shown at this stage, although an estimate of likely s.106 costs is included, based on our experience of developments across the District.

Table 6.2 Office and Industrial Viability Assessments

| | | Town Centre Office | Business Park Office | Industrial |
|-----------------------------|---|-----------------------|-------------------------|----------------|
| Rent | | £130 | £130 | £60 |
| Yield % | | 9.00 | 8.50 | 8.75 |
| Minus inducements | 1 | 144 | 153 | 69 |
| VALUES | 2 | 1,300 | 1,376 | 617 |
| COSTS | 2 | | | |
| Land + Purchase Costs | 3 | 50 | 40 | 40 |
| Basic Build Cost | | 1,050 | 900 | 450 |
| External Works | 4 | 105 | 90 | 45 |
| Fees | 5 | 139 | 99 | 50 |
| Section 106/m ² | 6 | 0 | 10 | 10 |
| Marketing & Sales | | 65 | 69 | 31 |
| Contingencies | 7 | 65 | 54 | 27 |
| Interest | 8 | 134 | 114 | 59 |
| Margin | 9 | 322 | 275 | 142 |
| Total Cost Benchmark | | 1,929 | 1,651 | 854 |
| Values - Costs | | -629 | -275 | -237 |
| % on Cost | | -32.61% | -16.65% | -27.77% |

| | |
|---|---|
| 1 | A reduction of 10% of development value is made to reflect current market norms for rent free periods and other tenant inducements |
| 2 | All values and costs per m ² unless stated |
| 3 | The total cost of purchasing land, including related costs. It is assumed that this will be higher in urban areas. |
| 4 | Works outside built structure. High for business parks where extensive servicing and landscaping is required. Usually negligible in town centres. |
| 5 | Fees are higher for smaller and/or more complex structures. |
| 6 | This covers site-specific infrastructure being mainly social infrastructure on site and access and other works outside the site boundary. |
| 7 | Contingencies at 5% of costs |
| 8 | Interest costs vary with the nature and length of a typical project. |
| 9 | Profit normally allowed at 20% on all costs and effectively assumed development is speculative. |

| | |
|--|--------------------------------------|
| | Costs exceed values |
| | Values exceed costs by less than 10% |
| | Values exceed costs by more than 10% |

Offices

- 6.4.2 As can be seen in Table 6.2, 'pure' office development is not currently viable on the basis of the assumptions made. That is not to say that no office development will take 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

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

7 Retail Viability Assessments

7.1 Introduction

7.1.1 In this section, we provide an overview of recent market developments, perform a viability analysis of retail development, and use this analysis to make recommendations about a sensible level of CIL charge for this use. Our assessment takes as its basis the different types of retail development likely to take place in district, each of which has materially different key viability assessment assumptions, in particular rental values, yields, build cost and land acquisition costs. The types of development assessed are:

- 'High Street' Comparison Retail – Defined as development for comparison retail use within the district's centres. Development within the centre will have to overcome high land acquisition costs, compared to other locations. Typically development will be 1 or 2 storeys within or as an extension to the core shopping area, that often set new headline rental levels in the market. Site coverage is usually high, with only 10-20% of site area undeveloped for public realm and service access.
- 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 provide a very wide range of convenience goods, often along with some element of comparison goods also. Most customers use supermarkets for their main weekly shop, using a trolley to buy a large number of different products. The vast majority of custom at supermarkets arrives by car, using the large adjacent car parks provided.
- Neighbourhood retail - Neighbourhood convenience stores tend only to provide a limited range of convenience goods. They largely cater for 'top-up shopping' for a small number of items that can be carried by hand or in a small basket. The vast majority of custom will access the store on foot and as such there are no large adjacent car parks.

7.2 Market context

'High Street' Comparison Retail

- 7.2.1 Town centre comparison retailing nationwide is in a period of transition. The majority of comparison retail-led regeneration schemes have stalled due to a combination of weak consumer demand, constraints on investment capital and poor retail occupier performance. Developers in the sector have therefore been 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.
- 7.2.2 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.
- 7.2.3 Selby 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 area of Selby is focussed on the Market Cross Shopping Centre, Market Place and surrounding streets.

- 7.2.4 The limited data that is available with regard to the transactions that have taken place shows transactions for units of a reasonable size show rental values in the range of £15-25 per sq.ft. An exception to this range is the lease taken up by Cash Converters Ltd at 48 Gowthorpe at £7.57 per sq.ft for a 2,500 sq.ft unit for a 15 year period. In the other centres there is less comparable evidence to rely on, although the data that is available suggests overall rental values around £10 per sq.ft. The yields for retail premises tend to fare better than office and industrial uses, however there is still a difficult market within the District. Yields reflect this at around 7.5-8%

Retail Warehousing/Retail Parks

- 7.2.5 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 planning policy has adopted a town centre first approach which still applies. 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.
- 7.2.6 Whilst there is very little transactional data covering out of centre retail/retail warehousing in Selby, rental values and yields tend to reflect wider regional and national trends. More typically, retail warehouse units could expect to achieve rental values in the region of £14 per sq.ft, although this could be slightly lower in a more sparsely populated area such as Selby.

Supermarkets

- 7.2.7 Convenience retailing is 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. The convenience retail 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.
- 7.2.8 Development is likely to primarily comprise new supermarkets. As such, these are the basis of the viability assessments in terms of key assumptions. Rental values and yields are relatively consistent with the strength of covenant dictating low yields of c5.5% and rental values typically between £18-22 per sq.ft. Smaller stores will attract lower rental values and will have high yields, and will therefore be substantially less valuable. Small convenience stores are a more likely development product that may come forward in the district and therefore these scenarios are ones which have been tested.

7.3 Assumptions

- 7.3.1 This section of the report sets out the sources of information that have informed the assumptions that underpin the viability assessments in relation to retail uses, along with the assumptions themselves.

Information Sources

- 7.3.2 The approach taken to establishing the likely values of new development was to review recent rental and investment transactions in the district. This reflected the process used for office and industrial development as described in Section 5.
- 7.3.3 Cost data for retail 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 the district

- 7.3.4 In addition to transactional data that provided intelligence on prevailing yields, 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 Q2 2013'. As necessary, adjustments were made to the figures quoted by CBRE to take account of the relative attractiveness of Selby and its prime locations.
- 7.3.5 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 district 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.
- 7.3.6 The assumptions on land and purchase costs have been derived from the Valuation Office Agency's Property Market Reports, specifically the July 2009 version and the January 2011 version (the latest report, but which only provides figures for Leeds and Sheffield in Yorkshire and The Humber). This information was supplemented by consultations with local agents and developers.
- 7.3.7 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.

Value assumptions

- 7.3.8 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 7.1 Key Assumptions

| 'High Street' Comparison | |
|---------------------------------|--------|
| <i>Rent per sq. m</i> | £250 |
| <i>Yield</i> | 7.50% |
| <i>Build cost per sq. m</i> | £800 |
| Retail Warehouse | |
| <i>Rent per sq. m</i> | £140 |
| <i>Yield</i> | 7.50% |
| <i>Build cost per sq. m</i> | £535 |
| Supermarkets | |
| <i>Rent per sq. m</i> | £180 |
| <i>Yield</i> | 5.5% |
| <i>Build cost per sq. m</i> | £1,050 |

- 7.3.9 Further assumptions are as follows:
- External works at 10% of build cost;
 - Professional fees at 10-12% of build costs, depending on use;

- Likely residual s.106/278 contributions based on experience of developments elsewhere and the type of development expected to come forward in Harrogate;
- Marketing and cost of sales at 5% of development value;
- Contingency at 5% of costs;
- Interest at 10% on all costs (excluding developer's margin) broadly equating to an annual rate of 7% on an 18 month build period; and
- Developer's margin at 20% of cost.

7.4 Appraisal Findings

7.4.1 The findings of the retail viability appraisals are set out in Table 6.2. It shows the high-level viability assessment for each use based on a comparison of the costs and values of development. 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. Development costs take account of land acquisition costs. No CIL charge is shown at this stage, although an estimate of likely s.106 costs is included, based on our experience of developments across the District.

Table 7.2 Retail Viability Assessments

| | | High Street Comparison | Supermarkets | Retail Park/W'house |
|-----------------------------|---|------------------------|---------------|---------------------|
| Rent | | £250 | £200 | £140 |
| Yield % | | 7.50 | 5.50 | 7.50 |
| Minus inducements | 1 | 333 | 364 | 187 |
| VALUES | 2 | 3,000 | 3,273 | 1,680 |
| | | | | |
| COSTS | 2 | | | |
| Land + Purchase Costs | 3 | 1,500 | 500 | 250 |
| Basic Build Cost | | 800 | 1,050 | 535 |
| External Works | 4 | 80 | 126 | 64 |
| Fees | 5 | 106 | 118 | 60 |
| Section 106/m ² | 6 | 0 | 100 | 50 |
| CIL (@ max.) | | | 0 | 0 |
| Marketing & Sales | | 150 | 164 | 84 |
| Contingencies | 7 | 49 | 65 | 33 |
| Interest | 8 | 249 | 189 | 96 |
| Margin | 9 | 587 | 462 | 234 |
| Total Cost Benchmark | | 3,520 | 2,774 | 1,406 |
| | | | | |
| Values - Costs | | -520 | 499 | 274 |
| % on Cost | | -14.78% | 18.00% | 19.46% |

| | |
|---|---|
| 1 | A reduction of 10% of development value is made to reflect current market norms for rent free periods and other tenant inducements |
| 2 | All values and costs per m ² unless stated |
| 3 | The total cost of purchasing land, including related costs. It is assumed that this will be higher in urban areas. |
| 4 | Works outside built structure. High for business parks where extensive servicing and landscaping is required. Usually negligible in town centres. |
| 5 | Fees are higher for smaller and/or more complex structures. |
| 6 | This covers site-specific infrastructure being mainly social infrastructure on site and access and other works outside the site boundary. |
| 7 | Contingencies at 5% of costs |
| 8 | Interest costs vary with the nature and length of a typical project. |
| 9 | Profit normally allowed at 20% on all costs and effectively assumed development is speculative. |

| | |
|--------------------------------------|--|
| Costs exceed values | |
| Values exceed costs by less than 10% | |
| Values exceed costs by more than 10% | |

‘High Street’ Comparison

- 7.4.2 The district’s centres are experiencing the same pressures as other retail destinations following the economic downturn and the difficulties facing a number of national retailers.²⁹ 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 district’s centres and also an examination of development outside of the main shopping area using a broad average.
- 7.4.3 With levels of town centre retail development not expected to reach any significant levels it is also very difficult to accurately estimate likely land acquisition costs, which are a major factor in redevelopment projects. A number of titles may make up a development site making for complex assembly of sites. Our analysis suggests that town centre comparison retail development within the district is currently unviable.

Retail Warehousing

- 7.4.4 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.
- 7.4.5 The assessment shows that retail warehouses generate a surplus that could support a potential CIL charge.

Supermarkets

- 7.4.6 Convenience retail continues 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. 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.

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

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.

- 7.4.7 Our testing of convenience retailing has focussed on larger out of town grocery stores. Whilst development costs are relatively high, the strength of covenant provided by their operators and the rents that they achieve outweighs these costs. We have concluded that convenience retailing is viable in the district and generates a significant level of surplus.

8 Sui Generis Uses

8.1 Introduction

8.1.1 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 locations that may be used for sui generis uses and assess whether the costs and value implications have any similarities with other uses.

8.2 Types of Development and Likely Viability

8.2.1 The other types of development we have considered are:

- **Hostels** (providing no significant element of care) – these are likely to be either charitable or public sector uses such as probation hostels, half-way houses, refuges etc., or low cost visitor accommodation such as youth hostels. Our view is that the charitable uses are dependent upon public subsidy for development and operation, and therefore not viable in any commercial sense. Youth Hostels are operated on a social enterprise basis with small financial returns. Neither of these scenarios offers significant commercial viability.
- **Scrapyards** – it is unlikely that there would be new scrapyard/recycling uses in the borough in the future, even given the potential for the price of metals and other materials to rise. They are unlikely because of the comparatively low value compared to existing uses in Selby. A further consideration is that these uses are likely to occupy the same sorts of premises as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- **Petrol filling stations** – we are aware that recent new filling stations have generally come forward as part of larger supermarket developments, with independent filling stations closing. It seems unlikely that there will be significant new stand-alone filling station development in Selby.
- **Selling and/or displaying motor vehicles** – sales of vehicles are likely to occupy the same sorts of premises and locations as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- **Nightclubs** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.
- **Launderettes** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.
- **Taxi businesses** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.
- **Amusement centres** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.
- **Casinos** – under the current law casinos can only be built in 53 permitted areas or one of the 16 local authorities allocated one of eight large and eight small casinos under the provisions of the Gambling Act 2005. For a casino to be built in Selby the council would have to apply for a special licence and undertake a public consultation. We are not aware of any specific proposals for a casino in Selby at the present time.

8.3 Scope for a CIL Charge

- 8.3.1 Given the minimal scale of development likely to occur for these uses, the likelihood that they will be changes of use rather than new development and their relatively marginal viability, we propose either a nominal base charge or a zero charge.

9 Charge Rate Options

9.1 Introduction

9.1.1 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, and then drawing away from that theoretical maximum to determine an appropriate level of charge.

9.1.2 We present this exercise separately for residential and non-residential uses and bring the conclusions together into a summary table that can form the basis for the preliminary draft charging schedule.

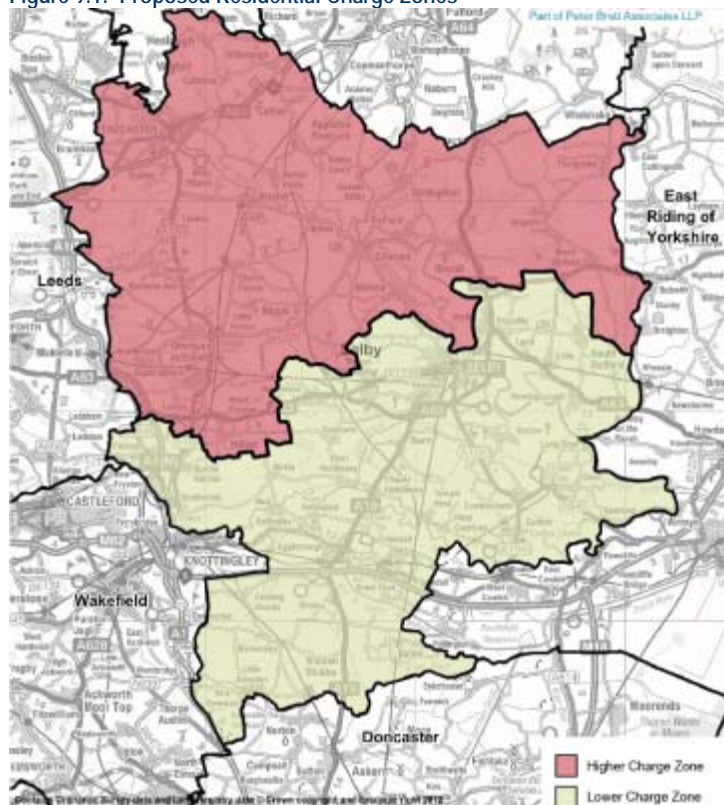
9.2 Residential Development

Establishing charging zones

9.2.1 As discussed in section 4, the heat mapping indicates shows that values are generally higher in the north western parts of Selby than south eastern areas. On the basis of the sales value heat mapping and viability assessment findings, we propose two charging zones as follows:

- Higher charge zone – Appleton Roebuck, Cawood with Wistow, Monk Fryston and South Milford, North Duffield, Riccall with Escrick, Saxton and Ulleskelf, Sherburn in Elmet, Tadcaster East and Tadcaster West.
- Lower charge zone - Barlby, Brayton, Camblesforth, Eggborough, Fairburn with Brotherton, Hambleton, Hemingbrough, Selby North, selby South, Selby West and Whitley.

Figure 9.1: Proposed Residential Charge Zones



Maximum Potential Charge Rates

- 9.2.2 Typically, developers have sought returns/profit margins of a minimum of 20% of development costs although, as a result of the recent recession and its impacts on the risks of development, higher benchmark returns are now being sought. Some developers prefer to consider the performance of projects as a proportion of Gross Development Value (GDV). Therefore, in coming to conclusions in respect of potential charge rates in Section 9, we consider developer's margin as both a percentage of development costs and as a percentage of GDV. In respect of the latter, we consider the benchmark minimum return to be 20% of GDV on private dwellings and 6% of GDV on affordable dwellings (reflecting the minimal risk of developing affordable housing).
- 9.2.3 Any profits over and above these benchmark levels can be considered to represent the total amount from which a CIL charge could be drawn, whilst maintaining development viability in the majority of cases. In reality, individual schemes may perform better (or worse) than these scenarios, although we have sought to make conservative assumptions throughout. The details of any individual development are almost certain to vary in a number of ways to any generic assessment, depending on the detailed design and density, land price agreed, the build costs a developer can achieve, the level of affordable housing provision negotiated and the capacity of existing infrastructure amongst many other factors.
- 9.2.4 It is clear from the viability assessments presented in Section 5 of this report that margins exceed the benchmark margin of 20% of cost in respect of all of the scenarios modelled for the development of houses (on 0.25ha, 1ha and 5ha sites) in all market areas to a greater or lesser degree. A sensitivity test of the CIL rate has been undertaken to establish the maximum possible CIL charge rate that is consistent with maintaining viability above benchmark levels. The findings of this exercise are set out in Table 9.1 below.
- 9.2.5 As mentioned previously, it is necessary to draw away from these theoretical maxima in setting a charge rate, 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.
- 9.2.6 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 CAs 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 CA, taking account of their attitude to risk in respect of the scale and rate of development likely to come forward in future.
- 9.2.7 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 rates are set out in Table 9.1 below.

Table 9.1 Residential Maximum Rates, Recommended Rates and Proposed Rates

| | Max. CIL rate per sq. m (margin on cost) ¹ | Max CIL rate per sq. m (margin on value) ² | Recommended rate range (per sq. m) ³ |
|---------------------|--|--|--|
| 1 ha | | | |
| Low value area | £56 | £35 | £17-£26 |
| Moderate value area | £107 | £67 | £33-£57 |
| High value area | £126 | £74 | £37-£55 |
| 5 ha | | | |
| Low value area | £59 | £36 | £18-£27 |
| Moderate value area | £98 | £62 | £31-£47 |
| High value area | £108 | £63 | £31-£47 |

Notes

1. Rate calculated at 20% of the overall build costs
2. Rate calculated at 20% against the value of market houses and 6% against affordable housing
3. Calculated in line with Para 2.12 (ie. 50%-75% of lowest maximum rate)

9.2.8 It is our view that the moderate and higher value scenarios above, reflect the proposed higher value zone identified above and the lower value scenarios reflect the lower value zone. Taking the lower valuescenarios and applying the lowest common denominator approach, suggests charges rates between £17 - £26 per sq. m. For the higher value scenarios, this suggests a range of £31 - £47 per sq. m.

9.2.9 In view of the significant scale and cost of the infrastructure required to enable growth in Selby and taking account of the fact that the rate ranges already draw down from the theoretical 'ceiling of viability'; by at least 25%, we propose the following residential charge rates:

- Lower value zone - £25
- High value zone - £45

9.3 Non-Residential Development Viability

9.3.1 The findings of the non-residential viability appraisals are set out in Table 9.2. It shows the high-level viability assessment for each use based on a comparison of the costs and values of development. 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. Development costs take account of land acquisition costs. No CIL charge is shown at this stage, although an estimate of likely s.106/278 costs is included, based on our experience of developments across the District.

9.3.2 The shaded row at the bottom of each table shows the viability³⁰ of development based on the following traffic light assessment:

- Red shaded cells show those uses for which there is a negative residual value after all costs (including developer's margin) are taken into account (i.e. development costs are higher than development value by greater than 10%);
- Amber cells show those uses which are viable, but where values exceed costs (including developer's margin), by less than 10% and could be considered marginal;
- Green cells show those use types where the residual value is greater than 10% of cost and can be considered viable.

³⁰ This traffic light assessment must be treated with caution, as explained earlier; the appraisals are based on a strategic approach and in no way represent site specific valuations.

- 9.3.3 The 10% 'buffer' over and above normal developers margin is to take account of the greater inherent uncertainty in assessing the viability of commercial development in a generic and high level manner, as well as the additional risk involved in undertaking speculative commercial development.
- 9.3.4 As can be seen from Table 9.2 below, on viability evidence alone, only supermarket and retail warehouse development are comfortably viable as speculative developments on the basis of the assumptions made. We consider charge rate options for these uses further below. For uses that the assessment shows to be typically unviable or marginal on a speculative basis, that does not mean that no development will take place. Development either by owner occupiers for whom the development economics are different or on sites where the land was acquired for a low value remains plausible. Where such development is forthcoming CIL revenues could be captured by means of a base charge.

Table 9.2 Non-Residential Viability Assessments

| | | Town Centre Office | Business Park Office | Industrial | High Street Comparison | Supermarkets | Retail Park/W' house |
|-----------------------------|---|--------------------|----------------------|----------------|------------------------|---------------|----------------------|
| Rent | | £130 | £130 | £60 | £250 | £200 | £140 |
| Yield % | | 9.00 | 8.50 | 8.75 | 7.50 | 5.50 | 7.50 |
| Minus inducements | 1 | 144 | 153 | 69 | 333 | 364 | 187 |
| VALUES | 2 | 1,300 | 1,376 | 617 | 3,000 | 3,273 | 1,680 |
| COSTS | 2 | | | | | | |
| Land + Purchase Costs | 3 | 50 | 40 | 40 | 1,500 | 500 | 250 |
| Basic Build Cost | | 1,050 | 900 | 450 | 800 | 1,050 | 535 |
| External Works | 4 | 105 | 90 | 45 | 80 | 126 | 64 |
| Fees | 5 | 139 | 99 | 50 | 106 | 118 | 60 |
| Section 106/m ² | 6 | 0 | 10 | 10 | 0 | 100 | 50 |
| Marketing & Sales | | 65 | 69 | 31 | 150 | 164 | 84 |
| Contingencies | 7 | 65 | 54 | 27 | 49 | 65 | 33 |
| Interest | 8 | 134 | 114 | 59 | 249 | 189 | 96 |
| Margin | 9 | 322 | 275 | 142 | 587 | 462 | 234 |
| Total Cost Benchmark | | 1,929 | 1,651 | 854 | 3,520 | 2,774 | 1,406 |
| Values - Costs | | -629 | -275 | -237 | -520 | 499 | 274 |
| % on Cost | | -32.61% | -16.65% | -27.77% | -14.78% | 18.00% | 19.46% |

Maximum Potential Charge Rates

- 9.3.5 Table 9.3 below, shows what the maximum possible charge rates, consistent with the bulk of development remaining viable, would be in Selby. For those uses where the surplus is greater than 10% of costs (after developer's margin at 20%, which is built in to the assessment), we have tested the maximum extent of CIL charge that could be accommodated whilst still retaining a surplus of 10% of costs to act as a 'buffer' from the ceiling of viability.

Table 9.3 Maximum Charge Rate Assessment

| | | Supermarkets | Retail Park/W'house |
|-----------------------------|---|---------------|------------------------|
| Rent | | £200 | £140 |
| Yield % | | 5.50 | 7.50 |
| Minus inducements | 1 | 364 | 187 |
| VALUES | 2 | 3,273 | 1,680 |
| | | | |
| COSTS | 2 | | |
| Land + Purchase Costs | 3 | 500 | 250 |
| Basic Build Cost | | 1,050 | 535 |
| External Works | 4 | 126 | 64 |
| Fees | 5 | 118 | 60 |
| Section 106/m ² | 6 | 100 | 50 |
| CIL (@ max.) | | 168 | 100 |
| Marketing & Sales | | 164 | 84 |
| Contingencies | 7 | 65 | 33 |
| Interest | 8 | 189 | 96 |
| Margin | 9 | 496 | 254 |
| Total Cost Benchmark | | 2,975 | 1,526 |
| | | | |
| Values - Costs | | 298 | 154 |
| % on Cost | | 10.00% | 10.06% |

9.3.6 The assessment in Table 9.3 shows that the maximum possible charge for supermarket development, that is consistent with keeping the residual margin at over 10% of cost is £168 per sq. m. The equivalent figure for retail warehouse development is £100 per sq. m.

Base Charge Consideration

9.3.7 The CIL regulations state that Charging Authorities must balance the viability of development with the need to fund infrastructure investment. Therefore, it is within the discretion of the Charging Authority to decide whether a base charge should be applied to all development, recognising that some development may take place and if it does, it will have infrastructure implications.

9.3.8 Obviously, such a charge would have to be at a level where it is unlikely to be the determining factor as to whether a development takes place or not. Such a 'de minimis' base charge could be pegged at a ceiling of 1% of the cost of development of the lowest cost development – industrial – which equates to approximately £10 per sq.m.

Recommended Non-Residential CIL Charge Options

9.3.9 We set out below our recommended range for potential CIL charges on these core commercial forms of non-residential development. In the case of each use, we propose a range for any CIL charge that takes account of the need to withdraw from the ceiling of viability. The extent to which the charge draws away from this theoretical maximum is informed by the authority's attitude to development risk, confirmed by discussions with the project steering group and feedback from Council members. The council will need to consider how the quantum and pace of development would be affected by the level at which CIL is set. If imposing a higher CIL charge could result in less development coming forward and at a slower rate than anticipated, the council will need to assess whether this is acceptable given its Local Plan aspirations. If it is felt that delivery would be put at significant risk, the council should give careful consideration to setting a CIL charge which is further lowered from the theoretical maximum charge.

9.3.10 These findings are summarised in the Tables 9.1 below.

Table 9.4 Non residential maximum and recommended range of CIL charges

| Use | Maximum CIL charge (per sq.m) | Recommended range (per sq.m) | Proposed Charge (per sq.m) |
|--|----------------------------------|---------------------------------|-------------------------------|
| Convenience retail | £168 | £84-£126 | £110 |
| Retail warehousing | £100 | £50-£75 | £60 |
| Town centre office | n/a | £0-10 | £10 |
| Business park office | n/a | £0-10 | £10 |
| Industrial and warehousing | n/a | £0-10 | £10 |
| Town centre retail | n/a | £0-10 | £10 |
| Education, health & community facilities | n/a | £0 | £0 |

10 Preliminary Charging Schedule & Revenue Projections

10.1 Introduction

10.1.1 In this Section, we make recommendations on the content of a Preliminary Draft Charging Schedule, bringing together the conclusions of the preceding sections. We then use these proposed charge levels to calculate the likely level of CIL income over the plan period assuming the envisaged scale of development takes place.

10.2 Proposed Preliminary Draft Charging Schedule

10.2.1 Table 10.1 below summarises the findings and recommendations of the previous sections of this report into a clear and simple proposed charging schedule. The charges set out below reflect the viability evidence and comply with the CIL regulations in every respect, as we understand them. We believe that it is exactly this kind of clarity and simplicity that is being and will be sought by inspectors.

Table 10.1 Proposed Charging Schedule

| Use | Proposed CIL charge (per sq.m) |
|---|-----------------------------------|
| Private market houses – Higher value zone | £45 |
| Private market houses – Lower value zone | £25 |
| Supermarkets* | £110 |
| Retail Warehouses* | £60 |
| Public/Institutional Facilities as follows: education, health, community and emergency services | £0 |
| All other chargeable development | £10 |

*As defined in para 6.1 of this report

10.2.2 As identified in Section 2, in the words of the statutory guidance:

'There is no requirement for a proposed rate to exactly mirror the evidence... there is room for some pragmatism'³¹.

10.2.3 As such, there remains scope for the Charging Schedule to be amended at the discretion of the council.

10.3 Revenue Projections

10.3.1 In order to give the council a broad indication of the likely potential income from CIL, we set out below in Table 10.2 an assessment of the scale of development of each type likely to be forthcoming over the plan period, and the CIL revenues it would generate at the proposed charging rates. It also provides an annualised figure in the final column.

³¹ DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para 28)

Table 10.2 Revenue Projection

| | CIL Charge per sq.m | No. units in plan period (note 1a) | Market units (note 1b) | Unit floorspace (sq. m) (note 2) | Gross floorspace (sq. m) (note 3) | Estimated net additional proportion | Estimated net additional floorspace (sq. m) | Estimated CIL revenue in plan period | Estimated annual CIL revenue |
|---------------------------|---------------------|------------------------------------|------------------------|----------------------------------|-----------------------------------|-------------------------------------|---|--------------------------------------|------------------------------|
| Residential | | | | | | | | | |
| Houses | | | | | | | | | |
| <i>Lower Value Zones</i> | 25 | 3,390 | 2034 | 100 | 203,400 | 95% | 193,230 | £4,830,750 | £322,050 |
| <i>Higher Value Zones</i> | 45 | 1,950 | 1170 | 120 | 140,400 | 95% | 133,380 | £6,002,100 | £400,140 |
| Non-residential | | | | | | | | | |
| Retail warehouses | 60 | | | | - | 95% | - | £0 | £0 |
| Supermarkets | 110 | | | | 1,890 | 50% | 945 | £103,950 | £6,930 |
| Offices & Industrial | 10 | | | | 115,800 | 95% | 110,010 | £1,100,100 | £73,340 |
| Other chargeable | 10 | | | | 10,000 | 95% | 9,500 | £95,000 | £6,333 |
| Total | | | | | | | | £12,131,900 | £808,793 |

Note 1a: For the purpose of this illustration, the allocation split in the Designated Services Villages is assumed to be 50% in each of the higher and low zones

Note 1b: affordable housing is not liable for CIL. We assume that an average of 40% affordable housing is achieved.

Note 2: the average unit size is based on our analysis of new build properties

Note 3: office and industrial floorspace relates to the figure of between 37ha and 52ha in the Local Plan. This is converted into floorspace based on the 85:15 split between industrial and offices with industrial at 40% site coverage with 1 storey, business park offices at 40% site coverage with 3 storeys, and town centre offices at 75% site coverage with 3 storeys. Retail floorspace is taken from the Local Plan less floorspace already completed or with planning permission.

Note 4: CIL is levied on net additional floorspace, so an allowance is made for existing buildings demolished to make way for new development.

Note 5: revenue projections are based on allocated figures and therefore these projections do not take windfall sites into consideration.

11 Implementation

11.1 Introduction

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

11.2 Exceptional Circumstances & Discretionary Relief

11.2.1 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.

11.2.2 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 s.106 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 s.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.

11.3 Instalments Policy

11.3.1 Regulation 69B sets 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.

11.3.2 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.

11.3.3 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 equal to likely charge from 50 houses).

11.4 Administration charges

- 11.4.1 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.
- 11.4.2 The viability assessments undertaken as part of this study have not taken account of any additional administration charges that may be levied on developers; rather, they have assumed that the administration charge will be drawn from the levy as proposed.

11.5 Use of CIL Receipts for Revenue Purposes

- 11.5.1 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.
- 11.5.2 Therefore, it is recommended the CIL receipts in Selby 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.

11.6 Monitoring and Review

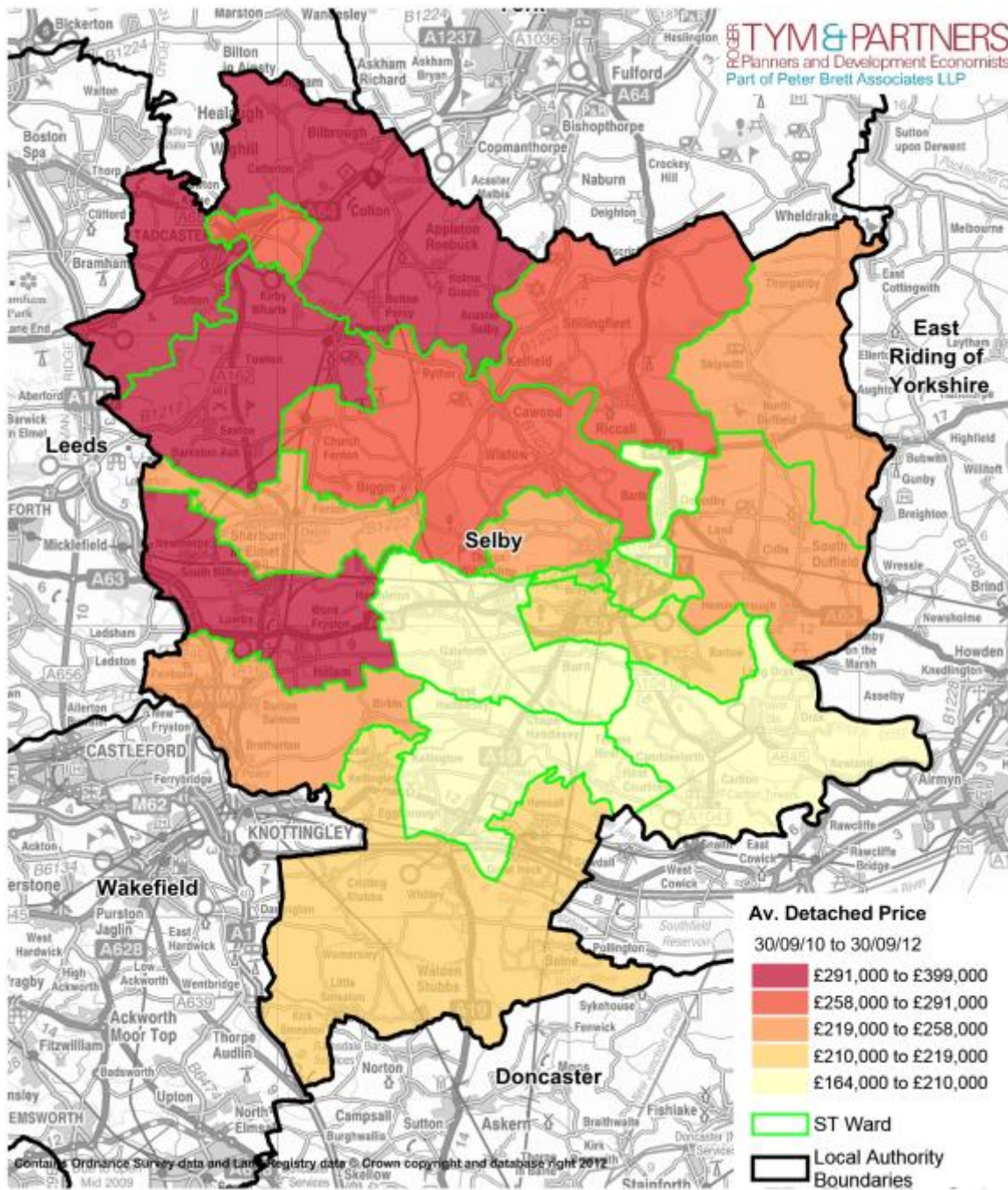
- 11.6.1 There are no prescribed review periods for a CIL charging schedule; it is a decision for the CA. We would expect this period to be between three to five years, although much will depend on market conditions and their impacts on development viability, as well as additional lessons learnt from the implementation of the CIL.
- 11.6.2 Clearly, the viability of most forms of development has been negatively affected by the recent recession. We suggest that the council undertakes regular monitoring of market conditions in order to determine the point at which the CIL charging schedule should be reviewed. 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. Therefore, should there be significant change in build costs and/or development values, then the Council should consider reviewing the adopted charging schedule.
- 11.6.3 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.

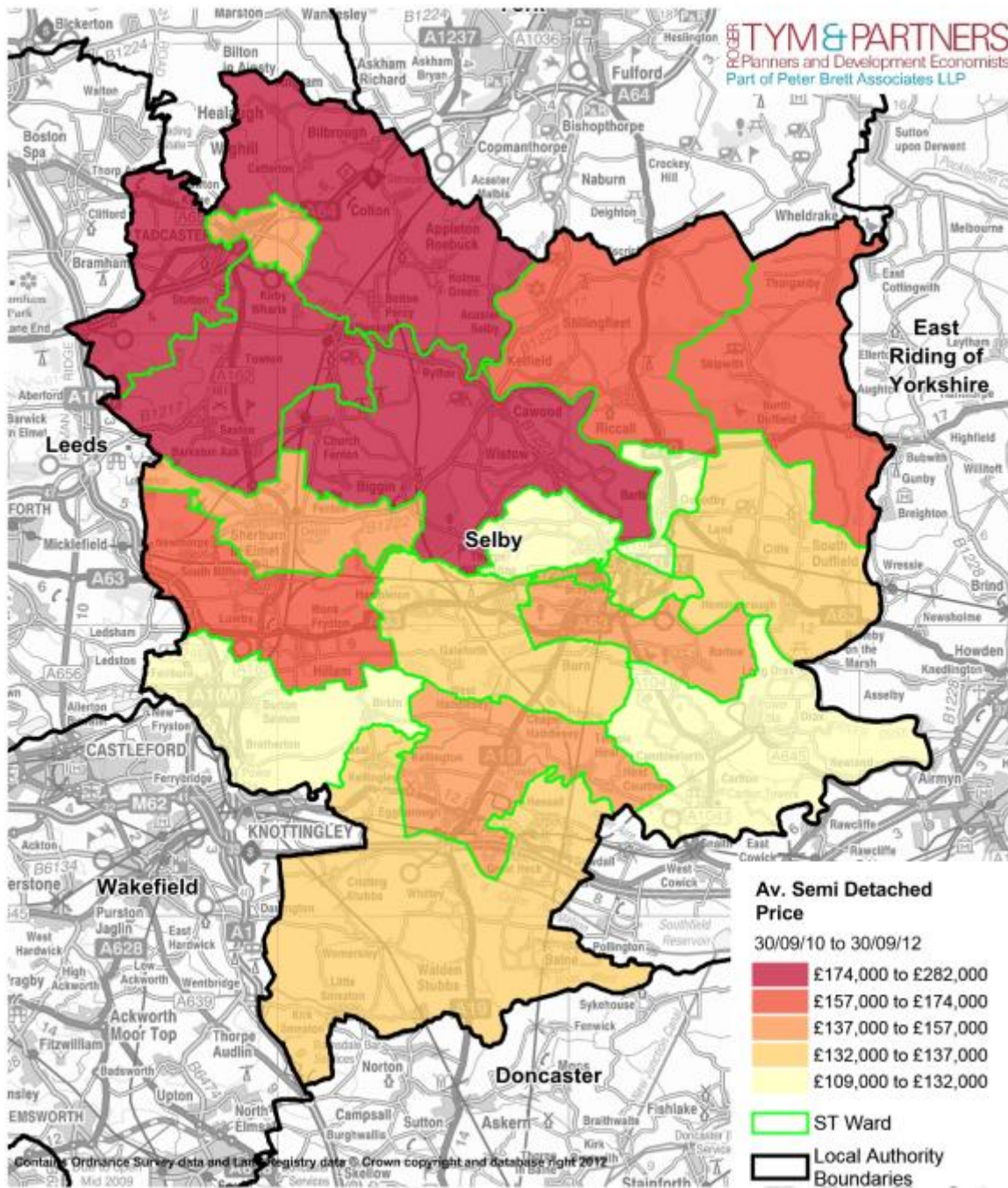
Appendix A Infrastructure List

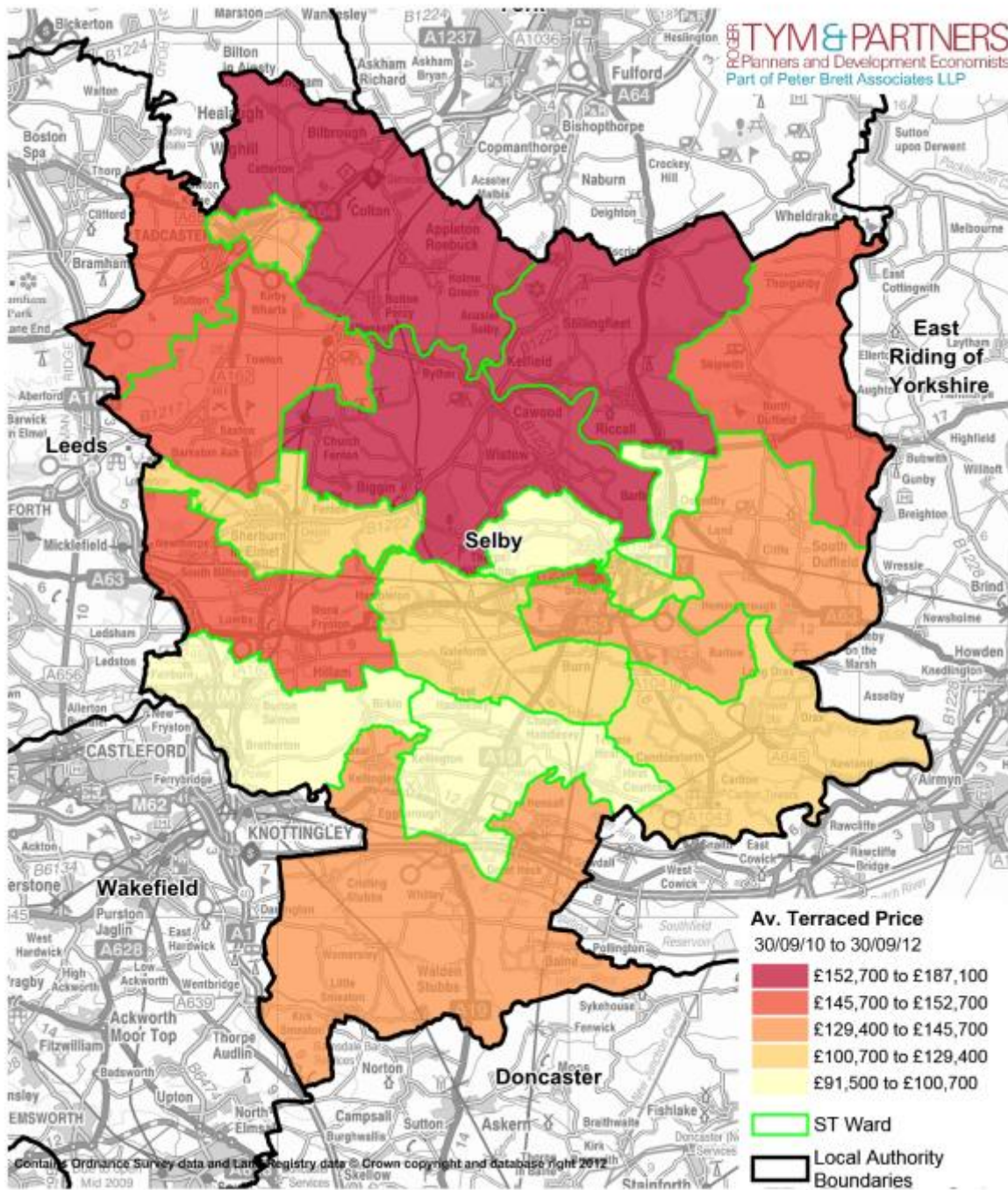
| Area | Infrastructure | Indicative infrastructure cost £ | Other available or anticipated funding | Funding gap £ |
|--------------------------------------|--|----------------------------------|---|----------------|
| Strategic - area wide | £20,550,000.00 | | £18,300,000.00 | |
| Drainage | Pumping station works | £1,000,000.00 | IDB, Environment Agency | £1,000,000.00 |
| Green Infrastructure | Green Infrastructure improvements | £5,800,000.00 | Local authority, Parish Councils, Sports Clubs, Lottery, NE, YWT | £5,600,000.00 |
| Community facilities | Community Facilities | £2,500,000 | Parish Councils, Lottery, Landfill | £1,500,000 |
| Transport | Highway improvement works | £11,000,000.00 | Joint funding with York City Council CIL/ S106/ Highways Agency | £10,000,000 |
| | Pedestrian and Cycle priority measures | £250,000 | Local Authority, Sustrans | £200,000 |
| Selby Town & Olympia Park | £24,155,000.00 | | £18,385,000.00 | |
| Transport | Highway improvement works | £5,500,000.00 | Canal Rivers Trust, HA, NYCC Highways | £5,500,000.00 |
| Drainage | Pumping station works | £3,800,000.00 | Drainage Boards/Env Agency | £3,800,000.00 |
| Education | increased school capacity | £10,500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) NYCC Corporate Capital | £6,000,000.00 |
| Green Infrastructure | Green Infrastructure improvements | £1,045,000 | Community Trust, NE, YWT | £1,025,000 |
| Community facilities | Community Facilities | £2,900,000 | Lottery, community trust, landfill | £1,860,000 |
| Sport & Leisure | Sports/Leisure improvements | £410,000 | Lottery, Landfill, WCLT | £200,000 |
| Sherburn | £18,703,944.00 | | £18,703,944.00 | |
| Education | increased school capacity | £8,000,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) NYCC Corporate Capital, NYCC Schools Capital Programme | £8,000,000.00 |
| Transport | Pedestrian and Cycle priority measures | £260,637.00 | | £260,637.00 |
| | Highway improvement works | £10,343,543 | | £10,343,543 |
| | Traffic Calming | £99,764 | | £99,764 |
| Tadcaster | £9,277,152.00 | | £9,207,152.00 | |
| Education | increased school capacity | £2,250,000.00 | Developer contributions School Basic Need Capital (provided by Central Government), Voluntary Aided Capital Programme, NYCC Schools Capital Programme | £2,250,000.00 |
| Transport | Pedestrian and Cycle priority measures | £926,261.00 | | £926,261.00 |
| | Traffic Calming | £820,891.00 | | £820,891.00 |
| Drainage | culvert upgrades | £20,000.00 | | £20,000.00 |
| | Flood Risk Management | £5,000,000.00 | | £5,000,000.00 |
| Sport & Leisure | Sports/Leisure improvements | £110,000.00 | Local Authority | £90,000.00 |
| Green Infrastructure | Green Infrastructure improvements | £150,000 | Lottery, Landfill, Town Council | £100,000 |
| Appleton Roebuck | £398,956.00 | | £383,956.00 | |
| Education | increased school capacity | £250,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £250,000.00 |
| Drainage | culvert upgrades | £30,000.00 | | £30,000.00 |
| Transport | Pedestrian and Cycle priority measures | £63,956 | | £63,956 |
| Sport & Leisure | Sports/Leisure improvements | £55,000 | Parish Council | £40,000 |
| Barlby/Osgodby | £4,791,981.00 | | £1,291,981.00 | |
| Green Infrastructure | Green Infrastructure improvements | £4,500,000.00 | EA | £1,000,000 |
| Transport | Highway improvement works | £291,981 | | £291,981 |
| Brayton | £1,326,714.00 | | £1,276,714.00 | |
| Education | increased school capacity | £1,000,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £1,000,000.00 |
| Transport | Highway improvement works | £78,891 | | £78,891 |
| | Traffic Calming | £80,831 | | £80,831 |
| | Pedestrian and Cycle priority measures | £16,992 | | £16,992 |
| Sport & Leisure | Sports/Leisure improvements | £150,000 | Lottery, Landfill, SRUFC | £100,000 |
| Brotherton/Byram | £876,765.00 | | £876,765.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Transport | Highway improvement works | £100,000.00 | | £100,000.00 |
| | Pedestrian and Cycle priority measures | £157,336.00 | | £157,336.00 |
| | Traffic Calming | £119,429.00 | | £119,429.00 |
| Carlton | £600,000.00 | | £600,000.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Community facilities | Community Facilities | £50,000 | Chapel, Landfill | £50,000 |
| Sport & Leisure | Sports/Leisure improvements | £50,000 | Club | £50,000 |
| Cawood | £10,642,730.00 | | £10,642,730.00 | |
| Education | increased school capacity | £500,000.00 | Voluntary Aided Capital Programme | £500,000.00 |
| Drainage | Flood Risk Management - improvements to defences at Cawood | £10,000,000.00 | | £10,000,000.00 |
| Sport & Leisure | Sports/Leisure improvements | £25,000.00 | | £25,000.00 |
| Transport | Highway improvement works | £33,984 | | £33,984 |
| | Pedestrian and Cycle priority measures | £83,746 | | £83,746 |

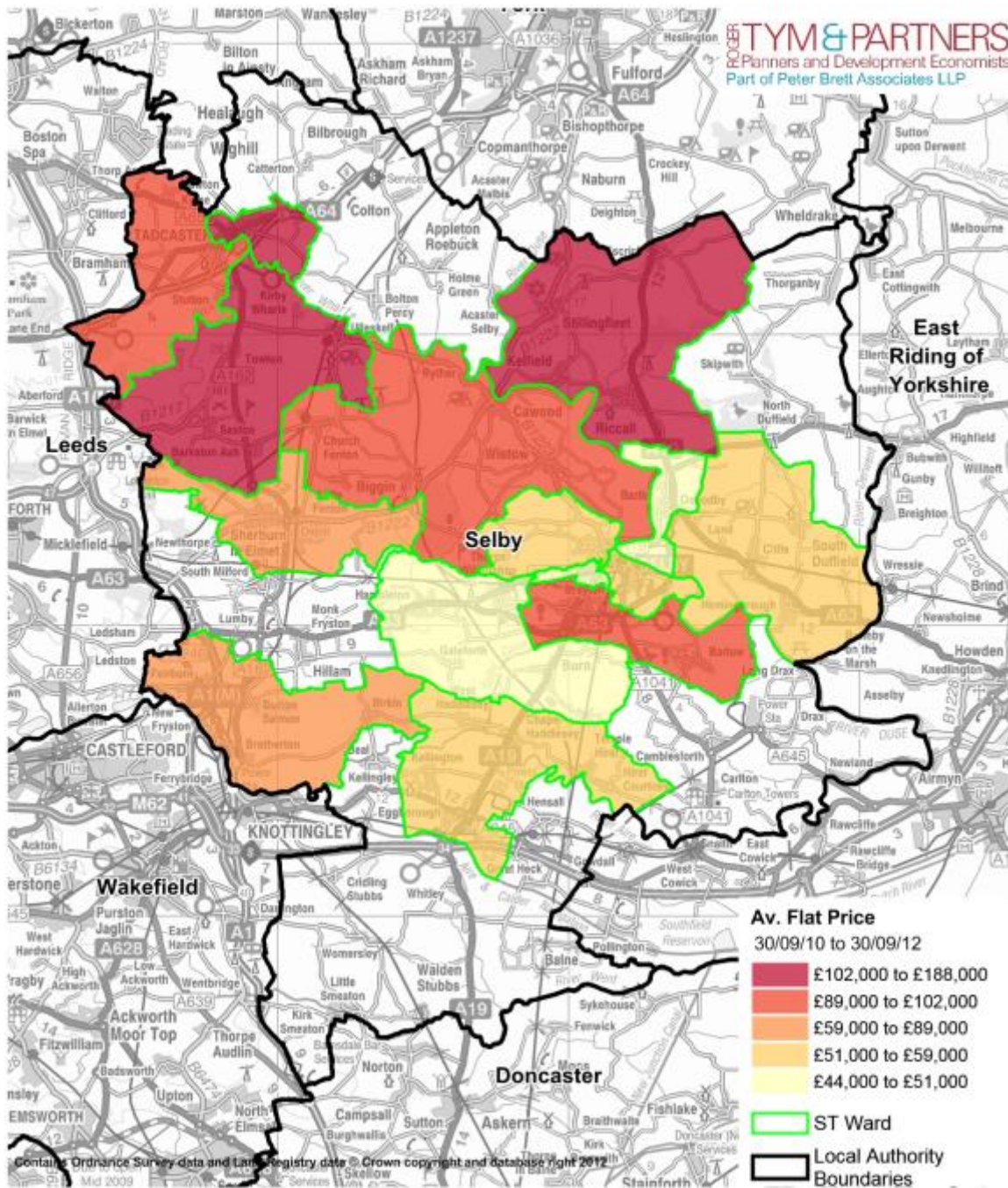
| | | | | |
|----------------------------------|--|------------------------|--|------------------------|
| Church fenton | £634,544.00 | | £634,544.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Drainage | Pumping station works | £10,000.00 | | £10,000.00 |
| Transport | Pedestrian and Cycle priority measures | £34,889 | | £34,889 |
| | Traffic Calming | £89,655 | | £89,655 |
| Eggborough & Whitley | £1,320,028.00 | | £1,255,028.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Transport | Pedestrian and Cycle priority measures | £548,152.00 | | £548,152.00 |
| | Traffic Calming | £72,823 | | £72,823 |
| | Highway improvement works | £49,053 | | £49,053 |
| Community Facilities | Community Facilities | £100,000 | Chapel, Landfill | £60,000 |
| Green Infrastructure | Green Infrastructure improvements | £50,000 | Lottery, Landfill, Parish Council | £25,000 |
| Escrick | £775,189.00 | | £775,189.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Drainage | Pumping Station Works | £100,000.00 | | £100,000.00 |
| Transport | Highway improvement works | £175,189 | | £175,189 |
| Hambleton | £565,506.00 | | £522,298.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Transport | Pedestrian and Cycle priority measures | £46,572 | | £22,298 |
| | Traffic Calming | £18,934 | | |
| Hemingbrough | £1,050,000.00 | | £1,050,000.00 | |
| Education | increased school capacity | £250,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £250,000.00 |
| Drainage | Pumping station works | £800,000.00 | | £800,000.00 |
| Kellington | £28,227.00 | | £28,227.00 | |
| Transport | Pedestrian and Cycle priority measures | £28,227 | | £28,227 |
| Monk Fryston & Hillam | £5,729,798.00 | | £5,669,798.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Transport | Highway improvement works | £5,000,000.00 | | £5,000,000.00 |
| | Traffic calming | £50,000.00 | | £50,000.00 |
| | Pedestrian and Cycle priority measures | £69,798 | | £69,798 |
| Community Facilities | Community Facilities | £110,000 | Community Assoc., Landfill | £50,000 |
| North Duffield | £459,126.00 | | £439,126.00 | |
| Education | increased school capacity | £250,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £250,000.00 |
| Drainage | Regrading of village pond and associated Board maintained watercourses | £50,000.00 | | £50,000.00 |
| Transport | Pedestrian and Cycle priority measures | £153,803 | | £133,803 |
| | Traffic Calming | £5,323 | | £5,323 |
| Riccall | £1,731,652.00 | | £1,731,652.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Drainage | Pumping station works | £200,000.00 | | £200,000.00 |
| Transport | Highway improvement works | £1,031,652 | | £1,031,652 |
| South Milford | £1,710,239.00 | | £1,710,239.00 | |
| Education | increased school capacity | £1,000,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £1,000,000.00 |
| Transport | Pedestrian and Cycle priority measures | £210,239.00 | | £210,239.00 |
| | Parking improvements | £500,000.00 | | £500,000.00 |
| Thorpe Willoughby | £915,232.00 | | £765,232.00 | |
| Education | increased school capacity | £500,000.00 | Developer contributions School Basic Need Capital (provided by Central Government) | £500,000.00 |
| Transport | Traffic Calming | £23,359 | | £23,359 |
| | Pedestrian and Cycle priority measures | £41,873 | | £41,873 |
| Sport & Leisure | Sports/Leisure improvements | £350,000 | Parish Council, Lottery, Landfill, Club | £200,000 |
| Ulleskelf | £11,077,883.00 | | £10,907,883.00 | |
| Drainage | Flood Risk Management | £10,000,000.00 | | £10,000,000.00 |
| Transport | Pedestrian and Cycle priority measures | £697,883 | | £697,883 |
| Sport & Leisure | Sports/Leisure improvements | £380,000 | Lottery, Club, Landfill | £210,000 |
| | | | | |
| | TOTAL ESTIMATE | £117,320,666.00 | | £105,157,458.00 |

Appendix B Sales Value Heat Mapping









Selby District Council



Minute Extract

Executive

| | |
|-------------------|--|
| Venue: | Committee Room, Civic Centre, Selby |
| Date: | 5 December 2013 |
| Present: | Councillor M Crane (Chair), Mrs G Ivey, C Lunn, J Mackman and C Metcalfe. |
| Officers present: | Chief Executive, Executive Director S151, Executive Director, Director of Community Services, Solicitor to the Council, Lead Officer – Finance, Lead Officer – Policy, Policy Officer and Democratic Services Manager. |
| Also Present: | Councillor J Crawford |
| Public: | 0 |
| Press: | 0 |

NOTE: Only minute numbers 62, 63, 64 and 65 are subject to call-in arrangements. The deadline for call-in is 5pm on 16 of December 2013. Decisions not called in may be implemented on 17 of December 2013.

58. Apologies for Absence

No apologies were received.

59. Minutes

The minutes of the meeting on the 7 November 2013 were submitted and agreed as a correct record and signed by the Chair.

60. Disclosure of Interest

Councillor J Mackman declared a registered 'other interest' in item 6 (Minute 63 - Improvements to Gateways – Authority to apply for planning commission) through his role with Groundwork Wakefield. He remained in the meeting and participated during consideration of that item.

62. Community Infrastructure Levy

Councillor M Crane presented the report which on the progress of the Community Infrastructure Levy (CIL). He set out that the Council had commissioned consultants to provide an updated viability and infrastructure information to inform the preliminary draft charging schedule.

The Executive discussed the preliminary draft charging schedule and the proposals to split the Selby District into two distinct charging zones with a substantial difference in the CIL charge applicable. The Executive discussed a number of alternative options including the introduction of a flat rate fee across the District. It was noted that any proposals put forward as part of the consultation would need to be evidence based.

Resolved

- i. To approve the content of the report and the assumptions set out in paragraph 1.6 of the report;**
- ii. To approve the draft charging schedule and consultation material for public consultation.**

Reasons for the decision:

To progress the Community Infrastructure Levy to public consultation.