

**South Worcestershire Councils CIL Examination  
Response to the Examiner's Initial Queries 09.09.16**

**Response Date: 26.09.16**

**SWCIL06 – JUSTIFYING THE LEVY (UPDATED) CONSULTATION DOCUMENT  
(APRIL 2016)  
EXAMINER'S INITIAL QUERIES**

**Section 2 – Infrastructure Funding Gap**

**1. Para 2.3, lines 7-8 refer to a “SWIDP figure (circa £275M)” for the infrastructure funding gap. From para 2.1 it appears that this refers to the October 2014 edition of the SWIDP.**

**(a) Is the £275M funding gap figure set out in the SWIDP, and if so, where?**

No. The total full funding gap is not set out within the updated July 2016 South Worcestershire Infrastructure Delivery Plan (SWIDP) as the funding situation will change on a regular basis. The funding sources have been included to allow the reader to understand the potential sources of funding.

However, the July 2016 SWIDP does state that the funding gap is £259.27m (para. 8.2, p.100), but this is only for the 'key infrastructure' provision (i.e. Transport, Education and Sports and Recreation) and therefore excludes all other types of infrastructure.

Answers to Questions 2, 3 and 4 below provide an explanation of the 'key infrastructure' cost requirements as stated in the July 2016 SWIDP and as amended in this paper, resulting in a revised funding gap of **£207.5m** (consisting of £31.7m for Education, £120m for Transport and £55.8m for Sport and Recreation). This is lower than the £259.27m as some funding has since been secured or projects have been implemented.

It is estimated that the total funding gap (once all other infrastructure has been factored in) will be higher given that the 'key infrastructure' costs alone have risen from £185m to **£207.5m** between the Preliminary Draft Charing Schedule 'Justifying the Levy' evidence (2015) and the July 2016 SWIDP and as amended in this paper.

**(b) If the £275M funding gap figure is not set out in the SWIDP, how has it been derived?**

The £275M funding gap was established in the October 2014 version of the SWIDP and was derived from the total costs of all forms of infrastructure required as a result of SWIDP (circa £550m), minus the totals of the anticipated funding expected for each of the infrastructure themes (circa £275m, i.e. half the requirement). As explained above, calculations relating to the funding gap have been partially updated for certain infrastructure elements.

**2. Table 1 gives costs for three categories of infrastructure (Transport, Education and Sport & Recreation. Costs for the first two categories are updated to Nov 2015 and the last is taken from the Oct 2014 SWIDP.**

**(a) Would it be appropriate to use the July 2016 SWIDP as the source for the most recent figures?**

Yes. For transport and education it would be appropriate to use the figures from the July 2016 SWIDP as these have been amended to reflect the latest position. This includes financial updates taken from:

- all relevant development management negotiations;
- updated school table of charges;
- alternative funding streams.

Information relating to Sport and Recreation infrastructure has not been amended since the October 2014 version of the SWIDP. This is because the Sport and Recreation infrastructure requirements and costs have proven difficult to determine through application of the latest evidence base, both published Playing Pitch Strategies (2015) and emerging Built Facilities Studies (in development for Malvern Hills/Wychavon only). However, please see below for a partial update on the Sport and Recreation position.

Essentially the significant elements of the Sport and Recreation infrastructure costs in the SWIDP/ IDP are related mainly to the large urban extensions, and are for strategic provision. Therefore the detailed requirements are part of current in-depth negotiations with the promoters of the urban extensions within the Development Management (DM) process, and the exact location of facilities between the Worcester Strategic Urban Extensions (and therefore the costs), are still being refined.

In terms of providing a partial update to the Sports and Recreation figures, notwithstanding the current evidence base difficulties in updating this section of the IDP, there are a number of items in Appendix Y of the July 2016 SWIDP under 'Communities Facilities' that can be removed from the funding requirements list, having now been completed or are projects that are currently under construction. These include:

- University of Worcester Sports Arena – Estimated Cost £10m.
- New Swimming Pool Worcester – Estimated Cost £10.5m.

This reduces the funding requirement for Sports and Recreation by £20.5m, resulting in a partially revised funding gap of **£55.8m (down from £76.35m)**.

**(b) If so, the most recent cost figures would appear to be £228M for Transport (SWIDP p120), £115.6M for Education (SWIDP p127), and £76.35M for Sport & Recreation (SWIDP p133). Is this correct? If not, what should the figures be?**

These figures are correct for transport and education. As discussed above the Sport and Recreation infrastructure requirements and costs have proven difficult to update through application of the latest evidence base, both published - Playing Pitch Strategies (2015) and emerging – Built Facilities Studies (in development, Malvern/Wychavon only). A partial update has been provided in Question 2(a) above.

**3. Table 1 sets out Anticipated Delivery via S106 figures of £70M for Transport and £58.09M for Education, and an Other Anticipated Funding figure of £18.65M for Education.**

**What is the source for each of these figures and how have they been calculated?**

The source of the £70m figure for Transport has been calculated based on Section106 funding already received towards the SWIDP (£1.5m), further agreements which have been either signed or where Heads of Terms have been agreed with developers since the

published SWIDP. The current signed Section106 agreements totals £30m and current Heads of Terms totals £21m.

Assuming the remaining development comes forward as proposed within the SWDP and based on the established methodology for securing contributions the County Council anticipates securing a further £17.5m for transport.

The Section106 education figure has been updated within the July 2016 SWIDP. Explanation of how these were calculated is included in the latest SWIDP at para. 5.62, p.50 for each south Worcestershire council total.

#### 5.62 Total Education Infrastructure Cost

Area	Total Cost of Primary Phase Infrastructure	Total Cost of Secondary Phase Infrastructure
Worcester City	£9,816,618	£10,519,470
Wider Worcester	£15,378,244	£15,068,430
Malvern Hills	£11,673,816	£12,509,640
Wychavon	£19,633,236	£21,038,940
<b>Total</b>	<b>£56,501,914</b>	<b>£59,136,480</b>

- The table above shows the estimated total cost of infrastructure for all the districts.
- The infrastructure cost will be met by a combination of sources.
- S106 contributions have been sought where appropriate for sites which have already come forward and will continue to be sought on all eligible sites until such time as the CIL is adopted by the SWC as set out in the CIL charging schedule.
- The County Council receives capital grant funding from the Department for Education to address demographic growth and wherever possible will seek to align demographic growth projects with projects arising from housing growth.
- Where pupil numbers are low in an area at the point development comes forward it may be possible to absorb some or all of the impact of that development using the existing spare capacity. This spare capacity has a notional value which can be offset against the infrastructure costs set out above.
- The table below shows the current estimated contribution from S106 contributions

#### Expected S106 contributions at May 2016

Area	Expected Primary Phase Contribution	Expected Secondary Phase Contribution
Worcester City	£5,231,411	£6,013,550
Wider Worcester	£14,365,246	£9,722,983
Malvern Hills	£7,106,101	£6,013,550
Wychavon	£10,162,636	£7,358,244
<b>Total</b>	<b>£36,865,394</b>	<b>£28,403,311</b>

The anticipated collection for each individual site is shown in para. 5.66 (pp 52-63). The predicted Section 106 figure has changed and now totals £65,268,706.

The anticipated additional funding for education is calculated using a 5 year average of basic need funding<sup>1</sup> received by Worcestershire County Council from central government for education. 'Basic need' funding is primarily used to expand schools where demographic growth exists. However, new housing and demographic pressure can exist in the same

<sup>1</sup> Basic need funding is provided by central government for demographic growth to school places. This is means tested on an annual basis, and is not guaranteed.

locality creating an opportunity to combine the funding streams of basic need and Section 106 contributions. This allows for additional places to be created meeting housing and demographic need at the same time. The 'basic need' figure of £18.65m is a proportion of the budget which could be used for housing and demographic growth school expansions. Education budgets evolve over time and new sources of funding may become available to schools and Worcestershire County Council during the lifetime of the SWDP.

Therefore the updated table for education should therefore read:

<b>Infrastructure Type</b>	<b>Funding Requirement (from SWIDP/update work)</b>	<b>Anticipated delivery via section 106</b>	<b>Other anticipated funding (Basic Need)</b>	<b>Aggregate funding gap</b>
Education	£115.6m	£65.3m	£18.65m	£31.7m

**4. Column 6 of the table at Appendix Y to the SWIDP lists other potential sources of funding for Transport and Sport & Recreation infrastructure. For example, Worcestershire County Council, Local Transport Body, New Homes Bonus, University of Worcestershire, Sport England, etc. How have any potential contributions from these other funding sources been taken into account in arriving at the funding gap figure in Table 1?**

These potential other sources of funding have not been taken into account when calculating the funding gap. If the known other funding sources were taken into consideration and realised the funding gap would be £120m.

The updated table for transport should therefore read:

<b>Infrastructure Type</b>	<b>Funding Requirement (from SWIDP/update work)</b>	<b>Anticipated delivery via section 106</b>	<b>Other anticipated funding (Major scheme bids and Growth deal)</b>	<b>Aggregate funding gap</b>
Transport	£228m	£71.5m	£36.38m	£120m

### **Section 3 – Viability**

**5. The last sentence of the note beneath Table 2 says viability evidence for older people's accommodation suggests a CIL rate of zero for all authorities. How has that evidence on older people's accommodation been taken into account in setting the proposed CIL rates shown in Table 8?**

The CIL Viability Update (January 2016) in Table 6.6 at p.60 sets out the results of the analysis of Older Peoples Housing (sheltered housing and extra care housing). This showed that these types of development were unviable when subject to the south Worcestershire councils' affordable housing targets. As CIL is set after the full policy burden has been bourn it was concluded that this type of development had no capacity to bear CIL.

**SWCIL01 DRAFT CHARGING SCHEDULES CONSULTATION DOCUMENT – POST CONSULTATION TRACK CHANGES VERSION (JULY 2016) EXAMINER'S INITIAL QUERIES**

## **Section 6 – The South Worcestershire Approach**

**6. Paragraph 6.2 indicates that the SWCs have decided not to set the CIL rates close to the limits of viability. It would be helpful to know what the maximum theoretical level of CIL would be, for each category of development for which a CIL rate is proposed. This would help me to understand how much of viability “buffer” has been allowed in setting the rates.**

**Could these maximum theoretical CIL rates please be provided (or a reference to where they can be found, if they are already available in a published document)?**

The setting of CIL is a qualitative and quantitative process. As set out in Chapter 6 of the CIL Viability Update (January 2016) three main forms of analysis have been used to settle the final recommended rates:

- a) The comparison of the Residual Value to the Viability Threshold.
- b) Consideration of CIL as a proportion of the Residual Value (being an indication of the approximate amount the developer would be able to pay the landowner following the introduction of CIL
- c) Consideration of CIL as a proportion of the total worth of the project as an indication of the impact CIL may have on the overall project.

Earlier on the process, as set out in the Worcestershire CIL Viability Study (January 2016) a calculation of the Additional Profit was made. The additional profit is the term HDH Planning and Development have used for the maximum capacity for CIL (other consultancies have given it different labels such as ‘headroom’). The additional profit is the Residual Value less the cost of the land, where the cost of the land is the ‘Existing Use Value plus’ (i.e. the viability threshold). It is the amount left in the appraisal having provided both the willing land owner and the willing developer a competitive return – so is the amount that CIL can be paid out of.

The additional profit is set out in Table S1 (p.5) of the Worcestershire CIL Viability Study.

HDH Planning and Development did not present the Additional Profit Analysis in the CIL Viability Update (September 2014; January 2016) as we felt that it had a tendency to be interpreted by those outside the industry as the starting point for CIL – where in fact it is simply the size of the pot from which the developer could pay CIL.

The appraisals in the CIL Viability Update (September 2014; January 2016) do include additional profit analysis – but it has not been presented in the report. The additional profit analysis has been extracted from the appraisals and is presented below. Analysis set out in the in the CIL Viability Update (January 2016, para. 2.3 over) was carried out after the successful appeal by West Berkshire and Reading Councils in relation to the national affordable housing thresholds. These have now been reintroduced through the PPG – these are being followed by the Council’s DM departments. The results of appraisals with and without the thresholds are presented in the CIL Viability Study. The following tables reflect the national affordable housing thresholds. All other matters remain unchanged.

The results are presented for the whole site and on a £/m<sup>2</sup> basis where the amount is divided by the area of the market housing.

The results for the strategic sites are net of the Section 106 strategic infrastructure and mitigation costs.

Malvern Hills								
				Site Area (ha)		Units	Additional Profit	
				Gross	Net		£/site	£/m2
Site 1	Greenfield1	Green	Agricultural	14.3	8.6	300	3,678,330	182
Site 2	Greenfield2	Green	Agricultural	9.5	5.7	200	1,863,084	138
Site 3	Greenfield3	Green	Agricultural	4.75	2.86	100	428,059	63
Site 4	Greenfield4	Green	Agricultural	2.4	1.4	50	377,597	112
Site 5	Greenfield5	Green	Agricultural	1.1	0.85	30	310,947	154
Site 6	Brown Redev L	Brown	Industrial	1.67	1.67	100	-1,417,118	-241
Site 7	Urban Flats	Brown	Industrial	0.6	0.6	60	-3,015,872	-1,077
Site 8	Brown Redev M	Brown	Industrial	0.5	0.5	30	-135,527	-77
Site 9	Brown Medium	Brown	Industrial	0.4	0.23	14	-94,817	-115
Site 10	Green Medium	Green	Agricultural	0.7	0.6	20	-116,562	-86
Site 11	Urban Edge	Green	Paddock	0.43	0.34	12	88,430	135
Site 12	Town Centre Flats	Brown	Industrial	0.15	0.15	10	125,171	242
Site 13	Ex Garage	Brown	Garage	0.2	0.2	12	-236,966	-370
Site 14	Village/Town Infill	Green	Paddock	1.15	0.12	4	-206,162	-461
Site 15	Small Village	Green	Paddock	0.1	0.1	3	91,401	249
Site 16	Village House	Green	Paddock	0.1	0.1	1	20,395	151
Worcester City								
				Site Area (ha)		Units	Additional Profit	
				Gross	Net		£/site	£/m2
Site 1	Greenfield1	Green	Agricultural	14.3	8.6	300	1,608,566	79
Site 2	Greenfield2	Green	Agricultural	9.5	5.7	200	1,113,885	83
Site 3	Greenfield3	Green	Agricultural	4.75	2.86	100	-228,233	-34
Site 4	Greenfield4	Green	Agricultural	2.4	1.4	50	467,586	138
Site 5	Greenfield5	Green	Agricultural	1.1	0.85	30	453,904	224
Site 6	Brown Redev L	Brown	Industrial	1.67	1.67	100	-378,678	-64
Site 7	Urban Flats	Brown	Industrial	0.6	0.6	60	-2,767,410	-988
Site 8	Brown Redev M	Brown	Industrial	0.5	0.5	30	269,563	153
Site 9	Brown Medium	Brown	Industrial	0.4	0.23	14	-20,953	-25
Site 10	Green Medium	Green	Agricultural	0.7	0.6	20	10,785	8
Site 11	Urban Edge	Green	Paddock	0.43	0.34	12	156,988	239
Site 12	Town Centre Flats	Brown	Industrial	0.15	0.15	10	155,008	299
Site 13	Ex Garage	Brown	Garage	0.2	0.2	12	-236,966	-370
Site 14	Village/Town Infill	Green	Paddock	1.15	0.12	4	-307,303	-687
Site 15	Small Village	Green	Paddock	0.1	0.1	3	21,479	58
Site 16	Village House	Green	Paddock	0.1	0.1	1	-4,657	-34
Wychavon								
				Site Area (ha)		Units	Additional Profit	
				Gross	Net		£/site	£/m2
Site 1	Greenfield1	Green	Agricultural	14.3	8.6	300	3,113,849	154
Site 2	Greenfield2	Green	Agricultural	9.5	5.7	200	6,479,022	480
Site 3	Greenfield3	Green	Agricultural	4.75	2.86	100	428,059	63
Site 4	Greenfield4	Green	Agricultural	2.4	1.4	50	797,547	236
Site 5	Greenfield5	Green	Agricultural	1.1	0.85	30	932,458	460
Site 6	Brown Redev L	Brown	Industrial	1.67	1.67	100	952,679	189
Site 7	Urban Flats	Brown	Industrial	0.6	0.6	60	-3,631,656	-1,513
Site 8	Brown Redev M	Brown	Industrial	0.5	0.5	30	96,542	64
Site 9	Brown Medium	Brown	Industrial	0.4	0.23	14	-186,090	-264
Site 10	Green Medium	Green	Agricultural	0.7	0.6	20	-411,855	-304
Site 11	Urban Edge	Green	Paddock	0.43	0.34	12	66,307	101
Site 12	Town Centre Flats	Brown	Industrial	0.15	0.15	10	6,131	12
Site 13	Ex Garage	Brown	Garage	0.2	0.2	12	40,272	63
Site 14	Village/Town Infill	Green	Paddock	1.15	0.12	4	-28,331	-63
Site 15	Small Village	Green	Paddock	0.1	0.1	3	227,537	619
Site 16	Village House	Green	Paddock	0.1	0.1	1	97,103	719
Strategic Sites								
				Site Area (ha)		Units	Additional Profit	
				Gross	Net		£/site	£/m2
Site 1	South Worcs UE	Green	Agricultural	247	140	2609	-68,311,207	-388
Site 2	Worcester West UE	Green	Agricultural	134.49	61.5	2150	-25,595,118	-176
Site 3	Crown Packaging	Brown	Industrial	15.56	5.83	230	-1,800,771	-99
Site 4	Vine's Lane	Green	Agricultural	6.83	3	100	209,067	31
Site 5	Cheltenham Road	Green	Agricultural	11.7	11.5	500	9,443,836	280
Site 6	Qinetiq	Brown	Industrial	3.1	8.6	300	4,823,379	204
Site 7	North East Malvern	Green	Agricultural	19	22.85	800	8,031,257	149
Site 8	Swinesherd Way	Green	Agricultural	37.4	13.2	300	-10,103,351	-576

## **Section 7 – CIL Implementation and Payment**

**7. Paragraph 7.5 says that indexing of the charging schedule will be provided at the beginning of each financial year by SWC.**

**Is this a reference to CIL Regulation 40(6), which provides for the chargeable amount to be adjusted by an index figure to take account of annual changes in costs?**

Yes. This change is to clearly indicate south Worcestershire councils will apply the appropriate indexation using the Building Cost Information Service of the Royal Institution of Chartered Surveyors.

## **Appendix A – Proposed CIL Regulation 123 List**

**8. Each item of infrastructure in the table indicates that it excludes those items of infrastructure stated as to be provided through Section 106 Obligations.**

**Does this mean that any item of infrastructure that is listed as being delivered through S106 in the Accompaniment to the Regulation 123 List is excluded from the Regulation 123 List itself?**

Yes. The Appendix A accompaniment to the Regulation 123 list is designed to show clearly the funding split between Section 106 obligations and CIL for infrastructure projects. Any individual project named on this list as delivered through Section 106 obligations cannot be delivered through CIL and is excluded from doing so by inclusion within this appendix.

The inclusion of the specific items on the accompaniment list is supported by sufficient evidence which demonstrates that delivery through Section 106 is the most likely source of funding (mainly due to the low amount of CIL money that is likely to be generated). However, any subsequent reviews of the CIL Regulation 123 list and the accompanying table may result in amendments to these items as circumstances/evidence changes.

## **Appendix B – Map showing district boundaries etc.**

**9. Could I please be provided with hard-copy extracts of this map, showing the main urban areas of Worcester City, Malvern, Droitwich, Pershore and Evesham? They will need to be at a large enough scale to easily make out the location of the boundaries of the main urban areas and the boundaries of the adjacent strategic sites.**

Yes. These have now been provided to the Programme Officer under separate cover.