CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

COMMUNITY INFRASTRUCTURE LEVY

CHARGING SCHEDULE EXAMINATION

COUNCIL'S OPENING STATEMENT

i) The Council has submitted a Statement of Procedural and Legal Compliance (CIL-016) as evidence that in preparing the Charging Schedule it has complied with the legal and procedural requirements in the 2008 Act (Part 11 and Section 221), the CIL Regulations (2010, as amended) and National Planning Practice Guidance.

ii) The Council, therefore, confirms that the Charging Schedule has been prepared in accordance with:-

- the statutory procedures;
- the Council's Local Plan Core Strategy and Infrastructure Delivery Plan;
- the consultation requirements set out in the Community Infrastructure Levy Regulations April 2010 (as amended); and that:
- it is supported by a viability appraisal.

Consequently, the Council considers that there are no fundamental procedural shortcomings.

iii) The Council considers that the proposed rates are based on appropriate available economic viability evidence (Planning Act 2008, Section 211(7A), as amended by The Localism Act 2011); and strike an appropriate balance between;

a) 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

b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the Bradford district (CIL Regulations 2010 14(1)).

iv) The emerging Core Strategy sets out an ambitious plan for growth in the Bradford District. CIL Regulation 123 (2010 as amended) introduced new restrictions on the use of planning obligations to fund infrastructure as of 6 April 2015. Therefore, CIL is considered to be an appropriate mechanism to help address the identified infrastructure funding gap and deliver the infrastructure needed to support growth in the District. The viability evidence shows that the introduction of CIL would not threaten the viability of growth or be a barrier to development (consistent with paragraph 173 of Nation Planning Policy Framework). As such, the proposed rates would positively support the delivery of the Council's ambitious plan for growth across the District.

Main Issues for the Examiner

1. Has the charging authority complied with the procedural requirements in the 2008 Act (Part 11 and section 221), and the 2010 Community Infrastructure Levy Regulations (as amended) (CIL)?

Council Response

The Council has submitted a Statement of Procedural and Legal Compliance (2016) (CIL-016) as evidence that in preparing the Charging Schedule it has complied with the legal and procedural requirements in the 2008 Act (Part 11 and Section 221), the CIL Regulations (2010, as amended).

The Council, therefore, confirms that the Charging Schedule has been prepared in accordance with:-

- the statutory procedures;
- the relevant Local Plan and Infrastructure Delivery Plan;
- the consultation requirements set out in the Community Infrastructure Levy Regulations 2010 (as amended); and that:
- it is supported by viability evidence.

Consequently, the Council considers that there are no fundamental procedural shortcomings.

2. Is the CIL Draft Charging Schedule (DCS) supported by appropriate available evidence on infrastructure planning and economic viability?

Council Response

The CIL DCS is supported by appropriate available evidence on infrastructure requirements and economic viability evidence. The main evidence documents are:

- Bradford Community Infrastructure Levy Viability Evidence (June 2015) (CIL-003) and CIL Viability Evidence Addendum (December 2015) (CIL-004)
- Local Infrastructure Plan (December 2015 Update) (CIL-005)

This evidence has been used to strike an appropriate balance between the need for additional investment to support development and the potential effect on the viability of development across the District. The CIL rates proposed in the DCS are considered to be economically viable as demonstrated in the Bradford CIL Viability Evidence. This is set out in more detail in the CIL Draft Charging Schedule Background Paper (2016) (CIL-011) submitted in support of the DCS.

3. Are the proposed CIL charging rates informed by and consistent with the evidence?

Council Response

The proposed CIL charging rates in the DCS have been informed by appropriate available evidence. It is considered that the charging rates proposed in the DCS are appropriate and consistent with the available evidence.

4. Does the evidence show that the proposed CIL charging rates would not put at risk the overall development of the area? Has an appropriate balance been struck between helping to fund the new infrastructure required and the potential effect of the levy on the economic viability of development across the borough and the implementation of the objectives of the emerging Core Strategy Development Plan?

Council Response

Yes. The viability evidence demonstrates that the introduction of CIL and proposed charging rates would not put at risk the overall development of the area. As such, the proposed rates would positively support the delivery of the Council's ambitious plan for growth across the District and the implementation of the objectives of the emerging Core Strategy Development Plan.

The Council considers that the proposed rates are based on appropriate available evidence and strike an appropriate balance between:

a) 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

b) the potential effects, (taken as a whole), of the imposition of CIL on the economic viability of development across the Bradford District.

Matter 1: Infrastructure planning evidence

Issues

1. What evidence is there of the need for infrastructure to support the development proposed in the local authority area in the emerging development plans? Have the infrastructure requirements been correctly identified?

Council Response

The CIL has been informed by the infrastructure evidence from the infrastructure assessment (the Local Infrastructure Plan) that was undertaken as part of preparing the Local Plan Core Strategy (SD-001), in consultation with infrastructure providers to determine what infrastructure is required to support development in the District, and the other additional sources of funding available. The submitted Local Infrastructure Plan (LIP) (CIL-005) underpins the emerging Local Plan Core Strategy for the District in accordance with CIL National Planning Practice Guidance (NPPG) (Paragraph: 009 Reference ID: 25-009-20140612).

The LIP provides an infrastructure capacity assessment for the District in support of the emerging Core Strategy (SD-001). The key infrastructure requirements needed to support the level of planned growth (as set out in the Bradford District Core Strategy) have been identified through the LIP. At the time of writing the Bradford District Core Strategy is currently at Examination stage and has yet to be formally adopted by the Council. However, as the emerging Core strategy has been prepared in accordance with the NPPF and is based on robust and up to date evidence it is considered a relevant and up to date Local Plan. The LIP was tested as part of the Core Strategy evidence base during the Examination into the Core Strategy.

The LIP is produced in consultation with internal and external infrastructure delivery providers, as detailed in the document, taking account of any relevant comments received from other representors at successive stages of consultation (in line with NPPF paragraph 162) to assess and update key infrastructure information. The resulting Infrastructure Schedule in the LIP sets out the list of infrastructure, anticipated costs and how it could be delivered. The Infrastructure Schedule has helped inform the CIL Draft Regulation 123 List, which will set out a list of those projects or types of infrastructure that the Council intends to fund, or may fund, through the levy.

The LIP is based on information currently available and is designed to be able to respond to changing infrastructure needs and circumstances over the Local Plan period. Consequently the Council treats the LIP as a 'live' document and updates the report regularly taking into account any changes to infrastructure needs and delivery. The submitted version of the LIP (December, 2015) (CIL-005) has been updated (March, 2016) (CIL-009) taking account of the most up to date available information and in collaboration with the relevant infrastructure providers, and as such should be read in conjunction with the submitted version of the LIP (CIL-005). The LIP (March, 2016) (CIL-009) also incorporates all the infrastructure and funding information referred within the two Infrastructure Delivery Plans (IDP) which were produced in support of the Bradford City Centre and Shipley & Canal Road Corridor Area Action Plans.

It is considered that the LIP provides appropriate available evidence on the District's infrastructure requirements based on the infrastructure assessment that was undertaken as part of preparing the relevant Plan (Local Plan Core Strategy) in accordance with NPPG Paragraph 16 (Reference ID: 25-016-20140612). In determining an infrastructure funding gap, the LIP has considered known and expected infrastructure costs and the other possible sources of funding to meet these costs. However, it should be noted that the CIL NPPG (Paragraph 16 Reference ID: 25-016-20140612) sets out that there will be uncertainty in pinpointing other infrastructure funding sources, particularly beyond the short-term. Charging authorities should focus on providing evidence of an aggregate funding gap that demonstrates the need to put in place the levy. Whilst such evidence can only ever represent a point in time, the Council considers that the submitted infrastructure evidence in the LIP (CIL-005) satisfies the CIL NPPG and CIL Regulations, in terms of demonstrating an aggregate infrastructure funding gap and striking an appropriate balance.

2. What is the expected total cost of this infrastructure? What are the actual and expected sources of funding to meet these costs? What is the funding gap? What contribution is CIL expected to make towards filling this gap?

Council Response

The total expected cost of infrastructure is set out in Section 6 (Infrastructure Requirements, Funding and Delivery) of the LIP (CIL-005) and again in Section 8 (Infrastructure Schedule) for each individual infrastructure categories/types under the column titled Cost. The actual and expected sources of funding are discussed in Section 7 (Funding Sources) and also within the Infrastructure Schedule (Section 8).

Appendix C of the LIP (CIL-005) Summary of Total Funding Gap for Infrastructure Categories summarises total cost of infrastructure categories under the Gross Funding Gap column, this equates to £761.9 million. Total sources of funding (where known) are indicated in the Committed/anticipated funding column. This equates to £73.15 million.

Evidence in the LIP confirms that there is an identified infrastructure funding gap in the District required to underpin the introduction of CIL. The estimated shortfall identified in the LIP (CIL-005) is £688.75 million. This provides the evidence required to justify charging CIL in the Bradford District. The latest update to the LIP (March, 2016) (CIL-009) confirms that there is an identified infrastructure funding gap required to underpin the introduction of CIL.

CIL is forecast to generate approximately £43million over the 15 year plan period based on the Bradford CIL Draft Charging Schedule rates (see Appendix 1: Projected CIL Income). This equates to approximately £2.9 million/year. The residual funding gap taking into account projected CIL income of £43 million is therefore approximately £645 million. This demonstrates that income from CIL will contribute to reducing the funding gap but not exceed the total funding gap. It is considered that this supports the proposed CIL rates in the Draft Charging Schedule.

Matter 2: General approach to rate setting

Issues

3. Does the Draft Charging Schedule (DCS) make clear the approach that would be taken to uses not included in the charging schedule in the DCS and is this justified by the viability evidence?

Council Response

The proposed CIL rates are set out in the table under paragraph 7.1 of the DCS (CIL-001). It is considered that the table is clear that only the types of development with a proposed CIL charge will be liable for CIL. All other uses described as having a CIL charge of £0/sqm will not be liable for CIL. The proposed CIL charges for different uses in the DCS are considered to be justified by the viability evidence (CIL-003, CIL-004) in accordance with NPPG Paragraph: 022 (Reference ID: 25-022-20140612).

The CIL viability evidence tested the impact of CIL on a wide range of uses and types of development. Only the types of development which were assessed as being able to withstand a CIL charge in the viability evidence (CIL-003, CIL-004) are proposed to be charged CIL, as set out in paragraph 7.1 of the DCS (CIL-001).This is summarised on pages 6 and 7 of the CIL viability evidence (CIL-003).

The viability evidence tested residential, retail, office, industrial and other commercial types of development. This is set out in pages 24-34 of the CIL viability report and viability results summarised on pages 35-41 (CIL-003).These are considered to be the main types of development which will be brought forward across the District to deliver the Local Plan Core Strategy. Of these types of development only residential and retail uses (retail warehousing, larger supermarkets) were found to be able to viably withstand a CIL charge. It is therefore considered that the proposed CIL rates set out in the DCS are fully justified by appropriate viability evidence.

4. In setting CIL rates Charging Authorities must take account of policy requirements set out in the 'relevant plan' which for the purposes of the Examination is the City of Bradford Metropolitan District Council emerging Core Strategy Development Plan and emerging Bradford City Centre and Shipley and Canal Road Corridor Area Action Plans. How are the financial implications associated with the policies of the emerging plans including the provision of Green Infrastructure, articulated and accounted for in the valuation assessments? Has this been undertaken in a sufficiently transparent manner?

Council Response

Levels of CIL have been tested in combination with the Council's planning policies as set out in the emerging Core Strategy, including the provision of affordable housing and other site specific matters that would continue to be required to make development acceptable in planning terms. This is in addition to an allowance for site abnormals and contingencies. The proposed rates have taken into account the requirements to achieve policy requirements and planning obligations as set out in the emerging Local Plan. A buffer has also been applied to the maximum rates that have been shown to be viable.

The CIL viability evidence has considered the policy requirements as set out in the emerging Core Strategy (SD-001). As part of the Core Strategy evidence base, the plan was subject to a Local Plan Viability Assessment (EB-046) which included a health check of Local Plan policies (Table 3.2) to identify policies which may have an impact on viability. In response to viability issues identified as part of the Local Plan, the Core Strategy and AAP policy standards have been designed to provide flexibility with policy requirements such as housing quality standards subject to viability/feasibility. Core Strategy Policy ID3 Viability sets out the Council's approach for considering viability in general stating that where appropriate the council will be sufficiently flexible to prevent planned development being stalled.

The majority of Core Strategy policies were found to either have no impact on economic viability of development or no explicit requirement/subjective and therefore no site specific impact which could be tested. The following Core Strategy policies were identified as having an impact on development viability:

- SC8 Protecting the South Pennine Moors and their zone of influence
- EC4 Sustainable economic growth- sustainable construction standards
- HO9 Housing Quality
- HO11 Affordable Housing

In relation to the consideration of identified policy requirements in the Local Plan Core Strategy the viability evidence has considered the following

- Policy SC8- offsite habitat mitigation is included on the CIL Regulation 123 (R123) list and will therefore be collected through CIL. This is therefore excluded from site specific S106 allowance. Any on-site mitigation allowance is addressed through allowances for site specific S106 and site abnormals.
- Policy EC4- the policy states the standard is on a subject to viability basis, there is therefore flexibility for interpretation and it is difficulty in terms of application of cost on a general basis to a District wide viability study therefore no specific cost allowed for.
- Policy HO9- sustainable construction standard/space standards/accessible homes. The requirement for sustainable construction standards (Code for Sustainable Homes/zero carbon) is proposed to be removed as set out in the Core Strategy main modifications (PS G004a) therefore no specific cost allowed for. The council intend to undertake further detailed work in regards to the requirement for accessible/adaptable homes/space standards in advance of any specific requirement in the Local Plan. The policy is not sufficiently precise as to the standards that must be achieved to enable testing on a generic area wide basis therefore no specific cost allowed for.
- HO11- full Affordable housing standards have been tested through CIL viability assessment with all CIL rates predicated on the assumption that the full quantity of affordable housing requirements will be imposed.
- Open space on site

In regards to the two Area Action Plans being developed, the AAP viability assessments identified that many of the policy requirements were not prescriptive in terms of specifying the precise requirements, recognising that the policy should be implemented to sites on a case by case basis according to their needs. This means that the application of costs on a general and replicable basis to a District wide viability study is not realistically possible. In addition many of the requirements are typical of what would be expected as mitigation delivered though S106 or abnormal development costs and can only be considered on a site by site basis. In all cases there is flexibility such that any requirements are 'subject to' individual site feasibility.

The density requirements in the AAPs were identified as a potentially limiting viability factor in current market conditions. In response to the Examiner's initial question regarding density policy requirements set out in the Core Strategy and AAPs, the Council has submitted further evidence including an appraisal of alternative density scenarios (CILEX-005).

The Allocations DPD is at an early stage of production and therefore it has not been possible to identify site-specific policy requirements, in particular for strategic sites.

Where sufficient detail is known, Local Plan policy requirements have been incorporated into the viability modelling assumptions, such as affordable housing requirements. Where the wording of policies is not specific or prescriptive, an appropriate allowance has been made within the appraisals via the S106 and abnormals allowance. It should also be noted that there are a number of areas of conservatism in the CIL viability model as well as the explicit allowances for S106 and site abnormals. For example, BCIS costs are generally accepted to be at least 5% above the costs that most house builders typically build at and, therefore, this incorporates an in-built viability cushion.

In regards to green infrastructure Core Strategy Policy SC6: Green Infrastructure sets out the strategic approach to green infrastructure in the District. Core Strategy Policy EN1 indicates a requirement for combination of on-site and off-site open space on residential sites but does not set out specific standards. It is assumed that off-site contributions for open space/green infrastructure will be collected through CIL as set out in the draft Regulation 123 list (CIL-006). The AAPs indicate 'where feasible' a contribution to on-site green infrastructure enhancements/interventions may be required. Whilst there is no explicit costing for these on-site green infrastructure works in the appraisals underpinning the CIL calculations, such requirements are accounted for within the allowances for abnormal development costs which represents a 10% uplift on build costs (there is also a contingency allowance and professional fees on this abnormal sum), and the site specific S106 allowance, which represents £1,000 per dwelling unit. The table below illustrates the allowances that have been made for policy standards, site specific mitigation and other abnormal cost requirements. The figures are expressed per ha and per dwelling:

Buffer category	Description	Average buffer per ha (based on average floor area cover of 3233 sq m per ha)	Average per unit
Contingencies	3% of build costs and external works	£102,421	£2,926
Allowance for abnormals	10% of build costs (plus 3% contingencies and 8% professional fees)	£329,436	£9,412.46
S106 allowance	£1,000 per dwelling	£35,000	£1,000
Subtotal		***£466,858***	***£13,339***

As the table shows, these provisions make allowance for up to £466,858 per ha and £13,339 per dwelling on the basis of the densities appraised, which are considered to be adequate to cover any specific requirements that would arise from the Local Plan. In addition to the above there are significant viability buffers which could also absorb variation in development costs which are detailed further in the Council's response below.

In conclusion, the Council considers that its viability evidence makes appropriate allowances for policy standards and has been prepared in a sufficiently transparent manner therefore complying with the CIL consultation and administration requirements as set out in the CIL Regulations and NPPG. The Council has engaged with a range of stakeholders including agents, developers and house builders throughout the preparation of the CIL. Details of engagement in relation to CIL viability testing assumptions are set out in paragraph 3.2.5 of the Bradford CIL Viability Evidence (CIL-003).

The Council published and consulted on a Preliminary Draft Charging Schedule (PDCS) and Draft Charging Schedule (DCS) in accordance with the CIL Regulations. This includes the CIL viability evidence and assumptions. In preparing the CIL the Council has considered and taken into account all representation received on the PDCS and DCS. In summary it is considered that the submitted viability evidence provides appropriate available evidence.

5. Is the future approach to the use of section 106 planning obligations as set out in the Draft Regulation 123 list sufficiently clear? Does the Draft Regulation 123 list provide adequate certainty as to which items of infrastructure CIL will contribute towards, and where section 106 obligations/section 278 agreements will continue to be used? Is there any duplication between the two?

Council Response

CIL is intended to support development of an area rather than make an individual planning application acceptable. Therefore, section 106/section 278 agreements will still be required for site specific mitigation. In addition, Section 106 (S106) agreements will still be used to secure affordable housing, which is not capable of being funded by the levy.

The draft Regulation 123 (R123) list (CIL-006) sets out the infrastructure items that are intended to be funded in whole or in part by the levy. Infrastructure categories on the R123 List have been informed by evidence in the IDP for the District (CIL-005), with input from key infrastructure providers. As the Council has yet to formally adopt its Core Strategy (SD-001) and the Site Allocations DPD is at an early stage, it is not considered appropriate to make the items on the Regulation 123 (R123) list any more specific at this stage. It is not considered that appropriate evidence is available at this stage to identify specific infrastructure projects; therefore a more generic list of infrastructure categories is set out with additional clarification on the types of infrastructure under each category.

The Draft R123 List (CIL- 006) identifies that in order to ensure that individual developments are not charged for the same infrastructure items through both S106 Agreements and the CIL, a S106 contribution or a S278 agreement cannot then be made towards an infrastructure item already on the List. The continued use of Section 106 Obligations list sets out the known site-specific matters for which S106/S278 contributions may continue to be sought as required by NPPG (paragraph 017 Reference ID: 25-017-20140612). For additional clarity and transparency there is a note in the R123 explaining that S106 agreements cannot be sought for items on the Regulation 123 list. It also explains that any planning obligation must meet the tests of Regulation 122.

It is considered that this provides adequate certainty as to which items of infrastructure CIL will contribute towards. It is not considered that there is any duplication between the items on the Regulation 123 list and items listed under the continued use of Section 106 Obligations list.

CIL receipts and expenditure will be reported annually and will provide details on what CIL has funded. This will provide further transparency and will clearly demonstrate that CIL and S106 obligations have not been spent on the same infrastructure project.

It is considered that the Draft Regulation 123 List is sufficiently clear about how future infrastructure will be funded to avoid 'double dipping', as set out in NPPG (paragraph: 017 Reference ID: 25-017-20140612). However, whilst it is not the purpose of the examination to approve the list, the Council is willing to consider any recommendations put forward as part of the Examination to improve the clarity and transparency of the R123 list. For example, further detail could be included in relation to the approach to 278 agreements in order to provide greater clarification.

Other councils have produced short documents on the continued use of S106 contributions following adoption of CIL. The Council is willing to provide similar guidance prior to the implementation of CIL should this be considered necessary.

6. Are the assumptions, such as density requirements, and the evidence on which they are based, set out in the Viability Assessment sufficiently robust, and flexible; particularly, in the absence of adopted plans that include site allocations?

The assumptions that have been utilised for the viability assessments underpinning the DCS are robust and justified by appropriate available evidence. The assumptions are based on research of the local development market and consultation with the local and national development sector and also have regard to the Council's emerging Local Plan policies and sites. The approach taken involved:

- Market research – in depth market analysis was carried out to inform the development typologies used. This included a review of the sites being promoted through the emerging Strategic Housing Land Assessment, consultation with property / land agents, and review of local developments. All such evidence is documented in the original viability document CIL 003 produced by DTZ (for the avoidance of doubt, DTZ now operate under the brand Cushman and Wakefield whose name appear on subsequent evidence documents).

- Consultation – informal consultation with developers, agents and land owners took place via a seminar and questionnaire to present and test the assumptions used in the viability model in Autumn 2014. The viability assumptions were modified through this process. Following the publication of Preliminary Draft Charging Schedule the statutory consultation provided the opportunity for formal representations to be made on the assumptions base. Several representations were made in respect of the viability assumptions and those adjudged to necessitate review were fed into an updated viability evidence Addendum document produced by Cushman and Wakefield (CIL-004). The assumptions that were modified during this process were new build revenues, build costs and house sizes.

- Local Plan policies and sites – as part of the original viability evidence (CIL 003) an assessment of sites and policies was provided within the market reports at Appendix A and policy requirements of the emerging plan were also included in the assessment.

In respect of development densities, an assessment of the densities of sites within the Strategic Housing Land Availability Assessment (SHLAA) was included at Appendix A of the viability evidence document (CIL 003). This showed a range of 8.86 dwellings per ha to 115 dwellings per ha across the District, however the majority of locations showed a range of 30-40 dwellings per ha and there was an overall average of 35 dwellings per ha. Supplementary market evidence demonstrated that house-builders remained focused on low to mid density housing schemes within this range and there was minimal demand for new build flatted schemes. Therefore a standard development density of 35 dwellings per ha was utilised in the model. Alongside the house size and mix assumptions, this density generated a site cover figure of between 3,290 sq m to 3,413 sq m per ha (14,332 sq ft to 14,865 sq ft per acre) which is within the range targeted by the majority of house builders.

The above densities were accepted as an appropriate density by those commenting through consultation. As a result of representations relating to house sizes in the statutory consultation following publication of the Preliminary Draft Charging Schedule, modifications to house sizes were made based on a further review of evidence as detailed in the Viability Addendum (CIL 004). The result was to reduce marginally the site cover figure, whilst maintaining 35 dwellings per ha.

In response to the Examiner's initial question regarding density policy requirements set out in the Core Strategy and AAPs, the Council have submitted further evidence including an appraisal of alternative density scenarios (CIL-EX-005). In respect of the implications for Bradford Council's CIL charging strategy, evidence indicates there is consistent / slightly improved viability for increase in density up to 40 DPH but that at higher densities associated with flatted schemes there is a significant reduction in viability, with the exception of those schemes in Wharfedale, where values remain at a premium to enable flatted developments. Whether or not this should be interpreted as necessitating an exemption on flatted developments is a matter for the Examiner to judge. However given that there is very minimal new flatted development taking place at the current time there is considered to be very minimum risk that CIL would affect deliverability of such schemes.

In conclusion, the Council considers that it has undertaken CIL viability testing and development of the assumptions used in a sufficiently transparent manner and complied with the CIL consultation and administration requirements as set out in the CIL Regulations and NPPG. The Council has engaged with a range of stakeholders including agents, developers and house builders throughout the preparation of the CIL. Details of engagement in relation to CIL viability testing assumptions are set out in paragraph 3.2.5 of the Bradford CIL Viability Evidence (CIL-003).

7. How has the Council provided for a viability cushion or margin? How has this influenced the levels at which CIL is to be set? Is this of an appropriate size to accord with the advice set out in the National Planning Practice Guidance?

CIL guidance underlines the importance of pragmatism and that CIL rates should be reasonable. Paragraph 019 (Reference ID: 25-019-20140612) of the NPPG specifies that "It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust". NPPG does not set out what the viability buffer should be or offer any guidance on how it should be set. The Council have therefore ensured that the viability evidence applies an appropriate viability buffer to reflect these recommendations, to ensure that CIL is viable and not realistically likely to put development delivery at risk.

The CIL 'headroom' figures in the viability evidence (CIL-003) have been adjusted to allow a 'viability buffer' in accordance with NPPG (paragraph 19). It should also be noted that there are other areas of conservatism in the viability model. This provides additional insulation to safeguard the impact of CIL on development delivery and demonstrates that a reasonable 'balance' has been struck between the viability of development and the desirability of maximising funds to pay for infrastructure.

The CIL viability evidence (CIL-003, p7) sets out the discount from the Maximum CIL headroom (viability buffer) for the recommended CIL rates. This indicates that discounts of between 30-80% from the maximum headroom figures have been applied to the recommended rates. These discounts were set not only on the basis of the percentage discount, but also with regard to the relative percentages that the proposed CIL tariff represent in relation to Gross Development Value, Construction Cost, Development Cost and Land Value, as explained in the report. The result was to generate buffers that provide confidence which would insulate schemes from the impact of CIL where higher development costs could be incurred, and therefore accords with the requirements of the NPPG (paragraph 19, Reference ID: 25-019-20140612).

The CIL viability addendum (CIL-004) was based on up-to-date market research of new build sales values, and the latest BCIS based build cost. The results of this study indicate a reduction in the level of headroom in Value Areas 1 and 2 from the earlier viability study to £324 per sq m and £129 per sq m respectively. However there is still adequate headroom to allow for the proposed CIL rates of £100 psm and £50 psm in these locations incorporating a substantial buffer. Conversely, the results indicate improved viability and a greater capacity for CIL in the mid and mid/low value areas (Value area 3 and Value area 4). The headroom in Value Area 3 increases from £50 psm in the original study to £61psm and Value Area 4 increases from zero to £29 psm. This is the result of the additional new build evidence showing improvements in sales values within these locations.

The results in the following table show the viability buffer of the proposed CIL rates in the DSC from the maximum CIL rates in the CIL viability assessment (CIL-003) and addendum (CIL-004).

	Proposed CIL rate in CIL DCS	**Discount from Maximum CIL headroom- CIL Viability Evidence June 2015 (CIL-003)**	**Discount from Maximum CIL headroom- CIL Viability Evidence addendum- December 2015 (CIL-004)**
Residential			
Value Area 1 (zone 1)	£100	81.2%	69.13%
Value Area 2 (zone 2)	£50	78.07%	61.24%
Value Area 3 (zone 3)	£20	60%	66.66%
Value Area 4 (zone 4)	£5	-	82.75%
Value Area 5 (zone 4)	£5	-	-
Retail			
Retail warehousing - Central Bradford	£85	65.40%	61.88%
Large supermarket (>2000 sq m)	£50	28.00%	42.52% (This figure does not include an allowance for site abnomals)
All other uses	£0	-	-

The proposed CIL rates in the DCS reflect the recommended rates as set out in the viability evidence and are not set to a maximum to allow for a viability buffer in accordance with the Government's CIL NPPG (paragraph 19). The only exception to this is the proposed rate of £5/sqm for Value area 5 which differs from the recommend £0 rate in the viability evidence and therefore does not include a viability buffer.

The CIL Viability Assessment 2015 (CIL-003, paragraph 7.4) states small variations may be capable of justification particularly where they support the principle of achieving a 'balance' between the infrastructure funding need and viability. In view of the very small proportion of development costs (as evidenced in the CIL Viability Evidence (CIL-003, page 7)) and the large infrastructure funding gap and critical infrastructure issues identified within in the main urban areas identified in the LIP, the Council considers that on balance a nominal CIL charge of £5 for residential development is justified in this area. A levy of £5psm is considered a nominal charge, which will not realistically put delivery at risk. It is therefore considered by the Council that there is justification for setting a nominal charge for residential uses for this area where the viability evidence indicates a zero charge. It is considered that this approach is in line with CIL NPPF (Paragraph: 019 Reference ID: 25-019-20140612) which sets out that a charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence.

As previously stated there are other areas of conservatism in the viability model. The viability assumptions are considered to include a generous allowance for site abnormals/build costs and the inclusion of BCIS costs are generally accepted to be above the costs that most house builders typically build at.

8. What percentage of development costs does CIL, as set out in the draft Charging Schedule, represent?

Page 7 of the CIL viability evidence (CIL-003) sets out the percentage of development costs of CIL as set out in the draft charging schedule.

Appendix 3 to this report provides an illustration of the break-down of costs with one of the schemes tested in the model, the results of which were presented in the Viability Addendum (CIL-004). The illustration, which is based on the 2 ha / 70 dwelling scheme, provides details of the cost break down in figures and numbers, including CIL and the various viability buffers. It indicates that CIL represents between 0.2% and 3% of total development costs (inclusive of developer's profit, land, buffers). This is broadly consistent with the percentages contained in the original viability evidence document (CIL-003) and underlines the cautious approach that has been taken to ensure that the CIL rates do not place delivery at risk.

Matter 3: Residential Levy Rates

Issues

9. Are the differential local levy rates for new residential accommodation justified by appropriate available, consistent and transparent viability evidence?

The NPPG states that charging authorities should use an area based approach involving a broad test of viability across the area as evidence to inform the CIL charge (Paragraph: 020 Reference ID: 25-020-20140612) and a charging authority that plans to set differential rates should seek to avoid undue complexity (Paragraph: 022 Reference ID: 25-022-20140612).

The Council consider that the proposed residential levy rates are informed by 'appropriate available' viability evidence (CIL-003, CIL-004) as a required by NPPG (paragraph 19, Reference ID: 25-019-20140612). This includes testing development viability at two levels:

1. Area wide viability testing – using hypothetical development typologies based on real world sites that have been examined, tested in different value area locations of the District

2. Site specific viability testing – detailed analysis of a sample of strategic 'real world' development sites from the various locations.

Differences in residential rates are justified by reference to the economic viability of development across the District in line with NPPG (Paragraph: 021 Reference ID: 25-021-20140612). This is based on the identification of residential value areas in the CIL Viability Evidence (CL-003), which were defined according to average house prices within each post code area. Average house prices were derived from the Land Registry data and five value bands were defined. The viability model then tested the viability of a number of scheme typologies applying varying value assumptions to reflect the differences across the value zones.

Overall the results of the CIL viability evidence (CIL-004, CIL-005) indicate that there is a marked difference in the ability of residential development in different parts of the Bradford District to viably support a CIL charge, justifying the use of differential levy residential rates by geographical area within the District boundary.

The proposed residential CIL rates for the four charging zones in the CIL Preliminary Draft Charging Schedule (PDCS) reflected the recommended CIL rates in the CIL viability evidence (CIL-003) and were not set to a maximum to allow for a viability buffer in accordance with the Government's CIL NPPG (paragraph 19). The only exception to this was the proposed rate of £5/sqm for charging zone 4 which varied from the recommend £0 rate in the CIL viability evidence (CIL-003) and therefore did not include a viability buffer.

The CIL Viability Assessment (CIL-003, paragraph 7.4) states that small variations may be capable of justification particularly where they support the principle of achieving a 'balance' between the infrastructure funding need and viability. In view of the very small proportion of development costs (as evidenced in the CIL Viability Evidence (CIL-003, page 7) and the large infrastructure funding gap and critical infrastructure issues identified within in the main urban areas identified in the LIP, the Council considered that on balance a nominal CIL charge of £5 for residential development was justified in this area. A levy of £5psm is considered a nominal charge, which will not realistically put delivery at risk given the very small percentage of costs that this would represent; based on the illustration at Annex 1 the £5psm charge rate in Value Area 4 is indicated to represent 0.2% of total development costs, significantly less than even the contingency budget that any sensible and rational developer would allow. It is therefore considered by the Council that there is justification for setting a nominal charge for residential uses for this area where the viability evidence indicates a zero charge. It is considered that this approach is in line with CIL NPPF (Paragraph: 019 Reference ID: 25-019-20140612)which sets out that a charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence.

An update to the CIL viability evidence was undertaken in 2015 (CIL-004). In regards to residential rates the results of the CIL Viability Evidence Addendum indicates a marginal reduction in the level of headroom in Value Areas 1 and 2 from the earlier Viability Evidence (June 2015). However, there remained adequate headroom to allow for the proposed CIL rates of £100 psm and £50 psm in these locations incorporating a substantial buffer.

The results indicate improved viability and a greater capacity for CIL in the mid and mid/low value areas (Value area 3 and Value area 4). The headroom in Value Area 3 increased from £50 psm in the original study to £61psm and Value Area 4 increases from zero to £29 psm. This is the result of the additional new build evidence showing improvements in sales values within these locations. Value Area 5 which is effectively the inner Bradford and Keighley areas remained unlikely to be viable for a CIL tariff.

In regards to the proposed residential charging rates in the CIL DCS, the Viability Addendum (CIl-004) indicates that the proposed rates for charge zones 1, 2 and 3 remain fully justified and consistent with the evidence as they allow for a viability buffer in accordance with the NPPG.

The Viability Evidence Addendum (CIl-004) indicates that there may be a justification for a small increase in CIL charge in zone 3, extending the Charging Zone 3 to incorporate value area 4, or alternatively subdividing Charge Zone 4 into two zones to enable different rates to be set within this area. While this indicates the potential for an increase in the charging rate in this zone, the viability evidence states that caution should be applied to any increase in the CIL rate to ensure that there is an adequate buffer retained. Therefore, given the need to include a viability buffer so that the levy rate is able to support development if economic circumstances change and the need to avoid undue complexity it is considered that that the residential charging zones and proposed residential rates as set out in the DCS are reasonable and strike an appropriate balance.

The Council considers that it has undertaken CIL viability testing and development of the assumptions used in a sufficiently transparent manner and complied with the CIL consultation and administration requirements as set out in the CIL Regulations and National planning Practice Guidance. The Council has engaged with a range of stakeholders including agents, developers and house builders throughout the preparation of the CIL. Details of engagement in relation to CIL viability testing assumptions are set out in paragraph 3.2.5 of the Bradford CIL Viability Evidence (CIL-003).

The Council published and consulted on a Preliminary Draft Charging Schedule (PDCS) and Draft Charging Schedule (DCS) in accordance with the CIL Regulations. This includes the CIL viability evidence and assumptions. In preparing the CIL the Council has considered and taken into account all representation received on the PDCS and DCS.

10. Are the site acquisition costs and benchmark land values justified by appropriate available evidence? Has evidence of recent land transactions been taken into account? If so, should it be?

The viability evidence allows for the costs of land together with purchaser’s costs at 5.8% of land costs (purchaser’s costs include stamp duty payable, legal and agents fees).

The CIL Viability Assessment and Addendum (CIL-003, CIL04) tested the viability of development using a range of site value thresholds that were developed via:

- Review of evidence of comparable site values established as part of recent Council planning viability cases. This information has been provided as an Appendix to the Viability Addendum (CIL 004)
- Review of Valuation Office Agency Property Market Reports
- Discussion and with local land owners, developers, and commercial land agents
- Consultation which commenced with informal workshop and questionnaire and subsequently two phases of statutory consultation. Through this process no objections were made to the site value benchmarks used confirming universal acceptance to the rates applied. No representations were received which provided additional evidence on alternative land values or provided evidence that the land values thresholds used in the viability testing were incorrect.

- Moderation to reflect different transaction prices observed across the District.

In accordance with RICS guidance, site value benchmarks were discounted to allow for the impact of CIL. It is therefore considered the District wide CIL Viability Assessment provides robust and appropriate evidence to inform the CIL charging rates and one that fully complies with the CIL regulations and National Planning Guidance.

The land value benchmarks applied for residential viability testing in the Bradford Viability Evidence range from £269,520 to £1,284,920 per ha (£120,000 to £520,000 per acre). A review of the residential land value benchmarks applied in neighbouring authorities' CIL viability evidence has been undertaken, the results of which demonstrate thebenchmarks used in the Bradford CIL viability evidence to be within the parameters applied elsewhere in West Yorkshire:

Local Authority	Status	Land value benchmark
Leeds	Adopted - Viability Evidence produced 2013	Minimum threshold of £247,100 per ha (£100,000 per acre)
Kirklees	PDCS published 2015, evidence produced 2015	Range of £247,100 to £988,400 per ha dependent on location (£100,000 to £400,000 per acre)
Wakefield	Adopted – Viability Evidence produced 2014	£432,437 per ha to £803,075 per ha (£175,000 to £325,000 per acre)
Calderdale	In development	£383,005 per ha (£155,000 per acre)

It is therefore considered the District wide CIL Viability Assessment provides robust and appropriate evidence to inform the CIL charging rates.

11. Is there adequate economic justification to support four separate differential rates for dwellings? Has the Council sought to avoid undue complexity? Specifically, has the identification of the boundaries between the zones been accompanied by adequate viability evidence.

The CIL NPPG advises that differences in rates need to be justified by reference to the economic viability of development, and may be appropriate in relation to geographical zones and types of development. In addition, the NPPG advises that a charging authority that plans to set differential rates should seek to avoid undue complexity (paragraph: 021, Reference ID: 25-021- 20140612). This has been the Council's approach for reasons set out as follows.

The CIL value areas were defined based on an assessment of the different levels of market strength across the District which demonstrated marked differences in demand, value and ultimately the capacity for development to withstand CIL. Market research of average house prices together with research of new build scheme sales values and sales rates were collated to inform the assessment. The boundaries of the value areas were linked to postal districts and defined according to average house prices within each post code enumeration area (CIL-003, paragraph 4.1.1). Average house prices were derived from HM Land Registry data and five value bands were originally defined. New build sales values were identified to supplement the average house price data. These sales values were based on research of recent new build sales achieved on developments across the District. Overall the results of the CIL viability evidence shows that there is a marked difference in the ability of residential development in different parts of the Bradford District to viably support a CIL charge, justifying the use of a zonal approach to setting rates for this use.

The five value areas were simplified into four charging zones (zone 1, zone 2, zone 3 and zone 4), which involved merging the two lowest value areas into a single zone. The reason for this was that based on the results of in the CIL Viability Evidence (CIL-003), there was initially no difference in the ability of the two lowest value geographical areas to withstand CIL. The updated viability evidence (CIL 004) reversed this finding indicating the potential for headroom for CIL in the zone 4 but not Zone 5. However, in order to avoid complexity the Council opted to proceed with the proposed nominal charge in the merged zones rather than to separate them.

The boundaries of the CIL residential charging zones in the DCS Draft Charging Zone Map have been informed by the four charging zones identified in the CIL viability evidence. The residential charging zone boundaries in the DCS have been aligned to ordnance survey data that the Council uses. The O/S data follows more physical features. Some postcode anomalies have been removed and some alterations have been made to zones on the boundary of the District to align with the District boundary.

It is recognised that the District's housing market is diverse and complex and there may be local variations in values within residential charging zones; however it is considered that the CIL Viability Assessment and Addendum provide robust, appropriate and available evidence to inform setting the differential rates by geographical zone across the District. Whilst it is recognised that values may vary within each zone, overall it is considered that the charging zone boundaries proposed in the DCS are appropriate and consistent with the available viability evidence and avoid undue complexity. Overall the results of the CIL viability evidence (CIL-004, CIL-005) indicate that there is a marked difference in the ability of residential development in different parts of the Bradford District to viably support a CIL charge, justifying the use of differential levy residential rates by geographical area within the District boundary.

In summary it is considered that the charging zone boundaries proposed in the DCS are appropriate and consistent with the available viability evidence and avoid undue complexity in setting differential residential rates across the District.

12. Are the assumptions relating to on-going S106 contributions sufficiently realistic and derived from an adequate evidence base? Overall, to what extent do the residential rates strike an appropriate balance between helping to fund the new infrastructure required and the potential effect on the economic viability of new residential accommodation across the four zones?

Council Response

Once adopted CIL will replace the part of S106 agreements that have historically been used for pooling contributions from several developments (e.g. education). However, S106 will remain in place for site specific matters for non-pooled contributions that are considered necessary to make development acceptable in planning terms. Regulation 123 (2010 as amended) introduced new restrictions on the use of planning obligations to fund infrastructure as of 6 April 2015.

The CIL viability evidence includes an allowance for site specific S106 costs as part of the development cost assumptions. A residual S106 allowance of £1000 per unit has been included in the viability calculation assumptions (CIL-003 paragraph 4.1.7, page 26).

This figure has been supported by analysis of agreed S106 contributions from planning applications for residential developments across the District from 2010 to 2015, submitted as part of the CIL Examination (CIL-EX-006). The residual S106 calculation assumes that CIL will replace the contributions towards items identified on the Regulation 123 list, falling into categories including Education, Green Infrastructure and public greenspace, off-site Habitat mitigation, Sustainable Transport, Public Realm Improvements, Environmental improvements, Community sports and recreation facilities.

It is important to note that this analysis is a broad assessment based on the totals for each contribution item and does not provide a detailed breakdown of costs within these individual items. Also some detailed costing information for some S106 items such as the provision of on-site open space areas and works to footpaths and cycleway works is not included as the data is not currently available. However, the allowance of £1000/unit for site specific 106 costs is considered sufficiently realistic based on the available evidence.

The residential S106 assumption used is supported by an average derived from District wide data. It is recognised that the residual S106 for individual sites, in particular for larger strategic residential sites may, in some cases vary from the residual S106 allowance assumed subject to the individual site specific costs and scale infrastructure required. Any planning obligations and costs on larger sites would be proportionate to the size of the site and phasing of delivery. As the Allocations DPD is still at an early stage it not currently possible to work out detailed site specific S106 costs, in particular for larger strategic sites. For example, significant transport infrastructure may be funded through other mechanisms such as the West Yorkshire Transport Fund.

The Council intends to review the CIL once the Allocations DPD has progressed sufficiently to allow detailed assumptions for individual sites, and in particular larger strategic sites to be known. In advance of this it is considered that the CIL DCS is informed by appropriate available evidence in relation to on-going S106 contributions. In addition, the Council has proposed a Draft Instalments Policy (CIL 0013) to be adopted at the time the CIL is implemented; which will further improve the cash flow for development sites and in particular larger residential sites.

CIL Regulations require that the Council must ensure that proposed levy rates are set at a level which would not threaten the ability to develop viably the sites and the scale of development identified in the Council's Local Plan. The Council must strike an appropriate ‘balance’ between the desirability of funding infrastructure from the levy and the potential impact on viability (Regulation 14).

The Council has an ambitious plan for growth as set out in the Local Plan Core Strategy. Infrastructure is required to support the delivery of this growth. The Council has identified a large aggregate funding gap to deliver this infrastructure, as required by CIL guidance and regulations. The Council has also presented appropriate available evidence to demonstrate that proposed CIL rates are considered viable without undermining the planned growth set out in the Core Strategy, therefore striking the appropriate balance between funding infrastructure and delivering growth and development in the District.

The key evidence base documents include:

- Bradford Community Infrastructure Levy Viability Evidence (CIL-003, CIL-004)
- Local Infrastructure Plan (December 2015 Update CIL-005)

This evidence has been used to strike an appropriate balance between the need for additional investment to support development and the potential effect on the viability of development across the District.

The CIL rates proposed in the DCS are considered to be economically viable as demonstrated in the Bradford CIL Viability Evidence. The council is proposing variable CIL rates to reflect the different value areas of the District, in accordance with the CIL Regulations and CIL NPPG based on the recommendations in the CIL viability evidence.

CIL Regulations require the Council to strike an appropriate balance between the desirability of funding infrastructure through CIL and impact on viability. With the exception of charging Zone 4, the proposed CIL rates in the DCS reflect the recommended rates as set out in the viability evidence and are not set to a maximum to allow for a viability buffer in accordance with the Government's CIL NPPG (paragraph 20). In regards to Zone 4 the CIL Viability Assessment (CIL-003) states small variations may be capable of justification particularly where they support the principle of achieving a 'balance' between the infrastructure funding need and viability. In view of the very small proportion of development costs (as evidenced in the CIL Viability Evidence) and the large infrastructure funding gap and critical infrastructure issues identified within in the main urban areas identified in the LIP (CIL-005), the Council considers that on balance a nominal CIL charge of £5 for residential development is justified in Zone 4. A levy of £5psm is considered a nominal charge, which will not realistically put delivery risk.

It is therefore considered by the Council that there is justification for setting a nominal charge for residential uses for Zone 4 where the viability evidence indicates a zero charge. This would not only bring in more CIL revenue overall to help meet infrastructure needs, but would mean that all housing development would contribute to meeting infrastructure requirements and provide local benefits through providing a meaningful proportion to all local communities. The council therefore considers that on balance a nominal CIL charge of £5 for residential development is justified in Zone 4.

Taking all the above into consideration the proposed CIL rates in the DCS are considered justified and strike an appropriate balance between funding infrastructure required to support development of the area, and the effects on the economic viability of development across the District taking into account all the appropriate available evidence.

Affordable Housing

13. What implications, if any, would the recent Court of Appeal judgement of 11 May 20164 have on the economic viability of housing and the amount of coverage available for CIL in the four charging zones?

Council Response

The Council is aware of the Court of Appeals latest judgement and that the Ministerial Statement relating to circumstances where contributions for affordable housing and tariff-style planning obligations should not be sought which should again be treated as a material consideration. Also in addition following the Court of Appeals latest judgement the Government has reinstated the previous changes to the National Planning Practice Guidance for Planning Obligations on the 19th May 2016.

The Council's approach to Affordable Housing policy is set out in Core Strategy Policy HO11. The Core Strategy is currently at Examination. The council have proposed a main modification to Policy HO11, to ensure the policy is consistent with the latest National Planning Policy for seeking planning obligations.

In regards to the CIL Examination the impact of CIL on a range of residential sites has been tested through the CIL Viability Evidence (CIL-003 & CIL-004). The proposed CIL residential rates have been informed by the viability evidence. The Council consider that the CIL Draft Charing Schedule is supported by robust and appropriate available evidence. The Council consider that the impact of the update to the NPPG and proposed modification to Core Strategy HO11 will be relatively limited – specifically there will be no adverse effect on the ability of development to withstand the proposed charging levels – and therefore not require any further modifications or viability testing.

The Council do not currently collect 'pooled' tariff style contributions for infrastructure (such as education and open space) for developments of less than 10 units. As such the implication of the Court of Appeal Judgement and update NPPG for planning obligations will not impact the majority of development sites in the District. The Council's threshold for affordable housing is 15 units or more in the majority of the District. Again as the majority of potential residential development sites in the District are located in areas with the 15 unit threshold for affordable housing contributions there will be no impact on the majority of development sites in the District. The Council therefore consider that the overall impact will be relatively limited.

It is recognised that there may be a small increase in viability of some residential developments of 10 units or less in Wharfedale and the villages listed in Core Strategy Policy HO11 Criteria C due to the removal of the requirement for affordable housing for these schemes. It is the Council's view that the implication of this may improve the viability of smaller schemes below 10 units in these areas. However, as smaller residential schemes are generally developed by small scale developers, custom and self-builders, which do not have economies of scale and therefore potentially higher build costs, it is the Council's view that the implication of this will be to provide a further additional viability buffer for smaller schemes below 10 units. The Council therefore consider that the proposed CIL rates are still appropriate given the need to ensure CIL is set at a level which does not threaten the viability of development schemes.

In summary, it is the Council's view that the Court of Appeal judgement of 11th May 2016 and proposed modification to Core Strategy Policy HO11 in regards to lower thresholds for affordable will not result any in the need for any further viability testing or any modifications being required.

Retirement Housing

***14. Would it be possible to justify the setting of differential rates for specialist retirement housing by economic viability evidence? How would the imposition of such rates impact on the need to fund the infrastructure required and the economic viability of retirement housing and the implementation of the objectives of the emerging plans*?**

In response to the initial queries raised by the Examiner in relation to the CIL evidence and specifically representations made by The Planning Bureau Ltd on behalf of McCarthy and Stone, the Council commissioned consultants Cushman and Wakefield to appraise specific variations of retirement living models to determine the capacity of such developments to contribute to CIL. This followed a meeting between the Council, The Planning Bureau Ltd (on behalf of McCarthy and Stone) and Cushman and Wakefield which took place on 25th July 2016 at Cushman and Wakefield's office in Leeds.

The results of this further viability evidence in relation to retirement living development is set out in Appendix 2.

On the basis of this further viability evidence the Council consider that the evidence justifies the setting of a differential rate for specialist retirement housing. In view of the difficulties associated with viability in many parts of the District and the potential for higher land costs for this type of development in particular, it is considered that the DCS could be modified to exclude forms of supported retirement living for the proposed CIL residential rate. This could be based on the gross to net ratio, with schemes having a gross to net ratio above that which is typical for a standard market apartment scheme are excluded from CIL.

It is acknowledged that excluding specialist retirement schemes from the CIL residential rates living may reduce the amount of CIL monies available to fund infrastructure in the District. However, in light of the small number of these types of schemes envisaged to be delivered over the plan period it is considered that the impact of this change would be relatively limited in terms of the overall infrastructure funding gap. In addition, due to the type of accommodation being provided (older persons housing), it is considered that retirement schemes will have less impact on the need for critical infrastructure (e.g education/highways) identified in the LIP than standard residential developments.

Reducing or excluding specialist retirement schemes from the CIL residential rates based on the further viability evidence in Appendix 2 will increase the economic viability of retirement housing in the District, thereby supporting the provision of specialist accommodation for older people in the District which is identified as a key housing priority in the emerging Local Plan Core Strategy (SD-001) (Policy HO8)

Overall it is considered that the viability evidence set out in Appendix justifies a setting a differential rate for specialist retirement housing in the District. A separate rate could reduce the impact of CIL on development delivery and demonstrate that a reasonable 'balance' has been struck between the viability of development and the desirability of maximising funds to pay for infrastructure.

Matter 4:

Retail Levy Rates

Issues

15. Is there adequate economic justification to support two separate differential rates for A1 retail warehousing so that they are justified by appropriate available viability evidence? Has the Council sought to avoid undue complexity?

The NPPG advises that differences in rates need to be justified by reference to the economic viability of development, and may be appropriate in relation to geographical zones and types of development. In addition, NPPG advises that a charging authority that plans to set differential rates should seek to avoid undue complexity (paragraph: 021, Reference ID: 25-021-20140612)

It is considered that the viability evidence provides justification to support two differential rates for A1 retail warehousing based on geographical location. The CIL viability addendum (CIL-004) reviews the retail warehouse viability evidence in response to representations made on the Preliminary DCS. This is set out in detail in Section 3 of the CIL Viability Addendum (CIL-004).

The viability evidence indicates a marked geographical difference in performance between retail warehouse parks within the City of Bradford, and those elsewhere in the District. The evidence indicates that the proposed retail warehousing charging rate is only viable within the central area of Bradford. Elsewhere within the district, the lower rents remove the headroom for CIL.

In response to the viability evidence the DCS was amended so that a CIL charge on retail warehousing only applies to the City of Bradford. The CIL retail warehousing charge for Central Bradford was identified geographically, as shown on the CIL Draft Charging Zone Map. This zone was determined in accordance with the evidence presented in the Viability Addendum (CIL-004) on the basis of a commonly understood physical boundary line provided by the urban ring road.

In defining the two zones for retail warehousing the council has sought to avoid undue complexity.

16. Overall, do the rates strike an appropriate balance between helping to fund the new infrastructure required and the potential effect on the economic viability of new retail warehousing across the Borough?

Overall is it considered that the proposed retail warehousing rates strike an appropriate balance. The Council’s approach is to maximise the levels of CIL that can be collected whilst not putting delivery of development at risk.

Appendix 1 Projected CIL Income

To justify charging CIL, it should be demonstrated that the projected CIL income would not exceed the aggregate funding gap over the Plan period. Table 1 below projects the anticipated CIL income based on the distribution of development set out in the Council's emerging Core Strategy and the proposed CIL charges contained within the Draft Charging Schedule.

Table 1 shows the projected CIL income based on distribution at the Core Strategy strategic area level is estimated to be £43.4 million. Projected CIL income based on Core Strategy settlement level distribution is estimated to be £43.8 million.

Table 1: Projected CIL Income

Core Strategy strategic area	**Settlement**	**Housing Distribution**	**CIL Charging area (£ sqm)**	**Affordable housing rate**	**Estimated CIL receipts (£ million)**
Regional City of Bradford		27,750	£5	15%	£10.6
Airedale		8450	£20	20%	£12.1
Wharfedale		2500	£100	30%	£15.8
South Pennine Towns and Villages		3400	£20	20%	£4.9
Total Projected CIL					**£43.4million**
Regional City of Bradford Settlement Housing Targets					
Regional City of Bradford	Bradford City Centre	3,500	£5	15%	£1,338,750
Regional City of Bradford	Shipley & Canal Road Corridor	3,100	£5	15%	£1,185,750
Regional City of Bradford	Shipley	750	£20	20%	£1,080,000
Regional City of Bradford	North East	4,400	£5	15%	£1,683,000
Regional City of Bradford	South East	6,000	£5	15%	£2,295,000

Regional City of Bradford	South West	5,000	£5	15%	£1,912,500
Regional City of Bradford	North West	4,500	£20	15%	£6,885,000
Total projected CIL City of Bradford settlements					**£16,380,000**
Airedale Settlement Housing Targets					
Airedale	Keighley	4,500	£5	15%	1,721,250
Airedale	Bingley	1,400	£20	20%	2,016,000
Airedale	Silsden	1,200	£20	20%	1,728,000
Airedale	Steeton with Eastburn	700	£20	20%	1,008,000
Airedale	Baildon	350	£50	20%	1,260,000
Airedale	Cottingley	200	£20	20%	288,000
Airedale	East Morton	100	£20	20%	144,000
Total Projected CIL Airedale settlements					**8,165,250**
Wharfedale Settlement Housing Targets					
Wharfedale	Ilkley	1,000	£100	30%	6,300,000
Wharfedale	Burley In Wharfedale	700	£100	30%	4,410,000
Wharfedale	Menston	600	£100	30%	3,780,000
Wharfedale	Addingham	200	£100	30%	1,260,000
Total Projected CIL Wharfedale settlements					**15,750,000**
South Pennine Towns and Village Settlement Housing Targets					

South Pennine Towns and Village	Queensbury	1,000	£20	20%	1,440,000
South Pennine Towns and Village	Thornton	700	£5	20%	252,000
South Pennine Towns and Village	Cullingworth	350	£20	20%	504,000
South Pennine Towns and Village	Denholme	350	£5	20%	126,000
South Pennine Towns and Village	Harden	100	£20	20%	144,000
South Pennine Towns and Village	Haworth	400	£20	20%	576,000
South Pennine Towns and Village	Oakworth	200	£5	20%	72000
South Pennine Towns and Village	Oxenhope	100	20	20%	144,000
South Pennine Towns and Village	Wilsden	200	£20	20%	288,000
Total Projected CIL Pennine Towns and Village settlements					**3,546,000**
Total Projected CIL to 2030					**£43,841,250**

Projected CIL Income Assumptions

The figure for projected CIL income between 2015 and 2030 of approximately **£43million** is based upon the proposed CIL rates for residential development as set out in the submitted Draft Charging Schedule, and the housing distribution and affordable housing targets as set out in Policy HO3 and Policy HO11 in the Bradford District Core Strategy following the proposed main modifications (November 2015).

Example projected CIL calculation for Core Strategy strategic sub areas

City of Bradford (15% affordable housing) : 27,750 x 85% x 90sqm x £5/ sqm = 10,614375

Airedale (20% affordable housing): 8450 x 80% x 90sqm x £20= 12,168000

Wharfedale (30% affordable housing): 2500 x 70% x 90sqmx £100 = 15,750000

South Pennie towns and Villages (20% affordable housing): 3400 x 80% x 90sqm x £20 = 4,896000

The calculations include the following assumptions:

- Assume average house size of 90 sqm
- Affordable housing units are not liable for CIL and are therefore the settlement totals are reduced according to the affordable housing target area as set out in Policy HO11
- The calculation does not include windfall allowance or supermarkets/retail warehousing as it at present is not possible to know the location of these uses.
- The calculation assumes a full cash payment and no in kind contributions
- The annual estimated projected CIL income does not take into account phased payments and is a total sum.
- The projected CIL income does not take into account payments to neighbourhoods

Residual Funding Gap

The residual funding gap is calculated by subtracting the projected CIL income (shown in Table 1) from the total funding gap (shown in Infrastructure Delivery Plan).

The projected income from CIL is estimated to be approximately £43milllion over 15 years. This equates to approximately £2.9 million/year.

As set out in Appendix C, of the Infrastructure Delivery Plan (December 2015 Update) (CIL-005) the infrastructure funding gap is estimated at £688.75 million. The residual funding gap taking into account projected CIL income of £43 million is approximately £645 million. This demonstrates that income from CIL will contribute to reducing the funding gap but not exceed the total funding gap. It is therefore considered that this supports the CIL levels proposed in the Draft Charging Schedule.

With the anticipated CIL revenue of £43 million, there will remain a significant shortfall in funding (£645m) that will need to be found from other sources. It is anticipated that other funding streams will, in due course, be available to contribute towards the costs of providing infrastructure however it is not possible to consider what that potential is at this stage. The Council will proactively seek additional funding opportunities where they become available with the aim of reducing the funding gap.

Conclusion

The identified infrastructure funding gap of approximately £688.75m is considered significant enough to justify charging CIL within the District. With anticipated CIL revenue of approximately £43m, there will remain a significant shortfall in funding (£645m) that will need to be found from other sources, whose funding has yet to be determined. The Council will proactively seek additional funding opportunities where they become available with the aim of reducing the funding gap.

Appendix 2 Retirement Living Assessment

1.0 Introduction

1.1 This paper has been prepared to respond to initial queries raised by the Planning Inspectorate in respect of Bradford City Council's Community Infrastructure Levy evidence. It considers matters relating to the appraisal of Retirement Living Housing.

1.2 Following representations made by The Planning Bureau Ltd on behalf of McCarthy and Stone a meeting was held with representatives of this organisation to discuss the representation. One of the outcomes of the meeting was a commitment to appraise specific variations of retirement living model to determine the capacity of such developments to contribute to CIL.

2.0 Development Appraisal Assumptions

2.1 A typical 'Retirement Living' scheme has been appraised based on the standard requirements of McCarthy and Stone benchmarked against recent schemes provided by The Planning Bureau. This is as follows:

- 0.4 ha site
- 40 units at an average of 65 sq m net (to allow for a mix of 1 and 2 beds at 55 sq m and 75 sq m respectively)
- Net area is 70% of gross to allow for communal areas

2.2 We understand from our consultation with McCarthy and Stone that sales revenues are generally benchmarked against a typical price for a 3 bed house in any given location (the rationale being that this is the average equity that someone would have in downsizing from a typical family home to a retirement flat). Therefore applying the sale price used in the CIL viability evidence for a 3 bed house and calculating the equivalent in floor areas for a retirement flat produces the following new build sales revenues:

	Sales value per sq m	3 bed capital value at 85 sq m	Average size of retirement living apartment sq m	Sales value per sq m of retirement living per sq m
Value band 1	£3,057	£259,845	65	£3,998
Value band 2	£2,325	£197,625	65	£3,040
Value band 3	£2,153	£183,005	65	£2,815
Value band 4	£2,034	£172,890	65	£2,660
Value band 5	£1,636	£139,060	65	£2,139

2.3 Build costs are based on the BCIS for Sheltered Housing, rebased for Yorkshire, Median figure as at July 2016, of £1115 per sq m. A 25% uplift has been applied to these costs for external works and site abnormal costs, consistent with the general assumptions applied in the area wide assessments. Therefore the total build cost applied is £1394 per sq m.

2.4 The construction and sales programme has been set over eight quarters.

2.5 All other assumptions remain as per the general viability evidence as set out in the Viability Evidence Addendum dated December 2015. As such, affordable housing has been incorporated alongside a site specific S106 of £40,000 (£1,000 per unit).

3.0 Results

3.1 The results are set out in the table below:

CIL headroom for Residential Development - Policy compliant affordable housing							
Value area 1 (Wharfedale)							
30% AH	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £1.28m per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
	0.4	£1,094,695	£513,968	£580,727	3714	2600	£223
						Average	£223
Value area 2 (higher value rural villages and towns)							
20% AH	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £741k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
	0.4	£22,629	£296,520	-£273,891	3714	2600	-£105
						Average	-£105
Value area 3 (Lower value rural villages and towns)							
20% AH	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £593k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
	0.4	-£360,607	£296,520	-£657,127	3714	2600	-£253
						Average	-£253
Value area 4 (outer Bradford and other low value areas)							
20% AH	Site Size (ha)	Residual site value	Benchmark Site Value £ actual (at £445k per ha)	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
	0.4	-£637,781	£296,520	-£934,301	3714	2600	-£359
						Average	-£359
Value area 5 (inner Bradford and Keighley)							
15%	Site Size (ha)	Site value	Benchmark Site Value £ actual	Headroom for CIL (£)	Size of development scheme (sq m)	Floor area of market housing (GIA sq m)	Amount available for CIL (£ per sq m)
	0.4	-£1,080,622	£296,520	-£1,377,142	3714	2600	-£530
						Average	**-529.71**

3.2 The results indicate that delivering the retirement living scheme in the higher value parts of the District is viable and capable of supporting CIL rates of up to £200 per sq m in Value Area 1. Elsewhere the scheme is indicated to be unviable and therefore there is no potential for CIL.

3.3 Whilst this assessment indicates there remains some potential for CIL in Wharfedale, we are aware that such schemes often have to compete with foodstore operators for town centre sites and as such the costs for acquiring land can significantly exceed the residential land value benchmarks applied to the analysis

3.4 Therefore, if the Council were minded to charge CIL on certain types of retirement living it would only be realistically viable in the Value Area 1. In view of the difficulties associated with viability in many parts of the District and the potential for higher land costs in the highest value areas we consider that a general exemption against supported forms of retirement living could be justified.

Example CIL definitions for specialist retirement living developments

Sheffield City Council - residential rate defined as follows: '*RESIDENTIAL (Use Classes C3 and C4)**'

*See CIL Inset Maps 1 and 2 for details of the Residential Zones. Excludes retirement / extra care / sheltered housing / assisted living.

Rotherham Metropolitan Council – Separate '*Retirement Living*' rate defined in a footnote as:

*Defined as residential units which are sold with an age restriction typically over 50s/55s with design features and support services available to enable self-care and independent living. For the purposes of the CIL charge, this type of development has been excluded from the residential use category.

Cannock Chase Council – separate rate of '*specialist retirement housing'*

Test Valley District Council –Separate rates *for 'Retirement Living Housing'* and *'Extra Care accommodation'*.

Bexley London Borough Council – '*Residential, Hotel and Student Housing'* rate has the following footnote

*Use classes C1, C2, C3 and C4, but excluding public health, care homes, C2 and C3 that are used as sheltered, extra care, assisted care and similar accommodation where they provide a minimum of 10% communal space (common rooms and shared kitchens/laundries but excluding corridors, stair wells and lift shafts) and on site scheme management (i.e. warden, scheme manager) and C2A uses (Secure Residential Institutions)

Please note: Bedford Unitary Authority also uses the 10% communal floorspace definition as above but this has proved problematic in practice as there are disputes over what constitutes 'true' communal floorspace.

Bath and North East Somerset Council – residential rate defined as follows*: RESIDENTIAL (Class C3) including Specialised, Extra Care and Retirement Accommodation*' but with the following footnote:

*Excludes Specialist, Extra Care and Retirement accommodation that provides non-saleable floorspace in excess of 30% of Gross Internal Area.

Tandridge District Council –the '*all residential development'* rate has the following footnote:

*Excluding Sheltered / Retirement Housing and Extra Care accommodation which are defined as grouped units, usually flats, specially designed or designated for older people encompassing communal non-saleable facilities over 25% Gross floorspace..

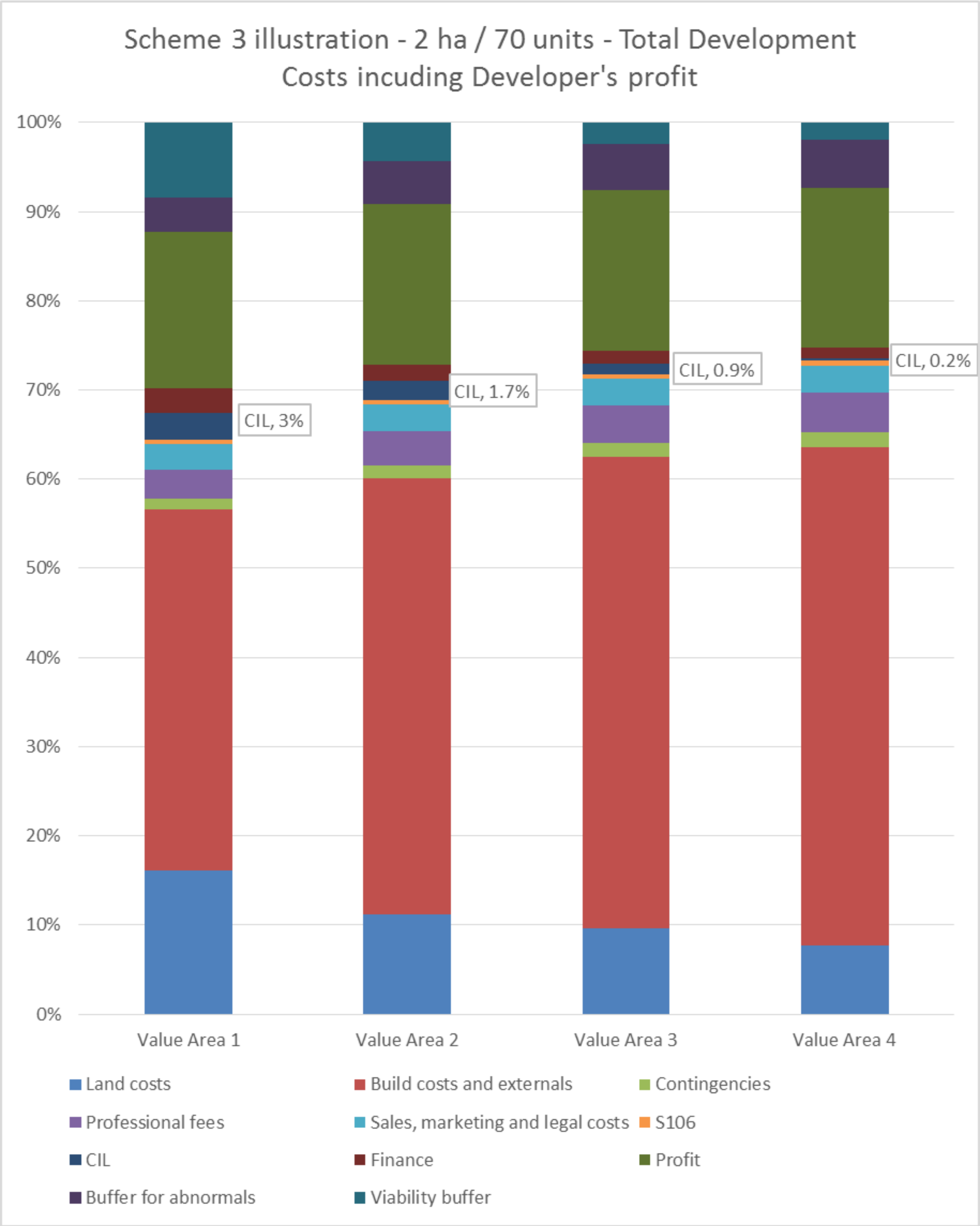
Winchester City Council – '*Residential'* rate defined as follows in the accompanying justification to the Charging Schedule:

Residential: Defined as all development within the each of the three categories of Use Class C3: Dwelling Houses (Use Classes Order 2010) except:

- Sheltered Housing, Extra Care, or other specialist housing providing care to meet the needs of older people or adults with disabilities;

Appendix 3: Example scheme cost break down

The chart and table below provide a detailed break-down of the cost elements of an example scheme from the area wide model as reported in the Viability Addendum (CIL – 004). It shows the cost break down across the various development cost categories, for Value Areas 1 to 4.



	Value Area 1		Value Area 2		Value Area 3		Value Area 4	
Land costs	£2,718,891	16.1%	£1,568,591	11.2%	£1,254,873	9.7%	£941,154	7.7%
Build costs and externals	£6,854,129	40.5%	£6,854,129	48.9%	£6,854,129	52.8%	£6,854,129	55.9%
Contingencies	£205,624	1.2%	£205,624	1.5%	£205,624	1.6%	£205,624	1.7%
Professional fees	£548,331	3.2%	£548,330	3.9%	£548,330	4.2%	£548,330	4.5%
Sales, marketing and legal costs	£487,095	2.9%	£420,098	3.0%	£389,020	3.0%	£367,518	3.0%
S106	£70,000	0.4%	£70,000	0.5%	£70,000	0.5%	£70,000	0.6%
CIL	£513,800	3.0%	£291,875	2.1%	£145,938	1.1%	£29,188	0.2%
Finance	£473,918	2.8%	£264,739	1.9%	£193,238	1.5%	£144,472	1.2%
Profit	£2,959,875	17.5%	£2,527,986	18.0%	£2,341,186	18.0%	£2,206,009	18.0%
Buffer for abnormals	£661,573	3.9%	£661,576	4.7%	£661,576	5.1%	£661,576	5.4%
Viability buffer	£1,418,845	8.4%	£616,754	4.4%	£320,681	2.5%	£232,610	1.9%
	£16,912,079	100.0%	£14,029,703	100.0%	£12,984,595	100.0%	£12,260,611	100.0%