

PART TWO REPORT

**THE PREPARATION OF A COMMUNITY INFRASTRUCTURE LEVY
PRELIMINARY DRAFT CHARGING SCHEDULE**

**PREPARED ON BEHALF OF
FYLDE COUNCIL**

By



OCTOBER 2015

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1.0 INTRODUCTION

- 1.1 Fylde Council ('the Council') is preparing a Local Plan to shape future development of the Borough up to the year 2032. The draft Local Plan contains a Vision and a Development Strategy that sets out how the Council would like Fylde to develop over this period.
- 1.2 The emerging Local Plan (Draft Fylde Local Plan to 2032 Revised Preferred Option September 2015) sets out the Revised Preferred Option that the Council wishes to pursue for proposals within the Local Plan. This contains the quantum, distribution and phasing of development over the Plan period, including four Strategic Locations for Development (**Lytham and St Annes; Fylde-Blackpool Periphery; Warton; and Kirkham and Wesham**) with specific strategic and non-strategic site allocations for new homes, employment and mixed use development. The Council will need to demonstrate that any housing, mixed-use or employment sites that are allocated in the Local Plan are viable and deliverable for development.
- 1.3 The Local Plan at Chapter 12 considers how additional and improved infrastructure will be provided in the Borough through the development process. This may be provided on site by the developer, or through developer contributions. The contribution may also be provided through the Community Infrastructure Levy (CIL) at such time as the Council has prepared a Charging Schedule.
- 1.4 The planning requirements in this respect are then contained in Policy **INF2 – Developer Contributions**. The policy states that:
- Subject to viability, development will normally be expected to contribute towards the mitigation of its impact on infrastructure, services and the environment and contribute towards the requirements of the community. Contributions may be secured through a planning obligation and through the Community Infrastructure Levy (CIL), at such time as the Council has prepared a Standard Charging Schedule.*
- 1.5 The policy also provides examples of the types of infrastructure that development may be required to provide contributions towards. These include:
- Affordable homes
 - Utilities and waste
 - Flood risk management and coastal defences
 - Transport
 - Community Facilities
 - Local Service centres – Whitehills (i.e. Fylde-Blackpool Periphery) and Warton
 - Green Infrastructure
 - Climate change
 - Public Realm
- 1.6 Where appropriate the policy also allows for the provision of the necessary infrastructure by the developer as part of the development proposals *in lieu* of making a financial contribution. There is also a test of viability where the development is made unviable by a planning obligation.

1.0 Introduction

- 1.7 The justification for this policy notes that CIL will create a system which will allow the Council greater autonomy over expenditure and ensure strategic infrastructure aims are met along with localised objectives.
- 1.8 In addition it recognises that the introduction of a CIL charging schedule will not always remove the requirement for Section 106 planning obligations which will remain to be used in accordance with the tests set out within the CIL regulations. Planning obligations are a key delivery tool, providing the opportunity to secure financial contributions which mitigates against the localised impacts of development which would otherwise render the proposal unacceptable in planning terms.
- 1.9 The Council is preparing an Infrastructure Delivery Plan (the IDP). The IDP identifies particular infrastructure requirements within the Borough that are needed to support the Local Plan and ensure delivery of sustainable communities. The CIL and Section 106 agreements will be vital in supporting the delivery of infrastructure, along with other funding streams.
- 1.10 In order to fund future infrastructure delivery in Fylde the Council is therefore considering the introduction of a CIL. Building on the work undertaken in the Fylde Local Plan Economic Viability Assessment October 2015 this report considers the extent to which a CIL could be introduced in Fylde to ensure that the necessary infrastructure is in place to support future new development without prejudicing the economic viability of such development. This report should be read alongside the document titled Fylde Local Plan Economic Viability Assessment October 2015 (the Local Plan EVA).

2.0 CIL GUIDANCE

- 2.1 The CIL Regulations 2010 came into force on 6 April 2010, and have been subject to further Amendment Regulations in 2011, 2012, 2013 and 2014. The most recent guidance in relation to CIL was added to the Planning Practice Guidance (PPG) on 12 June 2014 and replaced the stand-alone guidance that was published in February 2014.
- 2.2 The Community Infrastructure Levy (the levy) is a tool for local authorities in England and Wales to help deliver infrastructure to support the development of the area. Charging Authorities are able to set a charge payable on development which creates net additional floor space, where the gross internal area of new build exceeds 100sq.m (subject to minimum requirements and exemptions), provided that the economic viability of development is not compromised. The limit does not apply to new houses or flats and the charge can be levied on a single house or flat of any size, unless it is built by a self-builder. Social housing is subject to relief under the criteria contained in Regulation 49 and 49A of the CIL regulations.
- 2.3 Section 2 of the Guidance contained in the PPG states that *'Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (the Local Plan in England)'*.
- 2.4 Furthermore *'They will need to draw on the infrastructure planning evidence that underpins the development strategy for their area. Charging authorities should use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across their area.'*
- 2.5 The levy is expected to have a positive economic effect on development across the local plan area and the Guidance states that *'When deciding levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.'* The Guidance suggests that balance is at the heart of setting the levy and it will be for charging authorities to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.
- 2.6 The CIL guidance indicates that charging schedules should be consistent with and support the implementation of up-to-date relevant plans (the relevant plan being the Local Plan) and where practical charging schedules should be worked up and tested alongside the Local Plan.

Evidence and Setting the Rates

- 2.7 The CIL Guidance states that *'A charging authority should be able to explain how their proposed levy rate or rates will contribute towards the implementation of the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London), and support development across their area.'* In addition *'evidence as to economic viability should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the economic viability of development across the authority's area.'*

- 2.8 The charging authority (i.e. Fylde Council) as background evidence will also need to provide information about the amount of funding collected through S106 agreements and the extent to which their affordable homes and other targets have been met.
- 2.9 The Guidance recommends the use by Charging Authorities of an 'area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge.' It also suggests that Charging Authorities should directly sample an appropriate range of site types with a focus on strategic sites on which the plan relies and also those sites where the impact of the levy is likely to be most significant i.e. sites on previously developed land. Fine grained sampling is also likely to be necessary where an authority wishes to set differential rates.
- 2.10 A charging authority (i.e. Fylde Council) must use 'appropriate available evidence' to inform their draft charging schedule. The guidance recognises that the available data is unlikely to be fully comprehensive. However charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.
- 2.11 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. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. 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. In all cases, the charging authority should be able to explain its approach clearly.
- 2.12 The regulations allow for the setting of differential rates justified by reference to the economic viability of development. Such differential rates may be appropriate to in relation to:
- Geographical Zones
 - Types of Development
 - Scales of Development
- 2.13 It is recommended that in setting differential rates that Charging Authorities seek to avoid undue complexity, and must not set rates in such a way that they constitute state aid.

Review of the Charging Schedule

- 2.14 There is no set term for the review of a Charging Schedule, however in order to fully capture changing economic circumstances, it is expected that a Charging Schedule would be under constant review. A change in the Charging Schedule does however require further public consultation and is subject to examination by an independent examiner. The legislation does allow for an annual inflationary increase in accordance with the national Tender Price Index of Construction Costs, which is published by the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors (RICS).

- 2.15 The Charging Schedule set at the outset therefore needs to be sufficiently considered and robust to ensure that it remains relevant and appropriate to the Borough without the need for fundamental review. We have been mindful of this in our methodology and approach, albeit it is not possible to anticipate significant changes in the property market in future years, and inevitably periodic review of the tariff is likely to be necessary. It is therefore anticipated that, once the Charging Schedule is implemented, the property and construction market will need to be closely monitored.

3.0 FYLDE LOCAL PLAN ECONOMIC VIABILITY ASSESSMENT (OCTOBER 2015)

- 3.1 Keppie Massie, in conjunction with the White Young Green Group ('WYG'), were commissioned by the Council in July 2015 to prepare an Economic Viability Assessment (EVA) of the emerging Local Plan. The study considered the sites and scale of development together with the cumulative impact of the proposed Local Plan Policy requirements on viability and deliverability. Based on the outcome of the viability testing that was undertaken, the Study drew conclusions concerning the overall viability and deliverability of the Local Plan and its policies. The aim of the study was to satisfy the tests of viability and deliverability laid down in the Framework. The Study forms part of the Local Plan Evidence Base.
- 3.2 With reference to the results of the viability testing undertaken in the EVA, we have also considered the extent to which CIL could be introduced in Fylde without prejudicing future development. At a high level we have firstly identified a number of broad themes within the Local Plan EVA.
- 3.3 The Local Plan EVA identified significant differences in the values, costs and hence viability, between residential and non-residential developments.
- 3.4 Fylde Council, as Charging Authority, may therefore wish to consider introducing CIL on the basis of varying any charge by use, as a minimum between the broad categories of residential and non-residential development.
- 3.5 The study research also identified some differences in value by location for residential development, meaning that Fylde, could consider a variable charging schedule with respect to location for residential development. Overall, however, residential values are broadly consistent across many areas of the Borough and to avoid undue complexity the Council may wish to consider introducing a single charge for new residential development.
- 3.6 The high level options for charging in relation to residential and non-residential development are outlined below.

Residential

- 3.7 Based on the Study evidence, house values are generally in a narrow range across the Borough with areas of higher values in Lytham, parts of St Annes, Wrea Green and some of the rural areas.
- 3.8 The viability testing results also indicates differences in viability between developments on previously developed land generally within the existing settlement boundaries, and on greenfield sites beyond the main settlement boundaries.

- 3.9 The study notes the impact on viability of requirements for 30% affordable homes and as a result it may not be possible in certain instances, specifically on some previously developed land in the lower value areas to achieve the 30% affordable homes target and CIL. Hence a degree of flexibility may be required.
- 3.10 For a CIL charge to be introduced on these previously developed sites affected there may need to be a relaxation in the Council's policy requirements to ensure that the introduction of a CIL charge did not put future development at risk.
- 3.11 Notwithstanding this a significant amount of new development within the Local Plan is likely to take place on greenfield sites on the edge of settlement boundaries where development viability is greater and sufficient to support a CIL tariff without prejudicing the delivery of either new market houses or affordable homes.
- 3.12 Overall, we consider that a CIL charge for new homes development could be supported in Fylde without prejudicing development.
- 3.13 Based on the EVA Study results we consider that the prospects for introducing CIL for developments comprising entirely apartments and also in respect of 'Independent Living Accommodation' type developments for the over 55s are limited. The introduction of a CIL charge for these forms of development may prejudice future development in all but the highest value areas.

Non-Residential

- 3.14 In terms of the prospects for introducing CIL for non-residential forms of development, the results of the EVA suggest that the prospects of a charge are more limited. In relation to B1, B2 and B8 uses we would not recommend introducing a charge. For retail development convenience retail is viable and based on the viability evidence prospects exist for introducing a CIL charge. The results for comparison retail are less viable and a charge for comparison retail may not be appropriate. Food and drink uses are viable on greenfield sites but not on previously developed sites.
- 3.15 For all of the other forms of non-residential development tested on a speculative basis (i.e. including a developer's profit return) the results of the EVA show that the form of development is either marginal or unviable and hence unable to support a CIL charge.

Summary

- 3.16 Based on the results of the viability testing in the Local Plan EVA prospects do exist in Fylde to introduce a CIL tariff for new residential and convenience retail development. Prior to the introduction of a CIL charging schedule further scenario testing needs to be undertaken to demonstrate the effects of a CIL charge on development viability and also to consider the effect of an instalments policy on viability. The Authority will, in addition, need to undertake further work to allow informed decisions to be made about the benefits of the introduction of a CIL charging schedule in the Borough.
- 3.17 Following on from these summary recommendations based on the results of the Local Plan EVA, the rest of this report builds on this body of evidence to allow informed decisions to be made about the introduction of CIL in Fylde and a possible Preliminary Draft Charging Schedule (PDCS).

4.0 PROSPECTS FOR THE INTRODUCTION OF A COMMUNITY INFRASTRUCTURE LEVY

Purpose of this Section

- 4.1 The section provides further analysis of the results of the Local Plan EVA in order to assess the extent to which a Community Infrastructure Levy (CIL) charge could be introduced in Fylde without prejudicing future development in the Borough. Based on this we draw conclusions about the types of use that could support a CIL charge and any variations in viability that may arise due to location or the scale of development.
- 4.2 CIL is a charge levied on buildings and extensions to buildings according to their floor area, and is a mechanism where money is raised from development to help a Council pay for schools, leisure centres, aged care accommodation, roads and other facilities to ensure the borough grows sustainably. The introduction of CIL is designed to replace the section 106 "tariff" approaches, which had previously been used for this purpose.
- 4.3 Taking the results of our study we raise some points that Fylde as the Charging Authority may wish to consider when making decisions about CIL.
- 4.4 When taking the following into consideration, we would caution that in accordance with the relevant guidance the viability testing undertaken is at a high level based in part on hypothetical analysis of different development scenarios. Each development site will be different and hence true viability can only be established on a site by site basis. It is not possible in the generic testing that has been undertaken to fully reflect all site specific factors, and as a result, a degree of caution is required when interpreting the results.

Variation by Use and Location

- 4.5 The evidence of our research and the results of the viability appraisals show that there are significant differences in the values, costs and hence viability, between residential and non-residential developments.
- 4.6 Therefore, we recommend that Fylde as Charging Authority should consider introducing CIL on the basis of varying its charge by use, as a minimum between the broad categories of residential and non-residential development.
- 4.7 Our research also indicated that in terms of residential development there were some differences in value by location for residential development however overall house prices in the Borough for new residential development are likely to be relatively consistent. As a result of this it would be possible to introduce a variable charging schedule with respect to location for residential development however more likely to avoid undue complexity a single tariff for residential development in the Borough may be the most appropriate solution.
- 4.8 Having regard to the identified variations in viability between residential and non-residential development, we have provided below separate conclusions for each use type.

Residential Recommendations

- 4.9 Having reflected on the results of our assessment, we have considered whether varying a future CIL charge for residential development on a spatial basis might be appropriate in Fylde.
- 4.10 The analysis of sales values in Section 4 of the EVA shows the existence of some spatial variations in residential values across the Borough, although in general the pricing of new residential development in the Borough is fairly consistent. There are areas of higher values in for example Wrea Green, Lytham and St Annes and some of the rural areas.
- 4.11 We have also undertaken an analysis of potential future development in Fylde as informed by our analysis of the data that has been collated by the Council regarding the sites considered under the Revised Preferred Option and the emerging Local Plan. This shows that there is a prospect of residential development coming forward across all areas. Principally this will comprise infill development on brownfield sites as well as a number of large strategic sites on greenfield land.
- 4.12 Fylde as Charging Authority could therefore consider introducing a CIL charge on the basis of varying its residential charge, by spatial zone or alternatively by introducing a single rate in the Borough.
- 4.13 In addition, the results indicate differences in viability between development within the existing urban settlement boundary, and on greenfield sites beyond the main settlement boundaries. This is something that also needs to be considered in preparing any charging schedule.
- 4.14 The results from the generic testing also demonstrate that viability is broadly similar across development densities of 30 and 40 dwellings per hectare.
- 4.15 The requirement to provide affordable housing is one of the Draft Local Plan policy requirements with the greatest impact on viability, and our results in Sections 6 and 9 demonstrate that it will not be possible to achieve the 30% target in certain instances, and hence a degree of flexibility may be required in relation to this policy based on viability.
- 4.16 The level at which a levy could be introduced will be influenced by the Local Plan policies and the extent of site specific S106/S278 contributions and the Authority will need to be mindful of these requirements in setting a tariff.
- 4.17 The results from our viability testing suggest that there are prospects to introduce a CIL charge on both brownfield and greenfield sites. Viability on brownfield sites is poorer and when incorporating planning policy requirements in relation to affordable housing at 30% is unviable in certain instances in the lower value locations. In these cases there may need to be a relaxation in the Council's policy requirements to ensure that the introduction of a CIL charge did not put future development at risk. Generally however new housing development in the Borough can support a CIL charge.

Apartment Developments

- 4.18 Although it is unlikely that significant proposals for apartment schemes will be brought forward in the immediate term, we considered it was appropriate to undertake some testing of both a small (10 homes) and medium (50 homes) apartment developments.
- 4.19 The results reflect the present difficulties in securing sales of new apartments due to a lack of mortgage finance. Overall the results show that for the hypothetical developments tested, based on an affordable housing policy compliant position, apartment development is unviable in all but the highest value locations without a relaxation of affordable housing requirements.
- 4.20 Overall at the present time the results suggest limited viability for developments comprising entirely apartments, and it is likely that the introduction of a CIL tariff may prejudice development in these cases.
- 4.21 The results in respect of 'Independent Living Accommodation' style developments are similar to the results of the apartment schemes tested, and show limited viability except in the higher value areas of the Borough.
- 4.22 For these two forms of development at the present time the results suggest that the introduction of a CIL charge may prejudice future development in all but the higher value areas.

Non-Residential Recommendations

- 4.23 Having regard to the results of the appraisals which have been undertaken across all forms of commercial development in Fylde, it is clear that most forms of development within the Borough are not economically viable without additional funding support at the current time, based on a speculative form of development. We would not currently recommend implementing any form of CIL charge for B1, B2 or B8 industrial uses.
- 4.24 The testing of new retail development considered a range of options from small units constructed within the existing town centres, to new mid-size supermarkets and retail warehousing. In all cases convenience retail was viable. New comparison retail is less viable and particularly in the case of smaller town centre retail and also larger format stores the results are more marginal.
- 4.25 The results from the retail testing suggest that a CIL tariff could be introduced for convenience retail units. Although the prospects for a charge are more limited in the case of comparison retail.
- 4.26 All of the leisure accommodation tested, with the exception of food and drink on greenfield sites, was not viable. It is therefore unlikely that a CIL charge could be implemented for C1: Hotels or D2 Uses: Assembly and Leisure.
- 4.27 The results for food and drink uses show a development surplus for greenfield sites however they are unviable for brownfield development and as a result it is unlikely that a CIL charge could be implemented on this basis.

- 4.28 In addition to the above, we considered a number of other forms of non - residential development. These included a car showroom and a nursing home together with extra care. In all instances the results demonstrated that the particular form of development was not viable. As a result we would advise against the implementation of any CIL charge against these forms of development.

Summary

- 4.29 The results of our testing suggest that prospects do exist in Fylde to introduce a CIL tariff for new residential and certain forms of commercial development. To inform our conclusions regarding an appropriate level of charge we have undertaken scenario testing to demonstrate the effects of a CIL charge on development viability and also consider the effect of an instalments policy on viability. The results of this testing are contained at Sections 5 and 6. The Authority will also need to undertake further work to allow an informed decision to be made about the benefits of the introduction of a CIL charging schedule in the Borough.

5.0 VIABILITY TESTING RESULTS

- 5.1 To provide an assessment of the prospects for a CIL tariff, we have taken forward the results of the viability testing from the Local Plan EVA for both residential and non-residential developments.

Residential Results

- 5.2 We have taken the results from Section 9 of the Local Plan EVA. These results are based on viability testing assuming current building regulation standards together with the cumulative local plan policies including requirements for 30% affordable homes. Assuming that CIL is introduced there will be a more limited requirement for Section 106 contributions, other than those relating to site specific requirements. We have therefore adopted a reduced payment of £2,000 per home for S106/S278 contributions. The Council has indicated that the requirements for S106 payments are likely to be limited and indeed prospects exist for a further reduction in such contributions. However, for the purpose of informing the CIL charging schedule it is considered that £2,000 per home represents a robust position.
- 5.3 Based on these results, we have then provided a commentary about the levels of surplus and possible CIL charges which could be introduced as a result.

Interpretation of Generic Testing Results

- 5.4 The hypothetical development schemes tested in the Local Plan EVA are as follows:

Scheme 1 – 4 homes
 Scheme 2 – 10 homes
 Scheme 3 – 25 homes
 Scheme 4 – 50 homes
 Scheme 5 – 75 homes
 Scheme 6 – 100 homes
 Scheme 7 – 250 homes
 Scheme 8 – 500 homes
 Scheme 9 – 1,000 homes

- 5.5 The value Zones adopted for the purpose of the testing are contained in table 5.1.

Table 5.1: Residential Sales Prices Adopted

Zone	Locations	Net Sales Price (per sq.m)	Net Sales Price (per sq.ft)
1	St Annes (part), Whitehills, Warton, Wesham Kirkham, Greenhalgh, Elswick, Staining	£2,153	£200
2	Lytham, St Annes (part), Weeton	£2,368	£220
3	Wrea Green, Lytham and St Annes Seafront	£2,583	£240

- 5.6 Tables 5.2 and 5.3 contain the testing results for Zone 1. The figures within the tables are the maximum levy rates per sq.m that could be supported based on the floor area of the market Homes only as affordable homes is subject to relief from the charge. The results assume 30% affordable provision. The unviable results are shaded red for ease of reference.

Table 5.2: Zone 1 Maximum Surplus per sq.m of Market Homes Available for CIL 30 and 40 dwellings per Hectare (dph)

Scheme	30 dph Previously developed land (per sq.m)	30 dph Greenfield (per sq.m)	40 dph Previously developed land (per sq.m)	40 dph Greenfield (per sq.m)
1 (4 homes)	£185	£343	£156	£275
2 (10 homes)	£307	£451	£265	£393
3 (25 homes)	-£65	£117	-£68	£76
4 (50 homes)	-£9	£194	-£8	£144
5 (75 homes)	£89	£209	£69	£161
6 (100 homes)	£105	£211	£87	£165
7 (250 homes)		£207		£166
8 (500 homes)		£200		£168
9 (1,000 homes)		£148		£130

Table 5.3: Zone 1 Maximum Surplus per sq.m of Market Homes Available for CIL (20 dph)

Scheme	20 dph Previously developed land (per sq.m)	20 dph Greenfield (per sq.m)
10 (10 homes)	£298	£468
11 (25 homes)	-£41	£167
12 (50 homes)	-£5	£238

- 5.7 In Zone 1 at 30 dwellings per hectare (dph) the lowest viable previously developed land surplus is £89 per sq.m, whilst the results for schemes 3 and 4 assuming development of previously developed land are unviable. On the assumption of 20% affordable homes provision the results of further testing show that the scheme 3 and 4 surpluses rise to £33 and £70 per sq.m respectively. At 10% provision there is a further improvement in the viability of these schemes to £99 and £139 per sq.m respectively. All of the greenfield development scenarios tested are viable with the lowest surplus at £117 per sq.m.

5.0 Viability Testing Results

- 5.8 Assuming development at 40 dph the lowest viable previously developed land surplus is £69 per sq.m. Again the results from schemes 3 and 4 assuming the development of previously developed land are unviable. At 20% affordable homes provision the scheme 3 and 4 surpluses rise to £23 and £65 per sq.m respectively and at 10% affordable homes our testing shows that they are £85 and £129 per sq.m respectively. All of the greenfield scenarios tested are viable with the lowest surplus at £76 per sq.m.
- 5.9 In Zone 1 the testing results at 20dph show that the lowest viable previously developed land surplus relates to scheme 10 at £298 per sq.m. Schemes 11 and 12 are not viable on previously developed land, although at 20% affordable homes provision the surpluses increase to £50 and £64 per sq.m respectively. At 10% affordable homes provision they are £103 and £124 per sq.m respectively. All of the greenfield development scenarios tested are viable with the lowest surplus being £167 per sq.m.
- 5.10 Tables 5.4 and 5.5 contain the testing results for Zone 2. The figures within the tables are the maximum levy rates per sq.m that could be supported based on the floor area of the market homes only as affordable homes are subject to relief from the charge. The results assume 30% affordable provision. The unviable results are shaded red for ease of reference.

Table 5.4: Zone 2 Maximum Surplus per sq.m of Market Homes Available for CIL (30 and 40 dph)

Scheme	30 dph Previously developed land (per sq.m)	30 dph Greenfield (per sq.m)	40 dph Previously developed land (per sq.m)	40 dph Greenfield (per sq.m)
1 (4 homes)	£267	£459	£373	£402
2 (10 homes)	£369	£568	£351	£508
3 (25 homes)	-£4	£223	£8	£188
4 (50 homes)	£48	£310	£65	£262
5 (75 homes)	£167	£323	£157	£276
6 (100 homes)	£180	£321	£172	£276
7 (250 homes)		£311		£273
8 (500 homes)		£289		£260
9 (1,000 homes)		£211		£200

Table 5.5: Zone 2 Maximum Surplus per sq.m of Market Homes Available for CIL (20 dph)

Scheme	20 dph Previously developed land (per sq.m)	20 dph Greenfield (per sq.m)
10 (10 homes)	£354	£572
11 (25 homes)	-£5	£259
12 (50 homes)	£29	£339

- 5.11 At 30 dph the lowest viable previously developed land surplus is £48 per sq.m (scheme 4) followed by £167 per sq.m (scheme 5). Scheme 3 on the assumption of development of previously developed land is unviable. At 20% affordable homes provision the further testing shows an improvement in the viability of schemes 3 and 4 on previously developed land. The increased surpluses are £96 and £129 per sq.m respectively. All of the greenfield scenarios tested are viable with the lowest surplus being £211 per sq.m.
- 5.12 At 40 dph the lowest viable previously developed land surplus is £8 per sq.m (scheme 3) followed by £65 per sq.m (scheme 4). At 20% affordable homes, the results for schemes 3 and 4 on previously developed land show an increase in surpluses to £99 and £138 per sq.m respectively. All of the greenfield scenarios tested are viable with the lowest surplus being £188 per sq.m.
- 5.13 The results at 20dph show the lowest viable previously developed land surplus is £29 per sq.m (scheme 12) followed by £354 per sq.m. Scheme 11 assuming the development of a site on previously developed land is unviable. At 20% affordable homes the scheme 11 and 12 results are £90 and £102 per sq.m respectively. All of the greenfield scenarios tested are viable with the lowest surplus being £259 per sq.m.
- 5.14 Tables 5.6 and 5.7 contain the testing results for Zone 3. The figures within the tables are the maximum levy rates per sq.m that could be supported based on the floor area of the market homes only as affordable homes is subject to relief from the charge. The results assume 30% affordable provision. The unviable results are shaded red for ease of reference.

Table 5.6: Zone 3 Maximum Surplus per sq.m of Market Homes Available for CIL (30 and 40 dph)

Scheme	30 dph Previously developed land (per sq.m)	30 dph Greenfield (per sq.m)	40 dph Previously developed land (per sq.m)	40 dph Greenfield (per sq.m)
1 (4 homes)	£436	£628	£401	£558
2 (10 homes)	£541	£736	£647	£664
3 (25 homes)	£177	£403	£175	£355
4 (50 homes)	£223	£485	£227	£423
5 (75 homes)	£340	£496	£317	£436
6 (100 homes)	£349	£491	£329	£433
7 (250 homes)		£475		£424
8 (500 homes)		£436		£397
9 (1,000 homes)		£332		£312

Table 5.7: Zone 3 Maximum Surplus per sq.m of Market Homes Available for CIL (20 dph)

Scheme	20 dph Previously developed land (per sq.m)	20 dph Greenfield (per sq.m)
10 (10 homes)	£607	£816
11 (25 homes)	£259	£523
12 (50 homes)	£282	£591

- 5.15 The results of our testing for the development of new homes in Zone 3 show that in all cases development is viable. At 30 dph the lowest viable surplus is £177 per sq.m and at 40 dph the lowest viable surplus is £175 per sq.m. The testing at 20 dph shows the lowest viable surplus is £259 per sq.m.
- 5.16 We have also considered the extent to which new developments of stand-alone apartments could support a CIL charge. The results from our testing are contained in table 5.8. This includes a further higher value Zone 4, which models viability based on higher net sales prices of £2,799 sq.m (£260 per sq.ft). This reflects the level of values that may be achieved for new apartment developments that are completed in locations along the seafront in Lytham and St Annes. Again for ease of reference the unviable results are shaded in red.

Table 5.8: Apartments Maximum Surplus per sq.m of Market Homes Available for CIL

Scheme	Zone 1	Zone 2	Zone 3	Zone 4
13 (15 homes)	-£150	-£35	£142	£319
14 (50 homes)	-£382	-£246	-£81	£97
15 (50 homes exec)	-£541	-£406	-£226	-£59

- 5.17 The results show that in most cases stand-alone apartment development is not sufficiently viable at 30% affordable homes provision to support a CIL charge except perhaps in the very highest value locations. Even here there may need to be a relaxation in affordable homes requirements to enable a CIL charge to be levied.

Residential Summary

- 5.18 The results from the viability assessments show that there is scope to introduce a CIL charge in Fylde. There are some viability issues for mid-size schemes on previously developed land in the lower value Zones. In certain instances these sites will not be able to support 30% affordable homes provision and CIL, however generally a reduction to 20% affordable provision is sufficient to support CIL. In a limited number of cases a further reduction may be required. In setting a CIL tariff the Council will need to consider the number of previously developed sites of this nature that are likely to come forward over the plan period, and in particular the extent of affordable homes delivery that may be expected from these sites. An assessment will need to be made of the number of affordable homes that may be lost from sites of this nature, albeit this must then be balanced against the need for funding to deliver infrastructure across the wider borough to support future delivery of new homes.
- 5.19 It should be noted that even under the existing S106 regime the development of these sites is unlikely to be viable without a relaxation in affordable homes requirements, and therefore it is not the imposition of CIL in these cases that makes development unviable.
- 5.20 The CIL guidance suggests that a charging authority's proposed rate or rates should be reasonable given the available evidence, however, there is no requirement for the proposed rate to exactly mirror the evidence. It is suggested that there is room for some pragmatism. In setting the rate however it is considered appropriate to include a buffer or margin, whilst it is also recommended that in setting differential rates a charging authority seek to avoid undue complexity.
- 5.21 With these principles in mind we have considered what might be an appropriate CIL charge for residential development in Fylde. Although there are some pockets of greater viability in Fylde i.e. Wrea Green and the Seafront at Lytham and St Annes, house prices overall are generally fairly consistent. As a result one option suitable for Fylde would be a single charging rate.

- 5.22 It is likely that the majority of new development in the Borough is likely to take place at densities of 30 dph. This reflects the historic delivery of new homes in the Borough and also density requirements in the Local Plan. In Zone 1 there are two unviable results at 30 dph, thereafter the lowest viable surplus is £89 per sq.m. Adopting a buffer of just over 20% would give a charge of £70 per sq.m. The testing also includes a robust figure of £2,000 per home in site specific S106/S278 contributions. This is equivalent to between £20 and £28 per sq.m of market homes floor-space, dependent on the scheme tested. This provides a further viability buffer in the event that a more limited future S106 regime is implemented.
- 5.23 In Zone 1 the majority of hypothetical development schemes tested could support a CIL charge at this rate. In those limited cases where development is not viable at 30% affordable homes provision, there would need to be a reduction in affordable homes to generally between 10 or 20%.
- 5.24 In Zone 2, there are only a handful of scenarios where development could not support 30% affordable provision and a CIL charge at £70 per sq.m. However, in all of these cases a reduction in affordable homes provision to no less than 20% would be sufficient to support a CIL charge.
- 5.25 In Zone 3 all of the developments tested are sufficiently viable to support a CIL charge at £70 per sq.m.
- 5.26 In relation to apartment developments, there is very limited scope to introduce a CIL charge in all but the very highest value areas, and at the present time we would not anticipate introducing a charge for new apartment developments.

Non-Residential Recommendations

- 5.27 We have reproduced below table 6.23 taken from the Local Plan EVA. This table contains the results of our viability testing for commercial forms of development and is presented to show the surplus per sq.m of built floor-space that is available for CIL. The cells that are shaded green show viable development and those that are red are unviable.

Local Plan EVA Table 6.23: Generic Commercial Development Typologies

Development Type	GIA Area (sq.ft)	GIA Area (sq.m)	Previously developed land Surplus (per sq.m)	Greenfield Surplus (per sq.m)
Offices (B1)	5,000	464	-£750	-£693
Offices (B1)	10,000	929	-£606	-£552
Offices (B1)	20,000	929	-£939	-£846
Industrial (B2.B8)	5,000	464	-£192	-£141
Industrial (B2.B8)	20,000	1,857	-£116	-£5
Industrial (B2.B8)	50,000	4,643	-£80	-£33
Industrial (B2.B8)	100,000	9,287	-£60	-£15
Convenience Retail (A1)	3,000	279	£84	£340
Convenience Retail (A1)	10,000	929	£172	£502
Convenience Retail (A1)	30,000	2,786	£100	£699
Comparison Retail (A1) (Town Centre)	3,000	279	£18	n/a
Comparison Retail (A1)	10,000	929	£171	£463
Comparison Retail (A1)	30,000	2,786	£42	£276
Hotel (C2)	30,000	2,786	-£284	-£191
Food and Drink (A3/A4)	5,000	464	-£228	£179
Care/Nursing Home (50 Bed- C2)	40,000	3,715	-£431	-£301
Extra Care (90 Bed)	90,000	8,381	-£182	-£12
Car Showroom	10,000	929	-£926	-£483

- 5.28 Having regard to the results of the appraisals which have been undertaken across all forms of commercial development in Fylde, it is clear that most forms of development within the Borough are not economically viable at the current time based on a speculative form of development. From the results the only forms of development which are demonstrated to be viable include retail and food and drink uses on greenfield sites.
- 5.29 In reviewing the viability of commercial development, we have had regard to the spatial variations observed within the Borough both in terms of rent and yields. The rents and yields adopted within both the industrial and office development appraisals are very much a Fylde 'prime' rate, and therefore we have tested a 'best case' scenario.
- 5.30 Notwithstanding the above, even the 'prime sites' tested with higher revenues were not financially viable (for either the office developments or industrial units tested) based on a speculative form of development. Given that the speculative development of industrial units and office accommodation is not viable, we would not recommend implementing any form of CIL charge for B1, B2 or B8 uses.
- 5.31 The testing of new retail development considered a range of options from small units in the existing town centres, to new mid-size supermarkets and retail warehousing. The results indicate that whilst both convenience and comparison retail are viable, the results for the smaller town centre comparison retail are marginal, as are those for the larger format 'bulky goods' units.

5.0 Viability Testing Results

- 5.32 The results for convenience retail show surpluses for development of previously developed land ranging from £84 to £172 per sq.m. Applying a buffer of approximately 30% to the lowest surplus would give a CIL charge of £60 per sq.m for convenience retail.
- 5.33 For comparison retail the results for development on previously developed land are more marginal, particularly in respect of town centre development with a surplus of £18 per sq.m. We would not therefore recommend that a charge is implemented for comparison retail in the Borough.
- 5.34 All of the leisure accommodation tested, with the exception of food and drink on greenfield sites, were not viable. It is therefore recommended that a CIL charge is not implemented for C1: Hotels or D2: Assembly and leisure Uses. Similarly, our viability testing of car showrooms showed a loss and we would not recommend a charge for this type of use is implemented.

Conclusions

- 5.35 Having regard to the above, table 5.9 provides our recommendations in relation to CIL charges for new development in Fylde.

Table 5.9: Recommended CIL Tariffs

Use	CIL Charge (£/sq.m)
Housing All Locations	£70
Apartments	Nil
Convenience Retail	£60
All other uses	Nil

6.0 TESTING OF THE PRELIMINARY DRAFT CHARGING SCHEDULE

- 6.1 The CIL guidance recommends that a charging authority should directly sample an appropriate range of sites across its area, focusing on strategic sites on which the plan relies, and those sites where the impact of the levy is likely to be most significant i.e. sites on previously developed land. The sampling should be consistent with the viability testing undertaken as part of plan making.
- 6.2 The viability testing undertaken as part of the Local Plan EVA has been used to inform our consideration of preliminary charging rates that are identified in Section 5. To ensure the robustness of these proposed rates we have undertaken some additional viability testing for the residential development sites. These additional appraisals have been prepared for the strategic sites that were tested for the Local Plan EVA, as well the hypothetical site typologies. The appraisals have again been prepared on a residual basis and assume the policy compliant affordable homes requirement at 30%. The appraisals assume a reduced S106/S278 contribution of £2,000 per house. The methodology includes the specific levy rate identified and also an explicit developer's profit. The residual sum that results is the land value which is available to pay the landowner for the purchase of the site. The residual land value is then compared with the base input or 'threshold' land cost. If the residual land value is greater than this amount then the development is viable based on the levy rates proposed and the landowner is likely to release the land for development.
- 6.3 Tables 6.1 to 6.19 show for each site the residual land values both with and without the CIL charge however inclusive of a S106/S278 contribution of £2,000, on a pounds per ha and per acre basis (based on the net developable area). This price per hectare (acre) is then benchmarked against the 'threshold' land cost. Where it is beneath the threshold value the cell is shaded in red. The table below is reproduced from the Local Plan EVA and shows the 'threshold land values' that have been adopted. As noted in the EVA we have made an adjustment to the land cost for the smaller greenfield sites and the larger brownfield sites of +/- 20% from the base figures.

	Previously Developed Land		Greenfield	
	(£ per Ha)	(£/acre)	(£/Ha)	(£/acre)
Highest Value Area	1,110,000	450,000	618,000	250,000
Lowest Value Area	864,500	350,000	494,000	200,000

Residential Land Value Assumptions

- 6.4 Tables 6.1 to 6.19 also include data regarding the impact of the proposed charge on the residual land value and in particular the percentage reduction in residual land value as a result of the CIL charge.
- 6.5 We have also considered the preliminary levy rate as a proportion of both development costs and Gross Development Value (GDV) for the strategic sites tested. GDV is an essential tool for any real estate investor or property developer as it forms a key component of the development appraisal process.

Zone 1 – Impact of CIL Charge – (St Annes (part), Whitehills, Warton, Wesham, Kirkham, Greenhalgh, Elswick, Staining)**Table 6.1: Zone 1 Impact of CIL on Residual Land Value previously developed land (30 dph)**

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£1,390,915	£563,124	£1,192,554	£482,815	14.26%	3.25%	3.83%
2 (10 homes)	£1,738,482	£703,839	£1,540,445	£623,662	11.39%	3.25%	3.83%
3 (25 homes)	£733,801	£297,086	£589,728	£238,756	19.63%	2.80%	3.50%
4 (50 homes)	£845,026	£342,116	£698,584	£282,827	17.33%	2.83%	3.54%
5 (75 homes)	£881,819	£357,012	£736,093	£298,013	16.53%	2.08%	3.52%
6 (100 homes)	£910,605	£368,666	£765,244	£309,816	15.96%	2.83%	3.53%

Table 6.2: Zone 1 Impact of CIL on Residual Land Value Greenfield (30 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£1,553,885	£629,103	£1,357,462	£549,580	12.64%	3.25%	3.83%
2 (10 homes)	£1,865,421	£755,231	£1,667,388	£675,056	10.62%	3.25%	3.83%
3 (25 homes)	£831,420	£336,607	£687,348	£278,279	17.33%	2.80%	3.50%
4 (50 homes)	£901,908	£365,145	£755,466	£305,857	16.24%	2.83%	3.54%
5 (75 homes)	£928,924	£376,083	£784,190	£317,486	15.58%	2.81%	3.52%
6 (100 homes)	£378,370	£378,370	£789,214	£319,520	15.55%	2.83%	3.53%
7 (250 homes)	£374,984	£374,984	£780,690	£316,069	15.71%	2.82%	3.53%
8 (500 homes)	£369,715	£369,715	£767,595	£310,767	15.94%	2.83%	3.53%
9 (1,000 homes)	£325,052	£325,052	£657,303	£266,115	18.13%	2.83%	3.53%

Table 6.3: Zone 1 Impact of CIL on Residual Land Value previously developed land (40 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£1,441,040	£583,417	£1,183,170	£479,016	17.89%	3.51%	4.13%
2 (10 homes)	£1,853,844	£750,544	£1,589,944	£643,702	14.24%	3.51%	4.13%
3 (25 homes)	£686,238	£277,829	£494,614	£200,249	27.92%	3.02%	3.78%
4 (50 homes)	£841,790	£340,806	£646,144	£261,597	23.24%	3.06%	3.83%
5 (75 homes)	£881,246	£356,780	£688,780	£278,858	21.84%	3.04%	3.80%
6 (100 homes)	£933,904	£378,099	£740,285	£299,711	20.73%	3.06%	3.82%

Table 6.4: Zone 1 Impact of CIL on Residual Land Value Greenfield (40 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£1,654,660	£669,903	£1,396,790	£565,502	15.58%	3.51%	4.13%
2 (10 homes)	£2,067,528	£837,056	£1,803,624	£730,212	12.76%	3.51%	4.13%
3 (25 homes)	£801,724	£324,585	£610,102	£247,005	23.90%	3.02%	3.78%
4 (50 homes)	£900,198	£364,452	£704,551	£285,243	21.73%	3.06%	3.83%
5 (75 homes)	£938,146	£379,816	£745,680	£301,895	20.52%	3.04%	3.80%
6 (100 homes)	£385,576	£385,576	£758,752	£307,187	20.33%	3.06%	3.82%
7 (250 homes)	£387,648	£387,648	£763,540	£309,125	20.26%	3.05%	3.82%
8 (500 homes)	£390,038	£390,038	£769,220	£311,425	20.16%	3.06%	3.82%
9 (1,000 homes)	£347,128	£347,128	£663,327	£268,553	22.64%	3.05%	3.82%

Table 6.5: Zone 1 Impact of CIL on Residual Land Value previously developed land (20 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
2 (10 homes)	£1,532,622	£620,495	£1,374,540	£556,494	10.31%	3.25%	3.83%
3 (25 homes)	£791,205	£320,326	£668,215	£270,532	15.54%	2.85%	3.56%
4 (50 homes)	£855,172	£346,224	£727,312	£294,458	14.95%	2.89%	3.62%

Table 6.6: Zone 1 Impact of CIL on Residual Land Value Greenfield (20 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
2 (10 homes)	£1,650,260	£668,121	£1,492,178	£604,121	9.58%	3.25%	3.83%
3 (25 homes)	£887,242	£359,207	£764,251	£309,413	13.86%	2.85%	3.56%
4 (50 homes)	£930,564	£376,747	£802,704	£324,982	13.74%	2.89%	3.62%

Zone 2 – Impact of CIL Charge – (Lytham, St Annes (part), Weeton)**Table 6.7: Zone 2 Impact of CIL on Residual Land Value previously developed land (30 dph)**

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£1,853,977	£750,598	£1,657,546	£671,071	10.60%	2.96%	3.48%
2 (10 homes)	£2,172,303	£879,475	£1,974,267	£799,298	9.12%	2.96%	3.48%
3 (25 homes)	£1,107,569	£448,408	£963,495	£390,079	13.01%	2.54%	3.18%
4 (50 homes)	£1,212,904	£491,054	£1,066,462	£431,766	12.07%	2.58%	3.22%
5 (75 homes)	£1,236,087	£500,440	£1,091,353	£441,843	11.71%	2.56%	3.20%
6 (100 homes)	£1,264,500	£511,943	£1,119,138	£453,092	11.50%	2.57%	3.21%

Table 6.8: Zone 2 Impact of CIL on Residual Land Value Greenfield (30 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£2,030,485	£822,059	£1,834,062	£742,535	9.67%	2.96%	3.48%
2 (10 homes)	£2,343,709	£948,870	£2,145,676	£868,695	8.45%	2.96%	3.48%
3 (25 homes)	£1,205,188	£487,930	£1,061,116	£429,601	11.95%	2.54%	3.18%
4 (50 homes)	£1,269,772	£514,078	£1,123,330	£454,789	11.53%	2.58%	3.22%
5 (75 homes)	£1,289,138	£521,918	£1,144,404	£463,321	11.23%	2.56%	3.20%
6 (100 homes)	£521,635	£521,635	£1,143,079	£462,785	11.28%	2.57%	3.21%
7 (250 homes)	£513,471	£513,471	£1,122,750	£454,555	11.47%	2.57%	3.21%
8 (500 homes)	£494,762	£494,762	£1,076,463	£435,815	11.91%	2.57%	3.21%
9 (1,000 homes)	£428,609	£428,609	£913,090	£369,672	13.75%	2.57%	3.21%

Table 6.9: Zone 2 Impact of CIL on Residual Land Value previously developed land (40 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£2,017,240	£816,696	£1,759,370	£712,296	12.78%	3.20%	3.76%
2 (10 homes)	£2,417,736	£978,840	£2,156,328	£873,007	10.81%	3.20%	3.76%
3 (25 homes)	£1,133,237	£458,800	£943,425	£381,954	16.75%	2.75%	3.44%
4 (50 homes)	£1,294,447	£524,068	£1,098,801	£444,859	15.11%	2.79%	3.48%
5 (75 homes)	£1,322,601	£535,466	£1,130,135	£457,545	14.55%	2.77%	3.46%
6 (100 homes)	£1,368,226	£553,938	£1,174,607	£475,549	14.15%	2.78%	3.47%

Table 6.10: Zone 2 Impact of CIL on Residual Land Value Greenfield (40 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£2,209,140	£894,389	£1,953,790	£791,008	11.56%	3.20%	3.76%
2 (10 homes)	£2,629,396	£1,064,533	£2,367,988	£958,700	9.94%	3.20%	3.76%
3 (25 homes)	£1,247,630	£505,113	£1,057,821	£428,267	15.21%	2.75%	3.44%
4 (50 homes)	£1,352,854	£547,714	£1,157,208	£468,505	14.46%	2.79%	3.48%
5 (75 homes)	£1,379,501	£558,502	£1,187,035	£480,581	13.95%	2.77%	3.46%
6 (100 homes)	£561,404	£561,404	£1,193,048	£483,015	13.96%	2.78%	3.47%
7 (250 homes)	£557,814	£557,814	£1,183,850	£479,291	14.08%	2.78%	3.47%
8 (500 homes)	£544,078	£544,078	£1,149,700	£465,466	14.45%	2.78%	3.47%
9 (1,000 homes)	£475,267	£475,267	£979,829	£396,692	16.53%	2.78%	3.47%

Table 6.11: Zone 2 Impact of CIL on Residual Land Value previously developed land (20 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
2 (10 homes)	£1,915,308	£775,428	£1,757,228	£711,428	8.25%	2.96%	3.48%
3 (25 homes)	£1,102,046	£446,173	£979,056	£396,379	11.16%	2.59%	3.24%
4 (50 homes)	£1,164,318	£471,384	£1,036,458	£419,619	10.98%	2.63%	3.29%

Table 6.12: Zone 2 Impact of CIL on Residual Land Value Greenfield (20 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per ha)	Residual Land Value (per acre)	Residual Land Value (per ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
2 (10 homes)	£2,032,946	£823,055	£1,874,866	£759,055	7.78%	2.96%	3.48%
3 (25 homes)	£1,198,082	£485,054	£1,075,093	£435,260	10.27%	2.59%	3.24%
4 (50 homes)	£1,239,683	£501,896	£1,111,823	£450,131	10.31%	2.63%	3.29%

Zone 3 – Impact of CIL Charge – (Wrea Green, Lytham and St Annes Seafront)**Table 6.13: Zone 3 Impact of CIL on Residual Land Value previously developed land (30 dph)**

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per Ha)	Residual Land Value (per acre)	Residual Land Value (per Ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£2,286,077	£925,537	£2,093,400	£847,530	8.43%	2.71%	3.19%
2 (10 homes)	£2,651,345	£1,073,419	£2,453,312	£993,244	7.47%	2.71%	3.19%
3 (25 homes)	£1,481,336	£599,731	£1,337,263	£541,402	9.73%	2.33%	2.91%
4 (50 homes)	£1,580,738	£639,975	£1,434,296	£580,687	9.26%	2.36%	2.95%
5 (75 homes)	£1,596,200	£646,235	£1,451,466	£587,638	9.07%	2.35%	2.93%
6 (100 homes)	£1,618,098	£655,101	£1,472,739	£596,251	8.98%	2.36%	2.95%

Table 6.14: Zone 3 Impact of CIL on Residual Land Value Greenfield (30 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per Ha)	Residual Land Value (per acre)	Residual Land Value (per Ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£2,459,223	£995,637	£2,266,546	£917,630	7.83%	2.71%	3.19%
2 (10 homes)	£2,821,997	£1,142,509	£2,623,961	£1,062,332	7.02%	2.71%	3.19%
3 (25 homes)	£1,578,955	£639,253	£1,434,883	£580,924	9.12%	2.33%	2.91%
4 (50 homes)	£1,637,607	£662,999	£1,491,165	£603,710	8.94%	2.36%	2.95%
5 (75 homes)	£1,649,250	£667,713	£1,504,516	£609,116	8.78%	2.35%	2.93%
6 (100 homes)	£664,792	£664,792	£1,496,677	£605,942	8.85%	2.36%	2.95%
7 (250 homes)	£651,799	£651,799	£1,464,421	£592,883	9.04%	2.35%	2.94%
8 (500 homes)	£619,410	£619,410	£1,384,343	£560,463	9.52%	2.36%	2.95%
9 (1,000 homes)	£531,345	£531,345	£1,166,848	£472,408	11.09%	2.36%	2.94%

Table 6.15: Zone 3 Impact of CIL on Residual Land Value previously developed land (40 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per Ha)	Residual Land Value (per acre)	Residual Land Value (per Ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£2,571,080	£1,040,923	£2,315,720	£937,538	9.93%	2.93%	3.45%
2 (10 homes)	£3,002,092	£1,215,422	£2,740,684	£1,109,589	8.71%	2.93%	3.45%
3 (25 homes)	£1,589,014	£643,326	£1,399,205	£566,480	11.95%	2.52%	3.15%
4 (50 homes)	£1,749,324	£708,228	£1,553,678	£629,019	11.18%	2.55%	3.19%
5 (75 homes)	£1,765,902	£714,940	£1,573,436	£637,019	10.90%	2.54%	3.17%
6 (100 homes)	£1,804,398	£730,526	£1,610,779	£652,137	10.73%	2.55%	3.19%

Table 6.16: Zone 3 Impact of CIL on Residual Land Value Greenfield (40 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per Ha)	Residual Land Value (per acre)	Residual Land Value (per Ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
1 (4 homes)	£2,729,490	£1,105,057	£2,479,000	£1,003,644	9.18%	2.93%	3.45%
2 (10 homes)	£3,213,752	£1,301,114	£2,952,344	£1,195,281	8.13%	2.93%	3.45%
3 (25 homes)	£1,703,410	£689,639	£1,513,598	£612,793	11.14%	2.52%	3.15%
4 (50 homes)	£1,807,715	£731,869	£1,612,069	£652,659	10.82%	2.55%	3.19%
5 (75 homes)	£1,822,739	£737,951	£1,630,274	£660,030	10.56%	2.54%	3.17%
6 (100 homes)	£737,982	£737,982	£1,615,366	£653,994	11.38%	2.73%	3.41%
7 (250 homes)	£728,572	£728,572	£1,605,621	£650,049	10.78%	2.55%	3.18%
8 (500 homes)	£698,229	£698,229	£1,530,455	£619,617	11.26%	2.55%	3.18%
9 (1,000 homes)	£602,637	£602,637	£1,294,433	£524,062	13.04%	2.55%	3.18%

Table 6.17: Zone 3 Impact of CIL on Residual Land Value previously developed land (20 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per Ha)	Residual Land Value (per acre)	Residual Land Value (per Ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
2 (10 homes)	£2,490,228	£1,008,189	£2,332,148	£944,189	6.35%	2.60%	3.06%
3 (25 homes)	£1,569,030	£635,235	£1,446,041	£585,442	7.84%	2.28%	2.85%
4 (50 homes)	£1,628,714	£659,398	£1,500,854	£607,633	7.85%	2.31%	2.89%

Table 6.18: Zone 3 Impact of CIL on Residual Land Value Greenfield (20 dph)

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per Ha)	Residual Land Value (per acre)	Residual Land Value (per Ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
2 (10 homes)	£2,587,538	£1,047,586	£2,429,456	£983,585	6.11%	2.60%	3.06%
3 (25 homes)	£1,665,066	£674,116	£1,550,077	£627,561	6.91%	2.28%	2.85%
4 (50 homes)	£1,704,079	£689,910	£1,576,219	£638,145	7.50%	2.31%	2.89%

Strategic Sites – Impact of CIL Charge**Table 6.19: Strategic Sites Impact of CIL on Residual Land Value**

Scheme	No CIL		CIL		Tests		
	Residual Land Value (per Ha)	Residual Land Value (per acre)	Residual Land Value (per Ha)	Residual Land Value (per acre)	% Reduction in Residual Land Value	CIL % GDV	CIL % Cost
EDS, Heyhouses Lane, St Annes	£1,386,244	£561,232	£1,239,468	£501,809	10.59%	2.57%	3.22%
Cropper Road, West, Whitehills	£955,312	£386,766	£779,031	£315,397	18.45%	2.76%	3.46%
Cropper Road East, Whitehills (Housing)	£1,072,465	£434,196	£893,545	£361,759	16.68%	3.02%	3.78%
Cropper Road East, Whitehills (inc Employment)	£415,369	£168,166	£323,525	£130,982	22.11%	1.99%	2.46%
Cropper Road East, Whitehills (inc Employment) 20% Affordable	£520,982	£210,924	£418,307	£169,355	19.71%	2.15%	2.66%

- 6.6 For those development scenarios tested in Zone 1, the CIL charge leads to a reduction in residual land value ranging from 9.58% to 27.92%. In the majority of cases the reductions are less than 20%. The charge has the greatest impact on developments at 40 dwellings per Hectare with the level of reduction typically at between 20-23%. There is one instance of a reduction of 27.92% for scheme 3 on previously developed land. Here the development was unviable at 30% affordable housing provision, and hence the inclusion of CIL has a disproportionate impact on the already relatively low residual land value.
- 6.7 The results for Zone 2 show the reduction in the level of residual land value based on the CIL rate range from 7.78% up to 16.75%. In Zone 3 the level of reduction ranges from 6.11% up to 13.04%, and is typically less than 10%.
- 6.8 For the strategic sites tested the results show that considering the housing allocations alone the impact of CIL is a reduction in land value of 10.59% and 18.45%. If the mixed use allocation at Cropper Road East is considered in its entirety then the impact of CIL is a reduction in land value of 22.11% based on 30% affordable homes provision and 19.71% based on a reduced position at 20%.
- 6.9 In comparison with tables 9.1 – 9.21 of the Local Plan EVA it should be noted that the CIL contribution has a more limited impact on the residual land value than a S106/S278 contribution of £10,000 per house.
- 6.10 Tables 6.1 to 6.19 illustrate that the proposed CIL charges generally represent a sum which is equivalent to 3.5% or less of GDV and 4.13% or less of cost. Having regard to this we believe it is unlikely; therefore, that a CIL charge set at the level proposed would be the 'tipping point' that makes these schemes unviable.

Instalments Policy and Phased Developments

- 6.11 Our results assume that all of the land required for the development is purchased on Day 1. For many of the large sites this is unrealistic and a developer will normally pay for the land either in instalments or on a phased basis, as the different phases of the development commence. The assumption that all of the land is purchased on day 1 means that the financial appraisals for the majority of the large sites above 250 homes carry an unrealistically high level of finance costs.
- 6.12 In our appraisals the CIL charge is also assumed to be payable at the commencement of the development. This is obviously the worst-case scenario for any developer as they would need to fund the CIL payment and associated interest payment from the outset of the development.
- 6.13 CIL Regulations 69B, 70, 71 and 72 deal with the payment of the tariff. Regulation 69B provides that where an authority wishes to allow payment by instalments they must also have published an instalments policy on their web site. The authority has freedom to decide the number of payments, the amount and the time due. It can revise or withdraw its policy as appropriate.
- 6.14 With this in mind, the Charging Authority (i.e. Fylde Council) may also wish to consider allowing phasing of larger developments and payments of the tariff at certain points in the development process. By introducing an instalments policy, or working with developers to allow larger developments to be delivered in phases, this would help to improve the cash flow position, and hence viability.

- 6.15 Any instalments policy or phasing is likely to be most relevant to and have the greatest effect on the largest developments undertaken, given the likely length of the development programme, and the implications of this for financing the CIL payment. To illustrate this point we have also considered the impact on viability of making CIL payments by reference to phases of development or instalments. To illustrate this point we have prepared further appraisals for 250, 500 and 1,000 homes on greenfield sites in Zone 1 assuming development at 30 dph.
- 6.16 Table 6.20 contains the results of this further viability testing and shows the residual land value per hectare and per acre based on the following options:
1. Land is paid for on day 1 of development and the entire CIL payment is made at commencement of development.
 2. Payments for land are phased based on completion of 33% and 66% of the homes and the entire CIL payment is made at commencement of development.
 3. Payment for land and CIL are made based on the timetable in option 2.

Table 6.20: Impact of Phased Land and CIL Payments

Site	Option 1 Residual Land Value per ha (per acre)	Option 2 Residual Land Value per ha (per acre)	Option 3 Residual Land Value per ha (per acre)
Scheme 7 (250 homes)	£780,690 (£316,068)	£872,644 (£353,297)	£888,205 (£359,597)
Scheme 8 (500 homes)	£767,595 (£310,767)	£922,692 (£373,559)	£946,938 (£383,376)
Scheme 9 (1,000 homes)	£657,303 (£266,114)	£883,744 (£357,971)	£927,863 (£375,653)

- 6.17 The results for option 2 show that for the larger sites a more typical phased payment for the land results in greater land values for per hectare and improved viability even allowing for the CIL payment at the outset. When a phased payment in relation to CIL is also included the resultant residual land values increase further as shown by option 3. The results demonstrate that based on the larger development schemes, the introduction of an instalments policy/phasing does increase the residual land value that is available and hence by implication the level of CIL charge which could be set. However, this would need to be balanced against the increased resource and costs to the charging authority to administer an instalments policy. There are clearly a number of options in terms of the timing of the payments, although instalment policies that are weighted to taking payments later in the development programme will have a greater impact on the level of surplus that could be made available.

Potential Triggers for a Review of CIL

- 6.18 The residential property market is currently in a period of recovery, whilst demand and hence values for commercial schemes is low. The convenience retail market is also experiencing a period of fluctuation. In connection with the required annual monitoring of CIL, the Charging Authority may also wish to consider analysing the underlying residential sales values achieved, and demand for commercial development, in the Borough as this clearly has a distinct effect upon viability. Depending on the level of change in viability witnessed (if any), then the Charging Authority may wish to trigger a review of CIL.

6.0 Testing of the Preliminary Draft Charging Schedule

- 6.19 Should any new planning documents be adopted within the timespan of the CIL, which introduce requirements that place further financial burdens on development significantly above that identified within this report, then this may trigger a review of CIL. In addition any future legislation requiring greater energy efficiency or indeed Zero Carbon Homes will increase costs and hence affect viability.
- 6.20 It is important that a system and clear methodology is put in place which will facilitate the continual review of the CIL Charging Schedule in order to ensure that this remains up to date and valid, particularly in the context of any future economic or property market changes. The CIL legislation makes provision for the annual inflation of the tariff in accordance with BCIS indices. However, more fundamental changes to the Charging Schedule will involve a full review of CIL including a revised evidence base, new assessments, consultation and examination. Clearly then a pragmatic decision making process will need to be employed if such a review is to be considered.
- 6.21 The continual review of the Charging Schedule will need to be effective in terms of the provisional conclusions that are produced, efficient in terms of resource required to undertake the review and sufficiently robust to allow reliable and reasoned decisions to be made. In our view, the starting point for an effective continual review mechanism has to be the approach taken to the collation and analysis of the evidence base in the first instance of compiling the CIL Charging Schedule together with the format and process that is adopted in undertaking the base appraisals initially.
- 6.22 With this considered approach in place the opportunity exists to set up a mechanism of periodic reviews. The periodic reviews could be conducted relatively quickly and efficiently and at an appropriately high level. In our view the approach to the review would vary depending on the development type.
- 6.23 In relation to certain development types (i.e. residential), the approach would be based on the key variables within the appraisal and the impact that these have on the ultimate residual sums. The impact of this range of variables can be tested by means of sensitivity analysis. From this sensitivity analysis the aim would be to identify a series of threshold values or targets. Figures above, or below, these thresholds would indicate that the Charging Schedule may need to be reviewed, indicating that a more formal review could be undertaken. These thresholds could form easily assessed market values of certain types of development. The comparison of these threshold values would be to freely available market data sources.
- 6.24 In relation to other development types (i.e. commercial), where market data is less easily available, we would suggest putting in place a similar process, but instead assessing outturn values against certain recognised market indices. Once these market indices had reached a pre-defined level, either up or down, then this would indicate the potential for a more fundamental review of the CIL Charging Schedule in relation to that development category.
- 6.25 In addition to this high level continual review process, consideration should also be given to a more detailed periodic review involving a refresh of the market evidence base and a sample set of revised appraisals.

7.0 PRELIMINARY DRAFT CHARGING SCHEDULE

- 7.1 In accordance with good practice we have assessed a CIL levy for Fylde alongside the evidence based prepared for the Local Plan. We have carried forward the viability assessments prepared for the Local Plan and prepared further modelling to consider the impact on viability of the introduction of a CIL charge. Based on this modelling we have considered a level of charge that could be supported by new development in Fylde without prejudicing the viability of development. Table 7.1 below contains our assessment of a possible Preliminary Draft Charging Schedule for Fylde.

Table 7.1: Preliminary Draft Charging Schedule for Fylde

Use	CIL Charge (£/sq.m)
Housing All Locations	£70
Apartments	Nil
Convenience Retail	£60
All other uses	Nil

- 7.2 In setting CIL, the viability assessment is only one part of the evidence base and the Authority will need to draw on the infrastructure planning evidence that underpins the development strategy for the area and demonstrate that an appropriate balance has been struck between additional investment to support development and the potential effect on the viability of developments.