WAKEFIELD COUNCIL

COMMUNITY INFRASTRUCTURE LEVY

CHARGING SCHEDULE EXAMINATION

Council's Response to Examiner's Hearing Questions

Hearing on: Tuesday 6 October 2015, 9.30am

(Continuing Weds 7 October if required)

Venue: Committee Room B, County Hall, Bond St, Wakefield, West Yorkshire, WF1 2QW

A: Procedural Questions

COUNCIL'S OPENING STATEMENT

i) The Council has submitted a *Statement of Procedural and Legal Compliance* (July 2015) (CD502) 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 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 Wakefield district (CIL Regulations 2010 14(1)).

iv) The adopted Core Strategy (CD201) and Site Specific Policies Local Plan (CD203) set out an ambitious plan for growth in the Wakefield 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 the 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.

B: Examination Questions

RESIDENTIAL RATES

Viability Evidence Assumptions

1. **Is the CIL Viability Evidence submitted by the Council in support of the Draft Charging Schedule appropriate, particularly with regard to its assumptions for build costs, abnormal development costs, residual S106 costs, professional fees, and sales values for residential development?**

1.1. The rates for residential development are justified by appropriate available evidence (as required by Section 211 7A of the Planning Act 2008 (as amended by the Localism Act 2011)) as set out on the Core Document List and referred to in detail in the following paragraphs.

1.2. The following additional justification in support of the assumptions is set out below in Table 1.

Table 1: Further justification in support of Wakefield CIL residential viability assumptions

EVE Assumption	**Commentary**
Residential Build Cost	Residential build cost is based on viability evidence submitted by planning applicants for development schemes in Wakefield 2013-2014 (presented in CD105, Annex 2, page 62). The cost at the Preliminary Draft Charging Schedule (PDCS) stage was £83.25 per sq. ft. (£896 per sq. m.), including contingencies and fees (CD 117, page 13, paragraph 3.6). Following comments made on the PDCS consultation, the build cost assumption was increased to £85 per sq. ft. (£915 per sq. m.). An additional 5% was added on top of this for the 1ha sites tested, to reflect the possibility of smaller local housebuilders having to incur higher build cost rates (CD509, page 9, paragraph 3.3). This was independently verified by cost specialists Gardiner & Theobald (CD509, Appendix 3, page 29) as £85.52 per sq. ft. including contingencies fees and abnormals, based on recent

	schemes they have provided cost advice on. Because the build cost figure of £85 per sq. ft. used in the Council's EVE is exclusive of abnormals (which are dealt with elsewhere in the appraisal), this independent assessment further validates the suitability of the cost assumptions. Representations on the Draft Charging Schedule (DCS) consultation (CILDCS24 in CD106) confirmed that developers in the CIL Housing Consortium, the majority of which are volume housebuilders (Miller Homes, Taylor Wimpey, Harworth Estates), have been building at a cost of £85 per sq. ft. for the preceding 12 months. CD 105 (page 3-4) responds to this representation in detail and discusses how the assumption and proposed rates are based on a point in time. Whilst there may be inflation in future build cost, evidence has been presented (in Annex 1 of CD105, page 61) to demonstrate that increases in new build sales values have already outstripped any predicted inflation in build costs. Furthermore, given that a significant amount of the future housing growth planned for the district is on large / strategic sites, these sites by nature will be developed by volume housebuilders capable of achieving economies of scale in relation to costs, including build costs.
Allowance of £247,100 per ha (£100,000per acre) for abnormals on all sites	NPPG indicates that 'a realistic assessment of costs' is required in the assessment of CIL (paragraph 020 Reference ID: 25-020-20140612) and that for area wide viability studies a 'broad assessment of costs is required' including 'known abnormal costs' (paragraph: 013 Reference ID: 10-013-20140306). The reality is that it is not possible to 'know' all the site abnormal costs that will apply across the district in an area wide viability assessment. In practice the level of site abnormal development costs will vary substantially from site to site. The Council considers that an allowance for abnormal site

	development costs is appropriate in order to provide an in-built viability buffer, however this should be a reasonable allowance not a worst case scenario based on an unusually high/extraordinary level of abnormal costs. The residential build cost benchmarking by Gardiner & Theobald (CD509, Appendix 3, page 29) indicates that a typical level of abnormals is £3.12 per sq. ft. Equating the average site coverage applied in the EVE appraisals of 14,000 sq ft per acre, this suggests an allowance of £47,000 per acre would be typical. Therefore, the allowance of £100,000 per acre is a reasonable allowance that provides adequate insulation to cater for not only typical circumstances, but also circumstances where there is an above average level of site abnormal development costs (CD509, paragraph 3.4, page 9). All of the sites put forward for allocation in the Wakefield Site Specific Policies Local Plan were done so on the basis that they were viable and deliverable, and there is no evidence to suggest that an extraordinarily high level of abnormal site costs should be taken as the norm. In the event that the level of abnormal site costs is substantially higher than the allowance provided, we would expect these costs to be reflected in a lower land price that any rational developer would be willing to pay for the land, hence the land value assumptions effectively cushion the impact of any such variations. A good example of this is the former Nestle Chocolate factory site on Wheldon Road in Castleford, which is a residential allocation in the Site Specific Policies Local Plan (and forms part of SPA4), and is within the mid value residential charge zone (£20 per sq m). The site, which extends to a net area of 8.2 acres, requires significant remediation works and was sold to a developer for £800,000, equivalent to £97,560 per

	acre, in 2014. This compares with a land value benchmark of £350,000 per acre applied in the viability model. Therefore the allowance for site abnormal costs is robust and fully justified.
Residual s106	A residual s106 allowance of £1000 per unit has been included in the evaluation (CD509 paragraph 4.2, page 18). This has been verified by analysis of planning applications between April 2010 and April 2015 (CD 511, paragraph 2, page 2). The residual calculation assumes that CIL will replace the contributions towards projects identified on the regulation 123 list, falling into categories including Education (except in the case of SPA2), Green Infrastructure, Sustainable Transport, Public Realm Improvements, Leisure, Sport and Cultural Projects. All applications analysed are over 30 dwellings, which is above the threshold (30 dwelling) for which public open space (POS) contributions are, and will continue to be, expected via s106 once CIL is in place. A significant proportion of the residual s106 is represented by the requirement to provide POS contributions (alongside other contributions that meet the tests of regulation 122). However there will be many developments under this threshold that will not incur the cost of POS contributions. Therefore, this represents an additional conservatism in the model that will improve the viability of sites under the threshold for POS contributions. Furthermore, additional analysis of the figures presented in table 2 of CD115 demonstrates that sites across the low, medium and high value areas have delivered significant pooled contributions per unit, in addition to the residual (site specific) section 106. As shown in the below table.

Site Size	Total number of units per site archetype	Average pooled contribution delivered per unit. (Total amount to be replaced by CIL divided by total of No. of units).
Small	138	£2745.31
Medium	366	£2172.09
Large	734	£1656.04
Strategic	2022	£4686.77

Table 1a: Average Pooled contributions per unit

These pooled contributions would in future be replaced by CIL, and in all cases exceed the average CIL per unit charge of £1,533 per unit in the medium value area. Given that the data is based on an average across all three value areas, and currently s106 pooled contributions are subject to negotiation, the figures also compare favourably to the average CIL charge of £4,216 per unit in the high value area. Therefore, the CIL rates proposed are less than the average of that which has been collected historically on pooled S106 agreements, further demonstrating their reasonableness. The above table also demonstrates that strategic sites (10 hectare) have in recent years been able to withstand a CIL charge over and above the higher rate of £55 per sq. m.

It has been acknowledged that the residual s106 for applications within Special Policy Area 2 (SPA2) City Fields will likely be higher, based on the information in the signed s106 agreement for the first phase of the SPA. However, as explained (in CD101, page 16, paragraph 8.9; CD 115, table 2 notes; CD105 pages 6-8 and CD513 pages 10-12) the combined s106 and CIL contributions for this allocation on

	future phases under CIL would not exceed the per unit cost of planning obligations already shown to be viable through this signed s106 agreement. When CIL is implemented primary education contributions would be by way of s106, and secondary education would be by way of CIL. The total education contribution for the first phase of SPA2 was £4,480 per dwelling. Section 106 contributions to primary education only would equate to £1,913 per dwelling. The average CIL per dwelling in this mid value area would be £1,533 per dwelling. This equates to a total contribution of £3,446. This is approximately £1,000 per unit less than the agreed education contribution in the signed agreement. It is acknowledged that the first phase of the allocation was not able to deliver 30% affordable housing. However, this was as a result of the development having to fund the first section of the Wakefield Eastern Relief Road (WERR). The remainder of the WERR, which is the vast majority, has been funded by the West Yorkshire Transport Fund. Consequently, this will improve the ability of the remainder of the allocation to deliver affordable housing. At the time that Special Policy Areas were allocated, developers provided confirmation to the Council that the constituent sites were deliverable and developable, which would have required the development of the sites to be viable, in view of policy compliant planning obligations, at a time when the housing market was significantly worse than it is currently (2009-2012). In addition, whilst this allocation is largely within the medium value charging zone, the sales values included in the whole allocation viability appraisal, provided by the Consortium includes sales values that are actually comparable to the high value area.

Professional fees	An allowance of 6% of construction costs has been made for professional fees (CD117 paragraph 3.7, page 14). This allowance is in the mid-range of fees typically observed on residential schemes which can be as low as 4% of construction cost.
Sales values	Table 3.5 of CD117 (page 12) provides the evidence upon which the new build sales value assumptions have been based, derived from research of new build schemes across the district alongside consultation with developers. As set out in in paragraph 3.6 of CD509, these are as follows. • High value area £2,045 per sq. m. (£190 per sq. ft.) • Mid value area £1,884 per sq. m. (£175 per sq. ft.) Sales values for the low value area are included in CD117 (table 3.6 page 13). • Low value area £1507 per sq. m (£140 per sq. ft.) (mid-point between Low A and Low B) Following the DCS consultation, further evidence has been presented by the Council to support an increase in the new build sales values in the district up to April 2015 in the high and medium value areas (CD105, Annex 1, page 61). • High value area average new build sales value £2,412.46 per sq. m. (with a range of £2,225 per sq m to £2,708 per sq m). This is a 17.97% increase on the assumption set out above that was used in the appraisal. • Medium value area average new build sales value £2060.59 per sq. m. (with a range of £1,700 to £2,638). This is a 9.43% increase in new build sales values. The growth in values indicated by the more up to date market

	research, demonstrate a significant viability buffer within the appraisal.
Finance	An allowance of 6.5% of GDV has been made for finance (assuming a 100% debt structure) (CD117 paragraph 3.7 and CD 112 paragraph 3.6). However, in reality many large plc house builders will be funded internally with equity or by Group/syndicated equity or finance and, therefore, will incur substantially reduced finance costs. Therefore, this increases the conservatisim in the model.

1.3. Amendments to the assumptions, the buffer and the proposed rate in the mid value area were made as a result of comments received at the PDCS stage, as set out in CD509.

2. Would sensitivity testing the appraisals with lower sales values and higher costs, including build costs, abnormals, professional fees and residual S106 costs assist in more robustly demonstrating the viability of the proposed residential charges, in particular the high zone charge?

2.1. The proposed rates have been based on assumptions that are justified by appropriate available evidence, and reflective of typical circumstances. A discount of 30-40% from the maximum headroom figures has already been applied to the proposed rates. This provides a buffer to insulate schemes that might incur higher development costs from the impact of CIL, and therefore accords with the requirements of National Planning Practice Guidance (paragraph 19, Reference ID: 25-019-20140612).

2.2. It should be understood that there are other areas of conservatism in the model, particularly in respect of sales values, which have been observed to have significantly increased over the last 12 months, outpacing increases in build costs, providing additional insulation to the rates that are proposed.

2.3. As stated above, based on market research produced in April 2015, average sales values in the highest value area had increased to £2412 per sq. m. (with a range of £2,225 to £2,700, compared with £2040 as originally used in the EVE, an 18% increase). Therefore to produce a sensitivity with reduced sales values and increased costs is counter to real-world trends, would serve no credible or useful purpose to the examination, creating an unrealistically negative perspective of development viability.

2.4. To further demonstrate the robustness of the proposed CIL rates in the higher value zone, a sensitivity has been run based on an increased sales value of £2412 per sq. m. (the average of sales values in the high value zone based on the latest market research collected in April 2015) alongside the latest BCIS build costs. BCIS costs are generally accepted to be above the costs that most housebuilders typically build at and, therefore, this scenario incorporates an in-built viability buffer. According to BCIS, the latest median build cost for housing, rebased for Yorkshire and Humber, is £899 per sq m (83.50 per sq ft). With an additional uplift of 15% for plot external works, this cost has been increased to 1034 per sq m (£96 per sq ft). Professional fees and contingencies have been added onto these costs and all other assumptions are consistent with the appraisals set out in CD117 and CD509.

2.5. The results, demonstrated in Table 2 below, show that the headroom in the highest value area increases to a range of £101 per sq. m. - £166 per. sq m., with a median of £120 per sq. m., more than double the proposed CIL charge rate of £55 per sq m. Therefore, based on the latest market research of new build sales values, and the latest BCIS based build cost, the appraisals show that there is an even greater viability buffer to safeguard development viability from variation to other key development costs. A worked example of the 2.5 ha scheme is provided in Annex 1 of this report.

Table 2: Headroom for CIL in high value area with Average sales values to April 2015 and BCIS build costs rebased for Yorkshire and Humber

Dwellings per ha	Sq m	Sq m subject to CIL (market units only)	ha	Residual site value of each archetype	Site value benchmark actual	Headroom (residual site value less site value benchmark)*	Max CIL psm
30	3285	2385	1.00	£1,423,618	£1,050,175	£395,103	£166
30	8213	5792	2.50	£3,379,105	£2,625,438	£797,380	£138
30	16425	11375	5.00	£6,332,769	£5,250,875	£1,144,644	£101
30	32850	22800	10.00	£12,704,160	£10,501,750	£2,330,149	£102
						Mean	£127
						Median	£120

High Zone Charge

3. Does the rate of £55psm for the high residential charging zone allow a sufficient buffer to absorb unforeseen development costs and fluctuations in the housing market?

3.1. National Planning Practice Guidance (paragraph 19, Reference ID: 25-019-20140612) does not stipulate what size of buffer should be applied, but states that the buffer should be applied *so that the levy rate is able to support development when economic circumstances adjust*. The buffer in the high residential charging zone has been set from the median headroom (£84 spm) for CIL rather than the mean (£93 psm), across the 4 different site size archetypes, chosen to reflect the sites expected to deliver the plan over the remaining period.

3.2. The median is the lower of the 2 averages and is reflective of the lowest headroom for CIL across the archetypes. The CIL rate has been set at approximately 30% below this lowest headroom (as set out in CD509 paragraph 3.7, page 13). Therefore, it is considered that the buffer will ensure that there is sufficient flexibility to ensure that the development set out in the plan can continue to be delivered if market conditions or development costs worsen.

3.3. However, this should also be viewed in light of the recent improvements to the sales values in this area, along with the other conservatisms that exist within the model through other assumptions as set out in Table 1 above.

4. In the light of the answers to questions 1 and 3, does the available evidence support the proposed rate of £55psm in the high value areas of the borough and would it put at risk the delivery of residential development across the borough?

4.1. The proposed high levy rate is informed by 'appropriate available' evidence and consistent with the evidence on sales values and costs within these areas and across the area as a whole as required by NPPG (paragraph 19, Reference ID: 25-019-20140612). The Council considers that the proposed rate in the high value areas of the district of £55 psm will not threaten the ability to develop viably the sites and scale of development identified in the Local Plan, for the reasons set out above and in the Economic Viability Evidence. The further scenario that has been modelled in response to question 2 sensitises the effect of an increase in build costs to BCIS alongside updated sales revenues. This indicates an even larger viability buffer than previously demonstrated.

4.2. Furthermore, table 3.3 of CD509 (page 14) indicates that in high value areas CIL would equate to less than 5% of construction costs and less than 3 % of total development costs. This further demonstrates that the proposed rate would not put at risk the delivery residential development in the district.

Charging Zone Boundaries

5. Does the CIL Viability Evidence support the inclusion of the areas of Wrenthorpe, Outwood, Snow Hill, Newton Hill, Ossett, Walton and areas to the south and west of Wakefield within the high residential charging zone?

5.1. 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). This has been the Council's approach for reasons set out as follows.

5.2. The charging zones were defined according to average house prices within each post code enumeration area. Average house prices were derived from the Land Registry data and five value bands were originally defined. These were then simplified into three value areas (high, medium and low), which involved merging the two highest value areas into a single zone. The reason for this was that in the assessment of new build sales values, there was no detectable difference between the strength of the two highest value geographical areas. As an example, as listed at table 3.5 of CD117 (page 12), the Scholars Gate scheme by Persimmon at Wrenthorpe, in the lower of the two high average house price value bands that were merged, was at the time achieving a sales value of £2326 per sq. m. (£216 psf), the highest of all the schemes that were examined across both the merged zones. Consultation with developers confirmed that there was some consistency in the sales values targeted/achieved within the two areas. The merging of the value areas, therefore, provided an appropriate evidence based approach to determining charging zones.

5.3. In terms of new build evidence, the Scholars Gate scheme in Wrenthorpe referred to above was achieving £2326 per sq. m at the time of the first viability report (CD117), substantially above the actual sales value assumptions used in the appraisals of £1938 per sq. m and £2,153 per sq. m (CD117, table 3.6, page 13) (amended to a mid-point in the Viability Addendum (CD509, paragraph 3.6, page 11) of £2045 per sq. m / £190 per sq. ft). The latest market research (Annex 1 of CD105, page 61) indicates that this scheme achieved an average of £2479 per sq. m (£230 per sq. ft) up to April 2015. Therefore this provides evidence that Wrenthorpe's inclusion in the high value zone is justified.

5.4. Other collected new build evidence relevant to locations stated in this question, as listed in Annex 1 of CD105 (page 61), include the Windsor Park scheme at Newton Hill, with achieved sales value of £2238 per sq m (£208 per sq ft), and Horbury (to the west of Wakefield) at £2708 per sq m (£252 per sq ft); both significantly above the sales values on which the high value charge CIL rate was predicated (£2045 per sq m (£190 per sq ft).

5.5. Therefore, it is considered that the inclusion of each of these areas in the high value charge zone is fully justified by the available new build sales evidence.

6. Would a fourth charging zone with a CIL rate somewhere between the proposed high and medium zone charges be justified by the evidence?

6.1. For reasons already stated in response to question 5, it is considered that the proposed charging zones are justified by the evidence already presented to date. The Council also considers it sensible to avoid undue complexity in the construction of charging areas (in accordance with NPPG paragraph: 21, Reference ID:25-021-20140612) and would re-emphasise the fact that there are viability buffers which insulate development viability further.

Strategic sites

7. Given the reliance of the borough on large sites of more than 10 hectares to deliver its housing requirement, does the available evidence show whether large sites, including the Special Policy Areas (SPAs), could viability support the proposed residential CIL charges?

7.1. The viability evidence shows headroom for CIL on large sites over 10ha in the high and medium charging zones, as shown in table 3.1 and 3.2 of CD

509 (page 13). The viability buffer on sites over 10 hectares in the high value charging zone is over 30% and in the medium value charging zone is over 50%. Table 1 above details what other conservatisms exist within the model which will have the effect of providing an additional buffer, to allow for variation in site specific viability circumstances.

7.2. The site sizes tested (CD509, paragraph 3.1, page 7) were chosen to focus on the main site typologies expected to dominate housing delivery in Wakefield over the remaining plan period. These site sizes included a 10ha site as the largest. However it must be understood that sites of anything more than 10ha (arguably even smaller) would only typically be built out in phases, with all site development costs (including land payments, planning obligations, other costs including profit draw down) being paid in phases. Therefore, the economics of the development of a 20 ha site is in this regard the same as that of a 10 hectare site, only that it would be implemented in two separate phases (and so on). Although in certain circumstances large scale sites may have high ‘opening up’ costs (e.g. strategic highways infrastructure) it may be possible for such costs to be phased, to be funded by the public sector (such as in the case of City Fields where the West Yorkshire Transport Fund is paying for the majority of the Wakefield Eastern Relief Road), or alternatively be reflected in a lower land price.

7.3. Special Policy Areas are large allocations, often in excess of 10ha that are areas generally identified for a mix of uses, some of which do include significant amounts of new housing. However, it should be noted that these are strategic *areas* for development, which are usually divided into a smaller number of constituent sites. This is reflective of different land owners and phasing of development. As such, planning applications on larger and strategic sites are expected to come forward in phases.

7.4. CD506 shows the remaining housing allocations to be developed in the district. Annex 2 of this response has been derived from this CD506. This shows that approximately 40% of the remaining housing capacity in the local plan is expected to be delivered on sites over 10ha in size in the high and medium charging zones (taking account of constituent site sizes in Special Policy Areas). Incidentally, this provides further support for the inclusion of a build cost assumption, and other assumptions that are reflective of the costs incurred by a volume house-builder. A further 10% of the remaining housing capacity to be delivered would be on sites over 10ha within the zero charge zone for CIL.

7.5. Annex 2 shows that approximately half of the remaining housing to be delivered on sites over 10ha in CIL liable zones would be on greenfield land (20% total remaining capacity in the Local Plan) and half on previously developed land (20% total remaining capacity in the Local Plan). As discussed earlier, the model has assumed an appropriate allowance for abnormal development costs.

7.6. It should also be noted that a number of these sites already have full and outline permission (as highlighted in red in Annex 2). It is understood that under CIL Regulation 128B applications for reserved matters, variation of conditions and renewals relating to applications approved before the CIL is introduced will not be liable for CIL. Therefore, this potentially further reduces the number of sites over 10ha that will be subject to the CIL charge.

7.7. Large sites, including those within Special Policy Areas were allocated in the Local Plan on the basis of being deliverable and developable, when the Sites Plan was being drafted (2009 and 2012), at a time when the housing market was significantly worse than currently (the Site Specific Policies Local Plan was adopted in 2012).

7.8. Section 106 education contributions have been removed from all but one strategic allocation, SPA2 Wakefield East (also known as City Fields). For this allocation primary education provision is identified as necessary to make the development of the SPA acceptable in planning terms, and as such will continue to be secured as part of future S106 agreements (as discussed above). Development of the first phase of this SPA has now commenced (SPA2 V). Two further applications are expected this autumn.

7.9. Since the sites were allocated significant transport infrastructure burdens have been removed from allocations, as these are now expected to be funded through the West Yorkshire Transport Fund.

7.10. Any planning obligations and costs on larger sites would be proportionate to the size of the site and phasing of delivery. In addition, the Council has proposed an Instalments Policy (CD110) to be adopted at the time the CIL is implemented, this will further improve the cash flow for development sites.

8. Is there a need for specific appraisals for the SPAs and large Housing Sites of more than 10 hectares to demonstrate whether or not the proposed CIL charges would put at risk the delivery of residential development across the borough?

8.1. Producing site specific appraisals is only useful if there is real world (and independently verifiable) site development cost information. The Council has undertaken a sampling of real world sites to inform the CIL evidence base (as set out in CD113, CD504 and CD505). However, the lack of site information available at this time meant that such appraisals offered no more of an accurate perspective of development viability than the hypothetical schemes tested in the area wide model.

8.2. Therefore, the Council has already tested real world sites and the combination of the results from this testing alongside the area wide model provide a comprehensive evidence base in support of the CIL charging schedule. Furthermore, given the scale of some of Special Policy Areas, the time frame over which they are expected to be fully developed out, and the level of uncertainties, it is considered that further detailed site testing would not necessarily be any more informative. Analysis of S106 agreements (April 2010-April 2015) on 10ha plus strategic sites (in Table

1a above) demonstrates that these sites have, on average, been able to withstand pooled contributions over and above the higher rate of £55 per sq. m (or £4216 per unit) at £4686 per unit.

8.3. In addition, during the ongoing CIL consultation process, developers have themselves been unable to provide any more up to date information to assist with the process of site specific testing on strategic sites. The site specific viability data for SPA2 was over two years old when it was provided to the Council in March this year and the consultants for the viability working group acknowledged that the assumptions were no longer accurate.

8.4. As such, it is considered that no further testing is required on sites over 10 hectares.

GENERAL ISSUES

Infrastructure Planning Evidence

9. Does the Infrastructure Delivery Plan Evidence (IDPE) provide appropriate evidence of an aggregate funding gap that demonstrates the need for a CIL charge?

9.1. The Council's Statement of Procedural and Legal Compliance (CD502) sets out how it has complied with the relevant legislation and guidance in preparing its evidence on infrastructure planning, in particular in relation to the actual and expected costs of infrastructure and other actual and expected sources of funding (Planning Act 2008, 211 (2)).

9.2. The IDPE (CD104, CD113 & CD119) represents a refresh of the Wakefield Infrastructure Study 2010 (CD120) produced to support the Site Specific Policies Local Plan (CD119), and as such should be read in conjunction with this. The 2010 evidence was tested as part of the examination into that Sites Plan in 2011/12, prior to its adoption in 2012. Furthermore, key infrastructure requirements on which the delivery of the plan depends, such as the Wakefield Eastern Relief Road have been included in the plan itself. The infrastructure evidence underpinning the Local Plan should, therefore, be considered to satisfy paragraph 157 of National Planning policy Framework (NPPF), and paragraph 018 (Reference ID: 12-018-20140306) of NPPG.

9.3. Work began on the CIL in Wakefield in 2012, following adoption of the Site Specific Policies Local Plan (CD119). Therefore, it was not deemed necessary to completely revisit the infrastructure planning evidence to support the CIL. Rather a refresh was carried out to reflect the up to date position in terms of infrastructure planning, focussing on projects that would require funding from the levy to identify the aggregate funding gap, as advised in National Planning Policy Guidance (paragraph 17 ID25-017-20140612). This approach to the evidence is considered to be appropriate and proportionate in line with NPPG (paragraph: 014, Reference ID: 12-014-20140306).

9.4. The Wakefield Infrastructure Study (CD120) and the update (CD104, CD113 & CD119) were carried out in consultation with internal and external infrastructure providers as detailed in those documents, taking account of any relevant comments received from other representors at successive stages of consultation (as required by paragraph 162 of National Planning Policy Framework (NPPF)).

9.5. The information in the IDPE has been drawn from the infrastructure assessment that was undertaken as part of preparing the Local Plan, in consultation with infrastructure providers to determine what additional infrastructure is required to support development in the district, and the other additional sources of funding available (as required by paragraph 016 reference ID: 25-016-20140612 if NPPG). This has enabled the Council to identify the total cost of infrastructure it wishes to fund through the levy along with the aggregate infrastructure funding gap (£178.62 million). The IDPE identifies a levy funding target (£3.4 million per annum) based on remaining allocations in the Local Plan (as required by paragraph 16 reference ID 25-016-20140612). The IDPE also sets out the average annual section 106 contributions in the district from April 2010-April 2015 (Chapter 3 of CD104) (as required by paragraph 018 reference ID: 25-018-20140612 if NPPG).

9.6. It is considered that the Wakefield Infrastructure Study, the adopted Local Plan documents and the IDPE together demonstrate how the projects that the levy is intended to fund will support the delivery of the levels of growth proposed under the Development Plan (as required by paragraph 018 reference ID: 25-018-20140612 of NPPG).

9.7. NPPG recognises that there will be uncertainties in pinpointing other infrastructure funding sources and charging authorities should focus on providing evidence of an aggregate funding gap that demonstrates the need to put in place the levy (paragraph 016 ID 25-016-20140612). Whilst such evidence can only ever represent a point in time, the Council considers that the IDPE presented satisfies the guidance, in terms of demonstrating the aggregate funding gap.

9.8. The Council has an ambitious plan for growth as set out in the adopted Local Plan, which is currently being delivered on the ground. Infrastructure is required to support the delivery of this growth, including a number of major infrastructure projects that will require funding. The Council has identified an aggregate funding gap to deliver this infrastructure, as required by guidance and regulations. The Council has also presented appropriate available evidence to demonstrate that CIL is viable without undermining the planned growth set out in the Local Plan, therefore striking the appropriate balance between funding infrastructure and delivering growth and development in the district. Furthermore, Regulation 123 (2010 as amended) introduced new restrictions on the use of planning obligations to fund infrastructure as of 6 April 2015. As such, it is considered appropriate for the developers that will benefit from this scale of growth, including those of allocated sites to contribute to the necessary infrastructure through the introduction of the levy.

Regulation 123 List and S106 contributions

10. Does the revised Draft CIL Regulation 123 list (July 2015) provide sufficient clarity on future infrastructure to be funded by CIL or secured through S106/S278 agreements to avoid 'double-dipping'?

10.1. Representations received at the Draft Charging Schedule consultation stage (February / March 2015) (CD105 and CD106) raised concerns over the potential for 'double-dipping' in particular with regard to education and public open space contributions. The revised draft Regulation 123 List (July 2015) (CD103) was updated following this consultation, to clarify the continued use of S106/S278 agreements for infrastructure in line with Regulation 122 of the 2010 CIL Regulations (as amended). The main change relates to the approach to funding education infrastructure. This is explained further in the submitted Draft Charging Schedule (CD101 paragraph 8.8 and 8.9, page 16).

10.2. The levy is intended to support development of an area rather than make an individual planning application acceptable. Therefore, S106/S278 agreements will still be required for site specific mitigation. In addition, S106 agreements will still be used to secure affordable housing, which is not capable of being funded by the levy. As Wakefield Council has an adopted Core Strategy (CD201) and Site Specific Policies Local Plan (CD203), it was considered appropriate to make the list as specific as possible, based on the Infrastructure Delivery Plan Evidence (IDPE) for the district (CD104), with input from key infrastructure providers, to identify specific infrastructure projects, rather than producing a generic list of infrastructure categories.

10.3. The draft Regulation 123 list (CD103) sets out the infrastructure projects that are intended to be funded in whole or in part by the levy. The reverse of the list sets out the known site-specific matters for which S106 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 footnote 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: necessary to make the development acceptable in planning terms, directly related to the development; and fairly and reasonable related in scale and kind to the development. This is reiterated in the Submitted Draft Charging Schedule in paragraph 8.8 (CD101, page 16).

10.4. CIL Regulations 122 and 123 place limits on the use of obligations in terms of the obligations meeting the policy tests, to ensure that the use of the levy and planning obligation do not overlap, and imposing a limit on pooling contributions. CIL Regulation 123 (3) restricts the use of S106 ensuring no duplication of developers' contributions. S278 agreements cannot be required for works that are intended to be funded through the levy.

10.5. S106 agreements will continue to be sought for public open / green space in relation to a planning application, where such a matter is required to make the development acceptable in planning term. However, it should be noted that such contributions are not usually sought on developments under 30 dwellings. Any obligation will need to meet the tests of CIL Regulation 122. The residual S106 figure used in the viability modelling included the contribution for on-site open space (CD509, paragraph 4.2, page 18-19; CD511, Chapter 2, page 2) helping to demonstrate the approach to contributions is clear.

10.6. Education is the only broad infrastructure category on the list that will be funded through the levy, with the exception of primary education provision directly related to the Wakefield East Special Policy Area 2 (SPA2) (also known as City Fields). Therefore, any future CIL charge on applications for this allocation would not fund primary education, but would be spent on delivering other infrastructure required as a result of growth. SPA2 would not pay twice for primary education infrastructure as S106 agreements would address primary education provision required to make the developments acceptable in planning terms / site specific mitigation required as a direct result of the developments, due to the scale of the housing expected across the allocation. This requirement is specifically identified as part of the allocation in the Site Specific Policies Local Plan (CD203, policy SPA2, page 96-97). The 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.

10.7. There is no guarantee of funding for items on the Regulation 123 list and the levy will not fully address the funding gap or identified infrastructure requirements. The Regulation 123 List is considered to be as up to date as possible in relation to the IDPE. Any amendments to the list will take place in accordance with the CIL Regulations / Guidance.

10.8. It is considered that the revised Draft Regulation 123 List is sufficiently clear about how future infrastructure will be funded to avoid ‘double-dipping’, and perform its intended role of helping to provide clarity on the potential funding gap (as set out in NPPG paragraph: 017 Reference ID: 25-017-20140612). Further information on this is also set out in the Draft Charging Schedule (CD101, Chapter 8, page 15-17). 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 list. It is understood that some Councils have produced a short document on the continued use of S106 contributions. Wakefield Council can produce similar guidance prior to the implementation of CIL should this be considered necessary.

Instalments Policy

11. In the light of the draft Instalments Policy and the proposals for phased payments of CIL in paragraph 9.3 of the DCS, does the evidence show whether or not the proposed instalments policy would put at risk the viability of large development schemes, the delivery of which would be phased over a longer period of time?

11.1. The proposed rates have been shown to be viable on all site typologies tested without the benefit of an Instalments Policy. Therefore, introducing a policy would not put the viability of large development schemes at risk, but would improve their viability.

11.2. At the Draft Charging Schedule Consultation, general support was expressed for the introduction of an Instalments Policy. However, it was suggested on larger sites that the first payment trigger should be tied to the occupation of development; the sale of units; or pushed back to 12 months from commencement. Regulation 69B(2)(d) states that the time the first instalment and subsequent payments are due should be calculated from the commencement of development. Therefore, only the last of these options would be workable.

11.3. However, for information in relation to the proposed Instalments Policy, Table 3 below illustrates the relationship between house unit sales and payment instalments proposed in the policy for the different site typologies tested in the viability model. The timescales assume a three quarter / nine month lead-in before commencement of unit sales and show that, with the exception of the smallest scheme, there is a staggering of payment instalments alongside housing unit sales which would mitigate the impact of CIL payments on cashflow and finance costs.

Table 3: Relationship between house unit sales and payment instalments for the different site typologies tested in the viability model.

	CIL liability			Year 1				Year 2				Year 3				Year 4				Year 5			
	55 psm	20 psm		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 ha site	£131,175	£47,700	Payment instalments	50%		50%																	
			Unit sales (30 units)				6	6	6	6	6												
2.5 ha site	£318,560	£115,840	Payment instalments	35%			35%		30%														
			Unit sales (75 units)				9	9	9	9	9	9	9	9	3								
5 ha site	£625,625	£227,500	Payment instalments		25%		25%		25%		25%												
			Unit sales (150 units)				9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	6
10 ha site	£1,254,000	£456,000	Payment instalments		25%				25%			25%			25%								
			Unit sales (300 units)				18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	12

11.4. Planning applications on large development sites / allocations are expected to be submitted in phases. The Instalments Policy would apply to each individual development phase. Thereby assisting with cash flow and viability

11.5. The introduction of such a policy is at the Council's discretion, and whilst the Council is willing to consider any reasonable amendments to the draft policy, it considers that it is justified in the context of the provisions of the CIL regulations. As already stated, the viability evidence produced in support of the CIL rates was based on an assumption of payment of CIL in totality at the outset of the development programme – therefore the Council would be entirely justified in not offering any payment instalments policy. Whilst the Council wishes to do its utmost to alleviate cashflow pressures for developers, it must also ensure the timely receipt of funds to enable the timely delivery of infrastructure. Failure to secure the necessary funds in the right timescales could lead to a position in which key infrastructure projects cannot be delivered, thus putting broader delivery at risk.

RETAIL RATES

Viability Study Assumptions

12. Is the CIL Viability Evidence submitted by the Council in support of the Draft Charging Schedule appropriate, particularly with regard to its assumptions on the yields, rents, build costs and residual S106 costs for retail warehousing and Supermarkets?

12.1. The proposed rates for retail warehousing and supermarket development are justified by appropriate available evidence (as required by Section 211 7A of the Planning Act 2008 (as amended by the Localism Act 2011)) as set out on the Core Document List and referred to in detail in the following paragraphs.

12.2. The viability assumptions applied are based on the range of evidence collated and are intended to be representative of average / typical circumstances in which retail warehousing and large supermarket development will come forward across the district.

12.3. The following additional justification in support of the assumptions is set out below in Table 4.

Table 4: Further justification in support of Wakefield CIL retail viability assumptions for retail warehouses and supermarkets

EVE Assumptions	**Commentary**
Yields	The yield assumptions for supermarkets and retail warehouses are set out in table 6.1 of CD117 (page 33). The yield assumption used to derive the maximum CIL rate for retail warehouses is 7.0-7.5%, and 5.0-5.25% for large supermarkets (≥2000 sq.m. GIA) - based on regional evidence collected by DTZ from a range of transactions as evidenced in paragraph 5.2 (page 21) and appendix 2 (page 27) of CD509. This is considered to be appropriate available evidence (as required by Section 211 7A of the Planning Act 2008 (as amended by the Localism Act 2011)). These yields are intended to be representative of average / typical circumstances in which retail warehousing and large supermarket development will come forward across the district. The yield assumptions for district wide retail warehousing is consistent with the range indicated by representations for retail warehousing in Pontefract of 7.5-9% (CD105, CILDCS31, page 13).
Rents	Paragraph 6.4 and table 6.1 of CD117 (page 32-33) set out the rent assumptions that have been used. These are based on available local and regional evidence and professional opinion, as set out in paragraph 6.2 of CD117, chapter 5 or CD509 (page 21) and Appendix 2 (page 27). Assumptions are representative of what are considered likely for

new build retail schemes in the district. Rents are 'headline' and have been combined with an incentive rent-free allowance, and yields assume a minimum 15 lease year term with upwards only rent reviews. A high and low scenario has been applied through adjustment of the yield to provide a suitable range of results to reflect the parameters of likely market activity.

Retail warehouses

From the range of rental evidence collected average 'headline' rents were in the order of £16 per sq ft, taken from retail parks across the district, including those outside of Wakefield itself and Castleford and Pontefract. The rental assumption used is £16 per sq ft and it should be noted that a rent free allowance of 2 years has been made which, over a lease-term of 15 years represents a net effective rent of less than £14 per sq ft.

A full schedule of the retail warehouse rents that were collected to inform the viability assumptions is provided at Annex 3 to this response. These provide evidence of 'passing' effective rents from the key retail warehouse locations across the district (i.e. net of incentives). A summary table of this evidence is provided below which shows the district wide average rent to be £14.79 per sq ft, increasing to £15.19 per sq ft on deals since 2010. This figure is above the net effective rent applied within the viability assessment of £13.91 effectively allowing a viability buffer of £1.32 per sq ft (8.7%) from the average.

Table 4a: Summary of district wide average rents compared with rental assumptions

Evidence of 'passing rents' - district wide	Per sq ft
Overall average	£15.12
Overall average of deals since 2010	£15.19
Overall average of 'bulky goods'	£15.13
Rental assumptions used in viability model	
Rent (headline)	£16.00

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<tr><td>Headline rent over 15 year lease</td><td>£240.00</td></tr>
<tr><td>Less two years rent free (over 15 yrs)</td><td>£208.00</td></tr>
<tr><td>Effective passing rent (per annum)</td><td><u>£13.87</u></td></tr>
<tr><td></td><td></td></tr>
<tr><td>Viability buffer against average since 2010 (psf)</td><td>£1.32</td></tr>
<tr><td>%</td><td>8.70%</td></tr>
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This evidence underlines the robustness of the district wide rental assumption used in the model.
It is acknowledged that there are a limited number of retail parks where passing rental levels are below the averages applied in the appraisals and where investment yields will be higher, depending on the covenant strength of the occupier and lease terms, among other factors (and equally, there are circumstances where rents will be higher and yields lower). However, in such locations it is expected that land prices would also be much less than those allowed for within the appraisals (£2.162m per ha / £875,000 per acre – based on the highest quality retail warehouse parks) and, therefore, balancing the effect of lower rents on development viability.
Supermarket rental evidence
Supermarket rental evidence has been provided in table 5.1 of CD 509 (page 22) in support of the rental assumptions used in the appraisal. In addition to those regional comparables previously documented, details have been researched of the large Sainsbury superstore developed as part of the Trinity Walk shopping centre in Wakefield City. The store has a gross internal area of 92,240 sq ft (8569 sq m), and achieved a rent of £17.50 per sq ft (£188 per sq m), above the assumption of £16.50 per sq ft applied in the viability model.
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<tr>
<td>Build cost</td>
<td>CD117 paragraph 6.4 (page 32) confirms that build costs are based on BCIS median data with a 15% uplift to allow for external plot works. These were not changed as part of the Viability</td>
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	Addendum (CD509). The absence of any cost evidence from local development schemes dictated that BCIS should form the most appropriate basis for cost estimates. The use of BCIS accords with the recommendations of NPPG. No other evidence has been submitted in support of representations made on this matter.
Residual S106	The residual S106 rate of £55 per sq. m. has been included, based on the available evidence of retail schemes in Wakefield (CD117, paragraph 6.5, page 33). The relevant schemes are listed in CD509 (paragraph 4.3 page 19-20). These schemes span a period from 2005 to 2014. Retail schemes are usually subject to significantly lower S106 obligations, when compared to residential schemes, with obligations limited to mitigating the direct physical impact of the development such as highway works. Therefore, the residual S106 has been based on the evidence that was available at the time, which is considered appropriate (as required by Section 211 7A of the Planning Act 2008 (as amended by the Localism Act 2011)).

12.3 The assumptions used are averages derived from district wide data. Differences in rental performance will also be accompanied by other differences in appraisal assumptions such as land prices, which will balance the effects on viability. It is acknowledged that there are different types of retail warehousing, which can drive different viability results. However, having reviewed the evidence, the Council considers there is insufficient quantity, quality or consistency of local evidence to justify different rates between any such sub-sector definitions.

13. Does the available evidence support the typology of scheme sizes used for the appraisal of retail development in the CIL Economic Viability Evidence, in particular for retail warehouse parks and supermarkets?

13.1. Paragraph 6.3 of CD117 (page 32) sets out the typologies of retail scheme that have been included in the viability analysis, to reflect the possible likely development scenarios. This was based on recent activity in the local and regional retail market as set out in chapter 6 of CD117 (page 31), together with the broader market experience of DTZ in respect of the preferred models, floor area and development densities required by operators. Paragraph 5.2 (page 21) and Appendix 2 (page 27) of CD509 provide additional evidence of retail activity in these sectors in the region.

13.2. Recent development activity within Wakefield in respect of retail warehousing and supermarkets has been limited which, together with the fact that there was little new development proposed (either in terms of Local Plan allocations or – at the time of the viability evidence document CD117 – extant planning permissions) necessitated broader market judgements to be made in informing the development typologies selected. Evidence from recent planning applications in these sectors in the district indicate that over the past few years retail applications have tended to be for Aldi/Lidl scale convenience foodstores, and mezzanines/variations of restrictive conditions within existing out-of-centre retail units

13.3. In respect of retail warehousing, the district wide market is dominated by Wakefield City itself with several retail warehouse parks on the fringe of the City Centre (Cathedral, Ings, Westgate, Albion Mills). DTZ considered that, given the already well provided retail warehouse offer and the limited activity in the bulky goods market nationally, demand for new space would be restricted and therefore, the most likely form of any new development in the short to medium term in Wakefield would be a modest extension to an existing retail park. A size of 3,000 sq. m was considered an appropriate scale that would enable a terrace of multiple units divisible according to requirements. A plot ratio of 40% (the built floor area would take 40% of the net land area) was assumed consistent with typical development densities in this sector to allow for parking and servicing.

13.4. In respect of supermarkets, in the main, the market is dominated by national operators who impose standardised ‘models’, which are only tailored slightly to fit local circumstances. The three typologies were selected to reflect these models with the convenience store (the 'C store' format, e.g. Tesco Express, Morrison Local, Sainsbury Local – based on the size restriction to allow flexibility of opening times on Sunday trading), the discounter size (typically in the range of 1,000-2,000 sq. m GIA) and the large scale supermarket (dominated by the 'big four' operators with 2,000 sq. m upwards). Plot ratios of 25% were selected in accordance with operator requirements.

Rates

14 Does the available evidence support the proposed rates of £103psm for large supermarkets and £89psm for retail warehousing and would they put at risk the delivery of retail development across the borough?

14.1 The proposed rates are informed by 'appropriate available' evidence and are consistent with the evidence on values and costs across the district as a whole as required by NPPG (paragraph 19, Reference ID: 25-019-20140612).

14.2 CD501 sets out what additional retail floor space is planned for the district up to 2026. This summarises the results of the Retail Study and concludes that there is limited requirement in the district to identify new allocations in the development plan for convenience or comparison retail. Rather, there is a need in many centres across the district for qualitative improvements to the retail offer to support their vitality and viability.

14.3 Where allocations in the adopted and emerging Local Plans identify sites for retail uses, they only identify floorspace in a limited number of cases, and the range of retail uses remains flexible. No retail warehousing is specifically identified, and any foodstores are likely to be smaller format stores that would not be CIL liable. A number of permissions are already granted, and as previously stated, the Council understand that under CIL Regulation 128B applications for reserved matters, variation of conditions and renewals relating to applications approved before CIL is introduced will not be CIL liable.

14.4 Table 6.3 of CD117 (page 35) indicates that even set at the maximum CIL would account for a relatively small percentage of costs and revenue. Table 6.2 of CD117 (page 34) also demonstrates that the CIL rate selected for both supermarket and retail warehousing was predicated on the lower of the two value scenarios tested, thus effectively catering for the worst case scenario.

14.5 In reality there are a number of in built viability buffers in the analysis, including profit at 20% of cost (which could be significantly reduced depending on the risk profile of the scheme) and the land costs which could, in practice, be much lower. The land value benchmark applied was driven by supermarket land values, which have since dramatically fallen and as a result the cost of land for any future retail development is likely to be substantially less, providing significant insulation in the assessment.

14.6 Therefore, it is concluded that the proposed rates will not put at risk the delivery of retail development across the district for the reasons set out in this statement and in the Economic Viability Evidence already submitted.

15 Do the rates of £103psm for large supermarkets and £89 for retail warehousing allow sufficient buffer to absorb unforeseen development costs and fluctuations in the market?

15.1 National Planning Practice Guidance (paragraph 19, Reference ID: 25-019-20140612) does not stipulate what size of buffer should be applied, but states that the buffer should be applied so that the levy rate is able to support development when economic circumstances adjust.

15.2 As stated above, table 6.2 of CD117 (page 35) shows that the rates have been set at the lower value of the two value scenarios tested, thus effectively predicated on the worst case scenario. This indicates a maximum viable CIL at these lower value scenarios of £98psm for retail warehousing and £114psm for large supermarkets. The rates have been set below the maximum to provide a buffer to insulate schemes that might incur higher development costs from the impact of CIL. Table 6.3 of

CD117 (page 35) also indicates that, even set at the maximum, CIL would account for a relatively small percentage of costs and revenue; and whilst it represents a significant percentage of residual land price (i.e. 11.6% and 15.4% for supermarket and retail warehouse respectively), these levels do not impinge on the level of benchmark site value applied and are, therefore, unlikely to hinder land from being brought forward in most cases, given the high overall residual site values available for such use when set against the much lower alternative use values.

15.3 In addition, the other conservatisms in the model assumptions provide further insulation from the impact of CIL, such as developer's profit at 20%, and the costs of land.

15.4 Therefore, it is concluded that the approach to setting the buffer is in accordance with NPPG.

Threshold

16 Is the proposal to set a minimum threshold of 2,000sqm for the proposed CIL rate for large supermarkets informed by and consistent with the evidence?

16.1 NPPG advises that the regulations allow charging authorities to apply differential rates in a flexible way, to help ensure the viability of development is not put at risk. Differences in rates need to be justified by reference to the economic viability of development. Differential rates may be appropriate in relation to types and/or scales of development. A charging authority that plans to set differential rates should seek to avoid undue complexity (NPPG paragraph: 021, Reference ID: 25-021-20140612). Accordingly, the proposed minimum threshold for large supermarkets has been based on viability evidence as discussed in the following paragraphs.

16.2 Paragraph 5.1 of CD509 (page 21) sets out that the viability evidence produced three typologies of foodstore, which reflect the broad models being implemented within the sector. These three typologies were modelled based on evidence of comparable schemes. The results, as set out in the Viability Evidence (February 2014) (CD117, paragraph 6.7, page 34), illustrate the different levels of viability for each typology and indicate that only the large foodstore/supermarket of 2,000 sq. m. upwards is capable of withstanding CIL.

16.3 This is driven by variation in rent and yield assumptions across the three typologies. Assessment of the market indicated that rents for foodstores over this size threshold (supermarkets 2,000 sq. m.) at the regional level are typically at a higher rent of £160-£190 psm (£15-£18 psf). Assessment also established that average investment yields are lower for supermarkets than for the small and mid/budget size; this is largely the result of a broader range of operators at the smaller size bands with varying and weaker covenant strength and in more varied locations pulling down the average, in contrast to the larger end of the size spectrum where the big four, with their stronger covenant strength, dominate. Market evidence is provided in paragraph 5.1 of CD509 (page 21) and appendix 2 of CD509 (page 27).

Definition of retail warehousing

17 Is the definition of retail warehousing in the footnote to the table in paragraph 7.1 in the Draft Charging Schedule sufficiently precise to provide the required clarity to developers and operators?

17.1 Further justification for the definition included has been set out in the Council's response to the representations on the modifications to the Draft Charging Schedule (CD513, CILSoM16, page 6-8). The definition was included in the Draft Charging Schedule submission (CD101) with the aim of providing clarity to developers and operators.

17.2 As previously stated, NPPF does not include a definition of retail warehouses. Therefore, the Council has aimed to provide an appropriate definition based on the current characteristics of retail warehousing in the district.

17.3 As stated in CD513, the range of goods currently being sold from retail warehouses across the district, are no longer reflective of the old PPS4 definition of retail warehouses. Therefore, it is considered that location of development, along with the type of construction are more appropriate in terms of how retail warehouses should be defined in Wakefield.

17.4 The evidence in support of the retail warehouse rate in the district has been drawn from retail parks in, which are in edge-of, and out-of centre locations (including Cathedral Retail Park, Ings Road Retail Park and Westgate Retail Park). In *The Town and Country Planning (Use Classes) (Amendment) (England) Order 2015* there is no separate definition for retail warehouses, which fall under the use class of A1 shops. However, the submitted Draft Charging Schedule (CD101, page 14) makes it clear that A1 uses within town centre locations will not be liable for CIL, as the evidence shows that there is no headroom for CIL in these locations. Therefore, based on this, retail warehouses will be units for the sale of retail goods to the public in locations that are not in the town centre i.e. A1 uses in edge-of and out-of-centre locations. As such, a locational element could be included in the definition, on this basis, to provide further clarity, if it is considered necessary.

17.5 The definition does not include a threshold for the size of edge-of / out-of centre unit that would be liable for CIL, as there is no evidence to demonstrate that CIL is not viable for units at the smaller end of the range, as demonstrated by the rental evidence included in Annex 3 to support the rental assumptions. Therefore, there is a concern that applying an arbitrary threshold may constitute state aid.

17.6 For information the Valuation Office Agency Rating Manual - Section 878 provides the following definition of retail warehouses:-

- *The retail warehouse class includes all non-food retail units without restriction to size. Generally their construction shows a much* *greater visual similarity to warehousing than to that of standard shop units. Retail warehouses usually occupy a single floor, the majority of which is devoted to sales, with some ancillary storage and office use.*

- *They may be sited singly or grouped together, most frequently in fringe or out of town locations. The provision of car parking is often extensive - sometimes shared, as is the case at retail parks.*

17.7 This supports the Council's position that retail warehouses are non-food retail units in edge-of and out-of-centre locations. However, further reference could be taken from this definition relating to the type of construction, should it be considered necessary to improve clarity.

Annex1: Headroom for CIL in high value area with Average sales values to 2015 and BCIS build costs rebased for Yorkshire and Humber

Worked example C - residual headroom calculation for sensitivity				
Scheme details				
Value band	1			
Site size (ha)	2.5			
Units	75			
Market units	53			
Affordable (50/50 social rent to shared ownership)	22			
Total Sq m	8213			
Sq m of market units subject to CIL payment	5793			
Apportionment of units to size bands				
	3 bed	4 bed	5 bed	Total
Market units	17	26	11	53
Shared ownership units	3	6	2	11
Social rent units	3	6	2	11
	80	115	140	
Sales value per unit	3 bed	4 bed	5 bed	
Market (£2412 psm)	£192,960	£277,380	£337,680	
Shared ownership (55% of MV)	£106,128	£152,559	£185,724	
Social rent (42% of MV)	£81,043	£116,500	£141,826	
Revenue	3 bed	4 bed	5 bed	Total
Market revenue	£3,183,840	£7,073,190.00	£3,714,480	£13,971,510
Shared ownership revenue	£318,384	£915,354	£371,448	£1,605,186
Social rent revenue	£243,129.60	£698,998	£283,651	£1,225,778
Total GDV	£3,745,354	£8,687,542	£4,369,579	£16,802,474
Costs				
Build cost	3 bed	4 bed	5 bed	Total
Per unit (£1034 psm)	£82,720	£118,910	£144,760	
Build cost	£1,861,200	£4,459,125	£2,171,400	£8,491,725
Professional fees (6% of build cost)				£509,504
Contingencies (5% of build cost)				£424,586
Sales, marketing and legals (3.5% on market revenue)				£489,003
Residual S106 (£1,000 per unit)				£75,000
Finance (6.5%, taken from DTZ model)				£297,615
Profit (17.5% of GDV)				£2,940,433
Subtotal costs				£13,227,866
Residual				
Residual (GDV less costs)				£3,574,609
Less purchaser's costs				£3,378,647
Benchmark land value per ha				£1,050,175
Benchmark land value				£2,625,438
Headroom for CIL				£753,210
Adjustment to remove purchaser's costs				£796,896
Max CIL per sq m				£137.57

Annex 2: Remaining Housing Sites over 10ha in the Local Plan

In High and Medium Charging Zones

Site Reference Number	Address of Site	LDF Settlement Name	Green/ Brown Field	CIL Charging Zone	Dwellings PDL	Dwellings Green	Status SHLAA 2015	Capacity	SHLAA Site Area (ha)	Phasing
HS23	Flass Lane Cut Syke	Castleford	Greenfield	Medium	0	636	Allocated	636	35.6	0-5 Years
HS24	Ackton Pastures	Castleford	Greenfield	Medium	0	175	Allocated	175	11.13	0-5 Years
HS35	Former Prince of Wales Colliery - Monk Hill Triangle Site	Pontefract	Brownfield	Medium	544	0	Allocated	544	13.56	0-5 Years
HS43	North and East of Ashfield	Normanton (inc Altofts)	Greenfield	Medium	0	550	Allocated	550	15.89	0-5 Years
SPA1	Land at Snowhill	Wakefield	Mixed B20/G80	High	223	892	Outline Permission	1115	53.51	0-5 Years
SPA2 (i)	Wakefield East	Wakefield	Mixed B20/G80	20% Low 80% Medium	324	1296	Allocated	1620	149.17	0-5 Years
SPA2 (ii)	Former B Power Station Site	Wakefield	Brownfield	20% Low 80% Medium	220	0	Outline Permission	220	16.66	0-5 Years
SPA2 (v)	City Fields (Phase 1)	Wakefield	Greenfield	20% Low 80% Medium	0	329	Full Permission	329	16.61	0-5 Years

SPA4 (ix)	Wheldale Farm, Wheldale Road	Castleford	Brownfield	5% Low 95% Medium	750	0	Allocated	750	31.23	0-5 Years
SPA4 (vi)	Former C6 Solutions Centre	Castleford	Brownfield	5% Low 95% Medium	300	0	Allocated	300	37.15	0-5 Years
SPA4 (x)	Stansfield Road,	Castleford	Brownfield	5% Low 95% Medium	451	0	Allocated	451	11.28	0-5 Years
SPA6 (i)	Former Prince of Wales Colliery	Pontefract	Brownfield	Medium	197	0	Outline Permission	197	19.97	0-5 Years
SPA6 (i)	Prince of Wales Colliery Park Road	Pontefract	Brownfield	Medium	720	0	Outline Permission	720	20.37	0-5 Years
SPA9	Station Areas	Normanton (inc Altofts)	Mixed B75/G25	Medium	288	96	Allocated	384	13.05	0-5 Years
				Total	**4017**	**3974**	**Total**	**7991**	**Percentage of remaining capacity in Local Plan**	**40.49%**
				Percentage of remaining capacity in Local Plan	**20.36%**	**20.14%**	**Remaining capacity in plan to be delivered**	**19734**		

In Low Charging Zone

Site Reference Number	Address of Site	LDF Settlement Name	Green/ Brown Field	CIL Charging Zone	Dwellings PDL	Dwellings Green	Status SHLAA 2015	Capacity	SHLAA Site Area (ha)	Phasing
HS49	North of Pontefract Road	Featherstone	Greenfield	Low	0	292	Outline Permission	292	10.58	0-5 Years
HS41	Former A1-M62 Interchange	Knottingley (inc Ferrybridge)	Greenfield	Low	0	465	Allocated	465	15.86	0-5 Years
SPA8 (i)	Oxiris Chemical Works and Adjoining Common Lane	Knottingley (inc Ferrybridge)	Mixed B25/G75	Low	78	234	Allocated	312	39.13	0-5 Years
HS29	Cobblers Lane	Pontefract	Greenfield	Low	0	320	Outline Permission	320	11.16	0-5 Years
SPA11	Westfield Lane Improvement Area	South Elmsall/South Kirkby	Greenfield	Low	0	519	Allocated	519	50.75	0-5 Years

Total	**78**	**1830**	**Total**	**1908**	**Percentage of remaining capacity in Local Plan**	**9.67%**
Percentage of remaining capacity to be delivered in Local Plan	**0.40%**	**9.27%**			**Remaining capacity in plan to be delivered**	**19734**

Annex 3: Retail warehousing rental evidence

Wakefield

Location	Scheme	TradingFascia	Area	Trading Name	Planning - Unit	YearLet	Passing Rent	sq ft	Start	Term	Review	Expiry
Wakefield	Albion Mills Retail Park	PC World Superstore	14,244.00	Open Nov 00	Bulky Goods	2000	£206,500.00	£13.50	29-Sep-00	20	29-Sep-15	28-Sep-20
Wakefield	Albion Mills Retail Park	Wickes	40,155.00	Open Nov 05	Bulky Goods	2005	£602,352.00	£15.00	25-May-05	25	25-May-15	24-May-30
Wakefield	Beck Retail Park	B & M Homestore	16,646.00		Restricted Use	2007	£154,000.00	£9.25	25-Dec-96	15	25-Dec-06	24-Dec-11
Wakefield	Beck Retail Park	Matalan	20,620.00	Open Mar 97		1997	£206,200.00	£10.00	17-Dec-82	25		16-Dec-07
Wakefield	Cathedral Retail Park	Al-Murad Tiles	8,013.00	Confidentially available via Mason Partners / Mowbray Gill	Bulky Goods	2009	£128,200.00	£16.00	29-Sep-95	25	20-Feb-16	19-Feb-21
Wakefield	Cathedral Retail Park	Argos Extra	10,098.00	Open Jul 03		2003		£15.00	19-May-03	15	19-May-08	18-May-18
Wakefield	Cathedral Retail Park	B & Q	48,108.00		Open A1 Non Food		£490,000.00	£11.79			25-Dec-05	
Wakefield	Cathedral Retail Park	Brantano	10,296.00			1998	£135,000.00	£13.50	25-Mar-96	25	25-Mar-06	04-Mar-21
Wakefield	Cathedral Retail Park	Carpetright	10,055.00					£13.50			25-Mar-01	
Wakefield	Cathedral Retail Park	Dunelm Mill	20,068.00	Open Spring 15		2015			05-Jan-15	15	05-Jan-20	04-Jan-30
Wakefield	Dewsbury Road development	Poundstretcher	8,500.00	Open Oct 00	Open A1 including Food	2000			23-Oct-00	25		22-Oct-25
Wakefield	Halfords unit	Halfords	16,067.00	3,325 sq ft sub-let to Halfords Autocentre	Bulky Goods		£257,072.00	£16.00	25-Dec-01	20	25-Dec-11	24-Dec-21
Wakefield	Ings Road development	Homebase with Garden Centre	32,288.00		Open A1 Non Food with certain exceptions		£326,650.00	£10.52	25-Dec-99	25	25-Dec-09	24-Dec-24
Wakefield	Ings Road development	Sainsbury's with Petrol Station	66,145.00		Open A1 including Food		£1,124,465.00	£17.00	06-Jan-05	25	06-Jan-10	05-Jan-30
Wakefield	United Carpets unit	United Carpets	9,568.00		Open A1 Non Food	1990	£90,000.00	£9.40	24-Jun-90	25	24-Jun-10	23-Jun-15
Wakefield	Westgate Retail Park	Currys	20,000.00	Open Oct 96	Bulky Goods	1996	£310,000.00	£15.50	29-Aug-96	25	29-Aug-16	28-Aug-21
Wakefield	Westgate Retail Park	Harveys / Bensons	15,217.00	Open Aug 13		2013	£349,991.00	£23.00	24-Jun-13	10	24-Jun-18	23-Jun-23
Wakefield	Westgate Retail Park	Laura Ashley	10,113.00				£252,825.00	£25.00	15-Dec-06	15	15-Dec-16	14-Dec-21
Wakefield	Westgate Retail Park	Maplin Electronics	5,000.00	Open Dec 06		2006	£100,000.00	£20.00	23-Oct-06	15	23-Oct-16	22-Oct-21
Wakefield	Westgate Retail Park	Mothercare World / Early Learning Centre	15,005.00				£243,000.00	£16.19	05-Nov-96	25	05-Nov-16	04-Nov-21
Wakefield	Westgate Retail Park	Pets at Home	10,108.00	Open Oct 96	Bulky Goods	1996	£176,890.00	£17.50	12-Sep-96	25	12-Sep-16	11-Sep-21
Wakefield	Westgate Retail Park	Poundworld	4,950.00	Open Sep 14		2014		£25.00	22-Sep-14	10	22-Sep-19	21-Sep-24
Wakefield	Westgate Retail Park	ScS	10,075.00	Open May 01	Restricted Use	2001	£176,300.00	£17.50	23-Mar-01	21	23-Mar-16	22-Mar-22
Wakefield	Westgate Retail Park	Sporting Pro	8,027.00	Open Sep 13		2013	£192,552.00	£24.00	16-Sep-13	10	29-Sep-18	15-Sep-23
Wakefield	Westgate Retail Park	Storey Carpets	10,032.00			2008	£195,624.00	£19.50	08-Feb-08	15	11-Feb-13	07-Feb-23
Wakefield	Westgate Retail Park	Toys "R" Us	26,100.00		Bulky Goods	1996	£367,465.00	£14.25	22-Aug-96	25	22-Aug-16	21-Aug-21

Castleford

Location	Scheme	TradingFascia	Area	Trading Name	Planning - Unit	YearLet	Passing Rent	sq ft	Start	Term	Review	Expiry
Castleford - Glasshoughton	B & Q unit	B & Q Warehouse	104,900.00	Open Jan 05	Restricted Use	2005	£1,337,475.00	£12.75	31-Oct-04	25	31-Oct-09	30-Oct-29
Castleford - Glasshoughton	Castleford Retail Park	Carpetright	8,045.00		Open A1 Non Food		£76,000.00	£9.45	29-Sep-90	25	29-Sep-10	28-Sep-15
Castleford - Glasshoughton	Xscape	Ark	1,763.00		Open A1 Non Food	2006	£55,000.00	£31.20	25-Mar-06	10	25-Mar-16	24-Mar-16
Castleford - Glasshoughton	Xscape	Clothing	2,261.00	Sweat Shop	Open A1 Non Food				06-Oct-10		05-Dec-12	05-Oct-20
Castleford - Glasshoughton	Xscape	Ellis Brigham	8,237.00	Open Sep 03	Open A1 Non Food	2003	£176,000.00	£21.37	01-Oct-03	25	30-Sep-13	30-Sep-28
Castleford - Glasshoughton	Xscape	Evans Cycles	2,940.00	Open Nov 04		2004	£63,000.00	£21.43	04-Oct-04	15	04-Oct-14	03-Oct-19
Castleford - Glasshoughton	Xscape	GT News	1,010.00	Open Feb 04	Open A1 including Food	2004	£37,500.00	£37.13	26-Jan-04	15	26-Jan-14	25-Jan-19
Castleford - Glasshoughton	Xscape	Optician	967.00	Pro-Tek Zone - relocated here 11 - available	Open A1 Non Food	2011	£17,000.00	£17.58	14-Dec-11	5	14-Dec-13	13-Dec-16
Castleford - Glasshoughton	Xscape	Subvert	2,368.00	Relocated here Apr 08	Open A1 including Food	2008	£35,000.00	£14.78	07-Apr-08	10	07-Apr-13	07-Apr-18
Castleford - Glasshoughton	Xscape	Surfanic	1,501.00		Open A1 Non Food	2011	£40,000.00	£26.65	04-Mar-05	10	04-Mar-10	03-Mar-15
Castleford - Glasshoughton	Xscape	Trespass	3,572.00	Open Oct 08	Open A1 including Food	2008			12-Sep-08	15	12-Sep-13	11-Sep-23

Pontefract

Location	Scheme	TradingFascia	Area	Trading Name	Planning - Unit	YearLet	Passing Rent	sq ft	Start	Term	Review	Expiry
Pontefract	Parkside Retail Park (Phase 1)	Currys / PC World Superstore	10,000.00	Open Apr 96	Open A1 Non Food	1996	£82,500.00	£8.25	01-Mar-96	25	01-Mar-06	28-Feb-21
Pontefract	Parkside Retail Park (Phase 1)	Halfords	7,289.00		Open A1 Non Food	1995		£9.75	03-Nov-95	25	03-Nov-15	02-Nov-20
Pontefract	Parkside Retail Park (Phase 1)	Home Bargains	12,032.00	Open Nov 12	Open A1 including Food	2012	£99,000.00	£8.23	03-Nov-95	25	03-Nov-05	02-Nov-20
Pontefract	Parkside Retail Park (Phase 1)	Wickes	25,671.00	Open Sep 95	Open A1 Non Food	1995	£231,039.00	£9.00	24-Jun-95	25	24-Jun-10	23-Jun-20
Pontefract	Parkside Retail Park (Phase 2)	Carpetright	7,535.00		Open A1 Non Food	1998	£73,466.00	£9.75	24-Jun-98	25	24-Jun-13	23-Jun-23
Pontefract	Parkside Retail Park (Phase 2)	Pets at Home	7,984.00	Open Jul 10	Open A1 Non Food	2010	£79,840.00	£10.00	01-Jun-10	13	01-Jun-15	23-Jun-23
Pontefract	Parkside Retail Park (Phase 2)	Topps Tiles	7,537.00			2007	£80,857.00	£10.73	30-Jul-07	10		29-Jul-17
Pontefract	Parkside Retail Park (Phase 2)	Vacant	9,509.00	Was Comet	Open A1 Non Food		£85,581.00	£9.00	24-Jun-98	25	24-Jun-13	23-Jun-23
Pontefract	South Baileygate Retail Park	Jysk	6,000.00	Open Aug 13	Bulky Goods	2013	£48,000.00	£8.00	11-Jul-13	10	11-Jul-18	10-Jul-23
Pontefract	South Baileygate Retail Park	Poundstretcher Extra	30,045.00	Relocated here Nov 12	Restricted Use	2012	£180,000.00	£6.00	02-May-12	10	02-May-17	01-May-22
Pontefract	South Baileygate Retail Park	United Carpets	10,087.00		Restricted Use	1998	£60,000.00	£5.95	19-Jul-93	25		18-Jul-18
Pontefract	South Baileygate Retail Park	Wilsons Carpets	10,037.00	Open Nov 12	Restricted Use	2012	£55,000.00	£5.46	07-Dec-12	3		31-Jan-16

Average (District wide)

Evidence of 'passing rents' - District wide	Per sq ft
Overall average	£15.12
Overall average of deals since 2010	£15.19
Overall average of 'bulky goods'	£15.13
Rental assumptions used in viability model	
Rent (headline)	£16.00
Headline rent over 15 year lease	£240.00
Less two years rent free (over 15 yrs)	£208.00
Effective passing rent (per annum)	**£13.87**
Viability buffer against average since 2010 (psf)	1.32
%	8.70%