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Central Lancashire CIL Examination

Clarifications for the CIL Examiner

CONTENTS

APPENDICES

1 INTRODUCTION

1.1 This note sets out responses to the questions raised by the Examiner Simon Berkeley in preparation for the Central Lancashire Community Infrastructure Levy Examination.

Appraisal scenarios and assumptions

1.2 We would indeed urge the Examiner to treat the previous appraisals as wholly superseded and focus on the appraisals included in the appendix of the Technical Note on Viability Assumptions 24th October 2011 / October 2012 accompanying the Draft Charging Schedule Addendum Reports. However, the information in the PDCS report does provide useful background in relation to matters such as methodology, development context and market assessment.

1.3 At the Preliminary Draft Consultation Stage (PDCS) we undertook a number of appraisals which formed the basis of a developer workshop consultation. The developers told us that our land values (£1.5m) were fine as gross figures but needed to factor in policy and other costs and reflect a broader range of options. The appraisals informing the PDCS are now superseded as they have been revised to reflect consultation feedback.

1.4 In guiding the viability assessments we were mindful of the following CIL guidance.

The CIL Guidance December 2012 states the following about appropriate available evidence:

Paragraph 25 states 'the legislation (section 211 (7A)) requires a charging authority to use 'appropriate available evidence' to inform their draft charging schedule. It is recognised that the available data is unlikely to be fully comprehensive or exhaustive. Charging authorities need to demonstrate that their proposed CIL rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.

Paragraph 26 states 'A charging authority should draw on existing data wherever it is available. Charging authorities may consider a range of data, including: values of land in both existing and planned uses; and •property prices (e.g. house price indices and rateable values for commercial property).

Paragraph 27 then goes on to say 'In addition, a charging authority should sample directly an appropriate range of types of sites across its area in order to supplement existing data, subject to receiving the necessary support from local developers. The focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy on economic viability is likely to be most significant. In most instances where a charging authority is proposing to set differential rates, they will want to undertake more fine-grained sampling (of a higher percentage of total sites), to identify a few data points to use in estimating the boundaries of particular zones, or different categories of intended use. The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.

Our starting point was to understand the type, scale and location of the bulk of growth important to the delivery of the Core Strategy

1.5 Our starting point was to understand the bulk of growth that is important to the delivery of the Core Strategy, and consider the scale, type of growth and where this is expected to take place[1]. Appropriate evidence included annual monitoring reports, potential strategic housing sites assessment and past delivery trends of housing delivery, wider economic evidence and affordable housing viability study. This was depicted on pie charts and value maps, and informed the assumption inputs for the appraisal scenarios.

1.6 It was clear, that a number of residential and employment strategic sites were important to the delivery of the Plan, as much of the proposed new growth is expected to be channelled to these locations. The regeneration of the Inner Preston area is also important to the delivery of the Core Strategy.

We assessed the cumulative impact of policy requirement on viability

1.7 The overall purpose of CIL is about supporting the development of the area as stated in S205 (2) of the Planning Act 2008. This development as set out in the plan includes any policy targets such as the delivery of affordable housing, infrastructure, energy etc. An assessment of the policy requirements was undertaken to inform the viability appraisal assumptions. The main requirements relate to affordable housing, on site infrastructure (S106), other site opening costs such as green infrastructure, utilities, and energy.

Level of affordable housing considered

1.8 The Core Strategy Policy 7: Affordable and Special Needs Housing has two levels of affordable housing requirement – 30% urban and 35% in rural sites. As the bulk of the growth important to the delivery of the Core Strategy is in the urban areas, a 30% affordable housing policy requirement was tested for all the scenarios in the DCS. See table 1 below.

1.9 In this regard the Core Strategy predicts the distribution of housing based on the potential for housing development in each place. 92% of all proposed housing is in urban locations occupying the central spine of the plan area. Only 8% is predicted as being in rural local service centres and elsewhere. The strategy states that outside of the main urban area and service centres there are many smaller settlements, and in the interests of sustainable development, growth and investment should be confined here, to small scale infill and conversion of existing buildings.

1.10 In terms of exception in rural areas including those in the Green Belt the Strategy states affordable housing of an appropriate scale may be justified in accordance with national policy. Policy 7, however, stipulates that on any rural exception site including those in the Green Belt there will be a requirement of 100%.

1.11 Given that in such rural locations the Strategy seeks to confine residential to small scale infill or conversions which in all likelihood will fall below the five dwellings or 0.15 hectare site area trigger for 35% affordable requirement, and the 100% affordable will fall outside

[1] See section titled 'Understanding the Development Context' of viability evidence reports that formed part of the PDCS.

the CIL regime then it is considered that development that is potentially liable to the 35% requirement will only account for a very small percentage of all the residential development envisaged across the three council areas.

1.12 It is possible that some sites may have to provide 35% affordable housing. Our PDCS tested for 35% affordable and found that only higher value areas can afford to pay this, which is quite realistic for the rural areas. We can draw on appropriate available viability evidence prepared for the affordable housing study, to demonstrate that viability in rural areas was generally stronger and could afford to contribute a higher level of affordable housing.

Other policy costs impacting on viability

1.13 Table 1 provides a summary of the policies likely to impact on viability. Our starting point was to consider cost implications of policy and factor these into the viability appraisals.

Table 1 Policies likely to impact on viability assessment

Plan policy area	Does the policy have a cost implication?	Application to all development, specific forms of development or specific sites?	How have these costs been factored in the CIL viability appraisal?
CS Policy 7: Affordable and Special Needs Housing	Yes	Urban sites size threshold of 15 dwellings or 0.5 hectares area or part thereof – 30% affordable Rural Sites threshold of 5 dwellings or 0.15 hectares area of part thereof – 35% affordable Rural Exception Sites – 100% affordable	PDCS considered a range of affordable assumptions including 0, 20%, 30% and 35%. For the DCS we focused on 30% as this affects the bulk of development. 35% affordable policy will apply to a very small amount of rural development, as majority of schemes are within threshold or exception sites. PDCS showed higher value areas only can afford to contribute 35%. The affordable housing viability study provides additional available evidence to support the 35% rural affordable viability.
CS Policy 14:Education	Potentially	Clause (b) Seeks contribution towards the provision of school places where the development would result in or worsen a lack of capacity at existing schools	Will be covered through the Regs 123 list and S106 contributions - £2k and £8k.
CS Policy 23: Health	Potentially	Clause (c) Seeks contribution towards new or enhanced facilities where new housing results in a shortfall or worsening of provision	Will be covered through the Regs 123 list and S106 contributions - £2k and £8k
CS Policy 24: Sport and Recreation	Potentially	Clause (c) Seeks to develop minimum local sport and recreation standards in a Supplementary Planning Document	Will be covered through the Regs 123 list and S106 contributions - £2k and £8k

CS Policy 27: Sustainable Resources and New Developments	Yes	All new dwellings will be required to meet Level 4 from Jan 2013 onwards and Level 6 from Jan 2016. Minimum energy efficiency standards for all other new buildings will be 'Very Good' or where possible in urban areas 'Excellent', according to BREEAM. Planning permission for new built development will only be granted on proposals for 5 or more dwellings or non-residential units of 500sq metres or more floorspace where all of the following criteria are satisfied: (a) Evidence is set out to demonstrate that the design, orientation and layout of the building minimises energy use, maximises energy efficiency and is flexible enough to withstand climate change; (b) Prior to the implementation of zero carbon building through the Code for Sustainable Homes for dwellings or BREEAM for other buildings, either additional building fabric insulation measures, or appropriate decentralised, renewable or low carbon energy sources are installed and implemented to reduce the carbon dioxide emissions of predicted energy use by at least 15%	CSH standard level up to code 4 included in build costs for viability appraisals. Design. Conservative cost buffer included to cover such costs. Should be cost neutral due to energy generation and revenue cost savings. Viability impact could depend on the type of scheme, but projects such as CHP plants for example would expect to be self-funded, if an ESCO is set up, this could be an income generator as a mini utility company.

1.14 Cost estimates for the policies described in table 1 were included in the appraisals to reflect the cumulative impact of policies on viability.

Reflecting local circumstances

1.15 The requirements of Regulation 14, as clarified by the Statutory Guidance are about setting a CIL which will have an overall positive effect on the delivery of the plan. In view of the requirement of CIL to contribute towards implementation of the Core Strategy the PDCS was informed by the type of development coming forward in Central Lancashire – both in terms of future planned growth, recent delivery and market demand. The market context sections of the PDCS reports articulate the findings, which took account of the type of sites the new development is likely to take place on, and how the area has 'bucked' the regional trends in longer term projections.

1.16 Consultees at the developer workshop highlighted the need to consider Neighbourhood Convenience Stores as a new use. The Inner Preston zone scenario was also included after the PDCS as it is considered to be important to the general delivery of the Core Strategy, though acknowledging that in the current market, there is not likely to be much development in this area.

1.17 The Technical Reports accompanying the DCS reports provide a breakdown of the sources of information we have used, including the local house sales value research and commercial floorspace and yield data.

1.18 We tested the following range of scenarios and assumptions as summarised in table 2 below.

Residential:

- 1ha higher value scenario
- Inner Preston brownfield scenario
- 1 ha Reference case scenario
- 1 ha lower value scenario (mainly relevant to South Ribble and Chorley)
- Large 10ha sites reference case scenario
- Strategic site 100 ha site high value (Preston)

Non Residential:

- Town centre office
- Business park office
- Warehousing / large industrial
- Warehousing / small industrial
- Town centre comparison retail
- Retail warehouse / retail park
- Convenience retail
- Neighbourhood convenience store.

1.19 Table 2 provides a summary of all the assumptions for the various scenarios.

Table 2 Summary of appraisal assumptions inputs

Site size	Sales value £ per sq.m	Build cost (including contingency & externals) £ per sq.m	Land £ cost per net ha	S106 contribution Per dwelling	Affordable housing - %	Secondary infrastructure allowance (e.g. open space, service roads, utilities and energy) per gross ha	Gross to net floor area allowance
1ha Higher value scenario	2150	900	900,000	2000	30	250,000	70% developable
1ha Inner Preston brownfield	1950	900	550,000	1000	30	350,000(includes demolition / remediation)	70% developable
1ha lower value scenario	1950	900	600,000	2000	30	250,000	70% developable
1ha reference case	2050	900	750,000	2000	30	250,000	70% developable
10ha larger site reference	2050	850	525,000	2000	30	350,000 per ha £3.5m in total	60% developable
100 Strategic site Preston	2150	850	450,000	8000	30	450,000 per ha, £45m in total	55% developable
30% Affordable assumption based on 21% social rent and 9% inter-mediate. Social rent units valued at 40% of OMV and inter-mediate at 70% of OMV. *Affordable unit size 90 sq.m*							
Average market unit size 120 Sq.m *based on a review of all houses being marketed at time of our original research, comprising a total of 52*							

different units across the authorities. The average size of these units was 119.99 sq. m.
Sales value reduced from £2,150 per sq. m to £2,050 equating to a discount of £12,000 per unit (5%).
Density assumption of 39 dwellings per ha based on local evidence provided by charging authorities.
Other cost assumptions: ▪ Build costs £900 per sq.m on all scenarios (includes 5% contingency and 10% externals and to CHS4) ▪ Build cost for strategic sites reduced to £850 per sq.m to allow for estates discount) ▪ Professional fees at 12% of construction costs; ▪ Costs of sales and marketing at 3% of development value; and ▪ Finance at 7.5% (assessed using a summary cashflow model). ▪ Stamp duty 4% on land cost ▪ Land purchase fees 2% on land cost
Telephone consultations with agents and house-builders, including: ▫ Mike Riding of Northern Trust ▫ Paul Stanley of Barratt Homes ▫ Mark Clarkson of Eckersely's ▫ Gwynne Furlong (independent property consultant) ▫ Martin Ainsworth of HDAK Developer workshop took place in February 2012 which also tested the PDCS assumptions which were subsequently adjusted for the DCS – list of developers attending the workshop and notes of the meeting will be provided to the Examiner.

CIL levy buffer

1.20 The appraisals are based on measuring the developer's profit margin available after accounting for all costs including the cost of land. Our assumptions have made generous allowances for site opening costs, build costs and other development costs – in reality a developer will look to make savings in these cost assumptions to support higher developer profits or land costs.

1.21 Table 3 below (extracted from table 2.1 in the Draft Consultation Stage viability evidence documents) shows how the CIL buffer was considered in arriving at the CIL charge.

- The first column shows the range of scenarios tested.
- The second column shows what the developer's margins are before deducting the proposed CIL charge – a range of 25% to 27.7%.
- The third column shows the maximum CIL charge if we reduce the developer's margin down to 20% - a range of £73 per sq.m to £132 per sq.m.
- The fourth column shows the proposed CIL charges – ranging from 40% to 60% of the maximum range.
- The final column shows the remaining developers profit margin after the proposed CIL charge.

1.22 The CIL charges have been scaled back to about 50% from the maximum possible levels within the viability parameters.

Table 3 CIL buffer and maximum CIL charge

Scenario	Margin before CIL charge (% on cost)	Maximum CIL charge (at 20% margin on cost) (£ per sq. m)	Recommended CIL charge (£ per sq. m)	Margin after CIL charge (% on cost)
Reference case	**27.0%**	**£105**	**£65**	**22.5%**
High value	**28.5%**	**£132**	**£65**	**24.2%**
Inner Preston	**25.1**	**£73**	**£35**	**22.6%**
Large site	**27.3%**	**£102**	**£65**	**22.6%**
Strategic sites (high value)	**27.7%**	**£118**	**£65**	**23.4%**

1.23 To provide additional analysis of the CIL buffer, table 4 below shows that the CIL charges proposed represents between 2- 3% of the total sales values - this is within the indicative 5% rule of thumb frequently used in setting CIL charging schedules.

Table 4 CIL charges expressed as % of house value

	CIL Rate	House size	House price	CIL charge total	CIL % of sales value
Inner Preston	35	120sq m	234,000	4200	2%
Reference	65	120 sq.m	246,000	7800	3%
Smaller build	65	95 sq.m	194,750	6175	3%

Measure of developer profit

1.24 There are different approaches to calculating developers profit from percentage on cost or value to internal rates of return, return on annual capital invested and so on. The method adopted by the developer will depend on the audience this information is being put to.

1.25 Our view at a national level for CIL purposes is to use the margin on cost, as this method allows us to more accurately reflect the net return on capital and properly assess the risk/reward/profit to the developer. This is the preferred method from banks and lending institutions too as this approach focuses on the 'return on capital' as an indicator of the level of risk involved. It is acknowledged that national house builders are now looking for a % return on gross development value as a profit indicator but this is more relevant to % returns on company turnover and returns to shareholders.

1.26 The relationship between margin on cost and margin on gross development value is an arithmetic one; both are interchangeable as the following full extract from the RICS shows:

> "The nature of the development and prevailing practice in the market for the sector influences the target profit margin, or rate of return. This varies for each development. Commercial developers tend to seek a return on cost, usually expressed as a percentage of the total development cost. The residential sector seeks a return on the GDV, commonly referred to as the sales margin. Both return on cost and return on value have a direct relationship, and are therefore interchangeable." Extract from section E3.2.8 of the RICS guidance on Financial Viability in Planning RICS guidance note 1st edition (GN 94/2012).

1.27 We have undertaken the full set of appraisals, to show the effect on viability of by measuring profit as a margin on GDV. Copies of these appraisals are included in appendix 1. When measuring performance in terms of value as opposed to cost, conventional practice is to allow a lower developer's margin for affordable housing (developed as part of a Section 106 agreement), as the risks are low relative to development of open market housing. The HCA user manual for the Economic Appraisal Tool states that a typical figure may be in the region of 6% of affordable housing (on a nil grant basis). The HCA guidance suggests a profit margin between 18% and 22% on GDV for market housing is a sensible benchmark for the current financial climate.

1.28 We have calculated the developer's profit expressed as a gross margin on value, adopting the HCA guidance set out above, (all other assumptions remaining the same). The findings are summarised and relevant columns highlighted in table 5 below and revised appraisals are included as an appendix to this note. To enable a direct comparison with our original margin on cost assessment findings, we have calculated the profit at 20% GDV on the private and 6% GDV on the affordable and then expressed the result as a percentage of build costs.

1.29 The findings demonstrate, that calculating the results on GDV produces a very similar result to the margin on cost approach - with most scenarios producing about 22% equivalent margin on cost.

1.30 The main point to note is that when we measure performance on the cost basis, we treat both affordable and market units the same and look to achieve 20% margin on the build cost for both. However when we measure performance on the basis of development value, then due to the reduced risk (and therefore a lower profit expectation for the affordable housing), we treat market housing and affordable housing in line with the guidance provided by the HCA (i.e. 20% for GDV for market and 6% GDV for affordable housing). This is why there is very little difference between the approach we have adopted and the GDV approach.

Table 5 Comparing developers profit margin expressed as margin on cost and gross development value

Site size	Sales value £ per sq.m	Land £ cost per net ha	S106 contribution Per dwelling	Plot externals per ha	Developer's margin – as % of cost	Developer margin – 20% gross value on private units and 6% gross value on affordable – expressed as % of costs	CIL
1ha higher value	**2150**	**900,000**	**2000**	**250,000**	**24.2**	**22.47**	**65**
1ha inner Preston brownfield	**1950**	**550,000**	**1000**	**350,000**	**22.6**	**22.19**	**35**
1ha lower value	**1950**	**600,000**	**2000**	**250,000**	**20.9**	**21.87**	**65**
1ha reference case	**2050**	**750,000**	**2000**	**250,000**	**22.5**	**22.17**	**65**
10ha reference	**2050**	**5,25,000**	**2000**	**350,000 £3.5m in total**	**22.6**	**22.19**	**65**
100 ha Strategic	**2150**	**450,000**	**8000**	**450,000, £45m in total**	**23.4**	**22.33**	**65**

Residential rates

1.31 Appropriate available evidence as required by S211 (7a) of the PA 2008 has informed the assumptions. The land cost assumptions are based on the best available evidence – these have been informed by recent trends in Valuation Office Agency reports, regional data and telephone interviews with agents active in the area. The developer workshop confirmed the original values we used for the PDCS were based on Gross Land values and failed to take account of policy costs.

1.32 The net land values now adopted range from £550k to £900k per ha and do indeed reflect the type of location the scenarios relate to, so the owner of a 1 ha site in a more attractive area will hold out for a greater land cost expectation than an owner of a site in a less attractive area. Sales values of properties also reflect this.

Inner Preston Zone

1.33 Although not important in terms of the bulk of development, the Inner Preston area is important in terms of helping to bring about regeneration of a rundown area. Having said this, we are very mindful that CIL charge variation by zone should only be based on viability evidence and not on policy. So to ensure compliance with CIL regulations it is important to demonstrate that the viability assessment has been the main basis for identifying the area to be included in the lower residential charge area known as the Inner Preston Zone.

1.34 Figure 1 provides the existing OS map that has been included in the DCS report for the Inner Preston Zone boundary. Finer grained information on the Inner Preston Zone showing the average differences in values as requested by the Examiner is included in Figure 2. The figure shows that there is a distinct difference in values either side of the boundary.

1.35 Our approach in arriving at figure 2 is based on comparing data for actual house sales. We use 2004 standard table (ST) ward data derived from the census. We use these because they are a stable geography that has not changed since 2004. It is different to electoral wards that change all the time. These boundaries are supplied by the ONS and are free to use by anyone. We average the value of all house sales in each ward and then map them using a colour chart to show the average price ranges. We undertake a standard deviation exercise to remove any outliers that would skew the averages.

1.36 The final boundary of this zone has also been informed by physical boundaries such as roads, railways and rivers. Based on the fine grained analysis shown in figure 2, it is possible that zones 20 and 21 (based on a distinctive area of Preston known as Ribbleton) could be re-designated as outside the Inner Preston Zone – the average values of these two zones is about £100k - £130k, (the area is also unlikely to experience any new development) whereas the bulk of the Inner Preston Zone wards have values around £70 - £90K.

1.37 In undertaking the viability appraisal for this Inner Preston Zone, we have adopted optimistic values (higher than existing values) to reflect the values that could be generated from new development in this area if the right physical environment is created. We have also factored in an allowance for demolition and site remediation costs and included a lower land cost at £550k per ha due to the current low value of the area. Figure 2 shows that where small pockets of new development along the river within the Inner Preston Zone have recently taken place, values are improving, however, there are higher site clearance costs associated with development to start with in this location. The proposed CIL charge variation reflects the current low value of the area and higher build costs, but also the prospective higher values that could be achieved.

Figure 1 Preston Inner Area Zone – OS map of area

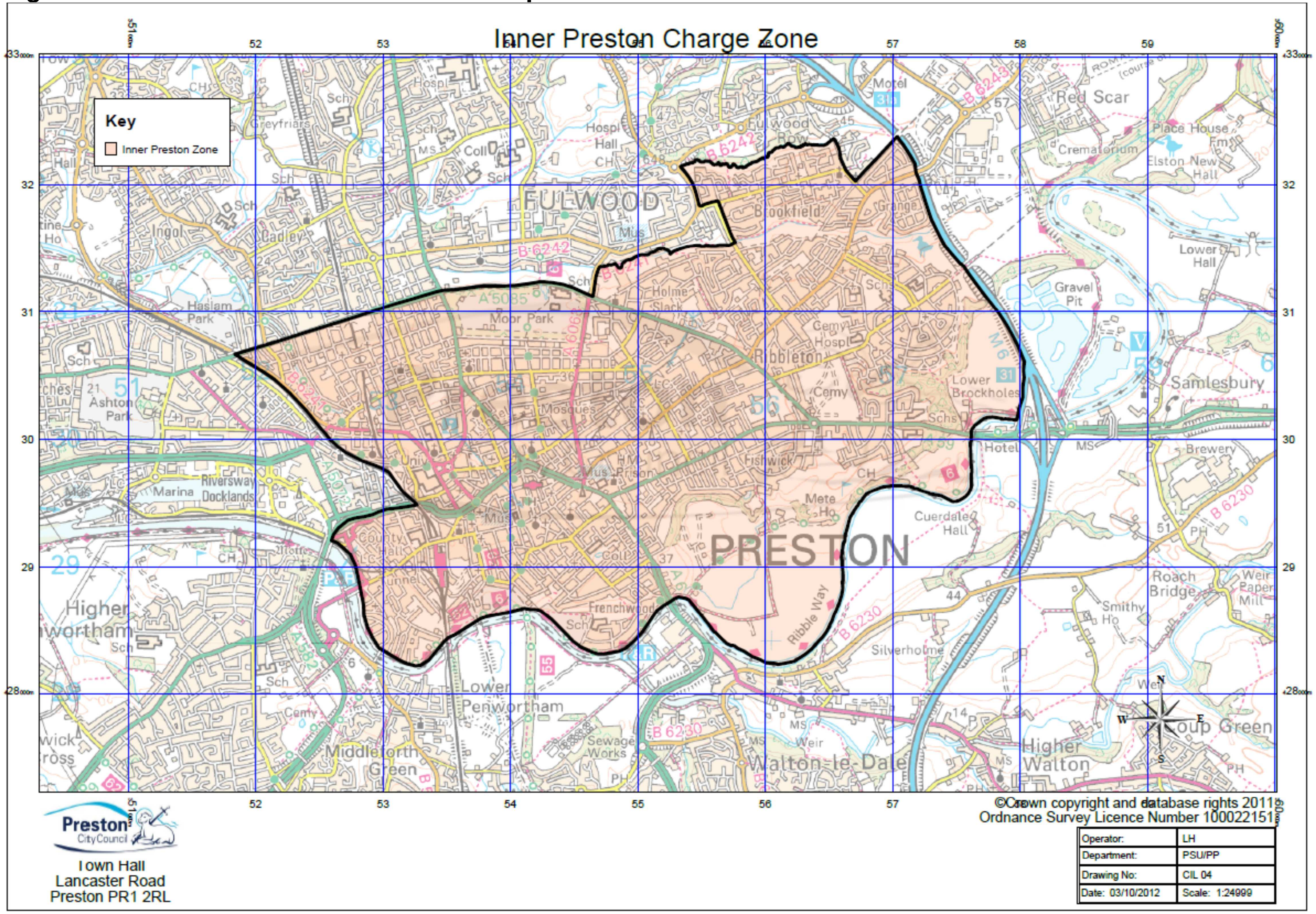
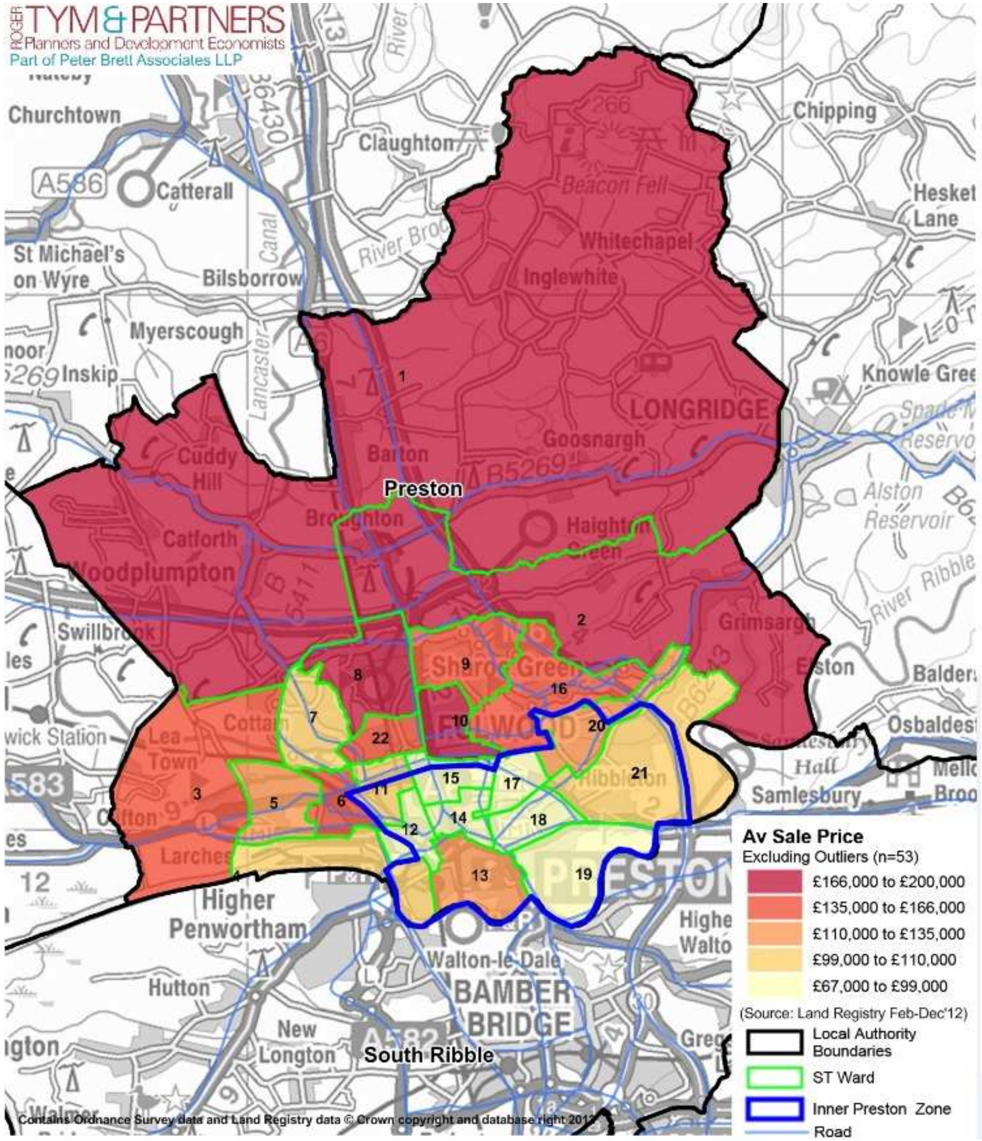


Figure 2 Assessment of average sales values



Map Key	ST Ward Name	Av. Sale Price	No. Sales
1	Preston Rural North	199,370	47
10	College	194,728	46
2	Preston Rural East	188,850	51
8	Greyfriars	172,903	72
3	Lea	165,504	77
16	Garrison	162,072	88
9	Sharoe Green	155,314	81
22	Cadley	142,806	48
6	Ashton	135,213	55
20	Brookfield	127,391	46
5	Larches	121,441	59
13	Town Centre	116,185	40
7	Ingol	109,911	45
21	Ribbleton	102,275	34
4	Riversway	101,034	72
11	Tulketh	99,479	103
15	Moor Park	97,965	54
19	Fishwick	97,802	38
12	University	90,927	24
17	Deepdale	88,008	31
14	St George's	77,548	46
18	St Matthew's	67,473	50

No viability assessment undertaken to inform apartment charge

1.38 Apartment development is not necessarily considered as crucial to the delivery of the bulk of growth in the Core Strategy; however, there is an intention not to inadvertently dissuade the delivery of apartments, historically included in as part of mixed use regeneration schemes.

1.39 We have not undertaken a viability appraisal for apartment use. Our charge assessment is based on ‘appropriate available evidence’ in terms of S211 (7a) of the PA 2008. The feedback from the developer workshop stated that apartments, due to the additional build costs and higher risk are simply not viable. Our assessment of new sales data also showed that very few new apartment developments are taking place. We have relied on this evidence and assessment of new apartments for sale to sense test what is actually taking place on the ground – there is very little apartment delivery is currently taking place.

Retail rates

1.40 We refer to paragraph 35 of the CIL Guidance December 2012 which clarifies Regulation 13, by stating: ‘the definition of ‘use’ for CIL is not tied to the classes of development in the Town & Country Planning Act (Use Classes) Order 1987, although the Order does provide a useful reference point.

Different CIL uses within the same use class

1.41 The acceptability of differentiating by ‘use’ within use classes as long as a distinct different ‘use’ can be shown was acknowledged recently in the CIL examination for Plymouth and the Greater Norwich Development Partnership where the Examiners state:

> "*There is nothing in the CIL regulations to prevent differential rates for retail developments of different sizes, provided* they are justified by the viability evidence and differing retail characteristics or zones”. Plymouth Examination Report
>
> *“.. the Regulations do not prohibit different charges within the same use class provided that the difference is based on viability evidence and the way the premises are used”. Greater Norwich Examination Report*

Neighbourhood convenience stores

1.42 The introduction of a retail charge variation at the DCS has been prompted by representation received in response to the PDCS consultation, which suggested that small neighbourhood convenience stores have materially different viability from larger convenience stores and serve a different retail use.

1.43 A key differentiator of neighbourhood convenience stores from other convenience supermarkets is that due to Sunday trading laws, a size threshold of 280 sq.m associated with this eligibility criteria distinguish this retail product as a different ‘use’. This size threshold limits the range of goods sold at the store, these stores do not stock the range of goods stocked by larger supermarkets, they do not require large areas of car parking for customers whose primary objective is to do a ‘weekly shop’ and attract a different customer spend profile to main convenience stores.

1.44 Our retail studies show that 'top up' average spend is between £10 - £15 whilst a 'main food shop' average spend is between £70 - £80. This 'use' distinction creates a difference in the development economics of this type of store. The stores do not compete for the same sort of sites as large supermarkets which is also a 'use' difference factor.

1.45 The customer spend profile affects the rentals the stores can pay for the land and this in turn impacts on the overall viability assessment. Evidence provided to the Central Lancashire PDCS and at the developer workshop supports this difference in economic viability. Typically, rents for neighbourhood convenience stores are more likely to be in the range of £135 - £150 per sq. m, (as opposed to £190-200 per sq. m for supermarkets). In addition, because the covenant strength of the operators of neighbourhood convenience stores is lower, yields are likely to be materially higher than for supermarkets, reflecting the higher levels of risk involved. As such, a more appropriate yield assumption for this type of development is 7.5%, rather than the 5% assumed for supermarkets.

1.46 The Charging Authority will need to come up with a method for assessing whether a proposal fits within the neighbourhood convenience store, possible indicators for this will could include Sunday Trading licence, and floorspace thresholds. As noted in the DCS report, a review of recent applications found that of the three planning applications for this type of use, two involved the change of use and would not be required to pay CIL, one involved demolition of an existing building so is unlikely to involve much in the way of additional new CIL liable floorspace.

Retail warehouse and retail parks

1.47 The Examiner questions how retail warehouse use or retail park use different to a convenience retail use in terms of Regulation 13.

1.48 Paragraphs 1.37 and 1.38 above provide the starting point to this – for CIL purposes, the definition of 'use' is not tied to the 'use classes'. So the distinctions relating to the retail warehouses and retail parks are borne out from 1) their actual distinct 'uses' and 2) the evidence of differing viability that shows that these stores, by their nature have different rentals, store format impacting on build costs and yields. This differentiates them in both use and viability from other comparison shops or convenience supermarket stores. This 'use' distinction is demonstrated in the following extract from the Plymouth CIL Examination:

> "Whether or not non-food retail warehouse development may have similar characteristics to larger convenience stores, the purpose they serve is different. The purchase of the goods sold is generally discretionary, and is unlikely to be undertaken on the regular basis of a convenience goods shop which every household is obliged to do…. To any member of the public, the intended use of the retail warehouse development would be clearly distinguished from the intended use of a superstore/supermarket development". Examiner Wendy Burden, December 2012, Plymouth CIL Examiners report.

1.49 Our distinctions between convenience and comparison uses are based on the definitions provided at Annex B of PPS4[2]. In March 2012, PPS 4 was superseded by the National Planning Policy Framework (NPPF). The NPPF does not define different categories of retail goods. This does not cause difficulties for our purposes, because the definitions below which form the basis for our approach do not rely on PPS4. We use PPS4 as analytical support to help us clearly distinguish between particular types of retailing commonly observable in the marketplace, and to provide reassurance that these distinctions are not ours alone.

- A *convenience unit* is a shop or store selling wholly or mainly everyday essential items, including food, drinks, newspapers/magazines and confectionery.
- A *comparison unit* is a shop or store selling wholly or mainly goods which are not every day essential items. Such items include clothing, footwear, household and recreational goods.

1.50 Some stores sell a mixture of convenience and comparison goods. In those instances, a store should be categorised as having convenience or comparison status according to its main use (our definition above defines convenience and comparison units as shops or stores selling *wholly or mainly* these types of items). We have used this phrasing carefully, and in this have taken the lead from the way that PPS4 defines superstores.[3]

1.1 In the DCS report we seek to clarify the definition of Retail Warehouses and Retail Parks for the purpose of the CIL use category as:

- Accompanied with surface level car parking serving the units.
- Selling comparison goods, and in some instances bulky goods dependent on easy car access.
- Often operating in small clusters of single format shed like developments (sometimes with mezzanine floors).

1.2 The viability evidence produced for these uses demonstrate that comparison retail parks and retail warehouses have different rental values and yields to convenience stores. Rental values and yields for retail warehousing are predominantly based on national trends as opposed to the local market with variations dictated largely by the covenant strength of occupiers. We have therefore considered the information contained within the CBRE Prime Rent and Yield Monitor (Q2, 2011) and made a slight adjustment downwards to reflect the Central Lancashire market. On the basis of this analysis, the value for this type of development is assumed to be £150 per sq.m at a yield of 6.75 per cent, whereas for a large convenience store it is assumed to be £190 per sq.m and a yield of 5.0 per cent. The assumed build costs based on BCIS data are £680 per sq.m. for retail warehouse type development and £1,200 for convenience retail store.

[2] DCLG (2009) *Planning Policy Statement 4: Planning for Sustainable Economic Growth*

[3] DCLG (2009) *Planning Policy Statement 4: Planning for Sustainable Economic Growth* (27) Annex B provides the following definition. 'Superstores: Self-service stores selling **mainly** food, or food and non-food goods...'

1.3 The viability evidence produced for these uses demonstrate that comparison retail parks and retail warehouses have different rental values and yields to convenience stores.

Convenience supermarket

1.4 As noted above, convenience retail is described as any building selling mainly everyday essential items, including food, drinks, newspapers/magazines and confectionery. Some buildings will sell a mixture of convenience and comparison goods. In these instances, the CIL charge will be based on the main retail use of the building. If more clarity on this point were required, we would be happy to accept a recommendation to alter the wording on the Charging Schedule to use the widely understood legal term “wholly or mainly”, which effectively means “more than 50%”.

1.5 In terms of determining the ‘main use’ of a convenience supermarket for the purposes of viability testing in our retail studies, we have not come across any scenarios where the level of comparison floorspace is greater than convenience floorspace. We are finding that due to the current economic downturn, supermarkets are scaling down on the percentage of comparison goods floorspace.

1.6 As far as applying the charge is concerned, any application for a supermarket is likely to be accompanied with an impact assessment and this will determine the amount of floor space for different convenience and comparison use and this can be used to help determine the main use of the store.

All other use rate

1.7 A number of non-residential use appraisals have been undertaken (see paragraph 1.18 for a list of the appraisals) which show either marginal or negative viability. However not all uses which could incur the £10 per sq.m CIL charge have been tested.

1.8 The approach to applying a £10 charge is based on ‘appropriate available evidence’ that demonstrates that some development (non speculative to meet local need) does take place - based on the planning applications received and delivery taking place on the ground.

1.9 Most of these uses are not considered critical to the overall delivery of the plan and hence have not been separately tested. The CIL guidance at paragraph 39 states that *‘if the evidence shows that their area includes a zone or use of development of low, very low or zero viability, charging authorities should consider setting a low or zero levy rate in that area or for that use (consistent with the evidence).*’

1.10 The Charging authority is mindful of the fact that industrial and warehousing development proposed in the Core Strategy are a critical element of the strategy, which in the case of South Ribble, (the circa 630,000 sq.m industrial floorspace outweighs the circa 260,000 sq.m floorspace for residential development). Although the viability appraisals indicate a negative viability for this use, the Charging Authorities are looking to impose a very low CIL charge of £10 per sq.m, which equate to about 1% of the overall sq.m cost of development. The case for this use is based on non-viability evidence of planning applications received and recent new floorspace delivery. The main reason the Charging Authority would like to impose a CIL charge is to have some certainty of the CIL revenue and so better plan for the infrastructure needed to enable growth to take place.

1.11 The authorities have aimed to fulfil the Regulation 14 duty to aim to strike an appropriate balance between funding infrastructure and the effects (as a whole) of the levy on the viability of development across the area. In essence, the points above show that in doing so the judgement has been made that a modest £10 charge, at 1% of development cost, would not pose a threat to the size and scale of development identified in the Core Strategy, particularly not to the non-speculative development which evidence shows is likely to come forward in the early years of plan delivery, prior to any CIL review. And also not to the later delivery of other development at this use further on in the economic cycle as viability improves and plan delivery picks up. Taken into account alongside this is the desirability of establishing an affordable (1% of cost) contribution from that development which is likely in the immediate future towards infrastructure needed to support plan delivery.

APPENDIX 1

Revised residential appraisals (with margin on cost and gross development value)

HOUSING APPRAISAL : Reference case 1ha scenario

Note : Entries in **RED should be made manually.**
Entries in **BLACK** are derived from forumulae.

Site Assumptions

Gross Area	1	hectares
Area developable for housing	0.8	hectares
Dwellings per ha	39	of which
% of Houses	100%	
% of flats	0%	
% Market homes	70%	
% Shared ownership Homes	9.0%	
% Social Rented Homes	21.0%	

Summary	
Land Price	750,000
S106 per dwelling	2,000
Residual Margin	22.5%
NPV	623,822

Summary 2		
Profit on private	20% GDV	£1,074,528
Profit on affordable	6% GDV	£50,771
Equivalent profit on cost		22.17%

Construction costs & sale proceeds

	Nom, Units	Average Size	Net Sellable Area	Cost Sq M	Value Sq M	Total Cost	Total Value
Market Houses	22	120	2621	900	2050	2,358,720	5,372,640
Shared Ownership Houses	3	90	253	900	1435	227,448	362,653
Social Rented Houses	7	90	590	900	820	530,712	483,538
Market Flats	0	60	0	1400	2450	0	0
Shared Ownership Flats	0	60	0	1400	1715	0	0
Social Rented Flats	0	60	0	1400	1450	0	0
TOTAL	**31**		**3463.2**			**3,116,880**	**6,218,831**

Land Cost			**Basis of Calculation**
Purchase Price	750,000		
Purchase – Fees	15,000	2.00%	On land cost
Stamp Duty	30,000	4.00%	On land cost
TOTAL	795,000		

Development Costs				**Basis of Calculation**
Construction Cost	3,116,880			As Above
CIL	170,352	65	per sq. m	
S106 Costs	62,400	2,000		Notional contribution per unit
On site secondary Infrastructure	250,000	250,000	per ha	Budget per gross hectare
Fees & Other	336,688	10.00%		% of construction & on site site works
Cost of Sales	161,179	3.0%		% cost per unit of agents, marketing, legal
TOTAL	4,097,499			

Finance & Cash Flow				
Interest payable	183,299		7.25%	Interest, as per cash flow below.
Sales per quarter	9	dwellings		
Total Sales Period (Quarters)	3.4666667			
Discount rate per quarter	4.5%			

Total Cost 5,075,798

	Receipts	Land	Cost	Cash Flow	Balance at Start	Interest	Balance at End
Q1		795,000		-795,000	-795,000	-14,409	-809,409
Q2			1,181,971	-1,181,971	-1,991,380	-36,094	-2,027,474
Q3			1,181,971	-1,181,971	-3,209,445	-58,171	-3,267,616
Q4	1,793,894		1,181,971	611,923	-2,655,694	-48,134	-2,703,828
Q5	1,793,894		551,586	1,242,308	-1,461,521	-26,490	-1,488,011
Q6	1,793,894			1,793,894	305,883		305,883
Q7	837,150			837,150	1,143,033		1,143,033
Q8				0	1,143,033		1,143,033
Q9				0	1,143,033		1,143,033
Q10				0	1,143,033		1,143,033
Q11				0	1,143,033		1,143,033
Q12				0	1,143,033		1,143,033
Q13				0	1,143,033		1,143,033
Q14				0	1,143,033		1,143,033
Q15							
Q16							
Total	**6,218,831**	**795,000**	**4,097,499**			**-183,299**	

HOUSING APPRAISAL : Lower value 1ha scenario

Note : Entries in **RED should be made manually.**
Entries in **BLACK** are derived from forumulae.

Site Assumptions

Gross Area	1	hectares
Area developable for housing	0.8	hectares
Dwellings per ha	39	of which
% of Houses	100%	
% of flats	0%	
% Market homes	70%	
% Shared ownership Homes	9.0%	
% Social Rented Homes	21.0%	

Summary	
Land Price	600,000
S106 per dwelling	2,000
Residual Margin	20.9%
NPV	541,986

Summary 2		
Profit on private	20% GDV	£1,022,112
Profit on affordable	6% GDV	£48,295
Equivalent profit on cost		21.87%

Construction costs & sale proceeds

	Nom, Units	Average Size	Net Sellable Area	Cost Sq M	Value Sq M	Total Cost	Total Value
Market Houses	22	120	2621	900	1950	2,358,720	5,110,560
Shared Ownership Houses	3	90	253	900	1365	227,448	344,963
Social Rented Houses	7	90	590	900	780	530,712	459,950
Market Flats	0	60	0	1400	2450	0	0
Shared Ownership Flats	0	60	0	1400	1715	0	0
Social Rented Flats	0	60	0	1400	1450	0	0
TOTAL	**31**		**3463.2**			**3,116,880**	**5,915,473**

Land Cost			**Basis of Calculation**
Purchase Price	600,000		
Purchase – Fees	12,000	2.00%	On land cost
Stamp Duty	24,000	4.00%	On land cost
TOTAL	636,000		

Development Costs				**Basis of Calculation**
Construction Cost	3,116,880			As Above
CIL	170,352	65	per sq. m	
S106 Costs	62,400	2,000		Notional contribution per unit
Demolition & Remediation	0			Spot figure
On site secondary Infrastructure	250,000	250,000	per ha	Budget per gross hectare
Fees & Other	336,688	10.00%		% of construction & on site site works
Cost of Sales	153,317	3.0%		% cost per unit of agents, marketing, legal
TOTAL	4,089,637			

Finance & Cash Flow

Interest payable	168,746		7.25%	Interest, as per cash flow below.
Sales per quarter	9	dwellings		
Total Sales Period (Quarters)	3.4666667			
Discount rate per quarter	4.5%			

Total Cost 4,894,383

	Receipts	Land	Cost	Cash Flow	Balance at Start	Interest	Balance at End
Q1		636,000		-636,000	-636,000	-11,528	-647,528
Q2			1,179,703	-1,179,703	-1,827,230	-33,119	-1,860,349
Q3			1,179,703	-1,179,703	-3,040,052	-55,101	-3,095,153
Q4	1,706,387		1,179,703	526,684	-2,568,469	-46,554	-2,615,023
Q5	1,706,387		550,528	1,155,859	-1,459,164	-26,447	-1,485,612
Q6	1,706,387			1,706,387	220,775	4,002	224,776
Q7	796,314			796,314	1,021,090		1,021,090
Q8				0	1,021,090		1,021,090
Q9				0	1,021,090		1,021,090
Q10				0	1,021,090		1,021,090
Q11				0	1,021,090		1,021,090
Q12				0	1,021,090		1,021,090
Q13				0	1,021,090		1,021,090
Q14				0	1,021,090		1,021,090
Q15							
Q16							
Total	**5,915,474**	**636,000**	**4,089,637**			**-168,746**	
Error Check (OK=0)	0	0	0				

HOUSING APPRAISAL : Higher value 1 ha scenario

Note : Entries in **RED should be made manually.**
Entries in **BLACK** are derived from forumulae.

Site Assumptions

Gross Area	1	hectares
Area developable for housing	0.8	hectares
Dwellings per ha	39	of which
% of Houses	100%	
% of flats	0%	
% Market homes	70%	
% Shared ownership Homes	9.0%	
% Social Rented Homes	21.0%	

Summary 1	
Land Price	900,000
S106 per dwelling	2,000
Residual Margin	24.2%
NPV	705,657

Summary 2			
Profit on private	20%	GDV	£1,126,944
Profit on affordable	6%	GDV	£53,248
Equivalent profit on cost			22.47%

Construction costs & sale proceeds

	Nom, Units	Average Size	Net Sellable Area	Cost Sq M	Value Sq M	Total Cost	Total Value
Market Houses	22	120	2621	900	2150	2,358,720	5,634,720
Shared Ownership Houses	3	90	253	900	1505	227,448	380,344
Social Rented Houses	7	90	590	900	860	530,712	507,125
Market Flats	0	60	0	1400	2450	0	0
Shared Ownership Flats	0	60	0	1400	1715	0	0
Social Rented Flats	0	60	0	1400	1450	0	0
TOTAL	**31**		**3463.2**			**3,116,880**	**6,522,188**

Land Cost				**Basis of Calculation**
Purchase Price	900,000			
Purchase – Fees	18,000	2.00%		On land cost
Stamp Duty	36,000	4.00%		On land cost
TOTAL	954,000			

Development Costs				**Basis of Calculation**
Construction Cost	3,116,880			As Above
CIL	170,352	65	per sq. m	
S106 Costs	62,400	2,000		Notional contribution per unit
On site secondary Infrastructure	250,000	250,000	per ha	Budget per gross hectare
Fees & Other	336,688	10.00%		% of construction & on site site works
Cost of Sales	169,042	3.0%		% cost per unit of agents, marketing, legal
TOTAL	4,105,362			

Finance & Cash Flow				
Interest payable	193,850		7.25%	Interest, as per cash flow below.
Sales per quarter	9	dwellings		
Total Sales Period (Quarters)	3.4666667			
Discount rate per quarter	4.5%			

Total Cost	5,253,211

	Receipts	Land	Cost	Cash Flow	Balance at Start	Interest	Balance at End
Q1		954,000		-954,000	-954,000	-17,291	-971,291
Q2			1,184,239	-1,184,239	-2,155,530	-39,069	-2,194,599
Q3			1,184,239	-1,184,239	-3,378,838	-61,241	-3,440,080
Q4	1,881,401		1,184,239	697,162	-2,742,918	-49,715	-2,792,633
Q5	1,881,401		552,645	1,328,756	-1,463,878	-26,533	-1,490,411
Q6	1,881,401			1,881,401	390,990		390,990
Q7	877,987			877,987	1,268,977		1,268,977
Q8				0	1,268,977		1,268,977
Q9				0	1,268,977		1,268,977
Q10				0	1,268,977		1,268,977
Q11				0	1,268,977		1,268,977
Q12				0	1,268,977		1,268,977
Q13				0	1,268,977		1,268,977
Q14				0	1,268,977		1,268,977
Q15							
Q16							
Total	**6,522,189**	**954,000**	**4,105,362**			**-193,850**	

HOUSING APPRAISAL : Inner Preston brownfield 1ha scenario

Note : Entries in **RED should be made manually.**
Entries in **BLACK** are derived from forumulae.

Site Assumptions		
Gross Area	1	hectares
Area developable for housing	0.8	hectares
Dwellings per ha	39	of which
% of Houses	100%	
% of flats	0%	
% Market homes	70%	
% Shared ownership Homes	9.0%	
% Social Rented Homes	21.0%	

Summary	
Land Price	550,000
S106 per dwelling	1,000
Residual Margin	22.6%
NPV	601,219

Summary 2		
Profit on private	20% GDV	£1,022,112
Profit on affordable	6% GDV	£48,295
Equivalent profit on cost		22.19%

Construction costs & sale proceeds

	Nom, Units	Average Size	Net Sellable Area	Cost Sq M	Value Sq M	Total Cost	Total Value
Market Houses	22	120	2621	900	1950	2,358,720	5,110,560
Shared Ownership Houses	3	90	253	900	1365	227,448	344,963
Social Rented Houses	7	90	590	900	780	530,712	459,950
Market Flats	0	60	0	1400	2450	0	0
Shared Ownership Flats	0	60	0	1400	1715	0	0
Social Rented Flats	0	60	0	1400	1450	0	0
TOTAL	**31**		**3463.2**			**3,116,880**	**5,915,473**

Land Cost				**Basis of Calculation**
Purchase Price	550,000			
Purchase – Fees	11,000	2.00%		On land cost
Stamp Duty	22,000	4.00%		On land cost
TOTAL	583,000			

Development Costs				**Basis of Calculation**
Construction Cost	3,116,880			As Above
CIL	91,728	35	per sq. m	
S106 Costs	31,200	1,000		Notional contribution per unit
Demolition & Remediation	100,000			Spot figure
On site secondary Infrastructure	250,000	250,000	per ha	Budget per gross hectare
Fees & Other	336,688	10.00%		% of construction & on site site works
Cost of Sales	153,317	3.0%		% cost per unit of agents, marketing, legal
TOTAL	4,079,813			

Finance & Cash Flow				
Interest payable	162,032		7.25%	Interest, as per cash flow below.
Sales per quarter	9	dwellings		
Total Sales Period (Quarters)	3.4666667			
Discount rate per quarter	4.5%			

Total Cost 4,824,845

	Receipts	Land	Cost	Cash Flow	Balance at Start	Interest	Balance at End
Q1		583,000		-583,000	-583,000	-10,567	-593,567
Q2			1,176,869	-1,176,869	-1,770,436	-32,089	-1,802,525
Q3			1,176,869	-1,176,869	-2,979,394	-54,002	-3,033,396
Q4	1,706,387		1,176,869	529,517	-2,503,878	-45,383	-2,549,261
Q5	1,706,387		549,206	1,157,181	-1,392,081	-25,231	-1,417,312
Q6	1,706,387			1,706,387	289,074	5,239	294,314
Q7	796,314			796,314	1,090,628		1,090,628
Q8				0	1,090,628		1,090,628
Q9				0	1,090,628		1,090,628
Q10				0	1,090,628		1,090,628
Q11				0	1,090,628		1,090,628
Q12				0	1,090,628		1,090,628
Q13				0	1,090,628		1,090,628
Q14				0	1,090,628		1,090,628
Q15							
Q16							
Total	**5,915,474**	**583,000**	**4,079,813**			**-162,032**	

HOUSING APPRAISAL : Large sites reference case 10 ha scenario

Note : Entries in **RED** **should be made manually.**
Entries in **BLACK** are derived from forumulae.

Site Assumptions

Gross Area	10	hectares
Area developable for housing	6	hectares
Dwellings per ha	39	of which
% of Houses	100%	
% of flats	0%	
% Market homes	70%	
% Shared ownership Homes	9.0%	
% Social Rented Homes	21.0%	

Summary	
Land Price	5,250,000
S106 per dwelling	2,000
Residual Margin	22.6%
NPV	-1,810,099

Summary 2		
Profit on private	20% GDV	£8,058,960
Profit on affordable	6% GDV	£380,786
Equivalent profit on cost		22.19%

Construction costs & sale proceeds

	Nom, Units	Average Size	Net Sellable Area	Cost Sq M	Value Sq M	Total Cost	Total Value
Market Houses	164	120	19656	850	2050	16,707,600	40,294,800
Shared Ownership Houses	21	90	1895	850	1435	1,611,090	2,719,899
Social Rented Houses	49	90	4423	850	820	3,759,210	3,626,532
Market Flats	0	60	0	1400	2450	0	0
Shared Ownership Flats	0	60	0	1400	1715	0	0
Social Rented Flats	0	60	0	1400	1450	0	0
TOTAL	**234**		**25974**			**22,077,900**	**46,641,231**

Land Cost			**Basis of Calculation**
Purchase Price	5,250,000		
Purchase – Fees	105,000	2.00%	On land cost
Stamp Duty	210,000	4.00%	On land cost
TOTAL	5,565,000		

Development Costs				**Basis of Calculation**
Construction Cost	22,077,900			As Above
CIL	1,277,640	65	per sq. m	
S106 Costs	468,000	2,000		Notional contribution per unit
On site secondary Infrastructure	3,500,000	350,000	per ha	Budget per gross hectare
Fees & Other	2,557,790	10.00%		% of construction & on site site works
Cost of Sales	1,208,844	3.0%		% cost per unit of agents, marketing, legal
TOTAL	31,090,174			

Finance & Cash Flow

Interest payable	1,386,175		7.25%	Interest, as per cash flow below.
Sales per quarter	12	dwellings		
Total Sales Period (Quarters)	19.5			
Discount rate per quarter	4.5%			

Total Cost 38,041,349

	Receipts	Land	Cost	Cash Flow	Balance at Start	Interest	Balance at End
Q1		5,565,000		-5,565,000	-5,565,000	-100,866	-5,665,866
Q2			1,594,368	-1,594,368	-7,260,234	-131,592	-7,391,825
Q3			1,594,368	-1,594,368	-8,986,193	-162,875	-9,149,068
Q4	2,391,858		1,594,368	797,490	-8,351,578	-151,372	-8,502,950
Q5	2,391,858		1,594,368	797,490	-7,705,460	-139,661	-7,845,122
Q6	2,391,858		1,594,368	797,490	-7,047,631	-127,738	-7,175,370
Q7	2,391,858		1,594,368	797,490	-6,377,880	-115,599	-6,493,479
Q8	2,391,858		1,594,368	797,490	-5,695,989	-103,240	-5,799,228
Q9	2,391,858		1,594,368	797,490	-5,001,738	-90,657	-5,092,395
Q10	2,391,858		1,594,368	797,490	-4,294,905	-77,845	-4,372,750
Q11	2,391,858		1,594,368	797,490	-3,575,260	-64,802	-3,640,061
Q12	2,391,858		1,594,368	797,490	-2,842,571	-51,522	-2,894,093
Q13	2,391,858		1,594,368	797,490	-2,096,603	-38,001	-2,134,604
Q14	2,391,858		1,594,368	797,490	-1,337,114	-24,235	-1,361,349
Q15	2,391,858		1,594,368	797,490	-563,859	-10,220	-574,079
Q16	2,391,858		1,594,368	797,490	223,412	4,049	227,461
Q17	2,391,858		1,594,368	797,490	1,024,951		1,024,951
Q18	2,391,858		1,594,368	797,490	1,822,441		1,822,441
Q19	2,391,858		1,594,368	797,490	2,619,931		2,619,931
Q20	2,391,858		1,594,368	797,490	3,417,421		3,417,421
Q21	2,391,858		797,184	1,594,674	5,012,095		5,012,095
Q22	2,391,858			2,391,858	7,403,953		7,403,953
Q23	1,195,929			1,195,929	8,599,882		8,599,882
Q24							
Q25							
Total	**46,641,231**	**5,565,000**	**31,090,174**			**-1,386,175**	

HOUSING APPRAISAL : Strategic Site

Note : Entries in **RED** **should be made manually.**
Entries in **BLACK** are derived from forumulae.

Site Assumptions

Gross Area	100	hectares
Area developable for housing	55	hectares
Dwellings per ha	39	of which
% of Houses	100%	
% of flats	0%	
% Market homes	70%	
% Shared ownership Homes	9.0%	
% Social Rented Homes	21.0%	

Summary	
Land Price	45,000,000
S106 per dwelling	8,000
Residual Margin	23.4%
NPV	-5,485,474

Summary 2		
Profit on p	20% GDV	£77,477,400
Profit on a	6% GDV	£3,660,807
Equivalent profit on cost		22.33%

Construction costs & sale proceeds

	Nom, Units	Average Size	Net Sellable Area	Cost Sq M	Value Sq M	Total Cost	Total Value
Market Houses	1502	120	180180	850	2150	153,153,000	387,387,000
Shared Ownership Houses	193	90	17375	850	1505	14,768,325	26,148,623
Social Rented Houses	450	90	40541	850	860	34,459,425	34,864,830
Market Flats	0	60	0	1400	2450	0	0
Shared Ownership Flats	0	60	0	1400	1715	0	0
Social Rented Flats	0	60	0	1400	1450	0	0
	2145		**238095**			**202,380,750**	**448,400,453**

Land Cost

			Basis of Calculation
Purchase Price	45,000,000		
Purchase – Fees	900,000	2.00%	On land cost
Stamp Duty	1,800,000	4.00%	On land cost
TOTAL	47,700,000		

Development Costs

				Basis of Calculation
Construction Cost	202,380,750			As Above
CIL	11,711,700	65	per sq. m	
S106 Costs	17,160,000	8,000		Notional contribution per unit
On site secondary Infrastructure	45,000,000	450,000	per ha	Budget per gross hectare
Fees & Other	24,738,075	10.00%		% of construction & on site site works
Cost of Sales	11,621,610	3.0%		% cost per unit of agents, marketing, legal
TOTAL	312,612,135			

Finance & Cash Flow

Interest payable	3,073,145		7.25%	Interest, as per cash flow below.
Sales per quarter	36	dwellings		
Total Sales Period (Quarters)	59.58333333			
Discount rate per quarter	4.5%			

Total Cost 363,385,280

	Receipts	Land	Cost	Cash Flow	Balance at Start	Interest	Balance at End
Q1		4,770,000		-4,770,000	-4,770,000	-86,456	-4,856,456
Q2			5,246,637	-5,246,637	-10,103,093	-183,119	-10,286,212
Q3			5,246,637	-5,246,637	-15,532,849	-281,533	-15,814,382
Q4	7,525,602		5,246,637	2,278,965	-13,535,417	-245,329	-13,780,747
Q5	7,525,602	4,770,000	5,246,637	-2,491,035	-16,271,782	-294,926	-16,566,708
Q6	7,525,602		5,246,637	2,278,965	-14,287,743	-258,965	-14,546,709
Q7	7,525,602		5,246,637	2,278,965	-12,267,744	-222,353	-12,490,097
Q8	7,525,602		5,246,637	2,278,965	-10,211,132	-185,077	-10,396,209
Q9	7,525,602	4,770,000	5,246,637	-2,491,035	-12,887,244	-233,581	-13,120,825
Q10	7,525,602		5,246,637	2,278,965	-10,841,861	-196,509	-11,038,369
Q11	7,525,602		5,246,637	2,278,965	-8,759,405	-158,764	-8,918,169
Q12	7,525,602		5,246,637	2,278,965	-6,639,204	-120,336	-6,759,540
Q13	7,525,602	4,770,000	5,246,637	-2,491,035	-9,250,575	-167,667	-9,418,241
Q14	7,525,602		5,246,637	2,278,965	-7,139,277	-129,399	-7,268,676
Q15	7,525,602		5,246,637	2,278,965	-4,989,711	-90,439	-5,080,150
Q16	7,525,602		5,246,637	2,278,965	-2,801,185	-50,771	-2,851,956
Q17	7,525,602	4,770,000	5,246,637	-2,491,035	-5,342,992	-96,842	-5,439,833
Q18	7,525,602		5,246,637	2,278,965	-3,160,869	-57,291	-3,218,159
Q19	7,525,602		5,246,637	2,278,965	-939,195	-17,023	-956,218
Q20	7,525,602		5,246,637	2,278,965	1,322,747	23,975	1,346,722
Q21	7,525,602	4,770,000	5,246,637	-2,491,035	-1,144,313	-20,741	-1,165,054
Q22	7,525,602		5,246,637	2,278,965	1,113,911		1,113,911
Q23	7,525,602		5,246,637	2,278,965	3,392,876		3,392,876
Q24	7,525,602		5,246,637	2,278,965	5,671,840		5,671,840
Q25	7,525,602	4,770,000	5,246,637	-2,491,035	3,180,805		3,180,805
Q26	7,525,602		5,246,637	2,278,965	5,459,770		5,459,770
Q27	7,525,602		5,246,637	2,278,965	7,738,735		7,738,735
Q28	7,525,602		5,246,637	2,278,965	10,017,699		10,017,699
Q29	7,525,602	4,770,000	5,246,637	-2,491,035	7,526,664		7,526,664
Q30	7,525,602		5,246,637	2,278,965	9,805,629		9,805,629
Q31	7,525,602		5,246,637	2,278,965	12,084,594		12,084,594
Q32	7,525,602		5,246,637	2,278,965	14,363,559		14,363,559
Q33	7,525,602	4,770,000	5,246,637	-2,491,035	11,872,523		11,872,523
Q34	7,525,602		5,246,637	2,278,965	14,151,488		14,151,488
Q35	7,525,602		5,246,637	2,278,965	16,430,453		16,430,453
Q36	7,525,602		5,246,637	2,278,965	18,709,418		18,709,418
Q37	7,525,602	4,770,000	5,246,637	-2,491,035	16,218,382		16,218,382
Q38	7,525,602		5,246,637	2,278,965	18,497,347		18,497,347
Q39	7,525,602		5,246,637	2,278,965	20,776,312		20,776,312
Q40	7,525,602		5,246,637	2,278,965	23,055,277		23,055,277
Q41	7,525,602		5,246,637	2,278,965	25,334,241		25,334,241
Q42	7,525,602		5,246,637	2,278,965	27,613,206		27,613,206
Q43	7,525,602		5,246,637	2,278,965	29,892,171		29,892,171
Q44	7,525,602		5,246,637	2,278,965	32,171,136		32,171,136
Q45	7,525,602		5,246,637	2,278,965	34,450,101		34,450,101
Q46	7,525,602		5,246,637	2,278,965	36,729,065		36,729,065
Q47	7,525,602		5,246,637	2,278,965	39,008,030		39,008,030
Q48	7,525,602		5,246,637	2,278,965	41,286,995		41,286,995
Q49	7,525,602		5,246,637	2,278,965	43,565,960		43,565,960
Q50	7,525,602		5,246,637	2,278,965	45,844,924		45,844,924
Q51	7,525,602		5,246,637	2,278,965	48,123,889		48,123,889
Q52	7,525,602		5,246,637	2,278,965	50,402,854		50,402,854
Q53	7,525,602		5,246,637	2,278,965	52,681,819		52,681,819
Q54	7,525,602		5,246,637	2,278,965	54,960,783		54,960,783
Q55	7,525,602		5,246,637	2,278,965	57,239,748		57,239,748
Q56	7,525,602		5,246,637	2,278,965	59,518,713		59,518,713
Q57	7,525,602		5,246,637	2,278,965	61,797,678		61,797,678
Q58	7,525,602		5,246,637	2,278,965	64,076,643		64,076,643
Q59	7,525,602		5,246,637	2,278,965	66,355,607		66,355,607
Q60	7,525,602		5,246,637	2,278,965	68,634,572		68,634,572
Q61	7,525,602		3,060,538	4,465,064	73,099,636		73,099,636
Q62	7,525,602			7,525,602	80,625,238		80,625,238
Q63	4,389,935			4,389,935	85,015,173		85,015,173
Q64				0	85,015,173		85,015,173
Q65				0	85,015,173		85,015,173
Q66				0	85,015,173		85,015,173
Q67				0	85,015,173		85,015,173
Total	**448,400,453**	**47,700,000**	**312,612,135**			**-3,073,145**	