

## Executive Summary

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### Local context and review

1. Fenland District Council (FDC) is considering the potential introduction of a Community Infrastructure Levy (CIL). The Council's review scope includes its wider approach to seeking developer contributions towards infrastructure provision. These are the main planning system tools available as means to help fund infrastructure associated with development (housing and other relevant types).
2. The new development is that based on the delivery of the development plan for the district: the 'Fenland Local Plan'. The Local Plan was adopted by the Council in 2014 and will be a key tool in guiding how the district will develop over the period to 2031.

*See report sections 1.1 to 1.3. Chapters 2 and 3 go on to explain how the context informs the consideration of assumptions and review of results.*

### CIL background

3. A CIL allows local authorities to raise funds from new developments taking place in their area, essentially as a form of tariff. In this case, Fenland District Council would be the CIL charging authority if it decides to pursue this.
4. The introduction of a CIL is optional. Where introduced, it is largely a replacement for the current system of section 106 ('s.106') or equivalent planning agreements, although even where a CIL is set up, s.106 will continue to be the means of securing developers' planning obligations on affordable housing and any other site-specific requirements. Where a CIL is not put in place, s.106 will continue to be the primary means of securing developer contributions.
5. CIL is a fixed charge, once set, that is levied on new developments of 100 sq. m or more in floor area; and new dwellings of any size. It is charged at a £/sq. m (£ per square metre) rate (the 'CIL charging rate' or 'CIL rate'). There are some types of development that receive relief from charging through the regulations. Affordable housing, self-build homes and development by charities are not charged. The fixed,

non-negotiable nature of CIL is a key factor that means the level of charging needs to be considered very carefully.

6. The CIL rate or rates must be set at a level that means development across the area as a whole will not be put at risk. Development on the whole should remain viable and be capable of coming forward with any selected CIL rate(s) in place. In turn this means that the viability of development must not be taken to the limits in order to support CIL charging. 'Viable' (or 'viability') here means workable development in a financial sense. A viable development is one where the completed sale value is sufficient to support all of the development costs - including an appropriate land value and development profit.
7. Where a CIL is put in place, a 'charging schedule' will be set out and subject to consultation processes followed by independent examination. For chargeable developments, variable charging rates may be set according to the use of the development, its scale and location; where one or more of those factors creates a clear difference ('differentiation') in how viable the form of development is.
8. So, in order to set up a CIL, the Government's CIL Regulations (as updated in 2014) require that Councils consider evidence of the local infrastructure that will be needed to support new development (to ensure that a funding gap exists so as to justify the need for a CIL) and evidence on the viability of development in their area (based on the policies of an up to date plan).

*See report sections 1.1 and 1.3.*

### **Viability assessment**

9. An assessment of viability is therefore required. This summary provides a very brief overview of the viability assessment process and report completed by Dixon Searle Partnership (DSP) for Fenland District Council. The full report will need to be read by those interested in the detail. It is essentially a scoping report to provide the necessary viability information and to help inform the Council's wider consideration of how best to support new development with infrastructure funding - secured either through s.106 or equivalent agreements (the current mechanism for securing planning obligations) and / or a CIL.

10. DSP is an experienced consultancy working daily with local authorities on viability matters from site-specific cases to strategic level studies such as this. DSP assessments have helped enable a number of Councils' progress through the CIL setting process and this experience is brought to bear here.
11. This assessment essentially considers the scope, from the viability findings, for a Fenland CIL at the current time. It provides our findings and recommendations on that scoping and the detail that comes out of it in relation to various development uses and associated charging rates potential.
12. The assessment, in common with others found to provide robust and appropriate viability information to inform the CIL setting process, uses the principles of 'residual valuation' in a very large number of appraisal calculations to investigate the all-important strength of relationship between the sales values and development costs.
13. The costs are deducted from the estimated value, and any surplus (hence 'residual') is viewed as the amount left over for land purchase. This 'residual land value' ('RLV') is then considered against some form of benchmark land value / comparison (effectively a target), being the estimated level beneath which the site would not be released for development. Where the scheme appraisal RLV exceeds the land value comparison, the headroom provides the scope for considering CIL funding and its level. This is not a precise exercise and involves suitable information review, estimations and judgements in order to consider the appraisal inputs (assumptions) and to assess the results.

*See report Chapters 1 and 2; particularly section 2.1 on residual valuation principles.*

### **Fenland findings – outline**

14. Overall, from the residential review, we found viability to be quite finely balanced for the scheme types and main locations (principally the four towns of March, Chatteris, Wisbech and Whittlesey) most relevant to the overall Fenland Local Plan picture. This is because the sales values available to support the great majority of the planned development are at a level that begin to support the bringing forward of

schemes. However, in the main, once other development costs are factored-in using appropriate assumptions for CIL setting (such as assumed land costs, development profits and affordable housing), the outcomes do not in our view provide sufficient headroom to support clear CIL charging scope at the present time.

15. The nature of CIL setting considerations and the associated guidance is key here as the relevant context, as opposed to necessarily the scheme to scheme outcomes that are seen in practice. This scoping assessment has been undertaken to consider the potential suitability of a CIL in the current local circumstances, and it is not intended as a guide to site-specifics. As elsewhere, the local market is picking up. We consider that development will come forward in Fenland, consistent with current signs. However at the current time, we found the most important areas of the outcomes likely to be too sensitive to added cost in the form of a fixed CIL charge at any meaningful level.
16. Thus at the present time, the broad scoping picture relevant to a local CIL is that, apart from in a few higher value smaller settlements, DSP considers there to be insufficient viability scope to clearly and reliably support a meaningful CIL charge from new housing development. We consider that the progression of developments contributing to the Local Plan delivery would at this stage, and during the likely life of any first charging schedule, be better supported by the continued and honed use of s.106 than through the CIL regime; refreshing of the approach to s.106 would be more positive.
17. Likewise, the CIL charging scope related to local commercial / non-residential development uses is also considered to be very limited; to larger format retail such as supermarkets and similar developments only.
18. All in all, the view gleaned from our findings is that at the current time any Fenland CIL would, if introduced, need to be very narrow in scope. Therefore the set-up and any other additional costs (which we understand from initial estimates could be up to around £100,000 per annum) would need to be considered carefully alongside its likely modest revenue outcomes. On the revenue side of this, it appears that the potentially chargeable development types (e.g. any larger format retail and residential limited to a few villages) are not of key relevance in the CIL context of the

development of the area as a whole, and in our opinion do not provide a sufficiently significant and predictable source of community infrastructure income.

19. At the present time, in summary, CIL does not appear to represent the most appropriate or efficient route to take in Fenland. Subject to the Council's further consideration, alternative arrangements appear to offer a better solution, principally through the continued use of S.106.
20. The pooling of s.106 contributions is restricted by the CIL regulations, so that more detailed management of their use will be needed. The Council is, however, looking to develop and clarify its use of s.106 in any event - through further guidance currently being considered.
21. All in all, providing the pooling restrictions are adequately managed, the continued use of s.106 looks likely to provide a more flexible and productive mechanism for securing any necessary planning obligations alongside affordable housing in Fenland's case.
22. These recommendations from the viability assessment are not applicable long term. Although a CIL is to be based on the development plan, as elsewhere that has a very long timeframe in relation to assumptions necessarily made now in terms of property markets and movements, development costs and technical requirements, etc.
23. Typically a first CIL charging schedule is expected to have a life of say 2 to 5 years maximum, so that in any event the CIL charging scope is recommended for review over that sort of timescale. The need for review is a positive recommendation and is applicable either in the case of FDC not pursuing CIL now, as recommended given the viability findings, or the alternative of seeking to set to a narrowly scoped CIL at this time.
24. There is no specified review period or particular standard practice emerging on this to date. The market as well as Government policy and other influences will act together to determine how viability outcomes change over time. Whilst a particular point in time or period will not in itself determine that review will mean different

outcomes overall, a period of say 3 years at this stage seems a reasonable interval at which to consider a review.

25. In our view it might well be possible to review the planning obligations / CIL charging scope on a relatively “light touch” type basis, initially at least; to first explore any change in key indicators such as development values and build costs and the likely effect of those relative to the picture seen now.

*See Chapter 3 for detailed findings discussions. A summary of key findings and CIL scope recommendations is provided at section 3.10 (including in table form for a quick overview at Figure 14 – 3.10.17)*

**Executive Summary to Viability Scoping & Assessment report ends – (DSP v7 - Final).  
September 2014.**