

**South Cambridgeshire District Council  
Community Infrastructure Levy  
Viability Assessment**

DSP ref: 12139

**Further Briefing Note  
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## **Briefing Note – South Cambridgeshire District Council (SCDC) – Community Infrastructure Levy (CIL)**

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- 1.1 This Briefing Note aims to provide an outline of the emerging updated outcomes of the Community Infrastructure Viability Study to date. This note follows both initial reporting to the Council by DSP<sup>1</sup>, a meeting held with Council Officers on 26<sup>th</sup> March 2013, follow-up note dated March 2013 and series of subsequent discussions between SCDC officers and DSP. As such the detailed background, methodology and results are not included in this Briefing Note. Its purpose is to update with DSP's latest indications on the potential options available to the Council in adopting a Community Infrastructure Levy (charging rate(s) scope and any differentiation).
- 1.2 During the most recent discussions with officers, in order to provide the necessary comprehensive viability information to test and support the local plan the current viability work is to be developed into a wider study; relating to the plan and CIL. As CIL should be based on an up to date Plan, it is considered appropriate to aim to align the CIL preparations with the consultations on the Plan – so that the two could be examined more closely together; and to make the new Plan the basis for CIL. As a form of contingency plan, the former CIL route (i.e. CIL based on the adopted Plan) is also to be kept live, so that the Council has information available to support CIL in the event of delays to the new Plan or a need to progress CIL in advance of that. The Government's recent consultation on further CIL reforms is very likely to mean that the deadline for pooling restrictions on s.106 is likely to be extended to April 2015 (from April 2014). With this in mind, several of DSP's clients are now doing more "taking stock" with their CIL preparations, and DSP understands that some other authorities are doing the same.
- 1.3 This added viability review work now means that we are working on and providing here emerging CIL findings based on: "route A" – New Plan; and "route B" – adopted plan.
- 1.4 Please note that any findings and emerging results are subject to further review and alteration as discussions on key input assumptions continue with Council Officers. They should not be published at this stage. A key point here is that, following the most

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<sup>1</sup> SCDC - CIL Viability Assessment - DSP Interim Statement Feb 2013

recent discussions and extended scope of the viability work, the updated emerging CIL findings (so far as they relate to the new Local Plan – main CIL route) may be subject to review following the viability study work that is due to get underway to support the Local Plan.

#### Residential and Commercial / Non-Residential Development - Overview

- 1.5 The modelling carried out for this study so far has indicated that, at a high level, there is scope to charge a levy on residential and on retail forms of development only. At this stage we would recommend that for all other forms of development, a zero rate is applied across the District. These key findings remain the same – as previously reported.
- 1.6 For retail development, the current results indicate that there is no significant difference in viability geographically within the District, especially as any new retail development may be on an ad hoc basis and limited to a small range of locations. However, potentially the Council could differentiate by form of retail development (as at 1.7 below). This area is highly topical and will need to be discussed further with officers. DSP has experience of successfully supporting differential retail charging rates, although the very recent trend has been towards authorities not differentiating. Amongst the Governments reform consultations was a proposal to allow differentiation by scale of development, so this scope may be clarified in the coming months.
- 1.7 For large supermarket / retail warehouse development the potential CIL could be set in the region of £125/sq. m. For small convenience based retailing and potentially other forms of comparison retailing (of the type likely to come forward in village centres, shopping parades etc.), the CIL charge should be set at a rate significantly below this level – in the range £0 - £75/sq. m. For any town centre type retail development, not considered plan relevant in South Cambridgeshire, we would increasingly expect to see a nil (£0/sq. m) charging rate owing to poor viability apart from in prime centres, looking at it now.

#### More on Residential Development – General

- 1.8 As previously reported, for residential development, the options for a robust CIL charging schedule and associated delivery are more complex. The eventual CIL charging rate(s) and any variation(s) to those are linked closely to the Development South Cambridgeshire DC – CIL Viability Assessment – June 2013 Briefing Note (Job No. DSP12139)

Plan basis for CIL; as above, whether the adopted Plan or the emerging Local Plan. Overall, the range of CIL rates considered viable by DSP are from £0 - £125/sq. m dependent on site type and location in the District. These overall parameters are as reported previously. The selection of rates within this potential scope is therefore going to be highly dependent on the site / scheme types and locations that are planned to provide the growth that CIL is intended to support as far as development viability will permit; viewed in balance with the infrastructure requirements.

- 1.9 Location (i.e. the expected distribution of development) is so important amongst these factors. This is due to the varying strength of the housing sales, by location, that are available to support a reasonable level of CIL without putting the delivery of sites (and ultimately either the existing or emerging development plan) at risk vary. Very broadly, values that could support the higher end of the CIL range mentioned above can be around the Cambridge fringe and in the southern parts of the District. However, the values are highly variable, so that quite a patchy effect results from attempting to “map” the values – there is a lot of blurring. Further review has not changed our overview of this picture and has led to a reinforced view that in South Cambridgeshire there would need to be too many differentials “zones” and too complicated an approach to CIL if we were to seek to reflect the detailed values patterns. That would be impractical, not justified and not in-keeping with CIL principles. Instead, a simpler approach (involving no or limited differentiation for residential CIL charging) is considered appropriate and more in-tune with the evidence and principles.
- 1.10 In further updating its emerging findings for CIL, DSP has therefore first considered the housing development locations that we have understood to be relevant to the emerging Local Plan. The implications of basing CIL on the adopted plan are then outlined below as well.

#### Residential - Emerging Development Plan (Potential CIL “route A”)

- 1.11 Considering viability for CIL is not a site-specific based exercise; rather it is a Plan based high level overview. However, the types and locations of development planned to come forward need to be considered. The Plan relevance for CIL and most up to date approach (hence now the preferred “route A” CIL approach) therefore involves considering development viability conditions as may be encountered in circumstances similar to / reasonably representative of the 4 large scale development locations and the 9 village location sites identified in the Council’s current stage emerging Plan and

housing trajectory information. Those are as per the information supplied to the Council’s Planning Policy and Localism Portfolio Holder meeting on 11th June 2013 (particularly the Agenda supplement – Appendix C1). For ease of reference, the village sites / locations are as follows:

<b>Village</b>	<b>Address</b>	<b>Dwellings</b>
Sawston	Dales Manor Business Park	200
Sawston	Land South of Babraham Road	260
Sawston	Land North of Babraham Road	80
Impington	Land North of Impington Lane	25
Melbourn	Land West of New Road	65
Gamlingay	Green End Industrial Estate	90
Comberton	Land at Bennell Farm, West Street	90
Willingham	East of Rockmill End	50

1.12 The strategic sites (new allocations) proposed are at NIAB 3 (100 dwellings), Waterbeach new town (1,400), Bourn Airfield new village (1,470) and West of Cambourne (1,500). We also note a likely on-going role for Cambridge fringe (‘Edge of Cambridge’ sites) although given their progress / timing in most cases those have not so far been a particular focus for this stage of CIL work. DSP may need the role of the latter to be clarified as our viability work progresses but, in any event, we are very likely to conclude that any sites contiguous to or overlapping the City boundary / adjacent to its fringe would need to be treated for CIL charging purposes at the Cambridge City CIL rate following DSP’s viability study for the City Council and CIL consultations ; £125/sq. m or as may be updated following consultation / examination. This can be evidenced, given no real values, affordable housing or other key distinctions either side of the boundary (subject to South Cambridge DC viability evidence forthcoming on the new Local Plan proposals). We envisage this latter component needing to be within any final CIL proposals for the District.

1.13 The emerging stage results relating to CIL based on the new (emerging) Plan are as contained within new draft Appendix IIa (Tables 1a to 1j) – made available with this note. As with other aspects, DSP will keep under review its assumptions and approach

as we continue with our next stage work on the emerging Local Plan viability. Amongst these aspects, we may review to some extent the land value comparisons / benchmarks ('viability tests' seen at the foot of the Appendix II tables) whilst making sure that those are not under-stated.

- 1.14 As reported previously, we can confirm it is likely that for large scale strategic development such as that noted at 1.12 above a zero rate (£0/sq. m) would be applied for CIL given the nature of the sites and the significant on-site infrastructure requirements / site-specific mitigation that is typically required; as fits the Council's delivery experience of such schemes to date and the emerging viability evidence.
- 1.15 For the village sites based part of the emerging Plan approach we have considered the likely strength of the relationship between the development (completed sales) values – GDVs – and the development costs. As above, and as appropriate to the overview for CIL, this has been based on a notional scenarios approach; with the scenarios and the review of current stage results (all to be confirmed) informed as far as possible by information provided by officers (e.g. SHLAA related) and the general site characteristics.
- 1.16 In respect of the villages sites, given the general bias towards relatively small scale and non-complex greenfield development, we have found most to be viable and to look capable of supporting the affordable housing requirements provided that CIL is not set at more than approximately £125/sq. m. However, amongst the list at 1.11 above, we consider at this stage and need to indicate that there are 3 of these sites that do not look to be viable with 40% affordable housing and any level of CIL charging. This is due to the sales values not being strong enough to support these requirements and other development costs collectively, whilst also producing a land value sufficient to recognise their PDL status and existing / potential for commercial or other use. This contrasts with the greenfield development representative outcomes, where a lower level of land value expectation is likely to be relevant.
- 1.17 From review of our wide range of findings, the potential village sites that look to be falling into this category of being unable to support CIL (at any level) are those at Sawston (PDL site – Dales manor Business Park), Gamlingay and Willingham. As above and common with all aspects of this, these findings are based on emerging policies so far as we understand those to date, and subject to viability review of those.

- 1.18 At the site delivery stages, in all cases it is necessary for the Council to operate certain policies with flexibility where viability evidence shows such an approach to be necessary. That type of approach will need to be recognised through the Local Plan development stages and viability review, but cannot be relied upon for the purposes of informing or considering CIL charging rates. Therefore, our findings here, related to full policy targets application, will need to be taken on board for CIL. This means that the Council will need to consider the overall relevance of the potential risk to the delivery of the Plan that flows from these sites not being evidenced as viable with full policies applied and say a £125/sq. m CIL charging rate (if such a rate is to be selected on a district-wide basis).
- 1.19 So, subject the further review and the comments made at 1.18 regarding the overall Plan relevance of the potentially non-viable sites (meaning non-viable with full policies and CIL), we have identified confirmed potential for a single CIL charging rate not exceeding £125/sq. m.
- 1.20 Within this, and subject to the likely required common denominator of a Cambridge City level rate (£125/sq. m or alternative TBC consistent with the City Council's final position), the Council could consider a slight "cooling" of its CIL charging rate away from the City fringe. Looking at CIL viability is not an exact science by any means, but such an approach would carry with it different perceptions from the development industry and most organisations that will respond through the consultation process. For the Council's suggested consideration as an option, for example, a charging rate of £100/sq. m would offer more buffering and would be between the rates adopted in areas such as East Cambridgeshire / Huntingdonshire and the currently proposed City of Cambridge rate of £125/sq. m. The £125/sq. m in South Cambridgeshire would effectively be set knowing that some sites would not work (which would have to be proved satisfactory, on balance) whereas in a Cambridge City context, the rate has been judged according also to lower value circumstances rather than pushed up across the piece of in parts to meet the viability capabilities of the more valuable scenarios. Of course the key, and the requirement, is to seek the right balance locally. However, this aims to provide added context for consideration, whilst acknowledging that there cannot be a variant approach on any CIL applicable abutting / joint sites.
- 1.21 In this wider context, and as per previous comments by DSP, the Council will need to bear in mind the latest CIL Guidance (December 2012 > consolidated April 2013) including importantly that it states *'the levy is expected to have a positive economic*

*effect on development across an area’ and that ‘the ability to develop viably the sites and the scale of development identified in the Local Plan should not be threatened’<sup>2</sup>.*

This more positive test is now an aspect to consider.

1.22 Whilst the Council considers these potential options, DSP will continue to liaise with the relevant Council Officer’s to ensure that any additional development appraisal modelling that takes place includes up to date assumptions. This will include areas such as dwelling mix, affordable housing mix and, potentially, any potential policy impacts from the emerging development plan (either through growth option outcomes or changes to other specific polices that may have a viability impact).

### Residential - Existing Development Plan

1.23 Essentially the viability only perspective of the adopted local plan remaining delivery is really that the findings and current stage suggestions are as those noted above for the emerging plan, i.e. consideration of the Cambridge fringe as per the City Council’s position; consideration of a nil CIL (£0/sq. m) rate for strategic scale development (particularly Northstowe remainder if relevant to CIL); consideration of up to a £125/sq. m charging rate for the remainder provided that it can be shown that the plan delivery as a whole is not being compromised by such an approach.

1.24 Draft Appendix IIb covers the existing Plan assumptions based scenarios – tables 2a to 2j.

1.25 The same (as noted at 1.23) applies with respect to commercial / non-residential development uses under a contingency approach linked instead to the adopted Plan.

1.26 Under the existing / adopted development plan there are essentially four sites remaining to be delivered, together with any ad hoc (windfall) developments:

- Cambridge East (Part of)
- Northstowe (remainder)
- Darwin Green (NIAB2)
- Fulbourn (Ida Darwin)

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<sup>2</sup> DCLG – Community Infrastructure Levy Guidance (December 2012)



- 1.27 Although it is very possible that some or most / all of these sites may come forward through the existing s.106 process, should these sites basically form the remaining, undelivered capacity then the CIL charging schedule would need to be based on these if following this route. One option would be to set CIL rates at up to the levels discussed above (up to £125/sq. m) across the District with the probable exception of Northstowe. This is on the basis that any other site coming forward for development would not be relevant to the plan (on a proportion of overall delivery or similar basis) and as such could potentially be made unviable by a higher CIL rate without prejudicing the whole. Alternatively, a dual rate approach could be set out broadly reflecting the lower values that have previously been observed in the District's northern areas (through a lower or potentially nil rate with 40% affordable housing there) – i.e. looking at remaining planned delivery but also reflecting viability issues that may come forward from windfall sites. In any event, under this route Northstowe is likely to need to be treated differently from other forms of development given the scale of development and the on-site infrastructure required (we understand for example that Phase 1 is set to provide in the order of 20% affordable housing along with £20,000/unit s.106). At these levels, and remembering that for CIL rate setting purposes no reduction in affordable housing / negotiation can be accounted for, it is unlikely that any level of CIL would be viable.
- 1.28 Once again the key question for the Council in interpreting the viability information, and reviewing this alongside the wider picture of growth and the related infrastructure requirements, will be the nature and distribution of development that is giving rise to the need for CIL in the first place. One of DSP's concerns with CIL linked to the adopted plan, and one of the drivers for now considering both routes as outlined above (along with the requirement for an up to date Plan basis), is the limited scale of remaining development under that plan and therefore the potential for querying of the drivers for implementing CIL based on it.

**Updated CIL emerging findings briefing note ends.**

**June 2013.**